

Regulation Outlook



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Marketing and Communication Department
Management Solutions

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

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

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Executive Summary

The last quarter of 2023 was particularly fruitful in terms of new regulatory developments and reviews of the level of implementation of key standards such as RDA&RR and IFRS 9. A general momentum in sustainability is observed at global, European and local levels. On the technological front, it highlights the development of guides and standards for cryptoassets and digital operational resilience at a global and European level...

Global publications

- **Consultation paper of disclosure of climate-related financial risks (Pillar 3 Climate).** This is the first standard for qualitative and quantitative disclosure of physical and transitional risks by the Basel Committee. Comments should be submitted by 29 February 2024. (BCBS, December 2023).
- **Consultation Document on the recalibration of shocks for interest rate risk in the banking book (IRRBB).** It also proposes to make specific adjustments to the current methodology used to calculate the shocks. The consultation will be open until 28 March 2024. (BCBS, December 2023).
- **Report with the progress in adopting the principles for effective risk data aggregation and risk reporting (RDA&RR).** The report provides an update on the progress made by the 31 global systemically important banks, and it is based on a common assessment template that supervisors of the individual jurisdictions completed based on data as of June 2022. (BCBS, November 2023).
- **Consultative Document on Disclosure of Cryptoasset Exposures.** The publication of this document is intended to reduce the information asymmetry between banks and market participants on banks' exposures to cryptoassets. (BCBS, October 2023).

European Region

- **SSM supervisory priorities 2024-2026 and its assessment of risks and vulnerabilities.** These priorities promote effectiveness and consistency in the supervisory planning of the Joint Supervisory Teams (JSTs) and support a more efficient allocation of resources, in line with the setting of the corresponding risk tolerance levels. In addition, they also help national supervisors set their own priorities for the supervision of less significant institutions in a proportionate way. (ECB, December 2023).
- **Second monitoring report on the implementation of IFRS 9 by EU financial institutions.** Compared to the previous one, published in November 2021, this report focuses on HDP portfolios and aims to promote further improvements in ECL model practices among EU institutions, ensuring transparency on the main areas of concern previously identified by the EBA (EBA, November 2023).
- **Template Guidelines for collecting climate-related data from EU banks as part of the Fit-for-55 single climate risk scenario analysis.** The objective of the document is to provide both definitions and technical guidance to participating banks for completing the set of templates for the Fit-for-55 one-off climate risk scenario analysis exercise. (EBA, November 2023).
- **Detailed regulatory technical standards (RTS) and guidelines on Asset-Related Tokens (ART) and Issuers of Electronic Money Tokens (EMT).** These publications develop standards for the issuance and services associated with tokens, ensuring their proper functioning and the mitigation of associated risks. (EBA, November 2023).

Executive Summary

...The White House issued an Executive Order on the Safe Secure, and Trustworthy Development and Use of AI. There were also regulatory developments in capital and liquidity in Brazil, Colombia, Peru and Chile, both in terms of adjusting requirements and advancing the self-assessment of capital and liquidity

- **Report on the role of environmental and social risks in the prudential framework**, on specific recommendations to accelerate the integration of environmental and social risks into Pillar 1 (EBA, October 2023).
- **[UK] Set of papers on the proposed approach to the regulation of stablecoins**. A first discussion paper on phase 1 of the regulation of cryptoassets; a discussion paper on the regulatory regime for systemic payment systems using stablecoins and related service providers; and a joint roadmap on payment innovation. (BoE, November 2023).
- **[BR] Resolution on the preparation and disclosure of financial information reports related to sustainability**, based on the international standard issued by the ISSB. The voluntary disclosure of financial information is regulated in it, covering aspects of the report such as periodicity, preparation, and the requirement for verification by an independent auditor. (CVM, December 2023).
- **[CL] Public consultation on adjustments to chapter 21-13 of the updated set of standards for banks**. The objective of the consultation is to generate new guidance in line with the post-development review of the standard, as well as to facilitate the supervisory process and clarify certain aspects of the capital assessment process. (CMF, December 2023).

American Region

- **[US] Principles for climate-related financial risk management for large financial institution**. The principles are substantially similar to the draft and address the physical and transitional risks associated with climate change (Fed, October 2023).
- **[US] Executive Order on the Safe, Secure, and Trustworthy Development and Use of AI** in order to navigate AI's impact across sectors and to help agencies and consumers harness the benefits of AI while mitigating risks. (WH, October 2023).
- **[BR] Resolution on the procedures for the calculation of the part of RWA related to the calculation of the capital requirement for the RWAOPAD approach**. The Resolution is addressed to financial institutions and other institutions authorised to operate by the BCB and enters into force on 1 January 2025. (BCB, December 2023).
- **[CO] External Circular issuing instructions on the stress testing scheme (EPR) and the implementation of the capital (PAC) and liquidity (PAL) self-assessment programmes**. The objective of the Circular is to adopt the BCBS recommendations, so that supervised entities implement an adequate EPR, PAC and PAL testing scheme. (SFC, November 2023).
- **[PE] New Regulation for Liquidity Risk Management**. It regulates aspects of the internal environment of liquidity risk management, including the identification, measurement, evaluation, and treatment of liquidity risk. (SBS, December 2023).

Regulatory outlook

In Europe, regulatory developments with significant technology implications are expected, such as the final version of the Artificial Intelligence Act (AI Act) and EIOPA's review of the digital transformation strategy. In the UK, a consultation on disclosure of climate transition plans is planned.

Featured regulatory projections

1. Next quarter

- **(Global) Q1 2024:**
 - 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).
 - IOSCO: Consultation paper on voluntary carbon markets.
- **(Europe) Q1 2024:**
 - EP/Council: Regulation laying down the requirements for artificial intelligence (AI Act).
 - ESAs: First set of rules under DORA for ICT and third-party risk management and incident classification¹.
 - EBA: i) 2023 benchmarking report on IRB models; ii) Monitoring report on capital treatment of STS synthetics; iii) Monitoring report on collateralisation practices; iv) Final guidelines on ESG risk management²; v) ITS uniform disclosure formats on market risk³.
 - EIOPA: Review of the digital transformation strategy, integrating it with the data and IT strategy, the SupTech Strategy and partially also the cyber underwriting strategy.
- **(UK) Q1 2024:**
 - UK.gov: Consultation on the introduction of requirements for the UK's largest companies to disclose their transition plan to net zero, if they have them.
- **(US) Q1 2024:**
 - Fed: Conclusions obtained from the Pilot Climate Scenario Analysis Exercise (CSA).

2. Next year

- **(Global) Q4 2024:**
 - BCBS: i) Assess the materiality of gaps in the existing Basel framework; ii) final proposal for the document on disclosure of climate-related financial risks.
- **(Europe) 2024:**
 - EBA: i) Third revision of the SREP guidelines; ii) CP on GL for climate stress testing; iii) greenwashing report; iv) ITS on ESG reporting; v) RTS on assessment of ESG risks; vi) RTS on ESG disclosures for STS securitization; vii) review of RTS on sustainability disclosures PAI indicators; viii) Final report on prudential treatment exposures; ix) Guides on cryptoassets classification; x) RTS on off-balance sheet items.
 - EBA/ESMA: report on minimum haircut floor.
 - ECB: Final guide on effective risk data aggregation and risk reporting (RDARR).
 - 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 DORA⁴ including as relates to ICT risk management and third party risk management under DORA; 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; vii) RTS on the minimum elements that should be included in a business reorganisation plan; viii) Revision of RTS on securitisation disclosure requirement (CP); ix) Initiate one-off climate change stress test in cooperation with ESRB, ECB, EBA, ESMA.

¹ Published on 17/01/2024

² Published on 18/01/2024

³ Published on 11/01/2024

⁴ Draft RTS and ITS published on 19/06/2023

- **(Europe) Q2 2024:**
 - EBA: RTS on extraordinary circumstances for being permitted to continue using the IMA.
 - EBA: GL stress testing (MiCAR).
 - EC: Final version CRR III and CRD VI.
- **(Europe) Q3 2024:**
 - EBA: CRR II / CRD V and CRR III / CRD VI / Basel III monitoring report (annual report).
- **(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) December 2024:**
 - EC: Sustainability Due Diligence Directive.
- **(UK) 2024:**
 - UK.Gov: Consult on the UK Green Taxonomy.
- **(UK) H1 2024:**
 - FCA: Consultation on updating its TCFD-aligned disclosure rules to refer to anticipated UK-endorsed ISSB Sustainability Disclosure Standards.
- **(UK) December 2024:**
 - BoE: Report with the final results of the BoE's Exploratory Scenario Exercise (SWES).

3. More than a year

- **(Europe) 2025:**
 - EIOPA: i) Implementation of a cyber incident reporting system - Centralised data centre.
 - ESAs: Establishment of the EU-wide Oversight Framework of critical ICT third-party service providers.
 - EBA: i) Publication of the first results of the exercise using the final templates for the collection of EBA climate-related data; ii) Adequacy of PD/LGD input floors of credit risk; iii) RTS on Equity positions (TB-BB Boundary); iv) GL CVA risk for supervisors and RTS.
- **(Europe) 1Q 2025:**
 - EBA: results on Fit-for-55 climate risk scenario analysis.
- **(Europe) 2026:**
 - EBA: Report to EC on revised Operational Risk

Application dates

1. Next quarter

- **(Europe) January 2024:**
 - ECB: In line with its supervisory expectations on strengthening resilience to immediate macro-financial and geopolitical shocks, significant institutions are expected to 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.
 - EBA Guidelines on resolvability.
 - EBA final guidelines on transferability.
 - CSRD: application for companies already subject to the NFRD and Implementation of the Delegated Act of the EC by which the first set of ESRS is adopted.
 - CSRD: application for companies already subject to the NFRD and Implementation of the EC Delegated Act adopting the first set of ESRS.
 - MiCA Regulation of the EP/Council.
 - EC Delegated Act on Environmental Taxonomy.
- **(Europe) February 2024:**
 - General application of the Digital Services Regulation (derogations applicable from November 2022).
- **(Europe) December 2024:**
 - Implementation of the EBA Guideline on ML/TF Risk Factors to include crypto-asset service providers (CASP).
- **(UK) January 2024:**
 - Entry into force of the PRA reporting requirement for firms subject to a minimum leverage ratio requirement (LREQ).
- **(Peru) January 2024:**
 - Amending Resolution on prudential measures applicable to Financial and Mixed Conglomerates.
- **(Brazil) January 2024:**
 - Resolution establishing the accounting concepts and criteria applicable to financial instruments.

2. Next year

- **(Europe) Q2 2024-Q3 2024:**
 - Implementation of ESMA stress test exercise for central counterparties (CCPs).
- **(Europe) May 2024:**
 - Entry into force of the rule against greenwashing.
- **(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.
- **(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.
 - EBA Risk Based Supervision Guidelines.
 - Implementation of the European Green Bond Regulation.
- **(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.
- **(Chile) April 2024:**
 - Entry into force of the changes introduced as a result of the public consultation on adjustments to chapter 21-13 of the Updated Compendium of Banking Standards.

3. More than a year

- **(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.
 - Implementation of the BCBS requirements on the Disclosure of Cryptoasset Exposures.
 - Entry into force of BCB Regulatory Instruction N° 426-433 on 1/12/2023.
- **(Europe) September 2025:**
 - Regulation on harmonised rules for fair Access and use of data.
- **(Europe) January 2026:**
 - CSRD: implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(Europe) Q3 2026**
 - End of the validity of Royal Decree 817/2023 on the controlled environment for Artificial Intelligence testing.
- **(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 of the changes resulting from the CP on Solvent exit planning for non-systemic banks and building societies.
- **(Brazil) January 2025:**
 - Regulatory instruction defining the accounting elements of the Realisable Assets group of the list of accounts of the Accounting Standard for Institutions Regulated by the BCB.
 - Resolution on the establishment of the procedures for the calculation of the portion of risk-weighted assets (RWA) related to the calculation of the capital required for operational risk using a standardised approach (RWAOPAD).
- **(Colombia) January 2025:**
 - First, second, third and fourth instructions of the External Circular on EPR scheme instructions.

Relevant publications

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

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

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

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

Index of this quarter's most important publications

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Relevant publications

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Relevant publications

Global



CL

16/10/2023

BCBS - Report on the 2023 banking turmoil

1. Context

The March 2023 banking turmoil has been the most significant system-wide banking stress since the 2008 Great Financial Crisis (GFC) in terms of scale and scope. Silicon Valley Bank (SVB), Signature Bank (SB), Credit Suisse (CS) and First Republic Bank (FRB) failed within a month. The bank failures triggered a broader crisis in confidence in the resilience of banks, banking systems and financial market across multiple jurisdictions. In response, wide-scale public support measures were deployed by some jurisdictions to mitigate the impact of this stress.

In this context, the BCBS undertook a stocktake of the regulatory and supervisory implications of the turmoil in a timely and thorough manner, with a view to learning lessons and has published a **report on the 2023 banking turmoil**. This report provides an assessment of the causes of the banking turmoil, the regulatory and supervisory responses and the initial lessons learnt. In addition, the FSB has published the **2023 Bank Failures report**, in which it develops the preliminary lessons learnt for resolution from the 2023 banking crisis.

2. Main points

- **Lessons learnt and takeaways for supervision**
 - Analysis of banks' business models, including the identification of outliers, remains a core component of supervision. It is important that supervisors consider: i) how to assess the viability and sustainability of banks' business models in a holistic manner; ii) how to proactively engage with outlier banks; and iii) take into account potential changes in their operating environment.
 - The importance of supervisors assessing a bank's governance and risk management as the foundational step in ensuring its safety and soundness. This includes the robust implementation by banks of the Basel III framework and expectations outlined in previous Committee outputs, such as the Corporate governance principles for banks.
 - In relation to liquidity risk, the frequency of monitoring can be increased both in times of stress and in normal times, based on different sources of information and high frequency data, complementing regular supervisory reporting. Concentration and asset-liability structure risks are considered to be adequately addressed by both the bank and the supervisor.
 - In relation to liquidity risk, the frequency of monitoring can be increased both in times of stress and in normal times, based on different sources of information and high frequency data, complementing regular supervisory reporting. Concentration and asset-liability structure risks are considered to be adequately addressed by both the bank and the supervisor.
 - Supervisory judgement is a critical element of supervisory approaches, to ensure that the intent as well as the letter of regulation is addressed.
 - Well-functioning cooperation between central banks and supervisory authorities across jurisdictions.
 - The Basel Framework relies on a consolidated level approach but recognises the importance of monitoring the distributions of resources among legal entities. It highlights the importance of supervisors monitoring risk dynamics throughout the group, and ensuring that bank risk management is also doing this appropriately, in order to have a comprehensive view of the group's exposures. Supervisors should also take into account possible limitations to the free transferability of capital and liquidity resources within banking groups that may arise, as these can limit or restrict actions by banks or supervisors in stress.
- **Initial lessons learnt and takeaways for regulation**
 - Liquidity standards. The crisis has raised questions about the design and calibration of Basel III liquidity standards. It questions the operationalization of High-Quality Liquid Assets (HQLA) buffers for LCR compliance, highlights how supervisory scrutiny affects banks' LCR buffer utilization, and discusses the adequacy of the LCR's risk coverage and the effectiveness of the NSFR as an indicator. It also considers the potential need for additional standardized stress indicators, as well as the importance of effectively implementing existing standards in the digital age, rather than introducing new ones.
 - Exposure to Interest Risk in the Banking Book (IRRBB). Proper implementation of the IRRBB standard can mitigate risks through detailed reporting and market discipline. Also, more granular reporting to evaluate risk transparently and address disparities in applying capital add-ons across jurisdictions, would strengthen the current IRRBB framework and allow supervisors to transparently evaluate IRRBB risk.
 - The definition of regulatory capital. Unrealised interest rate losses on fixed income assets held at amortised cost was an important driver in the failure of several banks during the recent turmoil. This raised whether the treatment of unrealised gains and losses for assets that are held-to-maturity (HTM) should be similar to those that are held as available-for-sale (AFS) and whether HTM assets should be eligible as HQLA for the purpose of the LCR and NSFR.
 - General application of the Basel Framework. Requirements in accordance with the Basel Framework should apply consistently to all institutions that can potentially threaten global financial stability. Jurisdictions may opt to apply the Basel Framework to non-internationally active banks, including smaller ones. In such cases, they can apply the framework in a proportionate manner. Basel Framework is applied to internationally active banks on a fully consolidated basis, and additionally, at every tier within an internationally active banking group, also on a fully consolidated basis.

- **Lessons learnt for the FSB's international resolution standard**
 - The soundness, appropriateness and feasibility of the international resolution framework.
 - Failures of the US regional banks showed that banks not identified as G-SIBs can still be systemically significant or critical upon failure.
 - The bank's resolution-related capabilities are of critical importance, and that when such capabilities lack maturity it can be a hindrance to an efficient resolution process.
 - The design of deposit insurance systems and its role in promoting financial stability are areas that may need to be reformed.



D 24/10/2023
T BCBS - Consultative Document on Disclosure of Cryptoasset Exposures

1. Context

In December 2022, the Basel Committee on Banking Supervision (BCBS) published the Prudential Treatment of Cryptoasset Exposures including tokenised traditional assets, stablecoins and unbacked cryptoassets, which sets out the minimum capital requirements for credit and market risk for cryptoassets.

In this context, the BCBS has published a new chapter of the Basel Framework, the **Consultative Document on Disclosure of Cryptoasset Exposures**. The publication of this document is intended to reduce the information asymmetry between banks and market participants on banks' exposures to cryptoassets.

2. Main points

- **Table CAEA.** This is a qualitative disclosure on a bank's cryptoasset-related activities. The purpose of the table is to provide a general description of the bank's cryptoasset-related activities and the main risks associated with its cryptoasset exposures, as well as the approach used to assess the conditions for their classification. In this regard, banks must describe:
 - The trading activities related to cryptoassets, such as the direct holding or trading of cryptoassets in customer accounts.
 - The components of the bank's risk profile for each of its activities.
 - The scope and main content of the bank's cryptoasset-related reporting.
 - The most important and urgent risks related to the bank's activities.
- **Template CAE1.** It provides an overview of a bank's cryptoasset exposures according to the prudential classification of cryptoassets and related capital. In particular, metrics for credit risk (exposure, exposure / EAD, RWA), market risk (long, short exposure and RWA) and cryptoassets under custody are covered.
- **Template CAE2.** It contains information on the accounting classification and measurement of banks' exposures to cryptoassets and cryptocurrencies. The content is the carrying values corresponding to the values reported in the financial statements but under the scope of regulatory consolidation.
- **Template CAE3.** Provides an overview of a bank's exposures to cryptoassets and cryptocurrencies by liquidity risk classification.

3. Next steps

- As this is a consultative document, comments should be submitted by **31 January 2024**. In addition, the BCBS proposes an implementation date of **1 January 2025** for the requirements set out in this document.



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23/11/2023

BCBS - Newsletter on the implementation of the Principles for the effective management of climate-related financial risks

1. Context

The BCBS established a high-level Task Force on Climate-related Financial Risks in 2020 to contribute to the mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability. The BCBS has conducted analytical work to better understand the risk features of climate change and its potential implications for individual banks and the broader banking system. In June 2022, the BCBS published a document with Principles for the effective management and supervision of climate-related financial risks. Supervisors identified during the implementation of these Principles a number of areas where progress was particularly lagging behind, especially in relation to the quantification of climate-related financial risks, data collection and adequate measurement through reliable risk metrics and key risk indicators.

In this context, the BCBS has published a **newsletter on the implementation of the principles for the effective management and supervision of climate-related financial risks**. The BCBS issues this newsletter to provide greater detail on its internal discussions regarding the implementation the Principles. The document focuses on various challenging areas related to the implementation of the Principles, not constituting new supervisory guidelines or expectations.

2. Main points

- **Enhancing data availability and quality**
 - The quality and availability of data vary significantly across sectors and counterparties. Banks will need to invest in better tools and greater automation to capture climate data and minimize operational risk associated with manual processes.
 - Supervisors have carried out various initiatives to address data issue, such as collecting quantitative climate-related financial risk data during climate scenario analysis or stress testing exercises, or developing common platforms in collaboration with the industry.
 - Banks use targeted questionnaires and client due diligence as part of onboarding to collect qualitative and quantitative data from clients at a counterparty, facility or asset level. In addition, banks also rely on public disclosures, third-party data providers and proxies.
- **Building capabilities**
 - Supervisors are working to implement the Principles effectively. Among others, they have focused on understanding banking practices, identifying risks, and establishing supervisory expectations for these risks (e.g., through surveys, requesting for self-assessments, publishing examples of good practices).
 - The BCBS encourages banks' ongoing efforts to strengthen their internal expertise to reduce reliance on external sources, integrate the measurement and mitigation of climate-related risks into their risk management practices, and improve client engagement and due diligence.
- **Applying climate scenario analysis**
 - Banks reported running different scenarios for different purposes, such as strategic for risk management, strategic planning or public disclosure purposes.
 - Supervisory climate scenario exercises are considered a good complement to internal climate scenario exercises, but not a replacement.

3. Next steps

- The Committee expects implementation of the Principles as soon as possible. In this sense, the BCBS will continue monitoring progress across member jurisdictions to promote a common understanding of supervisory expectations and to support the development and harmonisation of strong practices across jurisdictions.
- The BCBS intends to continue to publish the results of future work in this area. Work in relation to climate-related financial risks remains a priority for the BCBS and is a key of its 2023–24 work programme.



D 30/11/2023 BCBS - Progress in adopting the Principles for effective risk data aggregation and risk reporting (RDARR)

1. Context

The Great Financial Crisis that began in 2007 revealed that banks' information technology and data architectures were inadequate to support the broad management of financial risks. In response, the BCBS published in January 2013, the BCBS 239 Principles for effective risk data aggregation and risk reporting, with the aim of strengthening banks' risk data aggregation capabilities and internal risk reporting practices. Since the publication of this framework, the BCBS has been monitoring bank's adoption of the Principles. Between 2013 and 2020, the BCBS published six reports on banks' progress towards full implementation. Despite bank's continuous efforts to implement the Principles, some banks are still struggling with the adoption. The last progress report, published in April 2020, shows that none of the assessed banks were fully compliant with the Principles.

In this context, the BCBS has published a report with the **progress in adopting the principles for effective risk data aggregation and risk reporting**. The report provides an update on the progress made by the 31 global systemically important banks, and it is based on a common assessment template that supervisors of the individual jurisdictions completed based on data as of June 2022.

2. Main points

- **Banks' adoption of the Principles**
 - The 2022 compliance assessment shows that banks are at different stages in terms of aligning with the Principles, and that additional work is required to attain and sustain full compliance. Most banks have achieved the rating of largely compliant or fully compliant across Principles. Only two banks are fully compliant with all Principles and no single Principle has been implemented by all banks.
 - Supervisors observed improvements in the overarching governance, risk data aggregation capabilities and reporting practices of several banks in comparison to the April 2020 adoption report, which have positively affected their compliance ratings. However, the overall pace of banks' progress in implementing sustainable risk data aggregation and risk reporting capabilities is occurring at a slower pace than envisaged.
 - The BCBS recommends banks to: i) continue to implement the recommendation of the previous reports; ii) prioritise and intensify, by bank boards, their oversight of data governance, including the development, implementation, and maintenance of robust data governance frameworks, risk data aggregation and reporting; iii) foster a culture of ownership and accountability for data quality across the organization; iv) apply the Principles comprehensively to risk data in a broader context; and finally v) ensure sound data quality as the foundation for digitalisation projects.
- **Supervisory approaches in response to the dynamic nature of compliance with the Principles**
 - Supervisors continue to make use of a variety of activities to assess banks' adoption of the Principles (e.g., deep dive exercises and risk-specific reviews are used for focused/in-depth assessment on specific topics and Fire drills are adopted in some jurisdictions to test banks' ability to aggregate and report risk data under simulated stress scenarios or events).
 - The BCBS recommends supervisors to: i) continue to implement the recommendation of the previous reports; ii) make use of more targeted and intensive activities as a complement to on-going supervision; iii) consider more forceful measures to address long-standing risk data aggregation and reporting deficiencies; and finally iv) encourage the application of the Principles in a broader context.

3. Next steps

- The Committee expects implementation of the Principles as soon as possible. In this sense, the BCBS will continue monitoring progress across member jurisdictions to promote a common understanding of supervisory expectations.



CL

30/11/2023

BCBS - Supervisory newsletter on the adoption of the Principles for Operational Resilience (POR) and the Principles for the Sound Management of Operational Risk (PSMOR)

1. Context

The Basel Committee published the POR and the revised PSMOR in March 2021 to promote banks' ability to withstand operational risk-related events that could cause significant operational failures or wide-scale disruptions in financial markets; and banks' effectiveness of operational risk management. To evaluate the adoption of the Principles, the Committee carried out an assessment among its members in early 2023. The results indicate that the effectiveness and maturity of POR and PSMOR adoption vary between banks.

In this context, the BCBS has published a **supervisory newsletter on the adoption of POR and PSMOR**. This newsletter provides information on the Committee's assessment of the adoption of the POR and revised the PSMOR. The BCBS believes the information provided may be useful for both supervisors and banks in their day-to-day activities. The newsletter is for informational purposes only and does not constitute new supervisory guidance or expectations.

2. Main points

- **Variety of the results of the BCBS's assessment**
 - While banks' operational risk management governance is well established, board members' roles and responsibilities and capabilities for operational resilience are under development.
 - Banks have leveraged Risk and Control Self-Assessments (RCSAs) to identify threats and vulnerabilities to the delivery of critical operations, but there are gaps in capabilities and effectiveness.
 - In most jurisdictions, banks' mapping of interconnections and interdependencies does not provide a sufficiently granular end-to-end view of critical operations, their complexity, and supporting people, processes and systems.
 - Business continuity practices and frameworks are generally well established in most banks, however, banks are still facing challenges (e.g., consideration of end-to-end delivery of critical operations, and the plausibility and severity of scenarios). The principles on the management of third parties and dependencies, as well as the alignment of third parties with resilience expectations, are considered to be among the most significant challenges for banks.
 - The continuous growth of operational risk related events that could cause significant operational failures, has heightened the necessity for banks to identify and respond to these incidents crises.
- **BCBS's recommendations in adopting the Principles**
 - Further effort is needed by banks to enhance practices in adopting the Principles, which will require adequate resourcing and prioritization.
 - The challenges that banks in all jurisdictions face when adopting the Principles include the mapping of interconnections and interdependencies for critical operations, and the definition of tolerances for disruption to these critical operations. If mapping and tolerances are not defined and implemented effectively, the operational resilience could be compromised.
 - It is crucial for banks to leverage all aspects of operational risk management to achieve operational resilience and to recognise its importance alongside financial resilience.
 - Banks should acknowledge that operational resilience is more than just business continuity. They should establish and maintain accurate data at an appropriate level of granularity on critical operations and recognise the foundational role of mapping interconnections and interdependencies for successfully adopting the Principles.

3. Next Steps

- The BCBS will continue to support the adoption of the POR and PSMOR by carefully monitoring progress.



D 01/12/2023
S **BCBS - Consultative document of disclosure of climate-related financial risks**

1. Context

In June 2022 the BCBS published Principles for the effective management and supervision of climate-related financial risks to improve banks' risk management practices as well as supervisory practices related to climate related financial risks. In terms of the disclosure of climate-related financial risks, the BCBS has been closely monitoring the development of global frameworks to improve the consistency, comparability and reliability of climate disclosures. The BCBS recognises that the accuracy, consistency and quality of climate-related data is still evolving, but at the same time, disclosure requirements will accelerate the availability of such information and facilitate forward-looking risk assessments by banks.

In this context, the BCBS has published the **consultative document of disclosure of climate-related financial risks**. The document summarises the work of BCBS to assess the prudential rationale for potential disclosure requirements.

2. Main points

- **Disclosure of qualitative information** relating to banks' exposures to climate-related financial risks may help to ensure that bank disclosures are sufficiently comprehensive and meaningful, and will provide a more forward-looking perspective and reduces the risk of potential unintended consequences of proposed quantitative disclosures being considered in isolation. The Committee is therefore seeking input on the disclosure of qualitative information by banks regarding their: i) governance; ii) strategy; iii) risk management; and iv) concentration risk management in relation to climate-related financial risks.
- The Committee is exploring potential **quantitative disclosure requirements** for banks.
 - BCBS is considering whether banks should disclose exposures to non-financial corporates according to standardised sectors of economic activity.
 - Emissions by obligors could be considered an indicator of their transition risk, particularly when examined alongside appropriate supporting context. For this reason, BCBS is considering whether this indicator would assist market participants in assessing whether a bank adequately identifies, manages and monitors risks that may result from its financed emissions, and how it could be calculated.
 - Finally, BCBS is considering whether banks should disclose their exposures by geographical region or locations, subject to climate change physical risk, to enable market participants to better understand a bank's risk profile based on the geographical split of exposures.
- The BCBS is exploring the introduction of **bank-specific risk metrics** that would enable market participants to better assess the potential impact of climate-related financial risks on the safety and soundness of banks, and the prudential value of disclosing the maturity profile of exposures subject to climate-related transition and physical risks over varying time frames.
- The BCBS is also considering whether banks should disclose **forward-looking information**, such as forecasts, to allow market participants to assess banks' exposure to the transitioning activities of their counterparties in certain sectors.
- The Committee would welcome feedback on **additional quantitative metrics** that it proposes would **be subject to jurisdictional discretion**:
 - In relation with real estate exposures in the mortgage portfolio by energy efficiency level, the BCBS is analysing whether disclosure of this metric could assist market participants in assessing, at a high level, the extent to which the value of the underlying collateral may be negatively affected due to high emissions linked to low energy efficiency.
 - In relation to emission intensity per physical output, the BCBS is exploring whether financed emission intensity metrics per physical output by sector could be a reasonable proxy for the transition risk that may be transmitted to banks by their counterparties.
 - BCBS is seeking views on a proposal that, subject to jurisdictional adoption, banks would disclose their facilitated emissions related to capital markets and financial advisory activities.

3. Next Steps

- This consultation represents the Committee's initial step towards developing a Pillar 3 framework for the disclosure of climate-related financial risks, which it recognises is an evolving discipline. Comments should be submitted by **29 February 2024**.



CL 19/12/2023
BCBS – Consultative document on the recalibration of shocks for interest rate risk in the banking book

1. Context

In April 2016, the BCBS introduced the interest rate risk in the banking book (IRRBB) standard. This standard mandates banks to calculate interest rate risk measures for their banking book exposures based on specified interest rate shocks for each relevant currency with material positions. The BCBS, as outlined in the IRRBB standard, periodically reviews the specified shock sizes, and the current review is part of the Committee's 2023–24 work program.

In this context, the BCBS has published a **consultative document on the recalibration of shocks for interest rate risk in the banking book**, where it proposes to make a set of adjustments to the specified interest rate shocks in the IRRBB standard. It also proposes to make targeted adjustments to the current methodology used to calculate the shocks.

2. Main points

- The BCBS proposes a **new methodology to calculate currency level shocks for each shock scenario**:
 - Step 1:** Generate a time series of daily interest rates $R_{k,c}$ from the year 2000 (3 January 2000) to 2022 (31 December 2022) in the time buckets $k = 3m, 6m, 1Y, 2Y, 5Y, 7Y, 10Y, 15Y,$ and $20Y$ for each currency c .
 - Step 2:** Using the time series of the interest rates levels at each tenor point k and for each currency c , a new time series of rate changes $\Delta R_{k,c}$ is calculated for a moving time window of $h = 6$ months (125 days):

$$\Delta R_{k,c}(t) = R_{k,c}(t) - R_{k,c}(t-h)$$

- Step 3:** For each scenario ii and currency c , the average of the rate changes across the corresponding time buckets in Table 5 is taken, where $NNii$ represents the number of time buckets.

$$\Delta R_{k,c}(t) = 1 / N_i \sum \Delta R_{ki,c}(t)$$

- Step 4:** The 99.9th percentile value of the absolute value of $\Delta R_{ki,c}$ over the period from 2000 to 2022, denoted $|\Delta R_{i,c}(t)|$, is used for the interest rate shock of scenario i for currency c .

$$S_{i,c} = P99.9(|\Delta R_{i,c}(t)|)$$

- Step 5:** In order to ensure a minimum level of prudence and a level playing field, a floor of 100 basis points (bp) and variable caps (denoted as \bar{C}_i) are set for the scenarios concerned, those caps being 500 bp for the short-term, 400 bp for the parallel and 300 bp for the long-term interest rate shock scenario. The change in the interest rate shock for scenario i and currency c can be defined as:

$$\bar{S}_{i,c} = \max\{100, \min\{S_{i,c}, \bar{C}_i\}\}$$

where $\bar{C}_i = \{400, 500, 300\}$, for $i = \text{parallel, short, and long}$, respectively.

- Step 6:** The values from step 5 are rounded to the nearest multiple of 50 bps.
- The **main differences between the new methodology and the methodology used** for the calibration of the existing shock factors of the IRRBB standard are as follows:
 - Expansion of the time series** used in the calibration from December 2015 used in the IRRBB standard to December 2022 (the start date of January 2000 remains the same).
 - Removal of the global shock factors calculated** using rolling six-month percentage changes in interest rates. These are replaced with local shock factors calculated directly for each currency using the averages of absolute changes in interest rates calculated over a rolling six-month period.
 - Move from a 99th percentile value in determining the shock factor to a 99.9th percentile value**, to maintain sufficient conservatism in the proposed recalibration.

3. Next Steps

- The Consultation runs until **28 March 2024**.

- The **main differences between the new methodology and the methodology used** for the calibration of the existing shock factors of the IRRBB standard are as follows:
 - Expansion of the time series used in the calibration from December 2015 used in the IRRBB standard to December 2022 (the start date of January 2000 remains the same).
 - Removal of the global shock factors calculated using rolling six-month percentage changes in interest rates. These are replaced with local shock factors calculated directly for each currency using the averages of absolute changes in interest rates calculated over a rolling six-month period.
 - Move from a 99th percentile value in determining the shock factor to a 99.9th percentile value, to maintain sufficient conservatism in the proposed recalibration.

3. Next Steps

- The Consultation runs until **28 March 2024**.

CL 03/10/2023
BCBS/EBA - Basel III Monitoring Reports



1. Context

In December 2017, the BCBS published the final set of revisions to the Basel III framework addressing undue variability in risk-weighted assets (RWAs) calculations and amending, credit risk calculation methods (SA and IRB), credit valuation adjustment (CVA), calculation method for operational risk (SMA) which replaces the previous ones, and establishes an output floor. It also modifies the exposure measure of the leverage ratio (LR) and introduces an additional buffer on this ratio for global systemically important banks (G-SIBs). Later in 2019, the BCBS published the finalisation of the market risk framework, which included among others, a simplified standardised approach for use by banks that have small or non-complex trading portfolios and clarifications on the scope of exposures that are subject to market risk capital requirements.

In this context, the BCBS has published the results of its latest **Basel III Monitoring Report** which sets out the impact of the finalisation of the Basel III reforms, as well as the finalisation of the market risk framework. In parallel with this report, the EBA has issued its **Basel III Monitoring Report** which is based on the EBA Decision to render the QIS exercise mandatory for a representative set of EU/EEA credit institutions. Along with this document, the EBA has also published a separate **Annex** on the impact of the EC proposal for the EU implementation under the **Capital Requirements Regulation (CRR III)**. The reference date of the results of all the documents is 31 December 2022.

2. Main points

BCBS - Basel III Monitoring Report

- **Sample of banks:** 178 banks, including 111 of the Group 1 and 67 banks of the Group 2. Voluntary reporting.
- **General aspects:**
 - Full implementation of the Basel III requirements.
 - Bias-corrected market risk requirements for institutions taking the most conservative approach. The requirements for trading book exposures classified as Investment in Funds (EIF) are corrected by multiplying them by 20%.
 - Only Pillar 1 minimum requirements are considered. Additional Pillar 2 capital requirements (P2R) and buffers are not taken into account.
 - Static balance sheet.

	30 June 2022			31 December 2022		
	Group 1	G-SIBs	Group 2	Group 1	G-SIBs	Group 2
Increase of the minimum requirement of Tier 1 MRC	2,8%	3,2%	-2,0%	3,0%	2,9%	6,6%
CET1 ratio (%)	12,5%	12,5%	14,3%	12,7%	12,8%	14,7%
Target capital shortfalls (MM€)	7,8	7,8	0,0	3,2	3,2	1,1
TLAC shortfalls (MM€)	29,8	29,8	N/A	37,4	37,4	N/A

EBA - Basel III Monitoring Exercise

- **Sample of banks:** 157 banks from all European Economic Area (EEA) countries including 58 of the Group 1 and 99 banks of the Group 2. Mandatory reporting.
- **General aspects:**
 - Starting point: EU implementation of the Basel standards (CRR 2/ CRD 5).
 - Full implementation of the Basel reforms.
 - Bias-corrected market risk requirements for institutions taking the most conservative approach. The requirements for trading book exposures classified as Investment in Funds (EIF) are corrected by multiplying them by 20%.
 - As a novelty with respect to previous years, in operational risk the internal loss multiplier is equal to one, in line with the CRR3 proposal (ILM = 1).
 - Only the minimum Pillar 1 requirements, the capital conservation buffer and the capital surcharge for G-SIIs are considered. The additional Pillar 2 capital requirements (P2R) and the buffer for domestic systemic institutions are not taken into account.

Change in total T1 MRC (weighted average in %)

2022											
Group	Credit Risk				Market risk	CVA	Op. risk	Output floor	Total risk-based	Revised LR	Total
	SA	IRB	Securit.	CCPs							
All banks	2,6	1,6	0,0	0,0	1,2	2,4	2,2	6,8	16,3	-3,8	12,6
G.1	1,9	1,6	0,0	0,0	1,3	2,6	2,6	7,4	17	-3,7	13,3
G-SIIs	2,0	4,0	0,0	0,1	2,1	3,1	3,1	7,5	21,7	-1,7	20,0
G.2	6,0	1,9	0,0	0,0	0,4	1,0	0,5	3,2	12,9	-4,0	8,9

2021											
Group	Credit Risk				Market risk	CVA	Op. risk	Output floor	Total risk-based	Revised LR	Total
	SA	IRB	Securit.	CCPs							
All banks	2,6	1,8	0,0	0,0	1,8	2,6	3,7	6,3	18,2	-3,3	15,0
G.1	1,8	1,7	0,0	0,0	2,0	2,9	4,2	7,1	19	-3,0	16,0
G-SIIs	2,0	3,4	0,0	0,0	3,5	3,4	6,3	6,5	24,9	-0,2	24,7
G.2	6,8	2,0	0,0	0,0	0,5	1,3	1,5	1,8	14,1	-4,6	9,6

EBA - Impact of the CRR III proposal for the EU.

- **Sample of banks:** 157 banks from all European Economic Area (EEA) countries including 58 of the Group 1 and 99 banks of the Group 2. Mandatory reporting.
- **General aspects:**
 - Starting point: EU implementation of the Basel standards (CRR 2/ CRD 5).
 - Full implementation of CRR 3/CRD 6, which includes the specific aspects of the transposition of the Basel III reforms in Europe e.g. SME factor; infrastructure factor; treatment of equities; simplified CVA approach; specific transitional provisions on OF for companies without external rating and residential mortgages and period 2025-2030...).
 - Bias-corrected market risk requirements for institutions taking the most conservative approach. The requirements for trading book exposures classified as Investment in Funds (EIF) are corrected by multiplying them by 20%.
 - As a novelty with respect to previous years, in operational risk the internal loss multiplier is equal to one, in line with the CRR3 proposal (ILM = 1).
 - All buffers and additional Pillar 2 capital requirements (P2R) are considered

Change in total T1 MRC (weighted average in %) (including all buffers and P2R capital requirements)

2022											
Group	Credit Risk				Market risk	CVA	Op. risk	Output floor	Total risk-based	Revised LR	Total
	SA	IRB	Securit.	CCPs							
All banks	1,3	-0,8	0,0	0,0	1,1	0,4	2,3	6,2	10,1	-0,2	9,9
G.1	1,2	-1,0	0,0	0,1	1,3	0,4	2,6	6,9	11,0	-0,1	10,9
G-SIIs	1,2	0,6	0,0	0,1	2,2	0,7	3,1	7,1	14,7	0,0	14,7
G.2	1,8	0,2	0,0	0,0	0,5	0,3	0,3	2,5	5,7	-0,8	4,9

2021											
Group	Credit Risk				Market risk	CVA	Op. risk	Output floor	Total risk-based	Revised LR	Total
	SA	IRB	Securit.	CCPs							
All banks	1,5	0,1	0,0	0,0	1,8	0,4	1,7	6,4	11,3	0,3	11,5
G.1	1,2	-0,1	0,0	0,0	2,1	0,4	2,0	7,3	12,1	0,5	12,7
G-SIIs	1,8	1,1	0,0	0,0	3,6	0,8	2,4	7,1	16,6	1,4	18,0
G.2	3,0	1,0	0,1	0,0	0,6	0,3	0,1	1,6	6,7	-1,0	5,7

CL 29/11/2023
FSB - 2023 list of global systemically important banks (G-SIB)



1. Context

In November 2011, the FSB published an integrated set of policy measures to address the systemic and moral hazard risks associated with systemically important financial institutions (SIFIs). In that publication, the FSB identified an initial group of global systemically important banks which is updated annually. In addition, the BCBS published in July 2018 the evaluation methodology used for the purposes of identifying G-SIBs, which was implemented for the first time at the end of 2021.

In this context, the FSB has updated the **2023 list of G-SIBs**, using end-2022 and applying the assessment methodology designed by the BCBS. In parallel with these publications, the BCBS has released **additional information** regarding the end-2022 G-SIBs assessment.

2. Main points

FSB-2023 list of G-SIBS

Compared with the list of G-SIBs published in 2022, the **number of banks identified** as G-SIBs remains 29, one less than the 2022 list:

- Three banks have moved to a higher bucket: China Construction Bank, Agricultural Bank of China and UBS, which have moved from bucket 1 to bucket 2, and therefore these will have a higher capital surcharge due to their systemic nature.
- Bank of Communications (BoCom) has been added to the list of G-SIBs identified in 2022.
- Two banks have been removed from the list. Unicredit is no longer designated a G-SIBs and Credit Suisse, as it is below the threshold for G-SIBs designation.

Institutions included in the list must meet the following additional requirements due to their systemic nature:

- Higher capital buffer requirements.
- Compliance with the Total-Loss Absorbing Capacity (TLAC) requirements set out in the Basel III framework.
- Compliance with the resolvability requirements, which include group-wide resolution planning and regular resolvability assessments.
- Higher supervisory expectations for risk management functions, risk data aggregation capabilities, risk governance and internal controls.

BCBS Additional Information

The **BCBS has also published** some information regarding the assessment methodology used for the purpose of the list of G-SIBs:

- The annually updated denominators used to calculate scores for sample banks.
- The thresholds used to allocate the banks to buckets.
- The links to the public disclosures of the full sample of banks assessed as determined by the sample criteria set out in the BCBS G-SIB framework.
- The 13 high level indicators of the banks in the main sample used in the G-SIB scoring exercise for 2023.

3. Next steps

- The FSB will update the list of G-SIBs again in **November 2024**.

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11/12/2023

FSB - Enhancing Third-Party Risk Management and Oversight: a toolkit for financial institutions and financial authorities**1. Context**

In September 2021 the FSB's Standing Committee on Supervisory and Regulatory Cooperation (SRC) decided to develop a toolkit for financial regulatory and supervisory authorities focused on their oversight of financial institutions' reliance on critical service providers. The objectives of the toolkit are to: i) reduce fragmentation in regulatory and supervisory approaches to financial institutions third-party risk management; ii) strengthen financial institutions' ability to manage third-party risks and financial authorities' ability to monitor and strengthen the resilience of the financial system; and (iii) facilitate coordination among relevant stakeholders.

In this context, the FSB has published the **Enhancing Third-Party Risk Management and Oversight: a toolkit for financial institutions and financial authorities**. The document proposes a flexible and risk-based set of tools which financial authorities and financial institutions may consider based on their circumstances, including the legal framework and specific features of the financial services sector.

2. Main points

- **Scope.** The toolkit is intended to be used by financial institutions in their management of third-party risks; and financial authorities as they consider their approaches to the oversight of financial institutions third-party service relationships, and the identification, monitoring and management of systemic third-party dependencies and potential systemic risks.
- **Financial institutions' third-party risk management.** There are some tools seek to help financial institutions identify critical services and manage potential risk throughout the lifecycle of a third-party service relationship:
 - Promoting a common framework for the identification of critical services can promote consistency and comparability and be beneficial to both financial institutions' and financial authorities' objectives of proportionate and effective risk management.
 - Onboarding and ongoing monitoring of service providers. Due diligence must be conducted before entering into a third parties arrangement for critical service, along with the contracting and legally binding arrangements between the financial institution and a third-party service provider, aiming to ensure proper risk management. In addition, ongoing monitoring should be conducted to assess the third-party's ability to comply with the contractual obligations.
 - Report relevant incidents to financial authorities by financial institutions, within a defined period of time, which affect third-party service or service provider on which the financial institution relies.
 - Consistent mapping of third-party service relationships can support financial institutions' effective monitoring and management of third-party risks, and provide useful data to identify systemic third-party dependencies and related potential systemic risks.
 - Identification of risks to critical services relating to third-party service providers' supply chain and implement appropriate measures to monitor, manage and mitigate these risks that may affect the delivery of critical services.
 - Up-to-date and appropriately tested business continuity planning to address the continuity of critical services, to guarantee their operational resilience.
 - Finally, financial institutions may develop effective exit strategies and strengthen the identification and management of service provider concentration, and concentration related risks.
- **Financial authorities' oversight of third-party risks.**
 - Financial authorities may obtain assurance about the resilience of service providers and the services they provide to financial institutions through: i) regular supervisory engagement with financial institutions; and ii) informal dialogue with service providers.
 - Incident reporting by financial institutions can provide them with important data and actionable insights to fulfil their objectives, including effectively supervising financial institutions, and managing potential financial stability risks.
 - In addition, there are some cases where financial authorities identify systemic third-party dependencies and potential systemic risks. The criteria used for that purpose is: i) identification of systemic third-party dependencies; ii) assessment of market concentration; iii) characteristics that ay increase the impact of disruption to critical services; and iv) the interaction with existing cross-sectoral frameworks.
 - Finally, the tools used for the identification of systemic third-party dependencies, as the notification of third-party service relationships, the review of financial institutions' registers and the incident notification, are: i) the voluntary collaboration between financial authorities; ii) the requirements or expectations on financial institutions; and iii) the direct requirements or expectations on financial sector critical service providers.

CL

14/12/2023 IAIS - 2023 Global Insurance Market Report



1. Context

The IAIS has published its annual report, **GIMAR**, which reports the outcomes of the Global Monitoring Exercise (GME), aimed at assessing global insurance market trends and developments and detecting the possible build-up of systemic risk in the global insurance sector.

2. Main points

- **Global Insurance Market Developments:**
 - Results of GME show that levels of capital adequacy remain sound, with the aggregate solvency ratio for insurers participating in the 2023 GME remaining well above 100%, yet slightly declining at year-end 2022 compared to year-end 2021. Key drivers behind these declines are financial market developments, widened credit spreads on corporate and sovereign debt, higher volatility in interest rates and weaker currencies in some jurisdictions.
 - Jurisdictional solvency ratios decreased slightly in all regions except Europe and Africa where a slight increase was observed.
 - Supervisors identified inflation, potential lapses, significant unrealised loss positions and surrenders, and lower demand for insurance due to strains on the purchasing power of households as risk factors for future profitability.
- **Macroprudential themes** based on supervisory priorities highlighted by the annual Sector-wide monitoring (SWM) and identified by IAIS are: i) the managing interest rate, liquidity and credit risks in a challenging macroeconomic environment; and ii) the understanding structural shifts in the life insurance sector, with a focus on asset allocation to alternative investments, and asset-intensive cross border reinsurance.
- **Climate-related risks in the insurance sector:**
 - There are different types of climate-related assets (CRA) held by the insurance sector. Insurance supervisors must strengthen their understanding of the type and magnitude of climate-related risks and exposures of the insurance sector to effectively identify, monitor and reflect climate change risks.
 - In addition, one of the main effects of climate change on insurers is through the expected increase in natural catastrophes-related claims.
 - There are some initiatives to address climate-related risks by supervisors and insurers.
- **Individual insurer monitoring 2023.** The GME includes an assessment of the possible concentration of systemic risks at an individual insurer level. The IAIS performed trend analysis on data from the Insurer Pool and used the outcomes for the overall assessment of the possible concentration and evolution of systemic risk at the level of the individual insurers. Keeping the pool of banks and insurers stable over time, the total cross sectoral scores for banks are still significantly higher than for insurers.
- **Global reinsurance market:**
 - From 2003 to 2019, the IAIS collected data on the global reinsurance market through its annual Global Reinsurance Market Survey (GRMS). The GRMS was discontinued with the adoption of the Holistic Framework in 2019, including the launch of the GME. However, in 2023 the IAIS decided to revive the GRMS as a more granular complement to the SWM reinsurance component.
 - In relation to the reinsurance market size, reported gross reinsurance premiums continued the growth trajectory of recent years to increase by almost 10% in 2022. Moreover, several jurisdictions enhanced the completeness of their reinsurance data coverage in the IAIS reinsurance data collections conducted in 2023.



D

02/10/2023

TNFD - Recommendations of the Taskforce

S

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.

S 19/12/2023
NGFS - Recommendations toward the development of scenarios for assessing nature-related economic and financial risk



1. Context

The NGFS, in collaboration with the LSE-INSPIRE research network, produced three reports between 2021 and 2022 analyzing the links between biodiversity loss and the economic and financial system. Furthermore, and in light of the findings of these reports, the NGFS issued a Statement acknowledging that nature-related risks could have significant macroeconomic implications, creating a working group to assess these risks. In September 2023, the Working Group set a milestone in the NGFS approach through the publication of a Conceptual Framework providing a common basis to understand, assess and address nature-related risks through a principle-based approach.

In this context, the NGFS has published the **Recommendations toward the development of scenarios for assessing nature-related economic and financial risk**. This technical document constitutes another, complementary key deliverable of the Task force that draws from the Conceptual Framework to start developing a forward looking and dynamic perspective on nature-related risks from a more quantitative, in-depth perspective. It provides recommendations towards the development of scenarios to assess nature-related financial risks. It will allow central banks and supervisors to eventually conduct full-fledged forward-looking nature risk assessments.

2. Main points

- **Developing narratives to assess nature-related financial risks** is the essential first step to any scenario-based risk assessment. Specifically, narratives are storylines that describe how the world could evolve in the future, considering likely socio-political, macro-financial and environmental trends.
 - For the purposes of assessing nature-related risks, an essential component in narrative creation is to identify specific physical and/or transition hazards that can become sources of risks, depending on the exposure and vulnerability to such hazards.
 - There are several challenges related to the development of scenarios to assess nature-related risks. Some of them are: i) the accounting for ecosystems' complexities and interconnectedness; ii) the need for multiple metrics and for narratives that capture synergies and trade-offs among biophysical patterns and goals; iii) considering the non-substitutability of nature, and the resulting need to account for indirect impacts of nature-related hazards; and iv) the need to overcome the "local-global tradeoff" generated by the challenges identified.
 - Some suggestions for developing physical and transition scenario narratives in light of the challenges identified are: i) identifying physical hazards using the Environmental Sustainability Gap (ESGAP) Strong Environmental Sustainability index (SESi) or INCAF-Oxford analysis; and ii) translating multiple transition pathways into initial hazards for specific countries and sectors.
 - Finally, there are some additional avenues to explore for comprehensive nature-related risk assessment: i) considering transformative changes in transition risk narratives; and ii) integrating the endogeneity of nature-related financial risks in nature-related risk assessments.
- **Review of economic and biophysical modelling approaches for nature scenarios:**
 - In relation to nature-economy models, there are six modelling frameworks that connect multiple models and share two common characteristics: they are global in scope and they link nature and macroeconomic issues. Some of the results show that overall, nature-economy modelling appears less mature than climate-economy modelling, given the complexities of the interactions between nature and the economy. In addition, for models to effectively assess physical risk scenarios, particularly the economic consequences of a disruption in ecosystem services, it is crucial that they can accurately depict the dependencies of the economy on nature.
 - In relation to biophysical models, these are simulations of one or several (potentially interconnected) biological systems, which can be used to predict the influence of biological and physical factors on complex systems. In the document, 14 models have been reviewed, that represent the functioning of diverse aspects of nature but have in common to i) be global; and ii) provide a great number of outputs according to the Inter-Sectoral Impact Model Intercomparison Project (ISIMIP) repository.
- **Using input-output tables and models to understand the propagation of nature-related hazards throughout value chains:**
 - In light of the structural limitations of the examined models to assess nature-related financial risks, it is necessary to explore alternative approaches, with a particular focus on their ability to both represent multiple shocks in multiple sectors and capture the indirect (or cascading) impacts of nature-related hazards throughout value chains.

- Without excluding the possibility of exploring other approaches, Multi-Regional Input-Output (MRIO) tables and models can be particularly useful to both represent how a specific nature-related hazard can generate concomitant direct shocks in different sectors and provide insights into how such initial shocks can propagate to other sectors through value chains.
- MRIO tables and models can be used without prior reliance on other types of models (i.e., computable general equilibrium (CGE) models), to appreciate in a more transparent and simple manner the potential direct and indirect impacts of a specific physical or transition hazard.
- Finally, two case are studied in this document, and are focused respectively on physical and transition risks, provide evidence of how MRIO models can be used to assess how nature-related financial hazards can generate direct impacts and indirect ones by propagating throughout sectors and countries.

Relevant publications

European region

S

16/10/2023

EBA - Report on the role of environmental and social risks in the prudential framework

CL



1. Context

The proposed amendment to the Capital Requirements Regulation (CRR3) contains a mandate for the EBA to develop a report assessing the prudential treatment of exposures to environmental or social factors. In this regard, on 2 May 2022, the EBA published a Discussion Paper (DP), which initiated the discussion on the appropriateness of the current Pillar 1 framework to address environmental risks. The analysis concluded that the Pillar 1 framework already includes mechanisms that allow the inclusion of new types of risk drivers such as those related to environmental risks. These include internal models, external credit ratings and valuations of collateral and financial instruments.

In this context, the EBA has published a **Report on the role of environmental and social risks in the prudential framework** which takes the DP's reflection as a starting point to introduce specific recommendations to accelerate the integration of environmental and social risks into Pillar 1.

2. Main points

- **Credit risk - Standardised approach.** Environmental and social risks should be reflected in the framework, while avoiding excessive complexity. This may be achieved through the following tools:
 - In the short term, verification by competent authorities that due diligence requirements explicitly integrate environmental aspects.
 - In the medium to long term, the EBA will monitor that financial collateral valuations increasingly reflect environmental factors, both through market values under Pillar 1 and valuation methodologies under Pillar 2.
 - In the medium to long term, the EBA will assess whether high-quality specialized lending corporate exposures introduced in CRR3 could be subject to similar environmental provisions as under the Infrastructure Supporting Factor (ISF), where only those exposures meeting strong environmental standards may benefit from the ISF.
 - In the medium to long term, the EBA will reassess whether environmental risks should be considered in evaluating the appropriateness of risk weights assigned to real estate exposures.
- **Credit risk - Internal Ratings Based Approach.** The EBA has reached the following conclusions:
 - In the short term, environmental and social risks should be taken into account in the rating assignment (i.e. risk differentiation step), the risk quantification (through for example margin of conservatism, downturn component, calibration segments) and in the application (e.g. via use of human judgement and overrides).
 - EBA recognises the need for further guidance on data collection regarding potential environmental and social risk drivers to benefit institutions in designing their rating models. In the medium to long term, the EBA will investigate and assess whether relevant Environmental and social risk drivers should be added to the existing lists of risk drivers mentioned in the EBA Guidelines on Probability of Default (PD) estimation, Loss Given Default (LGD) estimation and the treatment of defaulted exposures.
 - In the medium to long term, institutions should reflect environmental and social risks in their PD and LGD estimates through a re-development or recalibration of their rating systems in the long term.
 - EBA recommends that institutions be required to consider environmental and social risk as part of their stress testing programmes in the short term.
- **Market risk.** The EBA has reached the following conclusions:
 - Institutions should, in the short term, regardless of whether they use the simplified standardised approach, the SA or the Internal Model Approach (IMA), be more explicitly required to consider environmental risks in relation to their trading book risk appetites, internal trading limits and in the context of the new product approval.
 - Institutions employing an IMA for some of their desks should be required in the short term to consider environmental risks as part of their stress testing programmes.
 - In the medium to long term, competent authorities should assess how ESG-linked products are treated in relation to the risk-residual add-on to ensure that there is harmonised treatment across institutions.

- **Operational risk.** Institutions should in the short term be required to identify whether environmental and social factors constitute triggers of operational risk losses.
- **Liquidity risk.** The Net Stable Funding Ratio (NSFR) seems to already have the necessary framework in place to capture the environmental risks that might affect specific assets with a differentiated Required Stable Funding treatment. In this regard, the EBA does not recommend changes to the NSFR.
- **Concentration risk.** In the short term, the EBA will work on the development of a definition of environment-related concentration risk and on the development of exposure-based metrics for the quantification of environment-related concentration risks. Those exposure based metrics should be implemented as part of supervisory reporting and should be disclosed where relevant.
- **Capital buffers and macroprudential framework.** The Systemic Risk Buffer (SyRB) appears as the most relevant tool to address environmental risks within the current macroprudential framework. As a short-term action, the EBA will assess the need for changes to its guidelines on the appropriate subsets of sectoral exposures to which a SyRB may be applied. Furthermore, the EBA will, as a medium- to long-term action, coordinate with other ongoing initiatives and assess the most appropriate adjustments to address environmental risks.
- **Investment firms.** The Investment Firms Regulation (IFR) prudential framework shows similarities and differences to the CRR framework. Those interrelations must be taken into account when considering any adjustment to the IFR framework to ensure an overall consistency while maintaining proportionality. As a short-term action, the EBA recommends that the treatment of environmental and social risks for investment firms remain under the Pillar 2 framework for all K-factors including those related to Risk to Client (RtC). Accordingly, the EBA does not recommend changing, in the short term, the prudential framework for investment firms independently from the CRR.

23/10/2023

EBA - European Supervisory Examination Programme (ESEP)**1. Context**

The European Banking Authority (EBA) annually publishes the key issues that supervisory authorities should focus on in terms of supervision. Supervisory authorities are expected to incorporate these themes into their priority-setting and implement them in their day-to-day supervisory activities to ensure proper risk management in the EU.

In this context, the EBA has released its **European Supervisory Examination Programme (ESEP)**, which reflects current challenges and provides clear priorities for EU supervisory entities. The key topics for 2024 are liquidity and funding risk, interest rate risks and hedging, and the operationalization of recovery.

2. Main points

- **Liquidity and funding risk:** Supervisors should:
 - Assess institutions' short- and medium-term liquidity risk.
 - Review the appropriateness of the institution's funding profile, including both medium and long-term contractual and behavioural mismatches.
 - Assess the risks arising from wholesale/retail counterparties for on-balance sheet items and funding concentrations and the institutions' internal liquidity adequacy assessment process.
 - Assess if the impediment to sell securities accounted at amortised cost exists.
- **Interest rate risk and hedging:** Supervisors should:
 - Assess whether the institution has an appropriate organisational framework and clearly assigned responsibilities for interest rate risk on positions not held in the trading book (IRRBB) management.
 - Understand the main features of the institution's assets and liabilities as well as off balance-sheet exposures.
 - Assess the inherent level of IRRBB, the modelling assumptions of banks, in particular in the context of customers' behaviour, and banks' hedging approaches and policies.
- **Recovery operationalization:** Supervisors should:
 - Assess the adequacy and severity of scenarios in the recovery plan.
 - Ensure the appropriateness of the calibration of recovery plan indicators in line with the EBA Guidelines on this topic.
 - Review the adequacy and quality of the Overall Recovery Capacity (ORC) determination.
 - Ensure adequate usability and testing of recovery plans.
 - Assess the suitability of communication arrangements in the recovery plan.

T

26/10/2023

EBA - Guidelines and RTS on the Cryptoasset Mark**1. Context**

The European Union (EU) Regulation 2023/114 on the Cryptoasset Market (MiCAR) sets out governance requirements for issuers of asset-backed securities (ARTs). In particular, it highlights the responsibility of the management body to ensure sound governance arrangements, including a sound risk strategy, a risk culture and an appropriate risk management framework. Furthermore, the EBA may issue guidelines addressed to competent authorities or financial market participants, with a view to establishing consistent, efficient and effective supervisory practices, to ensure the common and uniform application of European Union (EU) law.

In this context, the EBA has published for consultation a set of guidelines and RTS: i) the Guideline on **the minimum content of internal governance arrangements for ARTs issuers**; ii) the RTS on **minimum content of remuneration policy for ARTs issuers**; iii) the RTS on **the approval of ARTs technical documents issued by credit institutions**; iv) EBA and ESMA guideline on **the suitability of management body members and qualifying holdings for ARTs and CASPs issuers**.

2. Main points

- **Guideline on the minimum content of internal governance arrangements for ART issuers:** The requirements related to the tasks, responsibilities and functioning of the management body as well as the organisation of ART issuers are specified.
 - The objective is to ensure the sound management of all risks associated with the activities of ART issuers and to provide adequate protection for consumers and investors.
 - Risks are managed along three lines of defence, and the guidelines emphasise the independent risk management and compliance function, and the internal audit function.
 - ART issuers should exercise an ongoing and effective compliance function for their activities, in accordance with the principle of proportionality. To that end, ART issuers should establish a business continuity policy to ensure the performance of their ART-related activities in the event of disruption of their systems and procedures.
- **RTS on minimum content of remuneration policy for ART issuers:**
 - A remuneration policy should be adopted, implemented and maintained that promotes sound and effective risk management of ART issuers, which does not create incentives to relax risk standards.
 - The application of neutral remuneration policies, compatible with risk management objectives, business objectives and corporate culture, should be ensured.
 - Variable and fixed remuneration elements are defined, with the latter being remunerated on the basis of the main control objectives.
- **RTS on the approval of asset-backed token technical documents issued by credit institutions.**
 - The cryptoasset technical document must be submitted by the credit institution to the competent authority of the home Member State.
 - The documents must be approved by the competent authority prior to publication, based on the integrity check and qualitative assessment performed by the authority, based on the requirements set out by MiCAR.
 - The principle of proportionality allows authorities to have some flexibility in terms of the information required from credit institutions, as well as in the setting of deadlines.
- **EBA and ESMA guidelines on the suitability assessment of the management body and shareholders with qualifying holdings in ARTs and in Crypto-Asset Service Providers (CASPs).**
 - Common criteria are provided to assess the knowledge, skills and experience of the members of the management body.
 - Their good reputation, honesty and integrity, and whether they are able to invest sufficient time in the exercise of their functions are also assessed.

3. Next steps

- Comments on the consultation paper can be submitted until **22 January 2024**. After the end of the public consultation period, the EBA will submit the guidelines to the Commission for approval, to be subject to scrutiny by the European Parliament and the Council before being published in the Official Journal of the EU.

T 13/11/2023 EBA - RTS on Asset-Related Tokens and Issuers of Electronic Money Tokens



1. Context

On 29 June 2023, Regulation 2023/1114 on the Market for Cryptoassets (MiCAR) entered into force. This regulation establishes a comprehensive regulatory and supervisory framework for the issuance and provision of cryptoasset services in the European Union (EU). In addition, it clarifies the regulatory obligations applicable to issuers of Asset-Related Tokens (ARTs), issuers of Electronic Money Tokens (EMTs) and cryptoasset service providers, which are further developed by the EBA.

In this context, the EBA has published detailed regulatory technical standards (RTS) and guidelines. These publications develop standards for the issuance and services associated with tokens, ensuring their proper functioning and the mitigation of associated risks.

2. Main points

- **Draft RTS on supervisory entities under Article 119 of MiCAR.**
 - It specifies the criteria for determining the relevant oversight entities for the asset pool, trading platforms, payment service providers offering payment services in relation to significant EMTs and cryptoasset service providers providing custody and asset management on behalf of clients.
 - The EBA considers that a distinction should be made depending on whether the issuer is of an ART, an EMT or a credit institution issuing a significant EMT. The distinction is made because MiCAR's requirements for relevant entities are different depending on their issuer.
 - The conditions under which ARTs and EMTs are considered to be used on a large scale in a Member State are also specified for the purpose of determining the composition of a supervisory entity under MiCAR.
 - General conditions for the functioning of the supervisory entities are included, including aspects related to participation in meetings, voting procedures, aspects related to the exchange of information and the entrustment of tasks between members.
- **Draft RTS on liquidity requirements and draft guidelines on liquidity stress testing for relevant token issuers.**
 - Liquidity requirements for the asset pool are proposed, with a minimum percentage rate with maturity between 1 to 5 business days. General techniques for the liquidity management of the asset pool are included, with minimum solvency and liquidity criteria for credit institutions receiving issuer deposits.
 - Financial instruments that can be considered highly liquid and with minimal market risk, credit risk and concentration risk, in which the asset pool may be invested, are also specified.
 - Liquidity management policies and procedures are included. It must be ensured that relevant token issuers adequately assess and monitor liquidity needs so that their reserve assets have a resilient liquidity profile.
 - The risks to be covered in liquidity stress tests are detailed, as well as the methodology for identifying common stress test benchmarks.
- **Draft RTS on equity requirements and stress testing for issuers under the MiCAR.** Two different consultations on draft RTS under MiCAR regulation are developed:
 - The first RTS address the adaptation of own funds requirements and stress testing of token issuers, and define the criteria for assessing higher degrees of risk. In addition, it incorporates the procedure for competent authorities to determine the period in which issuers must increase the amount of own funds, as well as the minimum requirements for the design and execution of stress tests.
 - The second RTS specify the procedure and timeframe for adjusting their own funds requirements to 3% of average reserve assets, where these qualify as significant.
- **Draft RTS on transactions with ARTs and EMTs denominated in a non-EU currency.**
 - The purpose of the proposal is to set out the methodology for reporting transactions associated with the use of tokens as a medium of exchange.
 - It is intended to monitor and prevent risks that may arise from the use of ARTs and EMTs denominated in a non-EU currency as a medium of exchange, particularly with regard to their impact on monetary policy and sovereignty within the EU.
 - The Implementing Technical Standards (ITS) provide specific templates and related instructions for issuers of ARTs and EMTs denominated in a non-EU currency to comply with their reporting obligations.
- **Draft Guidelines on recovery plans for ARTs and EMTs.**
 - This proposal sets out the requirements on the format and reporting of recovery plans for ARTs and EMTs.
 - Issuers of ARTs and EMTs should prepare in advance for adverse scenarios that may affect their ability to comply with the regulatory requirements applicable to the asset pool. Therefore, supervisory expectations are included in the proposal to enable issuers to identify and understand the risks they face. They are also expected to propose possible actions to restore compliance with regulatory requirements.
 - Provisions on the interaction between recovery plans drafted by multiple issuers of the same token or by issuers with two or more tokens are included.

3. Next steps

- Comments to the consultation documents can be submitted until **8 February 2024**.

E 21/11/2023
S **EBA - Template Guidelines for collecting climate-related data from EU banks as part of the Fit-for-55 single 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 set out its plans to ensure the resilience of the financial sector to climate risks and an orderly transition towards the European Union's (EU) climate goals of achieving climate 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 that the EBA would work on developing climate stress tests, including a one-off Fit-for-55 climate risk scenario. 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 terms of reference for the one-off exercise, which aims to assess the resilience of the financial sector to climate risks and obtain detailed information on the capacity of the financial system to support the transition to a low-carbon economy under stress scenarios. In July 2023, draft templates for the collection of climate-related data from EU banks were launched for public consultation as part of the one-off Fit-for-55 climate risk scenario. Finally, a public hearing was held on 28 September 2023 to provide the main developments and details on the timing, process and impact of the Fit-for-55 climate risk scenario.

In this context, the EBA has published the final **Template Guidelines for collecting climate-related data from EU banks as part of the Fit-for-55 single climate risk scenario analysis**. These templates are designed to collect data from 110 EU banks and obtain financial information related to credit risk and market risk. It also aims to assess the concentration risk of significant climate exposures. The guide is accompanied by a guide providing definitions and rules for the compilation of the information in question.

2. Main points

- **Objective.** The objective of this document is to provide both definitions and technical guidance to participating banks for completing the set of templates for the One-off Fit-for-55 climate risk scenario analysis exercise. In this exercise, information was collected from 110 banks.
- **Overview of templates**
 - **Credit risk of major counterparties.** Participating banks must provide information on the business, credit risk and climate data of the 15 largest counterparties, in terms of exposure value, in the main climate-relevant sectors. The scope of the template includes exposures to [please note that the official translation of institution is "entity"] non-financial entities exposed to the risk arising from counterparty default.
 - **Aggregate Credit Risk data.** Participating banks must report credit risk for the five most important countries in terms of exposure, and for the main climate-relevant sectors. Cumulative data, aggregated at the sectoral level, must also be reported for other EU and non-EU countries.
 - **Interest Income and Fee and Commission Income.** Participating banks must report interest income, fees and commissions for the five most important countries, in terms of income, and main climate-relevant sectors. Cumulative data, aggregated at the sectoral level, should also be reported for other countries.
 - **Major Counterparty Market Risk.** Participating banks must report individual data for the top 15 non-financial entities in the main climate-relevant sectors, aggregated by asset class (i.e. corporate bonds versus equities).
 - **Aggregated Market Risk data:** Participating banks must report market risk and climate information, for the main climate-relevant sectors and asset class (i.e., corporate bonds vs. equities).
 - **Real Estate Sector Transition Risk.** Participating banks must report on Real Estate exposures potentially affected by transition risk for the five major countries, in terms of exposure, aggregated by residential real estate (RRE) vs commercial (CRE) property class and Energy Performance Certificate (EPC) label.
 - **Real Estate physical risk:** Participating banks must report Real Estate exposures, potentially affected by physical risk, for the top five countries, in terms of exposure, aggregated by RRE vs CRE asset class and NUTS 3 code.
- **News:** Most of the new features of the final Template Guidance were raised at the public hearing held on 28 September 2023. Among them, it is made explicit that the EBA will collect data at various reporting dates and perform quality checks on the information submitted. In addition, the templates have been updated by including new metrics (e.g., credit risk variables in the Credit Risk and Real Estate templates) and/or clarifying the scope of content (e.g., incorporation of funds and indices in the Market Risk templates).

3. Next steps

- Data collection shall start on **1 December 2023** and end on **12 March 2024**. The first results of the exercise are expected to be published in **early 2025**.

28/11/2023

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



1. Context

The Capital Requirements Regulation (CRR) specifies that the EBA has to develop regulatory technical standards setting out the assessment methodology that competent authorities (CA) shall use when assessing institutions' internal models (IMA) for market risk. In March 2023, the EBA launched a public consultation on its draft Regulatory Technical Standards (RTS) which closed on June 2023.

In this regard, the EBA has launched the final report **on its draft RTS on the assessment methodology** with the aim of setting out a framework to enable CA to verify institutions' compliance with the requirements applicable to their internal models under the Fundamental Review of the Trading Book (FRTB) rules.

2. Main points

- **Governance requirements.**
 - It sets out how CA are to check the requirements for the set-up of the trading desks in the scope of the IMA. In particular:
 - The **distinctive nature of the trading desk**.
 - Where there is **more than one head dealer**, they must have responsibilities and authorities that are clearly separated.
 - Where one dealer is allocated to more than one trading desk, the tasks performed for one trading desk will **not create potential conflicts** with those performed for the other trading desk.
 - **Transactions between trading desks must be consistent** with the business strategies of those trading desks; CA must ensure that these transactions are not performed with the objective of reducing the own funds requirements for market risk or meeting the profit and loss attribution and the back-testing requirements.
 - The CA must verify that, as part of the back-testing programmes, the institution also back-tests its expected shortfall directly.
 - Furthermore, the RTS propose that institutions also consider environmental risk scenarios and their potential effect on the institutions' portfolio in terms of losses. Given the novelty of this requirement, the draft RTS propose that this aspect is assessed by the CA only from 1st January 2025.
- **Internal risk-measurement model covering the expected shortfall and the stress scenario risk measure.**
 - **Risk factors.** These RTS specify that institutions should document whether there are risk factors that are included in the standardised approach but not in the internal risk-measurement model, and the rationale for the choice. They are also expected to monitor the impact of the exclusion, in terms of own funds requirements, as well as profit and loss attribution test results as set out in CRR.
 - **Proxies and data quality.**
 - **In relation to proxies**, these RTS are aimed at ensuring that the institution uses a proxy only where data are insufficient and when doing so, that the proxy is sufficiently conservative and keeps track of the actual position held (as required by CRR). Moreover, they require CA to perform several assessments for which there are provided concrete assessment techniques.
 - **As regards data quality**, it is specified what are the minimum checks that institutions should do on their time series, and they provide CA with concrete techniques and relevant indicators to detect those time series that are affected by low data quality and require them to investigate what is the reason behind such low quality and assess the impact on the calculation of the own funds requirements.
 - **Treatment of Foreign-exchange (FX) and Commodity risk in the banking book.** Institution's internal policies must set out which are those FX and Commodity positions in the banking book that are included in the scope of the internal model and those that are not, as well as the rationale for the choice. It also requires institutions to document the choices made along with their rationale.
 - **Back-testing and profit and loss attribution requirements.** Institutions should have in place a daily report identifying the various elements making up the actual and hypothetical profit and losses.
 - **Calculation of the expected shortfall measure and the stress scenario risk measure.** These RTS include concrete assessment methods ensuring, among others:
 - A correct implementation of the **effective liquidity horizon** as well as of the various scaling that institutions are to perform.
 - **A sound identification** of the reduced set of risk factors.
 - An appropriate risk assessment when the institution applies the **derogation** to compute the unconstrained expected shortfall measures and the partial expected shortfall measures for the broad risk factor categories at a reduced frequency.
 - Historical data backtesting **the multivariate joint distribution** of the risk factors as well as correlation parameters to reflect the joint movement of those risk factors.

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

3. Next steps

- These RTS shall be adopted by the EC, and shall enter into force on the **twentieth day** following that of their publication in the Official Journal of the European Union.
- This Regulation shall apply from the date of its entry into force, with the exception of certain paragraphs of the Article regarding the assessment of the adequacy of the reverse and ad-hoc stress testing scenarios which shall apply from **1st January 2025**, and with the exception of one paragraph of the Article regarding the assessment of compliance in relation to additional back-testing programmes which shall apply from **1st January 2026**.

CL 22/11/2023
EBA - Monitoring report on the implementation of IFRS 9 by EU institutions



1. Context

Since 2016, the EBA has been monitoring and assessing the effective implementation of International Financial Reporting Standard (IFRS) 9 among European Union (EU) institutions. Since that time, guidelines have been developed and a benchmarking exercise has been conducted to assess consistency in accounting for expected credit losses (ECL), with the objective of providing transparency on the expectations of sound credit risk management practices associated with the implementation and application of ECL accounting. The exercise initially focused on low default portfolios (LDP), but was later expanded to include high default portfolios (HDP). The objective is to understand how different calculation methodologies affect ECL results, especially for HDPs, which represent an important part of financial instruments under IFRS 9, ensuring consistency in own funds and prudential ratios.

In this context, the EBA has published its second **monitoring report on the implementation of IFRS 9 by EU financial institutions**, complementing the observations included in its previous monitoring report, published in November 2021. This report focuses on HDP portfolios and aims to promote further improvements in ECL model practices among EU institutions, ensuring transparency on the main areas of concern previously identified by the EBA.

2. Main points

- **Approaches to assessing significant increase in credit risk (SICR) tests.**
 - Rating approaches that are not well designed and implemented can lead to significant increases in credit risk.
 - The analysis conducted on SICR has revealed approaches followed by institutions that continue to raise prudential concerns, in particular: the lack of collective assessment of SICR, the use of the quantitative thresholds for the assessment of SICR and significant changes in PD, and the extensive use of the low credit risk exemption (LCRE).
 - Institutions should review existing regulatory and supervisory guidance and implement measures to ensure robust rating processes that recognise increases in credit risk.
- **Expected credit loss models.** Most institutions in the sample have implemented a specific approach on probability of default (PD), loss given default (LGD) and exposure at default (EAD) to determine ECLs.
 - Post-model adjustments continue to be widely applied and were implemented by entities to account for risk factors that were not timely captured by the models, often of a temporary nature. The challenge with these post-model adjustments is that they may introduce biases, necessitating continuous oversight.
 - Adjustments were introduced at the final ECL level or at the risk parameter level. These adjustments should be supported by robust methodological approaches and appropriate governance.
- **Variability and robustness of IFRS 9.**
 - Considering the different inherent risk levels in the portfolios of respective institutions, benchmarking data indicates some variability in the 12-month PDs under IFRS 9. The reported estimates were generally higher than the corresponding default rates, justified by low observed defaults in 2021 supported by COVID-19-related support measures.
 - On the other hand, IFRS 9 PDs were generally lower than the corresponding PDs according to the internal ratings-based (IRB) model, which may be explained by the effects of positive macroeconomic projections at the time of the investigation.
 - The observed differences require further monitoring to identify variabilities that may affect the reliability of ECL estimates.
- **Incorporation of forward-looking information (FLI).** The impacts from the incorporation of FLI and non-linearity effects on ECL figures are not excessively high, although some institutions have shown higher sensitivities of their ECL estimates to their macroeconomic projections.
 - The varying magnitude of impacts can be attributed to the diversity of practices followed by institutions to incorporate FLI into their ECL models, potentially leading to divergent ECL outcomes.
 - Consistent with previous investigations, areas with significant variability have been observed in different parts of the FLI incorporation process, such as defining relevant macroeconomic scenarios, the approaches used to incorporate the effects of macroeconomic projections at the risk parameter level, and the envisaged methods for considering non-linearity effects in ECL estimates.
 - Some observed practices, such as the lack of consideration of FLI aspects in the loss given default (LGD) of IFRS 9 or the usage of a single scenario without additional adjustments for non-linearity, continue to raise prudential concerns. Entities are expected to address these issues promptly to ensure more consistent ECL outcomes and broader alignment with supervisory expectations.
- **Focus on backtesting practices.** The importance of backtesting is quite notable for ECL forecasts given that IFRS 9 models are not subject to prior supervisory approval for their use.
 - Backtesting is expected to be part of a robust validation framework for IFRS 9 models, despite the lack of detailed guidance in IFRS 9 and in the EBA guidelines on the treatment of ECL in that context.
 - The information gathered through benchmarking analysis has revealed that institutions, overall, have developed backtesting methodologies for their ECL models, leveraging existing practices and tools developed for IRB models.

3. Next steps

- In line with the IFRS 9 Roadmap, the EBA will continue to monitor and promote the consistent application of IFRS 9.

30/11/2023

EBA - Final report on guidelines amending the Risk Based Supervision Guidelines**1. Context**

The EBA is required by Regulation 2023/1113 (FTR) to issue Guidelines addressed to competent authorities (CAs) on the risk-based approach to anti-money laundering and countering the financing of terrorism (AML/CFT) supervision of crypto-asset service providers (CASPs) and the steps to be taken when conducting such supervision. In 2023, the EBA performed an analysis of its Risk-Based Supervision Guidelines to establish whether new or additional guidance was necessary to fulfil this mandate, and concluded that it was adequate and only required some adjustments, and could be extended to AML/CFT supervisors of CASPs. The EBA publicly consulted on a draft version of these amending Guidelines that closed on June 2023.

In this regard, the EBA has launched the final report **on guidelines amending the Risk Based Supervision Guidelines**, which extend the scope of these Guidelines to AML/CFT supervisors of CASPs as defined in MiCAR. Through these amendments, these guidelines foster a common understanding by CAs in the EU of the risk-based approach to the AML/CFT supervision of CASPs and how it should be applied.

2. Main points

- **Cooperation among CAs, prudential supervisors and other stakeholders.** CAs should consider the objective of their cooperation and information exchange with other stakeholders, and on this basis determine the most effective way for cooperation.
- **Consistent approach to setting supervisory expectations where multiple CAs are responsible for the supervision of the same institutions.** CAs should coordinate their actions and consider issuing joint guidance to set consistent expectations. They also should consider whether other authorities may be responsible for issuing guidance on related matters and, if so, coordinate with those authorities as appropriate
- **Guidance on the sources of information available to CAs when supervising CASPs.** CAs should determine the supervisory resources necessary to implement the supervisory strategy and ensure that sufficient resources are available to them. When determining the necessary resources, CAs should also consider the technological resources they need to perform their functions effectively, in particular where technology is essential to how the specific sectors operate
- **Type of guidance needed within the sector and how to communicate this guidance in the most effective manner.** CAs should periodically assess the adequacy of their existing guidance provided to the sector, in particular where a sector is new to regulation or supervision. Such an assessment should be done regularly and triggered by certain events, such as changes in the national or European legislation or amendments to the national or supranational risk assessment, or may be based on the feedback from the sector. Where CAs determine that the existing guidance is no longer up to date or relevant, they should communicate the necessary amendments to the sector without undue delay
- **CA staff must be well trained and have the technical skills and expertise necessary for the execution of their functions, including the supervision of CASPs.** CAs should develop a training programme, which should be adjusted to meet the needs of specific functions within the CA, taking into account the characteristics of the sectors under their supervision, their job responsibilities, seniority and experience of staff. They should keep it up to date and review it regularly to ensure that it remains relevant. CAs should ensure that the training provided is sufficiently comprehensive and, if necessary, engage an external training provider. CAs should monitor the level of training completed by individual staff members or entire teams as appropriate.

3. Next steps

- The guidelines will be translated into the official EU languages and published on the EBA website. The deadline for competent authorities to report whether they comply with the guidelines will be two months after the publication of the translations.
- The guidelines will apply from **30 December 2024**.



15/12/2023

EBA - Annual Risk Assessment Report (RAR) and results of the EU-wide 2023 transparency exercise



1. Context

The EBA has published its **annual Risk Assessment Report (RAR)**, which describes the main developments and trends that have affected the European Union (EU) banking sector since June 2022 and provides the EBA an outlook on the main risks and vulnerabilities. The RAR includes aggregate results on capital position, return on equity (RoE), non-performing loans (NPL) ratio, and coverage ratio of NPLs, and it also addresses other aspects such as the level of liabilities, operational risks or risks to the global economy.

Moreover, along with the RAR, the EBA has published the **results of the European Union (EU)-wide 2023 transparency exercise** which provides detailed information for 123 banks across 26 European Economic Area (EEA)/EU countries. The data available provides disclosure on banks' assets and liabilities, capital positions, risk exposure amounts, leverage exposures and asset quality. The document is part of EBA's efforts to monitor risks and vulnerabilities and to reinforce market discipline.

Main points

- **Data.** The RAR is based on qualitative and quantitative information collected by the EBA and presented in the RAR is as of 30 June 2023. The report's data sources are the following:
 - EU supervisory reporting data.
 - The EBA risk assessment questionnaire (RAQ), addressed to banks.
 - Market intelligence as well as qualitative micro-prudential information.
- **Sample.** The RAR builds on the supervisory reporting data that competent authorities (CA) submit to the EBA on a quarterly basis for a sample of 164 banks from 30 EEA countries (131 banks at the highest EU/EEA level of consolidation from 26 countries). Based on total assets, this sample covers about 80% of the EU banking sector.
- **Results**
 - Macroeconomic uncertainty remains elevated. Economic growth in the EU and EEA has stagnated in 2023 and the outlook remains uncertain. Inflationary pressures have proven persistent despite lower energy prices, and inflation is expected to remain above European Central Bank (ECB) targets for the next quarters. Geopolitical risks have further increased amid the war in Ukraine, the Middle East crisis, but also tensions in the Caucasus and between China and Taiwan.
 - Climate-related and broader ESG risks are increasingly in banks' focus. Institutions face the risk of potential deterioration in their asset quality due to climate-related physical events and transition risks linked to their lending and investment activities, particularly for banks with exposures to sectors significantly contributing to climate change.
 - The impact of higher interest rates resulting from monetary policy tightening continues to affect economies worldwide. This impact has not yet fully been materialised, but it has so far contributed to the slowdown in residential real estate (RRE) markets inter alia due to the increasing cost of mortgages.
 - Banks' profits benefit from higher interest rates. Monetary policy tightening helped banks to increase their net interest income (NII) thanks to higher net interest margins (NIMs). EU/EEA banks' return on assets (RoA) and RoE were reported at their highest levels since the global financial crisis (GFC), reaching 0.7% and 11% respectively. This recovery has been broadly based, although some banks benefited more than others depending on their business model or their asset and liability structure.
 - Lending growth slowed down as demand is negatively affected by increased interest rates. At the same time macroeconomic uncertainty affected banks' risk appetite. As a result, banks have markedly slowed down their lending business.
 - Signs of asset quality deterioration are limited. Despite deteriorating macroeconomic parameters over the past year banks' asset quality has remained relatively stable. The NPL ratio was at its all-time low of 1.8% in June 2023. However, during the first half of this year NPL inflows were higher than outflows, and banks still reported a relatively high share of their loans.
 - Banks have increased their reliance on market-based funding. Going forward, higher market-based funding costs increase pressure to raise more deposits, which may require banks to increase deposit remuneration.
 - Two-thirds of banks have so far issued ESG bonds. The volume of green and sustainable bonds has increased, which was mainly attributable to strongly increased green senior non preferred (SNP) bonds and bonds issued from holding companies (HoldCos).
 - Liquidity remains high albeit with a decreasing trend. The decline in the liquidity coverage ratio (LCR) was mainly due to a decrease of banks' liquid assets, as a consequence of the decline in cash and reserves, which still remain the most important part of liquid assets.
 - Bank capital levels reach new highs. The leverage ratio has also increased by around 40 bps and stood at 5.7%. Retained earnings boosted banks' capital, while stagnating lending volumes and lower market risk kept risk-weighted assets (RWA) from increasing.
 - Operational risk has increased in recent years, partly driven by geopolitical tensions. Increasing risks include the risk of loss from internal failures or external events, misconduct, legal issues and risk of fraud. In addition, in a context of digitalisation and growing importance of new financial technologies, banks become more vulnerable to digital and cyber risks. Banks also face financial crime, money laundering and terrorist financing risks.

D 18/12/2023
EBA - Implementing Technical Standards (ITS) amending the regulatory reporting regulation



1. Context

On 27 June 2023, a political agreement was reached between the European Council and the European Parliament (EP) on the amendments to the Directive 2013/36/EU (CRD VI) and Regulation of the European Union (EU) n° 575/2013 (CRR3), to implement the Basel Committee on Banking Supervision (BCBS)'s December 2017 Basel III post-crisis regulatory reforms, while considering the specific aspects of the EU's banking sector. On 6 December 2023, the Council published the Provisional agreement reached on the implementation of Basel III reforms, with the aim of ensuring that EU banks become more resilient to potential future economic shocks.

In this context, the EBA has published the draft ITS amending **Commission Implementing Regulation 2021/451 on supervisory reporting** referred to in **Article 430 (7)** of Regulation n° 575/2013. The objective of this consultation paper is to align the disclosure requirements and update the current reporting framework that derive from the implementation of Basel III reforms in the CRR3, including credit risk, credit valuation adjustment (CVA), market risk, output floor and leverage ratio.

2. Main points

- The **output floor** represents one of the key measures of the Basel III reforms and aims to reduce the excessive variability of institutions' own funds requirements calculated using internal models, and thereby enhance the comparability of institutions' capital ratios.
- The capital adequacy templates should be amended to include reporting information on the output floor in the own funds requirements and capital ratios, comprising in those templates the impact of transitional provisions for the output floor.
- Templates including modelled reporting data should be similarly updated to also include the impact of the output floor and of transitional provisions.
- **Standardised approach for credit risk (SA-CR approach)** should be updated to reflect changes in the exposure classes, new risk weights, the more granular approach applied to exposures secured by mortgages on immovable property and some changes in the calculation of the exposure value of off-balance sheet items.
- **Credit risk in Internal Ratings-based (IRB):**
- Credit risk templates for the IRB should be updated to reflect changes in the exposure classes, namely to limit the use of Institutions and Large Corporates exposures under Foundation-IRB (FIRB) and to include new exposure classes such as Public sector entities (PSEs) and regional governments or local authorities (RGLAs).
- Moreover, instructions should be amended to reflect the new calculations of the effects of funded credit protection under the FIRB approach and the effect of unfunded credit protection under the Advanced-IRB approach
- **Immovable property market (IP) Losses.** The instructions and template C 15.00 on the reporting on losses stemming from lending collateralised by immovable property have been amended. Besides, certain aspects in the instructions have been clarified.
- **CVA and Market Risk:**
- The CRR3 sets out the three new approaches (simplified, basic, standardised) that institutions should use to calculate their own funds requirements for CVA risk, as well as the conditions for using a combination of those approaches.
- As regards the standardized approach for market risk, the reporting templates C 18.00, C 21.00, C 22.00 and C 23.00 are proposed to be amended to reflect the multiplication factors introduced in CRR3, by repurposing existing columns and opening a few cells that were previously greyed out.
- **The boundary between trading book and banking book:**
- CRR2 introduced, and CRR3 modifies, the revised framework for allocating positions to the trading book and non-trading book (banking book), including default assumptions for the allocation to books, documentation and monitoring requirements, and the own funds requirements for certain reclassifications.
- **Leverage ratio:**
- References to the CRR articles have been updated and in few cases rows have been added to capture the additional provisions such as those referring to exclusions from total exposure measure, as those referring to exclusions from the total exposure measure (e.g. opening of the 40% CCF for off-balance sheet exposures).

3, Next Steps

- The consultations run until **14 March 2024**. The EBA's submission of the final updated ITS to the EU Commission for the adoption process is expected to take place at the beginning of the third quarter of 2024. The application date of these ITS will be 1 January 2025 and the first reference date **31 March 2025**, in line with the date of application of the CRR3.

T

09/10/2023

EC - Recommendation on critical technology areas for the EU's economic security



1. Context

In a context of deeper economic integration and the acceleration of technological development, certain economic flows and activities can present a risk to the European Union (EU) economic security.

In this context, the EC has published a **recommendation on critical technology areas for the EU economic security** in which puts forward a list of ten critical technology areas of which identifies four technology areas that are considered highly likely to present the most sensitive and immediate risks related to technology security and technology leakage: i) advanced Semiconductors technologies; ii) Artificial Intelligence (AI) technologies, iii) quantum technologies; and iv) biotechnologies. The EC recommends that Member States initially carry out collective risk assessments of these four areas.

2. Main points

- **Critical technological areas.**
 - Advanced semiconductors technologies. Semiconductors, microelectronics and photonics are essential components of electronic devices in critical areas such as communications, computing, energy, health, transportation and defence and space systems and applications. Due to their huge enabling and transformative nature and their use for civil and military purposes, remaining at the forefront of building and further developing these technologies is crucial for economic security.
 - Artificial intelligence (AI) technologies. AI (software), high-performance computing, cloud and edge computing, and data analytics have a wide range of dual-use applications and are crucial in particular for processing large amounts of data and making decisions or predictions based on this data-driven analysis. These technologies have huge transformative potential in this regard.
 - Quantum technologies. Have a vast potential to transform multiple sectors, civil and military, by enabling new technologies and systems that make use of the properties of the quantum mechanics. The full impact of quantum technologies that are being/will be developed cannot yet be fully qualified.
 - Biotechnologies. Have a major enabling and transformative nature in areas such as agriculture, environment, healthcare, life science, food chains or biomanufacturing. Some biotechnologies, such as genetic engineering applied to pathogens or harmful compounds produced by genetic modification of microorganisms, can have a security/military dimension, in particular when being misused.
- **Collective risk assessment exercise.** The following guiding principles have been identified to structure this exercise:
 - Identify and analyse vulnerabilities according to their potential impact on the EU's economic security and the degree of likelihood that the negative impact materialises. The analysis should identify the main types of threats and threat actors.
 - Take into account whether the detailed assessment will focus on certain subsets of the most relevant technologies.
 - Prioritise risks having potential effects on the entire EU.
 - Ensure synergies with existing analyses at the EU level and take into account private sector input.

3. Next steps

- The EC recommends that Member States initially conduct collective risk assessments of these four areas by the end of this year **2023**.



G 26/10/2023
ECB - Sound practices in counterparty credit governance and management

1. Context

The ECB in its planning for 2022-24, identified exposures to counterparty credit risk (CCR) as a supervisory priority for 2022 and initiated a range of supervisory actions. In the last quarter of 2022, the ECB concluded a targeted horizontal review of governance and risk management of CCR at 23 institutions that were materially active in derivatives and securities financing transactions (SFTs) with non-banking counterparties.

In this context, the ECB has published its **final report on Sound practices in counterparty credit risk governance and management**, following a public consultation which ended in July 2023. The report presents the findings of the targeted review performed in the second half of 2022 on how banks govern and manage CCR. It highlights sound practices observed in the market and points to areas where improvement is needed.

2. Main points

- **CCR Governance.** Based on the size and complexity of their derivatives and SFT portfolio, about two-thirds of the banks in the sample are broadly aligned with sound practices. Topics such as the implementation of a three lines of defence model, the dedicated coverage of CCR in relevant committees or the assessment of CCR in new product approval processes do not appear to be problematic. However, improvements are needed in reporting to senior management and in the inclusion of CCR in the credit risk assessment. The identification and monitoring of non-bank financial intermediation (NBF) clients also warrants more attention in some cases.
- **Risk control, management and measurement.** Based on the size and complexity of the institution's CCR portfolios, there is overall less convergence with observed sound practices in this area and therefore more room for improvement. Alignment with sound practices is generally satisfactory for topics such as the identification of CCR sources, assessment of materiality and choice of CCR metrics. However, some institutions should improve their identification and monitoring of illiquid and concentrated positions and develop appropriate economic measures for the costs of CCR portfolio wind-downs. In addition, policies addressing risk acceptance for CCR as an integral part of risk appetite framework would benefit from enhancements in a number of institutions.
- **Stress testing and Wrong-way risk (WWR).** The overall outcome of the assessment suggests there are considerable improvements to be made. While most institutions have adequately documented governance for their stress testing framework, there is considerable room for improvement in the stress testing of CCR exposures in the internal capital adequacy assessment process (ICAAP) to identify clients that are vulnerable to tail risk events. The same holds true for the use of the stress testing framework to identify and monitor high-risk clients. Furthermore, although the review identified significant shortcomings in the WWR framework in only a few institutions, for such institutions weaknesses were observed in most aspects of the framework, which therefore needs a substantial overhaul.
- **Watchlist and default management processes (DMP).** The overall outcome of the assessment is satisfactory for roughly two-thirds of the institutions. Institutions are broadly aligned with sound practices for information flows and the DMP. Some room for improvement was identified regarding the review of watchlist performance and the documentation of DMP policy. More efforts to align with sound practices are necessary when it comes to the definition of watchlist indicators for CCR and the testing of the DMP in the form of regular fire drills.



S 01/12/2023 ECB - An examination of net-zero commitments by the world's largest banks

1. Context

In recent years there has been a surge in net-zero commitments in the financial sector, particularly among large banks. While these commitments had been publicised to some extent beforehand, net-zero alliances like the Glasgow Financial Alliance for Net Zero (GFANZ) and its banking element the Net-Zero Banking Alliance (NZBA) provided more structure and rules around the way these commitments should be expressed and communicated to stakeholders, leading to the disclosure of more quantitative information to support net-zero claims.

In this context, the ECB has published an occasional paper on **an examination of net-zero commitments by the world's largest banks**. The paper gives an overview about potentially problematic disclosure practices with regards to their net-zero commitments. It explains how the introduction of comparable international rules on climate disclosure and the introduction of transition plans, as envisaged and partly already in place in the European Union (EU), could help mitigate these risks.

2. Main points

- **Methodology.** This assessment is based on publicly available disclosures from the 30 Global Systemically Important Banks (G-SIBs), also covering disclosures of 22 G-SIBs with a parent based outside the EU (non-EU G-SIBs).
- **Key findings relating to net-zero commitments.**
 - Almost all G-SIBs have communicated publicly on net-zero commitments. In total, 25 G-SIBs have committed to reaching net zero by 2050, and all of these G-SIBs are members of NZBA or other GFANZ alliances. The NZBA requires its signatories to set their first targets within 18 months of signing. 22 of the 25 G-SIBs committed to net-zero have already disclosed intermediate targets, although only three banks have reported targets for 2025 and 2050. Most G-SIBs use the International Energy Agency's (IEA's) net zero emissions (NZE) scenario as the basis for at least some targets.
 - Most banks fail to substantiate their commitments via their disclosures. There is no concrete and overarching information linking the net-zero goal with the scenarios, metrics and/or portfolios disclosed.
 - Some of the most common shortcomings identified with respect to disclosures on net-zero portfolio alignment are: i) no alignment monitoring of targets, ii) selective use of scenarios, iii) outdated scenarios; iv) outdated benchmarks; v) use of unscientific methodologies; and vi) no integration in portfolio steering.
 - Several G-SIBs still do not disclose at all or only disclose limited information about their exposure to high-emitting sectors. Banks often report their exposure to high-emitting sectors but do not report their total exposure, making it difficult to assess how material the exposure to that sector is compared with their overall balance sheet. Bank's exposure does not align with its disclosed targets. Furthermore, G-SIBs do not always align their selection of portfolios in scope for net-zero targets with their assessment of sectoral exposures.
 - The design of targets and indicators varies significantly across banks, as the choice of base-years thresholds that vary from 2018 to 2021, the choice of years for future targets, of sectoral targets and the business coverage of targets.
 - Half of the banks in the sample use carbon offsets/credits for their own operations, whereas only 10% use them to also reduce their portfolio emissions. Only five banks provide clear references to a scientific basis for said carbon/offsets, while three state they are currently laying the groundwork to proceed with carbon credits.
 - Many banks also have green financing targets in addition to net-zero targets. There are a wide variety of financing commitments by banks in the sample, which makes it challenging to compare.
- Existing market initiatives already establish a clear **framework that banks committed to net zero need to adhere to.** These initiatives have been crucial in mainstreaming the discussion on net-zero alignment and advancing the methodological debate.
 - Development areas for market initiatives related to net-zero alignment. Banks are currently often allowed to disclose their net-zero commitments before setting intermediary targets, which makes banks overplay their net-zero commitment. A possible adjustment could be to allow banks to associate with market initiatives only upon publication of their first set of interim targets.
 - A global baseline framework could help to increase transparency and further reduce the risks arising from potentially misleading statements on net-zero commitments. Two regulatory products could help here: establishing minimum comparable disclosure requirements on net-zero alignment at international level and requiring transition plans as part of a sound risk management approach by banks.



E

21/12/2023 ECB - SSM supervisory priorities for 2024-2026

1. Context

The failure of a number of medium-sized US banks and the takeover of a Swiss bank once again highlighted that banks need strong internal governance and effective risk controls to cope with a dynamically evolving risk landscape. While the risk landscape has evolved further since last year, the supervisory priorities and corresponding activities set out in 2022 remain valid overall and still address the main vulnerabilities in the banking sector.

In this context, the ECB has published the **SSM supervisory priorities 2024-2026** and its **assessment of risks and vulnerabilities**. These priorities promote effectiveness and consistency in the supervisory planning of the Joint Supervisory Teams (JSTs) and support a more efficient allocation of resources, in line with the setting of the corresponding risk tolerance levels. In addition, they also help national supervisors set their own priorities for the supervision of less significant institutions in a proportionate way.

2. Main points

Operating environment for supervised institutions

- The European banking sector demonstrated its **high resilience to external shocks** when the stress in the US and Swiss banking sectors in March this year triggered only limited and temporary spillover effects.
- The **growth outlook for the euro area** remains subject to high uncertainty in the context of tighter financing conditions and heightened geopolitical tensions, while future energy and food price paths are subject to upside risks.
- **Headline inflation in the euro area** is projected to continue on a downward path over the medium term, while core inflation is expected to fall more gradually.
- A **mixture of heightened geopolitical tensions**, “higher-for-longer” interest rates and a potential economic slowdown in the euro area may result in renewed turbulences in financial markets.

Supervisory priorities for 2024-2026

- **Strengthen resilience to immediate macro-financial and geopolitical shocks.** The primary objective for ECB Banking Supervision is to ensure that banks under its direct supervision strengthen their resilience to immediate macro-financial and geopolitical shocks.
 - Banks must be prepared to cope with more volatile funding sources, higher funding costs, a potential fall in asset quality and a further repricing in financial markets in the short and medium term.
 - There are some prioritised vulnerabilities: i) shortcomings in credit risk and counterparty credit risk management frameworks; and ii) shortcomings in asset and liability management frameworks.
- **Accelerate the effective remediation of shortcomings in governance and the management of climate-related and environmental risks.** The 2023 Supervisory Review and Evaluation Process (SREP) results continue to highlight the insufficient progress achieved by some banks in tackling shortcomings in governance. Furthermore, the importance of strong governance and sound risk controls has once again been highlighted by the failures of some US and Swiss banks earlier this year.
 - Banks will be asked to step up their efforts and adequately reflect the relevant risk dimensions in their business strategies and risk management frameworks in order to fully comply with the corresponding supervisory expectations by the end of 2024.
 - The prioritised vulnerabilities are: i) deficiencies in management bodies' functioning and steering capabilities; ii) deficiencies in risk data aggregation and reporting; and iii) material exposures to physical and transition risk drivers of climate change.
- **Further progress in digital transformation and building robust operational resilience frameworks.** While most supervised institutions are making progress in the digitalisation of their operations and services to cope with ever-increasing competitive challenges, they also need to strengthen and, where needed, adjust their operational resilience frameworks to mitigate potential risks.
 - Achieving operational resilience should contribute to the sustainability of banks' business models in the medium term and enable them, among other things, to reap the benefits of innovative technologies.
 - The prioritised vulnerabilities are: i) deficiencies in digital transformation strategies; and ii) deficiencies in operational resilience frameworks, namely Information Technology (IT) outsourcing and IT security/cyber risks.

27/12/2023

EIOPA - Supervisory Convergence plan for 2024**1. Context**

The implementation of a common supervisory culture requires constant change and evolution. It is of utmost importance that the supervisory community has, at all levels, easy access to EIOPA tools as well as the ability and willingness to use them, for this reason EIOPA promotes supervisory convergence through the release of public supervisory convergence tools such as Opinions or Supervisory Statements when possible.

In this context EIOPA has published the **Supervisory Convergence Plan for 2024**, which starts with 2023 priorities and also takes into account the Union-wide strategic priorities and strategic objectives as well as the work plan for assessing the supervisory practices of national supervisory authorities (peer review work plan) 2023-2024.

2. Main points

The EIOPA has established three pillars of supervisory convergence and supervisory priorities:

Practical implementation of the common supervisory culture and the further development of supervisory tools.

- Risk assessment **framework** and application of **proportionality**. Review of EIOPA Guidelines on Supervisory Review Process (SRP) to assess if and how guidelines, issued in 2015, can be further improved to reflect the lessons learned by National Competent Authorities (NCAs) in the first years of supervision of Solvency II requirements as well as discuss the emerging trends of new macro-economic environment and digitalisation to ensure that guidelines remain fit for the purpose of ensuring the quality, effectiveness and consistency of supervision.
- **Annual update of the Internal Model On-Going Appropriateness Indicators tool.**
- Supervisory assessment of **conduct risks**. The EIOPA will: i) monitor the implementation of follow-up measures to be taken by NCAs on the findings identified in the thematic review on credit protection products sold through banks distribution channel; ii) expand the type of work to be carried out in relation to conduct risk assessment; iii) continue to work on issues with exclusions and lack of clarity in insurance contracts; iv) continue focusing on value for money risks; v) address risks emerging from digital distribution and digitalization across the insurance value chain.
- Supervisory approach to **environmental, social and governance (ESG) risks**. EIOPA will i) revise climate related risk chapter of Supervisory Handbook on supervision of climate-related risks in Solvency II Pilar II; ii) continue monitoring its Opinion on climate change risks; iii) continue its supervisory activity related to the assessment of the materiality of climate-related risks; iv) monitoring and supervision of greenwashing cases.
- Further improvement of the Supervisory Handbook chapters on **group supervision**.
- **Supervisory technology (SupTech)**. The start of the analysis phase and, potentially, the start of the development phase of the two SupTech projects included in the second SupTech program.
- **Supervision of captives**. Finalisation of EIOPA Opinion on supervision of captive undertakings.
- **Supervisory tools in cross-border contexts**. Analysis of different tools and powers in cross border contexts in view of assessing their effectiveness and potential improvements.
- **Guidance on innovative reinsurance structures.**
- **Peer review on the supervision of the prudent person principle and on technical provisions.**

Risk to the internal market and the level playing field which may lead to supervisory arbitrage

- **Internal model outcomes, modelling methodologies and supervisory practices**. EIOPA will continue the annual comparative study of Market and Credit Risk and Life Underwriting Risk Comparative study and over Operational Risk methodologies and supervisory practices.
- **Authorisations, fitness and propriety**. EIOPA will continue working to set up a cross sectoral system for information exchanges.
- **Pension issues**. EIOPA will further develop the area of risk based supervision of the Institutions for Occupational Retirement Provisions (IORP) Supervisory Handbook.
- **Third country reinsurance** in the EU. EIOPA will work further on the establishment of a cooperation framework between EU and third countries supervisors.
- **Private equity ownership of insurance undertakings**. EIOPA will work on a supervisory convergence tool to gather the NCAs' knowledge and to identify best supervisory practices in relation to supervision of insurance companies owned by private equity.

Supervision of emerging risks

- **IT security and governance-related risks**, including cyber risk. EIOPA will work together with the EBA and ESMA via the Joint Committee on fulfilling the policy mandates under DORA Regulation.
- **Digital transformation**. EIOPA will: i) seek to develop further sectorial work; ii) participate and promote relevant discussions in the area of the insurance and pension sector in the European Forum of Innovation Facilitators (EFIF).

Oversight priorities. The priorities established by the EIOPA for 2024 are the followings: i) resolving supervisory concerns, ii) assessing potential cross-border risks (by participating in joint-onsite inspections, among others); iii) monitoring the implementation of the Union-wide Strategic Supervisory Priorities; and iv) providing supervisory recommendations to NCAsA



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30/10/2023

EP/Council - Regulation on European green bonds

1. Context

On 5 October 2016, the EU adopted the Paris Agreement based on the United Nations Framework Convention on Climate Change, with the aim of strengthening the global response to the threat of climate change. On 14 January 2020, the Communication "Sustainable Europe Investment Plan" was published, in which the Commission foresees the establishment of an environmentally sustainable bond standard, to provide more investment opportunities and facilitate the screening of environmentally sustainable investments through clear labels.

In this context, the EP and the Council have published a **Regulation on European green bonds and optional disclosure for bonds marketed as environmentally sustainable bonds and for sustainability-linked bonds**. The purpose of the legislative text is to establish uniform requirements for bond issuers who want to use the European Green Bond (EUGB) designation, as well as to incorporate a system for registering and monitoring external verifiers of EUGBs and to develop optional disclosure templates for environmentally sustainable or sustainability-linked bonds in the EU.

2. Main points

- **Requirements for the use of the designation EUGB:**
 - The EUGB designation shall be used only for bonds that meet certain transparency and external verification requirements.
 - Before issuing an EUGB, issuers are required to complete a regulatory form set out in the Regulation. This form will be subject to prior verification and must have been obtained through a positive opinion from an external reviewer.
- **Optional disclosure templates for bonds marketed as environmentally sustainable and for sustainability-linked bonds:**
 - No later than twelve months after the entry into force of this Regulation, the Commission shall publish guidelines setting out templates for voluntary pre-issuance disclosures for issuers of bonds marketed as environmentally sustainable and sustainability-linked. These shall indicate whether the issuer intends to make use of an external verifier.
 - For issuers of bonds marketed as environmentally sustainable, the templates shall contain certain elements reflecting the issuer's intention based on data available at the time of issuance of the bond. These elements are when the issuer is obliged to publish plans for transition to a sustainable economy in line with the Paris Agreement, when it is obliged to disclose information and the minimum proportion of bond proceeds it will use for environmentally sustainable activities.
 - For issuers of sustainability-linked bonds, the templates should also include the rationale, level of ambition, materiality and methodology for calculating the key performance indicators indicated by the issuer. The way in which the bond is linked to the issuer's turnover, capital expenditure and operating expenses should be in accordance with the internal taxonomy. Finally, the description of the bond structure should be in accordance with the templates as well.
- **External reviewers for EUGBs:**
 - External reviewers of EUGBs must meet certain conditions. Among them, they must be registered with the European Securities and Markets Authority (ESMA) and comply with the conditions for registration. The application for registration must contain information such as the full name of the applicant, the legal form of the applicant or the ownership structure of the applicant.
 - ESMA will register an applicant as an external verifier only if it meets certain conditions, such as sufficient good repute, appropriate qualifications for the required tasks, professional qualifications and experience.
 - External reviewers must comply with organisational requirements as well as processes and documents relating to governance set out in the Regulation. Appropriate systems, resources and procedures must be employed to fulfil their obligations. In addition, they shall conduct annual monitoring to assess the adequacy of processes, and implement appropriate measures to address any deficiencies.
 - External reviewers shall ensure that their employees possess the knowledge, experience and training necessary for the performance of the assigned functions.
 - The verifications shall be made available free of charge on the websites within a reasonable time prior to the issuance of the relevant voucher and without delay after the completion of the assessment of the assignment reports by the external verifier.

3. Next steps

- The Regulation has been adopted by the Council on **23 October 2023**, and will enter into force 20 days after publication in the Official Journal of the EU.



T 01/12/2023
EP/Council - Regulation on harmonised rules on fair access to and use of data

1. Context

Following the Data Governance Act adopted by the co-legislators in 2022, the Data Act Regulation is the second main legislative initiative resulting from the Commission's February 2020 European strategy for data, which aims to make the EU a leader in its data-driven society. While the Data Governance Act creates the processes and structures to facilitate data sharing by companies, individuals and the public sector, the data act clarifies who can create value from data and under which conditions. This is a key digital principle that will contribute to creating a solid and fair data-driven economy and guide the EU's digital transformation by 2030. It will lead to new, innovative services and more competitive prices for aftermarket services and repairs of connected objects, known as internet of Things (IoT).

In this context, the EP and the Council have published a **Regulation on harmonised rules on fair access to and use of data** which ensures that users of a connected product or related service in the Union can access the data generated by the use of that connected product or related service and that those users can use the data. It also imposes the obligation on data holders to make data available to users and third parties of the user's choice in certain circumstances.

2. Main points

- **Scope of the legislation**
 - The new regulation will allow users of connected devices to gain access to data generated by their use which is often exclusively harvested by manufacturers and service providers.
 - Regarding IoT data, the new law focuses on the functionalities of the data collected by connected products instead of the products themselves. It introduces the distinction between product data and related service data, from which readily available data can be shared.
- **Trade secrets and dispute settlement**
 - The new law ensures an adequate level of protection of trade secrets and intellectual property rights, accompanied by relevant safeguards against possible abusive behaviour. While fostering the sharing of data, the new regulation aims at supporting the EU industry while providing safeguards for exceptional circumstances and dispute settlement mechanisms.
- **Data sharing and compensation**
 - The new law contains measures to prevent abuse of contractual imbalances in data sharing contracts due to unfair contractual terms imposed by a party with significantly stronger bargaining position. These measures will protect EU companies from unfair agreements and give small and medium enterprises more room for manoeuvre. Moreover, the text of the regulation provides additional guidance by the Commission regarding the reasonable compensation of businesses for making the data available.
 - The regulation provides the means for public sector bodies, the Commission, the European Central Bank (ECB) and EU bodies to access and use data held by the private sector that is necessary in exceptional circumstances, particularly in case of a public emergency, such as floods and wildfires, or to fulfil a task in the public interest.
 - When it comes to such requests to access data in the business to government context, the new regulation provides that personal data will only be shared in exceptional circumstances, such as a natural disaster, a pandemic, a terror attack, and if the data required is not otherwise accessible. Micro and small-sized enterprises will also contribute their data in such cases and will be compensated.
- **Benefits for consumers**
 - The new law will allow consumers to move easily from one cloud provider to another. Safeguards against unlawful data transfers have been also introduced, as have interoperability standards for data sharing and processing. Finally, the expectation from the new law is that it could make after-sale service of certain devices cheaper and more efficient.
- **Governance model**
 - The new regulation preserves member states' flexibility to organise the implementation and enforcement tasks at national level. The coordinating authority, in those member states where such coordination role will be required, will act as a single point of contact and be labelled as data coordinator.

3. Next Steps

- Following formal adoption by the Council, the new regulation will be published in the EU's official journal in the coming weeks and will enter into force the twentieth day after this publication. It shall apply from **20 months from the date of its entry into force**. However, article relating requirements for simplified access to data for new products, shall apply to connected products and the services related to them placed on the market after **32 months from the date of entry into force** of the regulation.



T 27/12/2023
EP/Council - Regulation 2023/2854 of 13 December 2023 on harmonised rules on fair access to and use of data

1. Context

In recent years, data-driven technologies have transformed sectors of the economy, highlighting the growing importance of data for consumers, businesses and society. Interoperable data and high-quality increase competitiveness, innovation and sustainable economic growth for consumers and businesses. However, barriers to data sharing still exist, including lack of incentives, uncertainty about rights and obligations, the costs of contracting, fragmentation in data, poor metadata management and the absence of standards for interoperability. In order to respond to the needs of the digital economy and to remove barriers to the well-functioning internal market for data, it is necessary to lay down a harmonised framework specifying who is entitled to use product data or related service data, under which conditions and on what basis.

In this context, the EP and the EU Council have published in the Official Journal of the EU (OJEU) **Regulation 2023/2854 of 13 December 2023 on harmonised rules on fair access to and use of data**, amending Regulation 2017/2394 and the Directive 2020/1828 (Data Act).

2. Main points

- The **subject matter** of the new Regulation is to establish harmonised rules on: (i) the making available of product data and related service data to user of the connected product or related service; (ii) the provision of data from data holders to recipients; (iii) the sharing of data from data holders to public sector bodies; (iv) facilitating switching between data processing services; (v) introducing safeguards against unlawful third-party access to non-personal data; and (vi) developing of interoperability standards for access, transfer and use of data.
- The **scope** of the Regulation includes both personal and non-personal data, in a variety of contexts.
- **Business to consumer and business to business data sharing:**
 - Product data and related service data must be accessible easily, securely, free of charge, and in a complete and structured format.
 - Users and data holders have certain rights and obligations with respect to accessing, using and making available data.
 - In addition, the user or party acting on behalf of the user may authorise the data holder to make the data readily available to a third party.
 - There are certain obligations on third parties receiving data at the request of the user, such as the impossibility to unduly hinder the exercise of users' choices or rights or to make the data received available to another third party.
- **Obligations for data holders obliged to make data available pursuant to EU law:**
 - Data holders, in order to make such data available to data recipients shall do under fair, reasonable, non-discriminatory and transparent conditions.
 - In addition, where data holder and recipients have agreed on compensation for making data available in business-to-business relationships shall be non-discriminatory and reasonable.
 - Users, data holders and data recipients shall have access to a dispute settlement body.
 - Finally, the data holder may apply appropriate technical protection measures, including smart contracts and encryption, to prevent unauthorised access to the data.
- In case of **unfair contractual terms between enterprises**, in relation to access to and use of data, these will not be binding.
- On certain occasions, **data holders who are legal entities shall make data available to Public Sector bodies**, the European Commission (EC), the European Central Bank (ECB) and EU bodies on the basis of an exceptional need.
- Customers may **switch to the data processing service, covering the same type of service**, which is provided by a different provider of data processing services or, where relevant, to use several providers or data processing services at the same time. Processing service providers shall not hinder clients in this situation.
- Providers of data shall take all appropriate measures to prevent international access and **transfer of non-personal data held in the EU by public administrations**.
- Participants in data spaces that offer data or data services to other participants shall comply with certain essential requirements to **facilitate the interoperability of data**, of data sharing mechanisms and services. These requirements are related to the dataset content, its structure and format and the technical means to access it.

3. Next Steps

- The EC is empowered to adopt delegated acts subject to the conditions laid down in the Regulation for an indeterminate period of time from **11 January 2024**.
- This Regulation shall apply from **12 September 2025**. The chapter on unfair contractual terms shall apply from **12 September 2027** to contracts concluded on or before 12 September 2025, provided that they are of indefinite duration or expire at least 10 years from 11 January 2024.
- By **12 September 2028**, the EC shall carry out an evaluation of this Regulation and submit a report on its main findings.



T 05/10/2023 ESAs - Report on the landscape of ICT third-party providers in the EU

1. Context

On December 2022, Regulation (EU) 2022/2554 of the European Parliament and the Council on DORA was published and it creates a comprehensive framework addressing various core components of the digital operational resilience of financial entities. With regard to ICT third-party risk management, financial entities will have to maintain, at entity, sub-consolidated and consolidated level, a register of information on all their contractual arrangements on the use of ICT services provided by ICT third-party providers (TPPs). As part of the preparations for the application of DORA and the establishment of the oversight framework the ESAs have jointly conducted a high-level exercise identifying and mapping ICT TPPs.

In this context, the ESAs have published a **Report on the landscape of ICT third-party providers in the EU**. The analysis aims to map the provision of ICT services by TPPs to financial entities in the EU.

2. Main points

- **Landscapes of ICT TPPs.** The exercise identified around 15,000 ICT TPPs directly serving around 1600 EU financial entities. These EU financial entities comprise not just signatories to a given contract with an ICT TPP, but all Entities Making use of the Contract (EMCs). Based on the analysis a few ICT TPPs serve between 250 and 500 EMCs. Around half of EMCs use a critical service that is not substitutable. The number of EMCs using a critical service that is not substitutable rises to around three-quarters.
- **Overview of ICT services.** It is provided an overview of the number of contractual arrangements by each of these types of service, the number of ICT TPPs providing each type of service, and the number of EMCs using each type of service. most arrangements include multiple types of ICT services. 'Software and application services' was mentioned by financial entities the most frequently in the contractual arrangements (30,138 out of the total of 56,313 arrangements reported) followed by ICT consultancy & managed ICT services, cloud computing and data analysis and other data services:

Service provided	Contractual arrangements		ICT TPPs providing the service		EMCs using the service	
	Total number	% of which critical	Total number	% providing critically	Total number	% using critically
Software and application services	30.138	45%	9.055	40%	1.415	88%
Network infrastructure services	4.869	67%	1.816	65%	1.066	92%
Data centre	3.694	70%	1.417	61%	968	92%
ICT consultancy & managed ICT services	13.560	49%	3.991	33%	1.086	83%
Information security & cybersecurity	5.648	49%	2.050	47%	1.018	86%
Cloud computing	13.111	55%	3.539	37%	1114	85%
Data analysis and other data services	11.873	64%	3.181	50%	1.143	80%



S 07/12/2023 ESAs - ESAs put forward amendments to sustainability disclosures for the financial sector

1- Context

In April 2022, the ESAs were mandated by the European Commission (EC) to review several aspects of the operation of Commission Delegated Regulation (EU) 2022/1288 SFDR, including the disclosures of PAI of investment decisions on sustainability factors and to introduce disclosure of financial products' decarbonisation targets. The ESAs published consultation paper in April 2023.

Having considered the feedback to the consultation, the ESAs have developed through the Joint Committee (JC) the **final report amending the draft RTS to the Delegated Regulation supplementing the SFDR**. They also propose adding new social indicators and streamlining the framework for the disclosure of principal adverse impacts of investment decisions on the environment and society.

2. Main points

- **Extension of the list of social indicators for principal adverse impacts.** The ESAs proposed in the consultation paper several new indicators for PAI of investment decisions on sustainability factors, focusing on the social adverse impacts, which were not as comprehensively covered in the SFDR Delegated Regulation as the environmental indicators. New mandatory social indicators have been included, as well as changes on the list of newly proposed opt-in social indicators. Moreover technical adjustment to other indicators in Table 3 have been made together with changes to the other PAI indicators covering environmental adverse impacts.
- **Changes to the PAI framework.**
 - Two overriding reasons have led to the ESAs opting not to change the calculation basis. Firstly, the EC's assessment of SFDR could result in changes that it might be better not to pre-empt these with any significant changes in the Delegated Regulation. Secondly, since any changes from these amendments to the Delegated Regulation would not apply for a few years, historical comparison of PAI values would be hampered by a change to the calculation basis.
 - All formulae have been adjusted to reflect the changes in the indicators.
 - The ESAs have not included the provision regarding the treatment of derivatives in PAI disclosures in this final report.
 - The ESAs have confirmed that the value chain of investee companies only need to be included in the PAI calculations where the investee company reports on that value chain.
- **Do not significantly harm (DNSH) disclosure design options.**
 - The draft RTS will include a requirement to disclose the thresholds or criteria for the PAI indicators that the financial product uses to determine that its sustainable investments comply with the DNSH principle in the website disclosures.
 - The ESAs have added provisions to the Articles related to the calculation of sustainable investments so that any investments in taxonomy-aligned economic activities is automatically considered sustainable investments.
- **Amendments regarding greenhouse gas (GHG) emissions reduction targets.**
 - The draft RTS incorporate new disclosures for financial products information provided in pre-contractual documents, on websites and in periodic reports on GHG emissions reduction targets, including intermediary targets and milestones, where relevant, and actions pursued.
 - The draft RTS define a maximum interval of five years between targets. This will support consistency with the schedule required from undertakings under European Sustainability Reporting Standards (ESRS) E1 and from countries under Article 4.9 of the Paris Agreement. The draft RTS do not create any additional burden for products without GHG emissions reduction targets: for products without such targets, the new set of disclosures does not apply
- **Amendments regarding GHG emissions reduction targets.**
 - The financial product templates have been updated by simplifying the language, restructuring the information provided to avoid repetitions and removing the green colour in all disclosures, except for the Taxonomy graphs.
 - The amending SFDR Delegated Regulation includes provisions for financial products with investment options. This includes extended disclosures pre-contractually for such products, which consist of a dashboard with the key information on the investment options that promote characteristics or have a sustainable investment objective.
- The draft RTS contains a new article with the two ways to **calculate the proportion of sustainable investments in a financial product**.

3. Next Steps

- The EC will study the draft RTS and decide whether to endorse them within **three months** of the publication by the ESAs. These draft RTS would be applied independently of the comprehensive assessment of SFDR announced by the EC in September 2023 and before changes resulting from that assessment would be introduced.



14/12/2023

ESAs - Public consultation on the second batch of policy mandates under the Digital Operational Resilience Act (DORA)

1- Context

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

In this context, the ESAs have launched a second batch public consultation of RTS and ITS which aim to ensure a consistent and harmonized legal framework in the areas of incident reporting, aggregated cost and losses from major incidents, subcontracting of critical functions, oversight harmonization, oversight cooperation between ESAs and competent authorities (CA) and TLPT.

2. Main points

RTS and ITS on content, timelines, and templates on incident reporting.

- This RTS provide a harmonized incident reporting framework considering the need to ensure simple, clear and coherent reporting requirements setting requirements on i) the content of the information to be reported, ii) time limits, and iii) process for reporting incidents.
- **Initial notifications.** Submitted within 4 hours from the moment of classification of the incident as major, but no later than 24 hours from the time of detection. Contents are the following: i) Date and time, ii) Description of the incident, iii) Classification criteria, iv) Members States impacted, v) Discovery information, vi) Information about the source of the incident, vii) Impact on other financial entities and any third party providers, viii) Information about recurring or relates to a previous incident, and ix) Indication whether a business continuity plan has been activated.
- **Intermediate reports.** Submitted within 72 hours from the classification of the incident as major. Contents are the following: i) Incident reference code, ii) Date and time, iii) Date and time when regular activities have been recovered, iv) Classification criteria, v) Type of the incident, vi) Functional areas and business processes affected, vii) Infrastructure components affected, viii) Communication to clients, ix) Reporting to other authorities, x) Recovery plans, and xi) Vulnerabilities exploited.
- **Final reports.** Submitted no later than 1 month from the classification of the incident as major. Contents are the following: i) Root cause of the incident, ii) Inability to comply with legal requirements, iii) Breach of contractual arrangements, iv) Date and time when the incident was resolved, v) Measures and actions taken by the financial entity for the resolution, vi) Reclassification of a major incident to non-major, vii) Resolution authorities, and viii) Direct and indirect costs and losses stemming from the incident.
- **Notification of significant cyber threats.** Contents are the following: i) General information about the reporting entity, ii) Date and time of the cyber threat detection, iii) Description of the cyber threat, iv) Potential impact of the cyber threat on the financial entity, its clients and/or financial counterparts, v) Classification criteria, vi) Status and activity of the cyber threat vii) Preventive actions taken by the financial entity, and viii) Notification of the cyber threat to other financial entities or authorities.

The ITS on the standard forms, templates, and procedures for financial entities to report a major incident and to notify a significant cyber threat set the format and templates for reporting major incidents and significant cyber threats, and the reporting requirements.

- **Standard form for reporting of ICT-related major incidents.** i) Use the predefined template to submit the notifications, ii) Ensure that the incident notification is complete and accurate, iii) Where accurate data is not available for the initial notification or the intermediate report, the financial entity shall provide estimated values based on other available data, and iv) When submitting an intermediate or final report, the information that was provided with the initial notification or the intermediate report shall be updated.
- **Submission of initial notification, intermediate and final reports together.** Financial entities can provide all required information in one go, combining the initial notification, intermediate and finale report.
- **Recurring incidents.** Financial entities need to share combined information about recurring incidents that, on their own, might not qualify as major ICT-related incidents.
- **Use of secure channels and notification of competent authorities.** i) Use secure electronic channels, ii) Where financial entities cannot use standard channels to report incidents, they must inform authorities using secure alternative means, and iii) Where financial entities are unable to submit the initial notification, intermediate report or final report within the timelines, financial entities shall inform the competent authority without undue delay, but no later than 24 hours.

- **Reclassification of major incidents.** Financial entities must reclassify a previously reported major incident as non-major if, upon reassessment, they determine that the incident never met the criteria for classification as a major incident. In such instances, they are required to submit a final report that specifically addresses the details related to reclassifying the incident as non-major.
- **Outsourcing of the reporting obligation.** i) Where financial entities outsource the incident reporting obligation, they shall inform the CA prior to any notification or reporting and indicate the name and contact details, financial entities shall inform competent authorities where such outsourcing has been cancelled, and ii) Where outsourcing are of long-term or general nature, financial entities shall notify the competent authority prior to any notification or reporting of the third party that will be submitting the incident notification of reports.
- **Standard form for reporting of notification of significant cyber threats.** i) Use the predefined template, data glossary and instructions, and ii) Ensure that the information contained in the cyber threat notification is complete and accurate to the extent possible.
- **Data precision and information associated with submissions.** i) Submit the information in the exchange formats and representations specified by CAs and respecting the data point definition of the data point model and the validation formulas specified, and ii) Financial entities and third parties submitting data affected by the incident shall be identified by their LEI.

Guidelines on aggregated costs and losses from major incidents.

The aim of these guidelines is to harmonize how financial entities estimate aggregated annual costs and losses resulting from major ICT-related incidents. It emphasizes proportionality in classification, allowing smaller entities to classify incidents as "major" less frequently than larger ones. The proposal aligns with existing and forthcoming regulatory standards under DORA, sets the reference period for aggregating costs to the accounting year, and necessitates the reporting of gross and net costs for major incidents.

These guidelines cover the next tasks in order to estimate and aggregate the annual costs and losses resulting from major ICT-related incidents within financial entities:

- **Reference period.** Financial entities estimate the aggregate annual costs and losses of major ICT-related incidents by summing up costs and losses within the completed accounting year, excluding those before or after this period.
- **Inclusion criteria.** Estimated costs include ICT-related incidents classified as major as per the RTS on the classification of ICT-related incidents. This includes incidents with final reports submitted in the relevant accounting year or in prior years with quantifiable financial impacts.
- **Sequential estimation steps.** i) Estimation of gross costs and losses for each major incident based on guidelines from the RTS on the classification of ICT-related incidents, ii) Calculation of net costs and losses for each incident by deducting financial recoveries as specified in the RTS and ITS on reporting of ICT-related incidents, and iii) Aggregation of gross costs, financial recoveries, and net costs across major ICT-related incidents.
- **Basis for estimations.** Financial entities base their estimations on financial statements validated by an independent entity, such as the profit and loss account for the relevant accounting year. This includes accounting provisions reflected in validated financial statements.
- **Adjustments.** Incorporate adjustments made in the reporting of the relevant accounting year from the previous year's aggregated reporting.
- **Breakdown reporting.** Report a breakdown of gross and net costs and losses for each major ICT incident included in the aggregation.
- **Reporting template.** These guidelines also specify a common template for the submission of the aggregated annual costs and losses.

RTS on subcontracting of critical or important functions

The RTS on subcontracting of critical or important functions provides a set of measures in order to mitigate and have a comprehensive management of the risks that may arise when subcontracting ICT services supporting critical or important functions along the whole lifecycle of a contractual arrangement:

- **Complexity and risk considerations.** Financial entities should consider the following elements in the contractual arrangements with ICT third-party service providers on the use of subcontracted ICT services: i) location of the ICT subcontractor (or its parent company), ii) number of ICT subcontractors, iii) nature of data shared, iv) location of data processing and storage, v) whether the ICT subcontractors are part of the same group of the financial entity, vi) the transferability of the ICT service, vii) the potential impact of disruptions on the continuity and availability of the ICT service, viii) the difficulty of reintegrating the ICT service, and ix) the concentration risks.

- **Risk assessment regarding the use of subcontractors.** Financial entities should assess at least the following elements before decide whether an ICT service supporting critical or important functions may be subcontracted: i) due diligence processes implemented by the ICT third-party service provider, ii) capability of the ICT third-party service provider to involve the financial entity in the decision-making process related to subcontracting, iii) inclusion of the relevant clauses of the contractual arrangements between entity and ICT third-party service provider in their subcontracting arrangements, iv) adequate abilities, expertise, financial, human and technical resources, organizational structure etc. of the ICT third-party service provider to monitor its subcontractors, v) adequate abilities, expertise, financial, human and technical resources, organizational structure etc. of the financial entity to monitor and oversee the ICT service that has been subcontracted or, where possible and applicable, the subcontractors directly, vi) the impact of a possible failure of a subcontractor on the entity's digital operational resilience and financial soundness, vii) the risks associated with the geographical location of the subcontractors, viii) the ICT concentration risks at entity level, and ix) any obstacle of the exercise of audit, access rights by the competent authorities, etc. This assessment shall be periodically carried out by financial entities against possible changes in their business environment.
- **Description and conditions under which ICT services supporting a critical or important function may be subcontracted.** For each ICT service eligible for subcontracting, financial entities shall specify within the contractual agreement the following items: i) the responsibility of the ICT third-party service provider to monitor all subcontractors supporting a critical or important function, ii) the monitoring and reporting obligations of the ICT third-party service provider, iii) the ICT third-party service provider shall assess all risks associated to subcontractors, its parent company and their location, iv) the location and ownership of data process or stored by the subcontractor, v) the monitoring and reporting obligations of the subcontractor towards the ICT third-party service provider and, where relevant, towards the financial entity, vi) the continuous provision of the ICT service supporting critical or important functions by the ICT third-party service provider even in case of failure by a subcontractor, vii) the incident response and business continuity plans, and the SLA to be met by the subcontractors, viii) the ICT security standards to be met by the subcontractors, ix) the respect of the audit right by the subcontractor, and x) the termination rights, taking into account among the cases the non-respect of agreed SLAs.
- **Monitoring of the entire ICT subcontracting chain by the financial entity.** Financial entities shall fully monitor the ICT subcontracting chain and document it when an ICT service supporting critical or important function in subcontracted. The monitoring shall include the review of contractual documentation between ICT third-party service providers and subcontractors, and key performance indicators (KPI) to ensure compliance with all the conditions included in the contractual agreement along the entire ICT subcontracting chain.
- **Material changes to subcontracting arrangements.** Financial entities shall ensure, through the ICT contractual arrangement, to be informed with a sufficient advance notice period in case of material changes related to the subcontracting arrangements in order to assess impacts on the risks and guarantee that the ICT third-party service provider capabilities to meet its obligations are not affected.
The outcome of the risk assessment shall be shared with the ICT third-party service provider before the end of the notice period. Likewise, the entity shall require the provider to implement the material changes only after their approval or not objection by the end of the notice period.
Finally, modifications to the proposed changes may be requested if the risk assessment carried out concludes that the material change exposes the financial entity to risks that exceed its risk appetite.
- **Termination of the contractual arrangement.** Financial entities have the right to terminate an agreement with the ICT third-party service provider in the following cases: i) the ICT third-party service provider implements material changes despite the objection of the financial entity or without approval within the notice period, and ii) the ICT third-party service provider subcontracts an ICT service supporting a critical or important function explicitly not permitted to be subcontracted by the contractual agreement.

RTS on oversight Harmonization

The RTS on Oversight Harmonization is a set of rules that aims to improve the coordination and cooperation between the national authorities responsible for overseeing critical ICT third-party service providers in the European Union (EU):

- **Information to be provided by information and communication technology third-party service providers in the application for a voluntary request to be designed as critical.** i) General information about the ICT third-party service provider, ii) Corporate structure, iii) Market share, iv) Criticality assessment, and v) Other relevant information.
- **Assessment of completeness of application.** The ICT third-party service provider shall submit its reasoned application to the EBA, ESMA or EIOPA including all information via means determined by ESA. If an application is incomplete, the ESA will request the missing information. If the information is not provided by the deadline, the application will be rejected.
- **Content of information provided by critical ICT third-party service providers.** The Lead Overseer can request the necessary information according to the structure and format of information provided by critical ICT third-party service providers, within the specified time limits and frequency.
- **Remediation plan and progress reports.** The critical ICT third-party service provider is required to submit a remediation plan to the Lead Overseer, outlining the measures and solutions they intend to deploy to address the risks highlighted in the recommendations.
- **Structure and format of information provided by critical ICT third-party service providers.** The critical ICT third-party service provider shall provide the requested information in English to the Lead Overseer through the secure electronic channels indicated by the Lead Overseer in its request.

- **Information on subcontracting arrangements provided by critical ICT third-party service providers.** A critical ICT third-party service provider which is required to share information on subcontracting arrangements shall provide the information according to the structure: i) General Information, ii) Overview of Subcontracting Arrangements, iii) Subcontractors Information, iv) Services, v) Risk Management and Compliance, vi) Business Continuity and Contingency Planning, and vii) Reporting.
- **Competent authorities' assessment of the risks addressed in the recommendations of the Lead Overseer (LO).** CA shall assess the impact of the measures taken by critical ICT third-party service providers based on the recommendations of the LO and the competent authority must provide the results of their assessment within a reasonable timeframe.

Guidelines on oversight cooperation between ESAs and CA

These guidelines address the cooperation between the ESAs (European Supervisory Authorities) and the CAs (competent authorities) covering the procedures and conditions for the allocation and execution of tasks between CAs and the ESAs and the exchanges of information which are necessary for CAs to ensure the follow-up of recommendations addressed to CTPP. It covers the cooperation and information exchange between ESAs and CAs only (the cooperation with financial entities, CTPPs, among relevant CAs, among the ESAs and with other EU institutions is outside its scope). CAs must notify the respective ESA whether they comply or intend to comply or reasons for non-compliance being considered non-compliant in the absence of notification.

The ESAs and CAs should communicate in English, by electronic means, establishing a single point of contact by email address (for exchanging non-confidential information). The ESAs should establish a dedicated online tool where the information to be submitted is securely shared and they should make it available to CAs. The CAs are the primary point of contact for financial entities under their supervision. The ESA, as the Lead Overseer (LO), is the primary point of contact for CTPPs for the purposes of all matters related to the oversight. These guidelines include a series of tasks covering the procedures and conditions for their allocation and execution as well as the specific timelines to meet, we would highlight the following:

- **For designation of critical ICT third-party service providers,** CAs should transmit the full register of information to the Oversight Forum and the Lead Overseer is also entitled to transmit to the CAs of the financial entities using the ICT services provided by a CTPP information related to this designation.
- **The Lead Overseer should transmit to the CAs of the financial entities using the ICT services provided by a CTPP,** the annual oversight plan describing the annual oversight objectives and the main oversight actions planned for each critical CTPP. After its reception, CAs should submit to the LO a list of measures concerning CTPP. In addition, the LO should inform the CAs of the financial entities using ICT services provided by a CTPP of any major incident, changes in strategy, events that could represent a risk as well as the information needed to ensure the follow-up of recommendations.
- **Regarding general investigations or inspections,** LO should inform in advance CAs of the financial entities using the ICT services provided by a CTPP, of the identity of the authorized persons for the general investigation or inspection.
- **The coordination and information exchange between CAs and the Lead Overseer** regarding decisions requiring financial entities to temporarily suspend the use or deployment of a service provided by the CTPP or terminate the relevant contractual arrangements concluded with the CTPP is also foreseen.

RTS on threat-led penetration testing (TLPT)

This RTS provide a framework for threat intelligence-based ethical red-teaming aligned with TIBER-EU. The framework includes four areas and two types of requirements: those that are identified as mandatory in the framework, and several optional requirements (that can be adapted to the specificities of individual jurisdictions). The adoption of the TIBER-EU framework is voluntary but once adopted any implementation of TIBER-EU must adhere to the requirements deemed mandatory for the purposes of the framework and the various implementations are reviewed at regular intervals to ensure harmonization.

- **Criteria to identify financial entities required to perform TLPT.** i) Credit Institutions identified as global systemically (G-SIIs) or systemically important institutions (O-SIIs), ii) Payment institutions and electronic money institutions with 120 billion EUR of total value of payment transactions (in each of the previous two financial years), iii) Central securities depositories, iv) Central counterparties, v) Trading venues with an electronic trading system at national level or at union level, and vi) Large insurance and reinsurance undertakings with undertakings following a specific criteria. The TLPT authorities will assess whether other financial institutions will be required to perform TLPT.
- **Requirement regarding test scope, testing methodology and results of TLPT.**
 - **Testing Methodology.** i) The TLPT authority will designate the responsible to coordinate TLPT activities to a TCT, each test shall be coordinated by a test manager. ii) Establish a control team lead responsible for the management of the test and the decisions and actions of the control team, and iii) Realize a risk assessment during the preparation phase covering live production systems affecting the test.
 - **Testing Process.** Financial entities shall ensure that the testing process follow these mentioned phases: i) Preparation phase, ii) Testing phase: Threat intelligence, iii) Testing phase: Red Team Test, iv) Closure phase, and v) Remediation plan.

- **Use of internal testers.** Financial entities shall establish all the following arrangements for the use of internal testers. This policy shall i) Define and implement of a policy for the management of internal testers in a TLPT, ii) Establish measures to ensure that the use of internal testers to perform TLPT will not negatively impact the financial entity's general defensive or resilience capabilities, and iii) Establish measures to ensure that internal testers have sufficient resources and capabilities available to perform TLPT.

3. Next steps

- Comments to the documents can be sent before **4 March 2024**.
- The ESAs will consider the feedback received and will publish a Final Report by **17 July 2024**.

T 15/11/2023
MINECO - Final document on Royal Decree 817/2023 of 8 November



1. Context

Artificial intelligence (AI) systems may pose risks to the respect of citizens' fundamental rights, such as those relating to discrimination and personal data protection, or even cause serious problems for the health or safety of citizens. In this response, the European Commission (EC) presented in April 2021 a proposal for an IA Regulation to establish a regulatory framework to ensure reliable, ethical and robust IA. In May 2023, the Spanish Government published a draft Royal Decree to establish a controlled testing environment, ensuring compliance with the Commission's proposal.

In this context, the Spanish Government has published the **final document on Royal Decree 817/2023 of 8 November, which details this controlled test environment for testing compliance with the proposed IA Regulation**. Its objective is to assess the operability of the requirements set out in the proposed European Regulation, as well as to allow for self-assessment of compliance and testing of supervisory systems of high-risk IA systems during their operation by participants.

2. Main points

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

Once admitted, the participating AI supplier shall carry out the actions enabling it to fulfil the above requirements. The competent body may make available technical help guides and personalised advice to facilitate the tasks to be performed by the AI supplier in the context of the controlled test environment.
- **Self-assessment of compliance with the Sandbox and post-market monitoring of AI systems.** Once the prerequisites have been fulfilled, a self-assessment of compliance with the requirements of the participating IA systems will be carried out with the aim of helping these participants to cope with the future conformity assessment process to be established by the IA Regulation.
- **Communication channels, information gathering, refinement of guidelines and other documents of the Sandbox.**
 - A specific consultation mailbox for participants will be set up in the electronic headquarters of the competent body, so that any doubts or questions raised during the Sandbox can be submitted.
 - The competent body may provide technical guides or other documents on aspects that facilitate the development of AI systems in a reliable, robust and ethical manner, based on the experiences of the controlled test environment.
- **Finalisation of the tests and the Sandbox.** Participation in the controlled testing environment will have a duration to be specified in the corresponding calls for proposals. Entities that have completed the phases of the controlled testing environment will receive a document accrediting their participation together with a document accrediting their participation in the controlled testing environment with an assessment report of the results obtained. In any case, participants may voluntarily leave the tests they are carrying out in the controlled testing environment.

3. Next steps

- This Royal Decree came into force on **10 November 2023**, one day after its publication in the Official State Gazette (BOE). It will also be in force for **36 months** from its entry into force.



T

02/11/2023

BoE - Feedback Statement (FS) that provides a summary of the responses to the Document of Debate on Artificial Intelligence and Machine Learning.

1. Context

In October 2022, the BoE published a discussion paper (DP) 5/22 on Artificial Intelligence (AI) and Machine Learning to further their understanding and to deepen dialogue on how AI may affect their respective objectives for the prudential and conduct supervision of financial firms.

In this context, the BoE has published the **Feedback Statement (FS) which provides a summary of the responses to DP5/22** with the aim of acknowledge the responses, identify themes, and provide an overall summary of it.

2. Main points

- **Legal definition of AI.** The DP opens debate on whether a financial services sector-specific regulatory definition is beneficial and whether there are other effective approaches that do not rely on a definition. Responses to the paper focus on the fact that a financial services sector-specific regulatory definition of AI would not be helpful for the safe and responsible adoption of AI because, among others: i) could become quickly outdated due to the pace of technology development, and ii) definitions could be too broad (i.e., cover non-AI systems) or too narrow (i.e., do not cover all the use cases).
- **Potential benefits and risks.**
 - The potential benefits and risks that supervisory authorities should prioritise are the ones related with consumer protection.
 - Impact of AI into groups sharing protected characteristics. The risk of bias (intended or unintended), discrimination, and financial exclusion may be particularly relevant for consumers with protected characteristics or characteristics of vulnerability.
 - Metrics to assess the benefits and risks of AI in financial services. Metrics focused on consumer outcomes would be most important in assessing the benefits and risks of the use of AI. Furthermore, there is a need for data and model performance metrics, both during the development of the model and after deployment, to build a comprehensive view of the risks and benefits.
- **Regulation.**
 - Legal requirements or guidance that stand out are those related to data protection (e.g., the UK General Data Protection Regulation (UK GDPR) and to operational resilience and outsourcing (e.g., Supervisory statements on Operational resilience).
 - Reinforcement or extension of existing regulation. Clearer or more illustrative guidance are requested through illustrative case studies to better encompass AI.
 - Governance structures to encompass AI. In general, there is a view that that existing firm governance structures are either already sufficient to cover AI or are being adapting by firms to make them sufficient and to comply with existing regulatory requirements. However, there is minority view that firms should implement a central or strategic AI function or committee to approve and/or oversee AI deployment across the firm and ensure a coherent approach.
 - Industry standards useful when developing, deploying, and/or using AI. These include, BCBS 239 Principles for effective risk data aggregation and risk reporting , BCBS 328 Corporate governance principles for banks , US National Institute of Standards and Technology's AI Risk Management Framework. Furthermore, the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) have jointly formed a committee to develop international standards on AI, ISO/IEC JTC 1/SC 42 – AI.
 - Useful approaches to AI regulation in other jurisdictions. There is a general view that there is value in the draft EU AI Act's risk-based categorisation of AI use-cases (i.e., unacceptable risk, high risk, low or minimal risk).



T

10/11/2023

BoE - Regulating cryptoassets phase 1: Stablecoins

1. Context

In January 2021, HM Treasury published a consultation paper on the UK's regulatory approach to cryptoassets and stablecoins. In April 2022, the response was published, confirming the government's plans to regulate certain activities related to fiat currency-backed stablecoins in the UK financial services regulatory perimeter. In February 2023, HM Treasury again published a consultation on the future financial services regulatory regime for cryptoassets, which introduced some proposals for the regulation of wider cryptoasset activities. The response to that consultation was published alongside the Policy Statement issued by HM Treasury, which updated the UK government's plans, and highlighted the intention to regulate fiat currency-backed stablecoins. The Statement proposes a two-phase approach to regulation. In the first phase, activities related to fiat currency-backed stablecoins would be regulated, while in the second phase, activities related to broader types of cryptoassets would be regulated.

In this context, the Bank of England (BoE) and the Financial Conduct Authority (FCA) have published a set of papers on the proposed approach to the regulation of stablecoins following the HM Treasury Policy Statement: i) **Discussion paper on phase 1 of the regulation of cryptoassets**; ii) **Discussion paper on the regulatory regime for systemic payment systems using stablecoins and related service providers**; and iii) **Joint roadmap on payment innovation**.

2. Main points

- **Discussion paper on phase 1 of the regulation of cryptoassets.** Sets out a proposal for regulation on the issuance and custody of stablecoins backed by fiat currencies, and on the use of stablecoins, both domestic and foreign, as a means of payment.
 - There are a number of risks associated with the use of stablecoins: insufficient backing assets on stablecoins, interconnectedness with traditional markets, harm from holding stablecoins due to lack of robust protection, or increased ease of money laundering-related crime.
 - There are two routes available for a fiat currency-backed stablecoin to be used as a means of payment in the UK: either the issuer of the stablecoins must have a Regulated Activity Order (RAO) issued by the FCA authorising the issuance or the stablecoins, if foreign, must be assessed against FCA standards by payment operators regulated by Payment Services Regulators (PSRs) and authorised by the FCA itself.
 - A regulatory approach to stablecoin custody is proposed, in which appropriate provisions will be implemented to protect customers' rights over their stablecoins and to minimise the risk of loss or diminution of assets. It is intended to develop accurate records detailing customers' asset holdings, as well as adequate controls for the protection of stablecoin custody.
 - Two different models of stablecoins used to make payments in the UK are proposed: a hybrid model, where a stablecoin is used at the beginning or end of the payment chain, but the actual transfer is made in fiat currency via a traditional payment service, and a pure stablecoin model, where the payer and payee conduct transactions in stablecoins.
- **Discussion paper on the regulatory regime for systemic payment systems using stablecoins and related service providers.** The regulation of systemic payment system operators and service providers that provide essential services to systemic payment systems is described.
 - The objective of the regulatory regime is to maintain confidence among consumers about money and payments made, which is fundamental to preserving financial stability.
 - Systemic payment system operators and service providers that provide essential services to systemic payment systems, having been recognised by HM Treasury, are regulated. The proposed regulatory framework focuses only on sterling-denominated stablecoins, although the possibility of using foreign currencies is recognised as long as their use is supervised.
 - Requirements on transfers, on the assets backing stablecoins, on the issuance of money used in systemic payment systems, requirements for wallet providers and requirements for other service providers are included.
- **Joint roadmap document.** This sets out how the current regulatory regimes proposed by the UK authorities will interact.
 - The regulation seeks to balance innovation and consumer protection, and to ensure that firms operate in a safe and stable manner in an ever-changing financial environment.
 - Although the BoE and the FCA set out requirements in similar areas, there are differences between the two regulations in terms of their regulatory objectives.
 - The BoE's prudential regime is aimed at addressing the financial stability risks posed by systemic payment systems using stablecoins and by related service providers, and maintaining confidence in money.
 - Customers can make use of stablecoins regardless of the regime that applies.

3. Next steps

- Comments to the consultation documents on the regulation of crypto-assets can be submitted until **6 February 2024**. Comments received will be taken into consideration when deciding on future regulatory steps.



T 16/11/2023 BoE - Report that initiates the Exploratory Scenario Exercise (SWES) phase

1. Context

In June 2023, the Bank of England (BoE) launched the Exploratory Scenario Exercise (SWES), an exercise aimed at better understanding the functioning of key financial markets for the stability of the United Kingdom (UK) under stressed conditions. This exercise consists of two phases: information gathering and the scenario phase. The first phase lasted three months, from June to November 2023. In this phase of the exercise, information was collected on the participants, their activities, outstanding risks in the SWES markets of interest and their sensitivity to market risk factors.

In this context, the BoE has published the **report launching the scenario phase of the SWES** and a document **detailing the exploratory scenario**. The purpose of the exercise is to improve the understanding of issues related to market functioning, with a particular focus on non-bank financial institutions (NBFIs), and to investigate how these behaviours may amplify market shocks and pose risks to the UK's financial stability. The objective of the exploratory scenario includes understanding how the liquidity needs of NBFIs change in response to the hypothetical scenarios, as well as the actions that can be taken in this regard. The scenario is not intended as a prediction, but as a collaborative tool to explore the potential impact of severe shocks on 50 financial market participants. These participants include banks, insurers, central counterparties, asset managers, hedge funds and pension funds.

2. Main points

- **Description of Round 1 of the Scenario Phase:**
 - SWES participants should assess the impact of a hypothetical stress scenario, detailing how it would affect their business and the actions they would take in response.
 - To meet the overall objective of SWES, the hypothetical scenario should result in a significant redistribution of liquidity. This scenario implies a shock to global financial markets, with movements in indicator prices over a period of 10 business days, with most of the changes being most noticeable in the first 3 days.
 - The shocks incorporate elements of recent financial market events. Moreover, the severity of shocks is enhanced by additional factors: the combination of shocks, speed and persistence.
- **Details on the scenario:**
 - The scenario addresses adverse events ranging from initial geopolitical tensions to persistent crises in financial markets, with significant impacts on the global economy and financial stability.
- **Expected impact of the hypothetical scenario on SWES participants and their responses:**
 - Using the data received during the information gathering phase, various shocks that could affect the business of participating NBFIs and their actions in response have been estimated.
 - It is anticipated that some NBFIs participants will need to take measures to replenish their liquidity or choose to do so as a precautionary measure. In addition, it is anticipated that many will make adjustments to their investments in response to the shocks of the exercise.
 - The focus is on understanding how the behaviours of banks and NBFIs under stress conditions may influence financial stability in the UK, focusing on the resilience of the markets considered in the SWES.

3. Next steps

- Responses from participants are expected to be received in **January 2024**, at which point they will be analysed and incorporated into Round 2 of the scenario phase. The final report with the SWES results is expected to be published **by the end of 2024**.



S

02/10/2023

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**.



S

05/12/2023

FCA - PS23/16- SDR and investment labels and Guidance consultation on the Anti-Greenwashing rule

1. Context

In October 2021, the UK Government published the Greening Finance, a Roadmap to Sustainable Investing which set out plans for the FCA to introduce SDR rules for asset managers, certain FCA-regulated asset owners, listed issuers and financial advisers, as well as a labelling and classification system for investment products. As a first step towards FCA's commitments in the Roadmap, the Discussion Paper (DP) 21/4 was published in November 2021 which sought feedback on a potential approach to classifying and labelling investment products based on sustainability characteristics, to help consumers better navigate the market for sustainable investment products. In October 2022, the FCA issued the Consultation Paper (CP) 22/20 on SDR and investment labels, which proposes the introduction of labels to help consumers navigate the market for sustainable investment products. Additionally, the FCA proposed disclosure requirements, and an anti-greenwashing rule that would apply to all regulated firms, reiterating that sustainability-related claims must be clear, fair and not misleading.

In this context, the FCA has published the PS23/16, SDR and investment labels. This document contains final rules and guidance to improve trust and transparency to the market for sustainable investment products. The measures include an anti-greenwashing rule for all authorised firms, 3 investment labels, and new rules and guidance for firms marketing investment funds on the basis of their sustainability characteristics. Moreover, the FCA has published a guidance consultation on the anti-greenwashing rule (GC23/3), which helps authorized firms to comply the consumer protection obligations and facilitates the implementation of PS23/16.

2. Main points

- Scope of the regime of the PS. The anti-greenwashing rule apply to all FCA authorized firms who make sustainability related claims about their products and services. Moreover, there are some specific rules for UK asset management firms and distributors of their products to help consumers navigate the market and make better informed decisions.
- Anti-greenwashing rule. The FCA proposed this rule to ensure that sustainability-related claims made by all authorized firms about their products and services are fair, clear, not misleading, and consistent with the sustainability profile of the product or service. The rule applies to all communications about financial products or services which refer to the environmental and social characteristics of those products or services. In addition, this rule is developed in the reference guide GC23/3. Its objective is to help authorized firms understand and comply with their existing obligations under consumer protection, and facilitating its implementation.
- Investment labels:
 - The FCA proposed to introduce three investment labels to help consumers navigate the market and build trust: i) sustainable focus; ii) sustainable improvers; and iii) sustainable impact. These labels will help consumers to differentiate between different sustainability objectives and different investment approaches to achieve the objectives.
 - Firms can choose to use labels for products seeking to achieve positive sustainability outcomes, if they meet the qualifying criteria.
- Specific criteria for labels:
 - The objective of sustainability focus label must be consistent with an aim to invest in assets that are environmentally and socially sustainable, determined using a evidence-based standard that is an absolute measure of sustainability.
 - In relation with sustainability improvers label, the objective must be consistent with an aim to invest in assets that have the potential to improve environmental and social sustainability over time.
 - The objective of sustainability impact label must be consistent with an aim to achieve a pre-defined positive measurable impact in relation to an environmental and social outcome.
- Naming and marketing. Sustainability-related terms can only be used in product names and marketing if: i) they use a label provided that the word 'impact' is not used in the product's name; or ii) they do not use a label but comply with the the Product name and Marketing sections below.
- Disclosure:
 - In relation to consumer-facing disclosures, firms must produce a clear, concise consumer-facing disclosure for products with a label and for products using sustainability-related terms without a label.
 - All products using a label or using sustainability-related terms in their naming and marketing without a label must include a sustainability information in pre-contractual disclosures and ongoing product-level disclosures annually.
 - In parallel, to entity level disclosure requirements, firms are required to disclose their governance, strategy, risk management, and metrics and targets in relation to managing sustainability-related risks and opportunities. This information must be submitted regardless of whether the entity uses a label.
- Distributors. Distributors must communicate the labels and provide access to consumer-facing disclosures to retail investors, either on a relevant digital medium for the product or using the channel they would ordinarily use to communicate information. They must keep the labels and consumer-facing disclosures up to date with any changes that the firm makes to a label or the disclosures.

3. Nexts steps

- Comments to the anti-greenwashing rule would come into force on 31 May 2024.
- For firms using product labels, labels, consumer facing, pre-contractual disclosures and naming and marketing rules would come into force on 31 July 2024. Ongoing product level disclosures would be published publicly and annually from 31 July 2025, and on demand from 2 December 2025.
- For firms using sustainability-related terms without product labels, naming and marketing rules, consumer-facing and pre-contractual disclosures would come into force on 2 December 2024. Ongoing product-level sustainability disclosures would come into force 12 months after the terms first used.
- For distributors, rules would come into force on 31 July 2024 where firms are using labels, and notice on overseas funds on 2 December 2024.
- For firms with above £50 billion in assets under management (AUM), entity level disclosures rules would come into force on 2 December 2025. For

Relevant publications

American region



CL

23/10/2023

Fed - Capital Requirements for insurers supervised by the Fed

1. Context

In response to the 2007-09 financial crisis, US Congress enacted the Dodd-Frank Act requires the Board to establish minimum risk-based and leverage capital requirements on a consolidated basis for depository institution holding companies. In September 2019, the Fed published a proposal establishing capital requirements for insurers.

In this context, the Fed has published the final rule that is substantially similar to the proposal and that **establishes minimum risk-based capital requirements**. This framework, termed as the building block approach (BBA) is intended to establish risk-based capital requirements for bank holding companies (BHCs) and savings and loan holding companies (SLHCs) that are significantly engaged in insurance activities.

2. Main points

- **Ratio BBA.** The BBA is the ratio between the available capital and required capital positions of certain parent entities to determine the capital position of top-tier supervised insurance depository institution holding companies (supervised insurance organizations or SIOs). The SIO must maintain a BBA ratio of at least 250 percent and a capital conservation buffer of 150 percent, resulting in a total requirement of 400 percent.
- **Determination of building blocks.** Based on the SIO's inventory of companies, material financial entity (i.e. those accounting for > 5% of the group's assets) are identified. Each financial entity will be the parent entity of a building block. For each parent or building block, the available capital and capital requirements are determined.
- **Adjustments.** Appropriate adjustments are applied to available capital and capital requirements within each building block. These are adjustments to capital requirements and to available capital.
- **Scaling.** A mechanism is applied by which a building block's available capital and capital requirement under one capital framework would be translated to their equivalents in another framework.
- **Aggregation.** Aggregate the translated, adjusted available capital and capital requirement amounts for each building block parent, making deductions to avoid double counting.
- **Reporting.** The reporting form (FR Q-1) collects the information needed to carry out the BBA calculations.

3. Next steps

- Companies must comply with BBA beginning on **January 1, 2024**.



S 30/10/2023 Fed - Principles for climate-related financial risk management

1. Context

The financial impacts that result from the economic effects of climate change and the transition to a lower carbon economy pose an emerging risk to the safety and soundness of financial institutions and the financial stability of US. Furthermore, financial institutions are likely to be affected by both the physical risks and transition risks associated with climate change. In this sense, on December 2022, the fed issued draft Principles for Climate-Related Financial Risk Management.

In this context, the Fed has published the final version of the **Principles for climate-related financial risk management for large financial institution**, that would provide a high-level framework for the safe and sound management of exposures to climate-related financial risks. The principles are substantively similar to the draft principles and are intended for the largest financial institutions, those with \$100 billion or more in total assets, and address physical and transition risks associated with climate change.

2. Main points

- **General Principles.**
 - Risk management. Oversee the development and implementation of processes to identify, measure, monitor, and control climate-related financial risk exposures within the financial institution's existing risk management framework. As a novelty, the board should direct management to provide timely, accurate, and well-organized information to permit the board to oversee the measurement and management of climate-related financial risks to the financial institution. If weaknesses or gaps in climate-related financial risk management are identified or the information provided is incomplete the board should challenge management's assessments and recommendations.
 - Data, Risk Measurement and Reporting. Information on climate-related financial risk should be incorporated into the financial institution's internal reporting and monitoring processes to facilitate timely and sound decision-making.
 - Scenario analysis. Climate-related scenario analysis frameworks should be developed and implemented in a manner commensurate to the financial institution's size, complexity, business activity, and risk profile.
- **Management of Risk Areas.** Management should consider and incorporate climate-related financial risks when identifying and mitigating all types of risk. These risk assessment principles describe how climate-related financial risks can be addressed under various categories.
 - Credit risk. Effective credit risk management practices could include monitoring climate-related credit risks through sectoral, geographic, and single name concentration analyses, including credit risk concentrations stemming from physical and transition risks.
 - Liquidity risk. Management should assess whether climate-related financial risks could affect its liquidity position and, if so, incorporate those risks into their liquidity risk management practices and liquidity buffers.
 - Other Financial Risk. It should be monitored the interest rate risk for greater volatility or less predictability due to climate-related financial risks.
 - Operational Risk. It should be considered how climate-related financial risk exposures may adversely impact a financial institution's operations, control environment, and operational resilience.
 - Legal/Compliance Risk. It should be considered how climate-related financial risks and risk mitigation measures affect the legal and regulatory landscape in which the financial institution operates.
 - Other Non-financial Risk. It should be monitored how the execution of strategic decisions and the operating environment affect the financial institution's financial condition and operational resilience.



T

03/11/2023

WH - Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence

1. Context

Artificial intelligence (AI) holds extraordinary potential, both promising and dangerous. Responsible AI use has the potential to help solve urgent challenges while making the world more prosperous, productive, innovative, and secure. At the same time, irresponsible use could exacerbate societal harms such as fraud, discrimination, bias, and disinformation; displace and disempower workers; stifle competition; and pose risks to national security. Harnessing AI for good and realizing its countless benefits requires mitigating its substantial risks. This demands a society-wide effort that includes government, the private sector, academia, and civil society.

In this context, the White House has published an **Executive Order on the Safe, Secure, and Trustworthy Development and Use of AI** in order to navigate AI's impact across sectors and to help agencies and consumers harness the benefits of AI while mitigating risks.

2. Main points

Executive departments and agencies shall, as appropriate and consistent with applicable law, adhere to the following principles, while, as feasible, taking into account the views of other agencies, industry, members of academia, civil society, labor unions, international allies and partners, and other relevant organizations:

- **AI must be safe**, therefore robust, reliable, repeatable, and standardized evaluations of AI systems are required together with policies, institutions or other mechanisms to test, understand and mitigate risks. US President's Administration will help to develop effective labeling and content provenance mechanisms, so that people are able to determine when content is generated when using AI.
- **Promote responsible innovation, competition, and collaboration.** The Federal Government will promote a fair, open, and competitive ecosystem and marketplace for AI and related technologies so that small developers and entrepreneurs can continue to drive innovation.
- **The responsible development and use of AI require a commitment to supporting American workers.** As AI creates new jobs and industries, there is a need to ensure that all workers benefit from these opportunities. For this reason US President's Administration will seek to adapt job training and education to support workforce diversity and help provide access to opportunities that AI creates.
- **AI policies must be consistent with US President's Administration's dedication** to advancing equity and civil rights. The Administration will build on the steps that have already been taken in this regard, such as the release of the White House Blueprint for an AI Bill of Rights, the National Institute of Standards and Technology (NIST) AI Management Framework, and Executive Order 14091 for further advancing racial equity and support for underserved communities through the Federal Government. The Administration will seek to ensure that AI complies with all Federal laws and to promote robust technical evaluations, careful oversight, engagement with affected communities, and rigorous regulation.
- **The interests of Americans** who increasingly use, interact with, or purchase AI and AI-enabled products in their daily lives must be protected. The Federal Government will enforce existing consumer protection laws and principles and enact appropriate safeguards against fraud, unintended bias, discrimination, infringements on privacy, and other harms from AI.
- **Americans' privacy and civil liberties** must be protected as AI continues advancing. AI has increased the risk that personal data could be exploited and exposed therefore, the Federal Government will ensure that the collection, use, and retention of data is lawful, is secure, and mitigates privacy and confidentiality risks.
- **Risks from the Federal Government's own use of AI** have to be managed and increase its internal capacity to regulate, govern, and support responsible use of AI to deliver better results for Americans. The Federal Government will work to ensure that all members of its workforce receive adequate training to understand the benefits, risks, and limitations of AI for their job functions.

The Federal Government should lead the way to societal, economic, and technological progress. It will seek to promote responsible AI safety and security principles and actions with other nations, while leading key global conversations and collaborations to ensure that AI benefits the whole world, rather than exacerbating inequities, threatening human rights, and causing other harms.



P

23/11/2023

BCB - Resolution on the concepts and accounting criteria applicable to financial instruments.

O

1. Context

The Central Bank of Brazil (BCB) has published the **Resolution 352**, which provides the concepts and accounting criteria applicable to financial instruments, as well as for the designation and recognition of hedge relationships by securities brokerage firms, securities distribution companies, foreign exchange brokerage firms, consortium administrators, and payment institutions authorized to operate by the BCB. It also outlines accounting procedures for defining cash flows of financial assets as only principal and interest payments, the application of the methodology for determining the effective interest rate of financial instruments, the constitution of provisions for losses associated with credit risk, and the disclosure of information related to financial instruments in explanatory notes to be observed by financial institutions and other institutions authorized to operate by the BCB.

2. Main points

- **Subject matter and scope.** This Resolution establishes the accounting concepts and criteria to be observed by securities brokers, securities distributors, foreign exchange brokers, consortium administrators and payment institutions authorised to operate by the BCB.
- There are some definitions of **concepts and criteria accounting procedures** for financial instruments listed, as well as for the designation and recognition of hedging relationships by the securities brokerage companies, by the companies distributors of securities, by the brokerage firms of foreign exchange, consortium administrators and payment institutions. For the purpose of accounting regulation of financial instruments, it is considered among others, the financial asset, credit commitment, firm commitment, hedge accounting, counterparty or hybrid contract.
- There are some **accounting procedures** to be observed by financial institutions and other institutions authorized to operate by the BCB.
 - The contractual cash flows of a financial asset consist solely of the payment of principal and interest on the principal amount if they are consistent with a basic loan agreement.
 - The effective interest rate of financial instruments must be determined by the rate that equalizes the present value of all receipts and payments over the contractual term of the financial asset or liability to its gross carrying amount.
 - For the institutions mentioned in item II of the main section of Article 1, related to the purpose and scope of application of this resolution, the levels of provision established by this Resolution for incurred losses associated with credit risk for non-performing financial assets must be observed. This is without prejudice to the institution's responsibility for constituting provisions in amounts sufficient to cover the entirety of the expected loss in the realization of these assets, in accordance with the provisions of Chapter IV of Resolution National Monetary Council (CMN) No. 4,966, 2021, and Chapter III of Title II of this Resolution, concerning the provision for losses associated with credit risk.
- **General, transitional and final provisions.**
 - The institutions mentioned in item I of the caput of article 1 shall keep at the disposal of the BCB for a minimum period of five years or for a longer period as a result of a legal determinations. In addition, it includes provisions for the classification and accounting registration of financial asset transactions.
 - The institutions must provide information on criteria for allocating financial instruments to stages, breakdowns of financial assets' book value, definition of homogeneous risk groups, criteria for asset write-offs, renegotiation and restructuring procedures, and the methodology and results of internal assessments. Historical data for the last five years related to credit risk evaluation, expected loss provisions, and recoveries must also be available.
 - There are some provisions transitional applicable to companies securities brokers, securities distribution companies, securities, foreign exchange brokerage companies, consortium administrators and payment institutions.
 - Some Circulars or Resolutions are repealed by final provisions in this Resolution.

3. Next steps

- This Resolution comes into force on **1st January 2024**, in relation to article 24, of investment measurement held for sale, articles 100 and 101, related to transitional provisions and items X and XI of the article 107, related to the final provisions.
- Chapter IV of Title II, related to hedge accounting, would come into force on **1st January 2027**.
- The other devices would come into force on **1st January 2025**.



CL 13/12/2023
BCB - Resolution No. 356 on the procedures for calculating the portion of related to the calculation of capital requirements for the RWA opad approach

1. Context

The Central Bank of Brazil (BCB) has published **Resolution N° 356**, which establishes the procedures for calculating the share of risk-weighted assets (RWA) related to the calculation of required capital for operational risk by means of a standardized approach (RWA_{OPAD}), as outlined in CMN Resolution N° 4958, of October 21, 2021, and Resolution BCB N° 200, of March 11, 2022 for financial institutions and other institutions authorized to operate by the BCB.

2. Main points

- **Subject matter and scope.** The provisions of the main text do not apply to consortium administrators, institutions belonging to a Type 2 prudential conglomerate and payment institutions not integrated into a prudential conglomerate, as defined by BCB Resolution n° 197 of March 11, 2022, and institutions classified in Segment 5.
- **RWA_{OPAD} Parcel calculation.** The value of the RWA_{OPAD} parcel must be calculated every six months, considering the last three annual periods. The annual period corresponds to two semesters ending on the base date of 30 June or 31 December.
- **Business indicator (BI).** BI corresponds to the sum of the interest component, leasing and equity (ILDC), services component (SC) and financial component (FC).
- **Mergers, takeovers and spin-offs.**
 - In the case of mergers and acquisitions, the calculation of the RWA_{OPAD} share must: i) incorporate into the calculation of the Weighted Business Indicator (BIC) the amounts referring to the BI of each institution calculated in accordance with the provisions of the articles 6th, 7th and 8th, considering the last three annual periods; ii) incorporate into the Operating Loss Component (LC) the value of the operating losses incurred by each original institution in the last ten years; iii) be carried out within ninety days from the authorization of the merger process or incorporation by the BCB, except in exceptional cases duly justified or as a result of supervisory actions.
 - In the case of divisions, the calculation of the RWA_{OPAD} portion of institutions resulting from the process should use values for their respective BI in proportion to the division of the original institutions assets.
- **Transitional and final provisions.**
 - Is the responsibility of the institution's internal audit to evaluate the data and information, the processes and the method of calculation relating to the RWA_{OPAD} parcel with minimum annual periodicity.
 - The data used in the calculation of the RWA_{OPAD} parcel should be reconciled with the information audited every six months for the base date.

3. Next steps

- This Resolution comes into force on **1st June 2026**, in relation to article 21.
- On **1st January 2025**, in relation to the other articles



18/12/2023
BCB - Instrucción Normativa sobre partidas contables para instituciones reguladas

1. Contexto

En diciembre de 2023, el BCB publicó las **Instrucciones Normativas No. 426-433**, que definen las partidas contables de la Norma Contable para Instituciones Reguladas por el BCB (Cosif). Estas instrucciones se aplican a las instituciones financieras y otras entidades autorizadas a operar por el BCB.

2. Principales aspectos

- **Alcance:**
 - La instrucción se aplica a las instituciones financieras y otras entidades autorizadas a operar por el BCB.
- **Cuentas da Normas Contables:**
 - Los activos realizables (IN 426) están constituidos por efectivo y equivalentes de efectivo, inversiones interbancarias, títulos valores e instrumentos financieros derivados, relaciones interbancarias, relaciones interdependientes, operaciones de crédito, operaciones de leasing, otros créditos y otros valores y activos.
 - Los activos permanentes (IN 427) incluyen inversiones, inmovilizado de uso, activos arrendados, inmovilizado material e inmovilizado inmaterial. La remuneración de los activos (IN 428) va acompañada de la clasificación de la cartera de créditos.
 - La remuneración de los activos (IN 428) va acompañada de la clasificación de la cartera de créditos.
 - Los pasivos exigibles (IN 429) se componen de depósitos, obligaciones por operaciones con pacto de recompra, fondos de aceptación de divisas, relaciones interbancarias, relaciones interdependientes, obligaciones por préstamos y onlendings, instrumentos financieros derivados y otras obligaciones.
 - Los fondos propios (IN 430) se componen de los fondos propios, los activos sociales y las participaciones no dominantes.
 - El resultado acreedor (IN 431) se calcula sobre la base del resultado de explotación, el resultado no de explotación y la distribución del resultado interno.
 - Al calcular el resultado deudor (IN 432) se tienen en cuenta los gastos de explotación, los gastos no de explotación y la distribución del resultado interno.
 - La remuneración pasiva (IN 433) va acompañada de la clasificación de la cartera de créditos.

3. Próximos pasos

- Las Instrucciones Normativas entran en vigor el **1 de enero de 2025**.
- Las disposiciones de esta Instrucción Normativa se aplican a los documentos contables elaborados a partir de la fecha base de **enero de 2025**.
- Esta Instrucción Normativa deroga la Instrucción Normativa 268 del BCB de 1 de abril de 2022.



13/09/2023

CVM - Resolution on the preparation and disclosure of financial information reports related to sustainability



1. Context

International Organisation of Securities Commissions (IOSCO) has recommend the adoption in jurisdictions of the sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB), based on the conclusion that these standards provide an effective and proportionate global framework of information for investors, serving to help global financial markets assess the risks and opportunities related to sustainability.

In this context, CVM has published **Resolution 193 on the preparation and disclosure of financial information reports related to sustainability**, based on the international standard issued by the ISSB.

2. Main points

- **Subject matter and scope.** Listed companies, investment funds and securitisation companies.
- **Voluntary disclosure.** Prepare and disclose financial information reports related to sustainability, based on the international standard issued by the ISSB. The entity that opts for voluntary adoption in the form of the caput must use the standards for disclosure of financial information related to sustainability, as issued in English by the ISSB, until the process of internalisation of these standards in Brazilian jurisdiction is completed.
 - The listed company must indicate the fiscal year in which voluntary adoption begins. Preferably by 31/05/2024, limiting this option, or its revision, to 31/12/2024, by means of a notice to the market.
 - Investment funds and securitisation companies may declare the option, or its revision, until the end of the financial year prior to the first preparation and disclosure of the financial information report related to sustainability, by means of a notice to the market.
- **Reporting periodicity** of the financial information must be at least equal to that of the year-end financial statements. The report of financial information related to sustainability, must be objectively identified and presented in a manner that is segregated from the other information of the entity and from the financial statements.
- **Reporting preparation.** Financial information related to sustainability must be prepared on the basis of the consolidated reporting entity and, in the absence of such, on the basis of the individual entity. Entities must file the financial information report related to sustainability through an electronic system available on the CVM's website.
- **Independent auditor.** The financial information report related to sustainability must be assured by an independent auditor registered with the CVM, in accordance with the standards issued by the Federal Accounting Council (CFC): i) until the end of the 2025 financial year, limited assurance; and ii) as from financial years beginning on or after 1 January 2026, reasonable assurance.

3. Next steps

- This Resolution comes into force on **1st November 2023**.
- **Listed companies** must prepare and disclose a financial information report related to sustainability, based on ISSB standards, as of the financial years beginning on or **after 1 January 2026**.

CL 13/11/2023
CMF - Public consultation on adjustments to the MSI Table 106 and to the updated compilation of standards for banks related to the identification of systemic banks



1. Context

The CMF of Chile started the implementation of Basel III standards after Law n° 21.130 was enacted in 2019. This law modernises banking legislation and gives the Commission the authority to establish regulations to assess banks' capital adequacy. In November 2020, Circular n° 2.276 was issued, which introduced a methodology and new factors for identifying systemically important banks. Since then, several processes have been carried out to identify these banks, and additional capital requirements have been incorporated. In parallel with the review of the regulations and the process for identifying systemically important banks, the need to improve the quality of the information provided in the Systemically Important Bank Rating (R11) regulatory file, which is part of the banking information system (MSI) manual, has been recognised. Finally, the CMF is developing a prudential regulatory plan for the years 2023 and 2024, as reported in April 2023.

In this context, the FMC has published for consultation the following document: Public consultation on adjustments to table 106, file R11 of the MSI and to chapter 21-11 of the updated compilation of rules for banks. The objective of the proposed rulemaking is to facilitate the process of improving the quality of information for the determination of systemically important banks, as well as to adjust the threshold for their determination.

2. Main points

- **Opening Table 106:** This is part of the MSI and reflects the factors and sub-factors used for the identification of systemically important banks. It is also one of the adjustments proposed by the new regulatory proposal. It currently reports only twelve sub-factors considered in Chapter 21-11 of the updated set of standards for banks (RAN).
 - The intention is to generate an openness that allows for cross-checking with other administrative information and understanding its composition, in order to facilitate the continuous process of improving the quality of the information.
 - The proposal considers making an adjustment to the R11 file, increasing the size of the Factor and Sub-factor field and modifying its name.
- **Modification of the threshold that determines systemic banks based on their score:**
 - The methodology established by Circular n° 2.276 for the identification of systemic banks, considers the elaboration of a systemic index score, constituted as the weighted average of the participation in four factors and twelve sub-factors.
 - For Chile, according to its financial depth, a level of total assets as a percentage of GDP of 9.93% is predicted for the smallest systemic bank, implying a threshold of 828 basis points.
 - The threshold of 828 basis points is not appropriate, as it predicts the expected value of the smallest systemic bank, and it is necessary to capture a threshold that allows all systemic banks to be identified. Therefore, a lower percentile, with a threshold of 650 basis points, should be envisaged.
 - This threshold adjustment will not lead to changes in the previously identified group of systemic banks.

3. Next steps

- Comments on the consultation document can be submitted until **24 November 2023**. The proposal will enter into force six months after the publication of the final version of Table 106.

E

22/12/2023

CMF - Public consultation on adjustments to Chapter 21-13 of the Updated Compendium of Banking Standards regarding the capital adequacy self-assessment



1. Context

The CMF of Chile started the implementation of Basel III standards after Law No. 21.130 was enacted in 2019. This law modernises banking legislation and gives the Commission the authority to establish regulations to assess banks' capital adequacy. In September 2020, Circular No. 2,270 was issued, which introduced the chapter of the Updated Compilation of Banking Regulations (RAN) on the provisions on capital management that banks must carry out, with adequate capital buffers commensurate with their risks. Since then, several effective capital adequacy assessment processes have been carried out in 2021, 2022 and 2023. In addition, the transitional provisions of the same regulation established that the Effective Equity Self-Assessment Report (EAPR) would progressively extend its coverage, considering all material risks of the institution in the report required by April 2023.

In this context, the FMC has published for consultation the following document: Public consultation on adjustments to chapter 21-13 of the updated compilation of standards for banks. The objective of the proposed rulemaking is to generate new guidance in line with the post-development review of the standard, as well as to facilitate the supervisory process and clarify certain aspects of the capital assessment process.

2. Main points

- **Adjustments to Annex 1 of Chapter 21-13 of the RAN:**
 - Capital requirements should be required for all risks other than credit, market or operational risk.
 - Based on international experience, supervisors may require additional capital for short-term exposures.
 - The additional capital requirement should not only consider the standard metric provided in the above mentioned Annex 1, but also other calculations of the required capital, according to the following possibilities:
 - i) Maintain the same methodology, but consider other shocks established by the bank itself, or by the Commission, if so provided; ii) Consider other methodologies designed by the bank, which allow calculating the required capital for Market Risks of the banking book (RMLB).
- **IAPE sheet limit:**
 - It is proposed that the length of the report, excluding annexes, should not exceed 50 pages, taking into account the number of risks to be addressed.
 - The objective of this measure is for the bank to identify and emphasise the most relevant findings of the process and, in turn, to synthesise the content of the document.
- **Adjustments to Annex 3 and instruction to deliver in Excel format:**
 - It is suggested that banking institutions be instructed, at the time of submitting the IAPE, to supplement the said report with an Excel file, containing all the figures associated with Annex 3 of Chapter 21-13 of the RAN, in millions of pesos as of the date to which the report refers.
 - In addition, it is proposed to refine the IAPE summary table, so that: i) it serves to understand the construction of the Internal Equity Objective Cash (OIC); ii) eliminate the rows associated with the reconciliation of regulatory capital to stockholders' equity; iii) clarify what is required in each column; iv) add the Risk Weighted Asset (RWA) requirement to facilitate the review.
- **Clarification of the determination of the Internal Objective (IO) in the effective capital adequacy self-assessment process for banks**, as well as the link to the charge that may be set by the FMC.
- **Communication:**
 - Correction of the reference to the frequency of financial statements to report the level of the additional capital requirement under Article 66 as a relevant note in their quarterly financial statements.

3. Next steps

- Comments to the consultation document can be submitted until **3 January 2024**.
- Only the adjustment relating to communication will take effect immediately.
- The other changes will come into force in the next effective equity assessment processes, starting in **April 2024**.

E

15/11/2023

SFC - External Circular issuing instructions on the stress testing scheme (EPR) and the implementation of the capital (PAC) and liquidity (PAL) self-assessment programmes

1. Context

The Basel Committee on Banking Supervision (BCBS) aims with its recommendations that financial institutions implement internal mechanisms to define their capital and liquidity needs, in accordance with the risks associated with their activities, their nature, size, risk profile, business plan and the environments in which they operate.

In this context, the SFC has issued an **External Circular issuing instructions on the stress testing scheme (EPR) and the implementation of the capital (PAC) and liquidity (PAL) self-assessment programmes**. The objective of the Circular is to adopt the BCBS recommendations, so that supervised entities implement an adequate EPR, PAC and PAL testing scheme.

2. Main points

- **Objective of the adoption of the BCBS recommendations:**
 - It is considered necessary to adopt these recommendations in order for supervised entities to implement an adequate EPR, CAP and PAL system.
 - The ultimate aim is for institutions to establish optimal capital needs to face adverse events based on their own risks, as well as to make an efficient allocation of resources for the development of their activity.
- **Main instructions and amendments to the Circular:**
 - Adopt best practices for RPEs and integrate instructions to CAP and PAL.
 - Include instructions for the reporting of internal RPEs.
 - Create a chapter on capital and liquidity self-assessment in the Basic Accounting and Financial Circular (CBFC) to incorporate the instructions that supervised entities must comply with, in accordance with BCBS guidelines and international best practices.
- **Implementation plan:** The entities to which the Circular is addressed must submit to the SFC within 3 months of the issuance of the document, the implementation plan to comply with these instructions, including the specific activities, those responsible for their execution and the schedule of activities.
- **Testing:** To ensure the correct reporting of the information in the proformas of this Circular, the target entities must carry out mandatory testing between 2 and 20 September 2024 with the corresponding information until 31 December 2023.

3. Next steps

- The deadline for submitting comments on this External Circular is **17 November 2023**. Likewise, the first, second, third and fourth instructions of the Circular come into force as of **1 January 2025**. The first official report of the information corresponding to the proformas of the fourth instruction must be submitted on **31 December 2024**, in accordance with the provisions of the corresponding instructions. The other instructions are effective as of the issuance of this Circular.

CL 10/07/2023
SMV - Resolution which approves the Credit Risk Management Regulations



1. Context

The Superintendencia del Mercado de Valore (SMV) has published **Resolution SMV N.° 010-2023-SMV/01** approving the Credit Risk Management Regulation, which consists of thirteen articles, two final complementary provisions and one transitory complementary provision. The purpose of the Regulation is to ensure that entities authorised by the SMV to operate establish minimum guidelines for managing credit risk (CR).

These Regulations establish guidelines, criteria and minimum general parameters that the Entities must observe in the design, development and application of their credit risk management system, in accordance with the nature of the business, size, volume of transactions and complexity of the operations that they carry out on their own account, and on behalf of third parties and/or autonomous funds or assets.

2. Main points

- **Scope of application:**
 - Provisions apply to such entities in relation to the assessment and monitoring of credit risks arising from the investment of the Entity's own funds and the transactions it carries out that affect its results, equity and solvency. The provisions also apply to the management of credit risks associated with the administration of third party portfolios and/or autonomous funds or assets.
- **Credit risk system for own portfolio:**
 - General principles and criteria. Entities must formally adopt a credit risk management system that defines their exposure to credit risk, reflecting their capacity and appetite for risk in a manner consistent with their financial and operational structure, and in accordance with their corporate strategy and strategic objectives, enabling them to permanently assess existing risks or potential risks arising in the course of their activities.
 - Credit Risk Management (GRC) Manual. Entities must draw up and keep updated a Credit Risk Management Manual and include at least:) Scope of application; ii) Internal credit risk exposure limits; iii) Policies and procedures; iv) Organisation of functions and responsibilities; v) Methodology; vi) IT tools; and vii) Communication.
- **Credit risk management system for the portfolio of third parties and/or autonomous funds or assets managed by the entities:**
 - Minimum requirements. Entities shall have minimum general guidelines, criteria and/or parameters to identify, measure, analyse, monitor, control, report and disclose the credit risks of the investments they make on behalf of third parties or on behalf of the funds and/or autonomous assets under their management, in accordance with the investment objective and horizon of each portfolio, type of fund and assets under management.
- **Management reporting and internal audit:**
 - Responsibilities of the internal Audit. The Entity's Internal Audit must assess compliance with the policies, procedures and methodologies established for the GRC. In turn, it must evaluate the results of management and report to the Board of Directors in a timely manner, in accordance with the frequency established by the Entity. Entities that do not have an internal audit shall be subject to the provisions of article 18 of the Comprehensive Risk Management Regulations.

3. Next steps

- Entities that are not part of a financial conglomerate must implement, under the terms provided for in this Regulation, credit risk management both for their own portfolio and, if applicable, for third-party portfolios and/or autonomous funds or assets under their management, by **31 December 2024** at the latest. On the other hand, if the Entities are part of a financial conglomerate, they will have until **30 September 2024**.
- Entities within the scope of application of Superintendent's Resolution N° 045-2021-SMV/02, Regulation of the Financial Participative Financing Activity and its Management Companies, must implement credit risk management in accordance with the terms set forth in this Regulation by **31 December 2025** at the latest.
- This resolution shall enter into force as of **1 January 2024**.



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP

CL

29/12/2023

SBS - New Regulation for Liquidity Risk Management

1. Context

SBS Resolution n° 3296-2022 amended the Liquidity Risk Management Regulation in order to bring the Liquidity Coverage Ratio (LCR) in line with the international standards of the Basel Committee on Banking Supervision (BCBS). The SBS has also considered it appropriate to include the Net Stable Funding Ratio (NSFR) as part of the regulatory requirements established in the Liquidity Risk Management Regulation, in order to promote better liquidity risk management for companies and to continue adapting the regulatory framework to the Basel III standard.

In this context, the SBS has published Resolution n° 4221-2023, which approves the new Liquidity Risk Management Regulation.

2. Main points

- On the **internal liquidity risk management** environment, firms are responsible for liquidity risk management appropriate to their size, the complexity of their operations and services, the level of risk and their systemic importance.
 - The Board of Directors has certain responsibilities with respect to liquidity risk management. Subsequently, it is the responsibility of the General Management to communicate and implement liquidity risk management in accordance with previously approved arrangements.
 - The Board shall establish an Asset and Liability Management Committee to perform strategic and executive liquidity risk management and monitoring functions, and a Risk Unit shall also be in place.
- **Identifying, measuring and assessing liquidity risk:**
 - Firms shall have measurement tools that enable them to assess their exposure to liquidity risk, covering operational liquidity in the short term, structural liquidity in the long term and other risks may affect the firm's overall liquidity strategy.
 - The Risk Unit shall regularly perform scenario simulations to measure the liquidity risk of the firm.
 - In addition, the company shall establish a funding strategy to ensure an appropriate diversification of funding sources, as well as indicators to control the concentration of liabilities.
 - Liquidity Ratios, Adjusted Liquidity Ratios and Liquid Investment Ratios shall be calculated on a daily basis.
- **Treatment of liquidity risk:**
 - The company shall have investments in liquid instruments as a liquidity management policy, as well as diversify its funding sources and deposits from institutional investors.
 - Likewise, the Risk Unit and the business area are responsible for designing and implementing a contingency plan establishing the strategy for managing a liquidity crisis. The plan shall consider, at a minimum, the following aspects: i) warning signals; ii) crisis management team; iii) identification of funding sources; iv) asset management strategies; v) administrative policies and procedures; and vi) stress scenarios and action plan.
- The company shall have **information systems and supporting IT tools** that enable adequate liquidity risk management, as well as appropriate information security mechanisms.
- 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, as well as for establishing **effective communication channels** to transmit this information.
 - Firms may not have: i) a national currency Liquidity Ratio $\geq 8\%$, a limit that will be increased to 10% when the concentration of liabilities in the previous month is greater than 25%; ii) a foreign currency Liquidity Ratio $\geq 20\%$, a limit that will be increased to 25% when the concentration of liabilities in the previous month is also greater than 25%.

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

Global

78

European region

81

American region

93

Other publications of interest

Global

BASEL FRAMEWORK **CL**

[\(03/10/2023\) BCBS - Basel Committee reports on Basel III implementation progress](#)

The Basel Committee on Banking Supervision (BCBS) has issued its progress update on the adoption of the Basel Framework. The update summary and monitoring dashboard set out the jurisdictional adoption status of the Basel III standards as of end-September 2023. They cover the Basel III post-crisis reforms published by the Committee in December 2017 and the finalised minimum capital requirements for market risk of January 2019.

SHORT-TERM CLIMATE SCENARIOS **S**

[\(03/10/2023\) NGFS - Conceptual note on short-term climate scenarios](#)

Network for Greening the Financial System (NGFS), has published a Conceptual note on short-term climate scenarios. The purpose of this note is to inform the public on the conceptual framework reflecting the NGFS's thinking on short-term scenarios, ahead of their analytical implementation. It introduces the types of scenario narratives the NGFS intends to work through, followed by a brief commentary on modelling options. The final section contains a practical guide for central banks and supervisors on how to get from a short-term scenario to a climate stress test.

PROGRESS ON G20 TARGETS IN CROSS-BORDER PAYMENTS **T**

[\(09/10/2023\) FSB - FSB assesses progress towards achieving G20 cross-border payments targets](#)

The Financial Stability Board (FSB) has published its first annual report on key performance indicators (KPIs) for cross-border payments, together with a consolidated report on progress on the Roadmap. The KPIs indicate the need for progress in meeting cross-border payments targets in different market segments. The Roadmap aims to achieve faster, cheaper and more transparent cross-border payments, which in some cases may require global public-private partnerships. Achieving the objectives requires commitment and coordination among G20 members. Finally, key actions have been identified to achieve the objectives, such as improving the interoperability of the payment system, and standardising messages and interchange standards.

MODIFICATION OF THE SASB STANDARDS **S D**

[\(11/10/2023\) IFRS – International applicability of SASB standards / modifications of standards](#)

The International Sustainability Standards Board (ISSB) has published amendments to the Sustainability Accounting Standards Board (SASB) standards, in particular to the industry-based guidance equivalent to IFRS S2 on climate disclosures. Following the consolidation of the Value Reporting Foundation (VRF) with the IFRS Foundation, the ISSB is responsible for the maintenance and enhancement of the SASB standards. These revisions are intended to help preparers apply SASB standards regardless of the jurisdiction in which they operate without materially altering the underlying concepts of any specific disclosure topic or metric. The documents will be available online until 10 November for information purposes to allow stakeholders to familiarise themselves with the revisions. The revisions will not be final until ratified and issued by the ISSB, anticipated in December 2023.

PHASE IV OF CLIMATE SCENARIOS **S**

[\(07/11/2023\) NGFS - NGFS Climate Scenarios for central banks and supervisors - Phase IV](#)

The Network for Greening the Financial System (NGFS) have published NGFS Scenarios for central banks and supervisors. In this fourth Phase, the set of climate scenarios has been updated to account for the latest Gross Domestic Product (GDP) and population pathways and the most recent country-level climate commitments as of March 2023. The NGFS Climate Scenarios have been developed to provide a common starting point for analyzing climate risks to the economy and financial system. While developed primarily for use by central banks and supervisors they may also be useful to the broader financial, academic, and corporate communities. This document provides an overview of the key transition risks, physical risks, and economic impact of climate change.

TECHNICAL AMENDMENTS TO THE BASEL FRAMEWORK **CL**

[\(08/11/2023\) BIS - Finalisation of various technical amendments](#)

The Basel Committee on Banking Supervision (BIS) has published technical amendments similar to those set out in the consultative documents published in March 2023. The amendments include clarifications related to: i) the new standardised approach for operational risk; ii) the disclosure standards for credit valuation adjustment (CVA) risk; iii) the description of the calculation of indicator scores for global systemically important banks (G-SIBs); iv) the terminology used in the countercyclical capital buffer.

Other publications of interest

Global

CONSULTA SOBRE FRAUDE DIGITAL **E T**

[\(15/11/2023\) BIS – Consulta pública de documento de debate sobre el fraude digital en la banca y sus implicaciones](#)

El Comité de Supervisión Bancaria de Basilea (BIS) ha publicado a consulta un documento de debate sobre el fraude digital en la banca y sus implicaciones para la supervisión y la estabilidad financiera. El documento aborda la digitalización de las finanzas y sus efectos en la economía y la estabilidad financiera, centrándose en el fenómeno del fraude digital en el sector bancario. Se destacan los beneficios de la digitalización, como mayor eficiencia y acceso a servicios bancarios, pero también se advierte sobre los riesgos asociados, especialmente sobre el aumento del fraude digital. El documento se estructura en torno a tres conjuntos de preguntas: i) la naturaleza del fraude digital; ii) sus implicaciones para la supervisión y la estabilidad financiera; y iii) las medidas para mitigar estos riesgos en el sector bancario. El plazo de consulta finaliza el 16 de febrero de 2024.

RECOMENDACIONES POLITICAS PARA CRIPTOACTIVOS **T**

[\(16/11/2023\) IOSCO – Recomendaciones políticas para los mercados de criptoactivos y activos digitales](#)

La Organización Internacional de Comisiones de Valores (IOSCO) ha publicado un Informe que contiene 18 recomendaciones para la regulación de criptoactivos y activos digitales. El objetivo del Informe es promover una mayor coherencia con respecto a los marcos regulatorios y la supervisión en las jurisdicciones miembros de la IOSCO. Las 18 Recomendaciones abarcan seis ámbitos fundamentales: i) conflictos de interés derivados de la integración vertical de actividades y funciones; ii) manipulación del mercado, uso de información privilegiada y fraude, iii) riesgos transfronterizos; iv) custodia y protección de los activos de los clientes; v) riesgo operacional y tecnológico; vi) acceso, idoneidad y distribución minoristas.

PRINCIPLES FOR RESPONSIBLE BANKING **S**

[\(22/11/2023\) UNEPFI – Principles for Responsible Banking: Guidance for Banks](#)

The United Nations Environment Programme Finance Initiative (UNEPFI) has published the new Guidance for Banks on Principles for Responsible Banking (PRB). The aim of the guide is to assist the banking sector in aligning with the policy objectives of the Global Biodiversity Framework (GBF). Through this guide, the GBF, signed by more than 190 countries, calls for a global commitment by governments and all actors in society to take urgent and meaningful action to halt and reverse biodiversity loss by 2030, encourage the sustainable and equitable use of nature and promote a way of life in harmony with nature. Banks have a key role to play in the pursuit of the 23 targets proposed by the GBF, in part because of their activities in sectors with high impact on nature, their high levels of financing in emerging markets, and their ability to direct financial flows towards activities that are more positive for nature and the environment.

IASB PROPOSES REFORMS IN FINANCIAL REGULATIONS **O**

[\(29/11/2023\) IFRS - IASB Proposes Significant Amendments to Clarify the Classification of Financial Instruments and Improve Disclosures](#)

The International Accounting Standards Board (IASB) is proposing amendments to IAS 32 to clarify the classification of financial instruments, addressing issues such as the impact of laws, fixed-for-fixed status in derivatives, treasury share purchase obligations and shareholder discretion. It also proposes changes to IFRS 7 to improve information on claims, terms and conditions of instruments, share dilution and other aspects. In addition, amendments to IAS 1 are suggested to require more information on amounts attributable to ordinary shareholders. These proposals would affect financial statements, including balance sheet, income statement and statement of changes in equity.

2023 RESOLUTION REPORT **R**

[\(15/12/2023\) FSB - FSB outlines work to further increase the resolvability of banks, central counterparties and insurers](#)

The Financial Stability Board (FSB) has published its 2023 Resolution Report, summarizing past resolution-related work and outlining 2024 priorities for banks, central counterparties (CCPs), and insurers. The report emphasizes the need to maintain momentum in advancing bank resolvability, with a focus on bail-in tool implementation and addressing operational challenges. In 2024, the FSB will explore various aspects, including resolution strategies, cross-border bail-in operationalization, and response to bank runs. For CCPs, a toolbox approach for resolution is under consultation, with the final report expected in the first semester of 2024.

Other publications of interest

Global

RECOMMENDATIONS FOR ENHANCED GOODWILL ACCOUNTING TRANSPARENCY O D

[\(15/12/2023\) IOSCO - IOSCO publishes its Recommendations on Accounting for Goodwill](#)

The International Organization of Securities Commissions (IOSCO) has published its Recommendations on Accounting for Goodwill, targeting issuers, audit committees, and external auditors to enhance reliability and transparency in recording and disclosing Goodwill in financial statements. The report addresses concerns about unrecognized impairment on accumulated goodwill, especially during economic uncertainty, and emphasizes the importance of fair and transparent financial presentations, urging issuers to avoid overstating goodwill and to recognize impairment losses promptly, with transparent disclosures of key assumptions related to recoverability. IOSCO believes that these recommendations will assist standard setters, including the International Accounting Standards Board (IASB), in improving business combination disclosures and Goodwill impairment testing. Finally, the report follows a 90-day public consultation and underscores IOSCO's commitment to consistent application of high-quality reporting standards.

GLOBAL MONITORING REPORT ON NON-BANK FINANCIAL INTERMEDIATION O

[\(18/12/2023\) FSB - Global Monitoring Report on Non-Bank Financial Intermediation](#)

The Financial Stability Board (FSB) has published the Global Monitoring Report on Non-Bank Financial Intermediation (NBF) 2023. The report presents the FSB's annual monitoring exercise assessing global trends and vulnerabilities in NBF. In addition, it mainly covers developments in 2022, when most economies experienced a rising interest rate environment in response to inflationary pressures. It describes broad trends in financial intermediation across 29 jurisdictions that account for around 85% of global GDP, before narrowing its focus to the subset of NBF activities that may be more likely to give rise to vulnerabilities. This year's exercise includes data enhancements on interconnectedness, sources of funding, and vulnerability metrics. The report also includes an overview of policy tools to address vulnerabilities associated with liquidity transformation and use of leverage by collective investment vehicles and a case study of private finance in the euro area, Hong Kong, the United Kingdom, and the United States.

POLICY RECOMMENDATIONS FOR DECENTRALIZED FINANCE T

[\(19/12/2023\) IOSCO - Final Report with Policy Recommendations for Decentralized Finance \(DeFi\)](#)

The International Organization of Securities Commissions (IOSCO) has published its Final Report with Policy Recommendations for Decentralized Finance (DeFi) with nine Recommendations aiming to address market integrity and investor protection concerns arising from DeFi by supporting greater consistency of regulatory frameworks and oversight in member jurisdictions. The Recommendations cover six key areas: i) understanding DeFi arrangements and structures, ii) achieving common standards of regulatory outcomes, iii) identification and management of key risks; iv) clear, accurate and comprehensive disclosures; v) enforcement of applicable laws; and vi) cross-border cooperation.

STRUCTURAL VULNERABILITIES FROM LIQUIDITY MISMATCH CL

[\(20/12/2023\) FSB - Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds](#)

The Financial Stability Board (FSB) has published the revised policy recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds (OEFs) after the consultation report published by the FSB on July 2023. The new report provides an overview of the proposed changes to the 2017 FSB Recommendations and includes the full text of the Revised FSB Recommendations.

Other publications of interest

European region

Europe

EBA WORK PROGRAMME CL S T

[\(03/10/2023\) EBA - EBA publishes its work programme for 2024](#)

The European Banking Authority (EBA) published its annual work programme for 2024, setting out the key strategic areas for the Authority to work on in the coming year, as well as related activities and tasks. The focus will be on i) implementing the EU banking package (Capital Requirements Regulation - CRR III / Capital Requirements Directive - CRD VI), ii) monitoring financial stability and sustainability against a backdrop of increased interest rates and uncertainty, iii) providing a data infrastructure at the service of stakeholders, and iv) developing oversight and supervisory capacity for the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets Regulation (MiCAR).

LIST OF THIRD COUNTRY GROUPS CL

[\(04/10/2023\) EBA - The EBA publishes 2023 list of third country groups and third country branches operating in the EU/EEA](#)

The European Banking Authority (EBA) published the updated list of all third country groups (TCGs) with intermediate European Union (EU) parent undertakings IPU(s), where applicable, and the list of all third country branches (TCBs) operating in the EU and European Economic Area (EU/EEA). This publication ensures that market participants have clarity on the direct ownership of the involved institutions. In the course of the 2023 exercise, 461 TCGs from 47 third countries have been identified as operational in the EU/EEA. Moreover, 65 TCGs have branches in the EU/EEA with a total of 105 third country branches of credit institutions operating in the EU/EEA.

JOINT WORK PROGRAMME CL S T C

[\(04/10/2023\) EBA - ESAs publish Joint Committee Work Programme for 2024](#)

The European Supervisory Authorities (ESAs), composed of the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA), have published its Work Programme for 2024, outlining the areas of work and planned deliverables in 2024. During the year 2024, the work will focus on the following areas: i) consumer and investor protection, ii) operational resilience, iii) financial conglomerates, and iv) securitisation.

RESOLUTION FOR LSIs R

[\(05/10/2023\) SRB - SRB publishes report on smaller banks in the Banking Union for the first time](#)

The Single Resolution Board (SRB) has published a report on resolution planning and crisis management for less significant institutions (LSIs) for the first time. The Report examines key developments in LSI sector, gives account of national resolution authorities (NRAs') resolution planning and crisis management activities in 2022 & 2023 and explains the SRB's role on LSIs in the Banking Union.

INFLATIONARY ENVIRONMENT IMPACTS CL

[\(05/10/2023\) EIOPA - EIOPA takes stock of inflation's impact on insurers and assesses potential future risks](#)

The European Insurance and Occupational Pensions Authority (EIOPA) published a report on how the current inflationary environment impacts insurers in Europe. The analysis considers the effects higher-than-expected inflation and interest rates have had on the insurance sector until now and looks ahead to assess potential future risks and vulnerabilities. The report considers that the swift transition from a long period of low inflation and ultra-low rates to a new macroeconomic environment carries implications for insurers' capital levels, profitability and liquidity positions, but also for consumers.

CRYPTO-ASSETS T

[\(05/10/2023\) ESMA - ESMA publishes second consultation on crypto market rules](#)

The European Securities and Markets Authority (ESMA) has published a second consultation package under the Markets in Crypto-Assets Regulation (MiCA) seeking input on: i) sustainability indicators for distributed ledgers; ii) disclosures of inside information; iii) technical requirements for white papers; iv) trade transparency measures; and v) record-keeping and business continuity requirements for crypto-asset service providers. Comments can be sent before 14 December 2023.

Other publications of interest

European region

EIOPA STRATEGIC PRIORITIES CL S T C G

[\(06/10/2023\) EIOPA - EIOPA sets out its strategic priorities for 2024](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has outlined its strategic priorities for the period 2024 – 2026. In a context of evolving challenges, risks and opportunities, EIOPA will focus on managing the uncertainty in times of transformation so that the insurance and pensions sectors can continue to deliver value to policyholders and beneficiaries, to business and the European Union economy. EIOPA has identified strategic priorities, on which to focus on, such as integrating sustainable finance considerations across all areas of work and supporting the consumers, the market and the supervisory community through digital transformation.

ANALYSIS OF CHANGES IN THE EURIBOR METHODOLOGY O

[\(11/10/2023\) EMMI – Proposed Changes to Euribor Methodology](#)

The European Money Markets Institute (EMMI) has released a consultation paper proposing changes to the Euribor methodology. The proposed changes focus on reformulating Level 2.3, enlarging its starting point and redefining the Market Adjustment Factor (MAF) to better reflect interest rate and credit risk changes. Additionally, the paper suggests discontinuing Level 3, aiming to reduce operational and cost burdens for Euribor Panel Banks and potentially expand the Euribor Panel. EMMI invites feedback to ensure well-informed modifications in the best interest of the financial community, promoting transparency and collaboration. The consultation period ends on December 11, 2023, with feedback summaries made public by February 2024. EMMI will communicate the conclusions and implementation plans regarding the proposed enhancements.

FIRST REPORT ON THE TAXONOMY'S ADOPTION S

[\(16/10/2023\) CNMV – CNMV analyzes the information provided by listed companies on the European sustainability taxonomy](#)

The Comisión Nacional de Mercados de Valores (CNMV) has published for the first time the Report on breakdowns relating to the European Taxonomy of Fiscal Year 2022 which describes the degree of eligibility and alignment with the climate change taxonomy of the economic activities of Spanish securities issuers, taking into account a sample of 25 non-financial entities. The data reported show that the proportion of eligibility tends to be significantly greater than that of alignment in all three indicators, being 78% for CapEx versus 56%, 72% for OpEx versus 44%, and 71% for turnover versus 51%. The greater proportion of alignment is informed for the key performance indicator related to investment in fixed assets (CapEx). This indicator is particularly important and suggests that companies are investing for their activities to be sustainable or to expand those that already are sustainable, while performing investments aimed at transforming their business model and reducing their carbon footprint.

DEBATE IN THE USE OF CAPITAL BUFFERS CL R

[\(16/10/2023\) SRB – The SRB discusses the overlap between capital buffers and minimum requirements](#)

The Single Resolution Board (SRB) has published a blog post discussing how to enhance banks' capacity to utilize their capital buffers and reduce the overlap with minimum requirements in a challenging economic environment. Empirical evidence suggests that during recent economic downturns, banks did not fully utilize these capital buffers as permitted by macroprudential regulations, possibly due to fiscal, monetary, and prudential support provided to the real economy by European and national authorities. As a result, a debate has been initiated among regulators and other stakeholders on the extent to which buffers are used, seeking to promote their greater use to reduce the overlap between capital buffers and minimum requirements.

DIGITAL EURO MOVES TO THE NEXT STAGE T

[\(18/10/2023\) ECB – The Eurosystem moves forward to the preparation phase in the digital euro project](#)

The Governing Council of the European Central Bank (ECB) has reported that the Eurosystem has decided to enter the preparation phase in the digital euro project. This decision marks the conclusion of the investigation phase initiated in October 2021, which explored potential design and distribution models for the digital euro. The new preparation phase will last for two years and will include the final publication of the Regulation for the regulation of the digital euro, as well as the selection of providers for the development of the necessary infrastructure. The design envisions the digital euro as a digital form of cash that could be used for all digital payments throughout the euro area. It would be widely accessible, free for basic use, available both online and offline, and offer a high level of privacy while enabling instant payments with central bank money. On the other hand, it could be used for person-to-person transactions, at point of sale, in e-commerce, and government transactions.

Other publications of interest

European region

QUESTIONNAIRE ON TAXONOMY ACTIVITIES **S**

(25/10/2023) EC - [Launch of the EU taxonomy stakeholder request mechanism](#)

The European Commission (EC) has set up a questionnaire that allows stakeholders to submit suggestions based on scientific and/or technical evidence on new economic activities that could be added to the EU taxonomy or on potential revisions of technical screening criteria of existing activities. The Platform will analyse and consider relevant requests before 15 December 2023.

REPORTING FRAMEWORK 3.3 **D**

(30/10/2023) EBA – [EBA releases the technical package for phase 3 of its 3.3 reporting framework](#)

The European Banking Authority (EBA) has published the technical package for the third phase of version 3.3 of its reporting framework. The package provides specifications related to validation standards, the EBA's Data Point Model (DPM) and XBRL (eXtensible Business Reporting Language) taxonomies, in order to support the new reporting requirements on Interest Rate Risk in the Banking Book (IRRBB). The technical package will be used for the first time in the ad hoc data collection for banks within the Quantitative Impact Study (QIS) framework with reference date 31 December 2023. In the future, it is also intended to be able to make use of this package for the Implementation Technical Standards (ITS) in supervisory reporting related to IRRBB.

ARTICLE ON DEVELOPMENTS IN THE EUROPEAN EQUITY MARKET **C**

(30/10/2023) ESMA – [Article on developments in European equity market structure](#)

The European Securities and Markets Authority (ESMA) has published an article on the evolution of the European equity market structure from 2019 to 2022, following the implementation of the Market in Financial Instruments Directive (MiFID II). The article pays particular attention to the impact of the UK's withdrawal from the European Union (EU). In addition, it highlights the significant changes in European market structure during this period, with a significant decline in trading volumes after 2021. In turn, this decline has been accompanied by four main changes in the European market: i) the decline in the number of trading infrastructures; ii) the shift in the distribution of equity trading; iii) the concentration of trading in a few EU countries and trading venues, and iv) the relocation of national trading activities, as well as an increase in the specialisation of trading venues.

INSTANT PAYMENTS **T**

(07/11/2023) EC - [Instant payments: Council and Parliament reach provisional agreement](#)

The Council of the European Union (EU) has announced a provisional political agreement between the Council of the EU and the European Parliament (EP) on the proposal for instant payments, which amends the 2012 Regulation on the Single Euro Payments Area. This proposal aims to improve instant euro payment options for consumers and businesses in the EU and the European Economic Area (EEA), and to reduce dependence on third-country financial institutions, enhancing the strategic autonomy of the European economic and financial sector. The new rules will oblige payment service providers to offer the service of sending and receiving instant payments in euro, in addition to standard credit transfers. They will also have to verify that the IBAN number and the name of the beneficiary match, in order to alert them to possible errors or fraud. The provisional agreement must be approved by the Economic and Monetary Affairs Committee and the Council before it enters into force.

GUIDELINES ON THE HANDLING OF COMPLAINTS BY CREDIT MANAGERS **C**

(09/11/2023) EBA - [EBA consults on Guidelines on complaints handling by credit servicers](#)

The European Banking Authority (EBA) has launched a public consultation on its draft Guidelines on complaints handling by credit servicers under the Credit Servicers Directive (CSD). The proposed Guidelines suggest applying to credit servicers the requirements of the existing Joint Committee Guidelines on complaints-handling. Those requirements include complaints management policy, complaints management function, registration, reporting, internal follow-up, provision of information and procedures for responding to complaints. The consultation runs until 9 February 2024.

Other publications of interest

European region

NEW EXTERNAL CREDIT ASSESSMENT INSTITUTION **CL**

[\(10/11/2023\) ECB - ECB accepts Scope Ratings within Eurosystem Credit Assessment Framework](#)

The European Central Bank (ECB) has announced that the Governing Council decided to accept the credit rating agency Scope Ratings GmbH (Scope Ratings) as a new external credit assessment institution (ECAI) for the purposes of the Eurosystem Credit Assessment Framework (ECAF). This decision follows a thorough Eurosystem assessment of the application submitted by Scope Ratings. In its assessment the Eurosystem considered all the acceptance criteria for ECAIs, which encompass quantitative and qualitative criteria, as well as any relevant supervisory feedback from the European Securities and Markets Authority (ESMA). The registration by ESMA is also a precondition for an agency's acceptance within the ECAF.

EXTERNAL CREDIT ASSESSMENT INSTITUTIONS **CL**

[\(13/11/2023\) ESAs – ESAs publish amended technical standards on the mapping of External Credit Assessment Institutions](#)

The Joint Committee of the three European Supervisory Authorities, the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), have published two amended implementing technical standards (ITS) on the mapping of credit ratings of external credit assessment institutions (ECAIs). The amendments reflect the outcome of a monitoring exercise on the adequacy of existing mappings and the deregistration of three credit rating agencies (CRAs). The ESAs are proposing to change the assignment of the credit quality step (CQS) for four ECAIs, namely Creditreform Ratings AG, Ethifinance Ratings, S.L., ICAP CRIF S.A. and Nordic Credit Rating AS. It is also proposed to introduce new or amended credit rating scales for the following seven ECAIs: ARC Ratings S.A., Banque de France, Bulgarian Credit Rating Agency (BCRA), Ethifinance Ratings, S.L., Fitch Ratings Ireland Limited, Kroll Bond Rating Agency, Nordic Credit Rating AS and Scope Ratings GmbH.

INTEROPERABLE EUROPE ACT **T**

[\(13/11/2023\) Consilium – Interoperable Europe act: Council and Parliament strike a deal for more efficient digital public services across the EU](#)

The Council presidency and the European Parliament (EP) negotiators have reached a provisional agreement on the proposed legislation, interoperable Europe act, regarding measures on a high level of public sector interoperability across the European Union (EU). The draft regulation aims to set up a new cooperation framework for EU public administrations to ensure the seamless delivery of public services across borders, and to provide for support measures promoting innovation and enhancing skills and knowledge exchange. The new regulation will establish an interoperability governance structure with a view to creating an ecosystem of shared interoperability solutions for the EU's public sector.

COMMON POSITION DAISY CHAINS **R**

[\(17/11/2023\) Council – Common position on the Daisy Chains proposal](#)

The Council of the European Union (EU) has adopted a common position with the European Parliament (EP) on the Daisy Chains proposal. This proposal is a targeted amendment of the existing banking regulations, the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR) to address certain issues related to the treatment of internal minimum requirement for own funds and eligible liabilities (MREL) in bank resolution groups. The proposal also introduces changes to avoid disproportionate impacts on certain banking group structures by allowing resolution authorities to set internal MREL on a consolidated basis under certain conditions. In addition, a specific treatment for winding-up entities is introduced. Finally, the proposal is part of a broader overhaul of the EU crisis management and deposit insurance framework.

GUIDELINES ON THE PREVENTION OF ABUSE OF FUNDS **T**

[\(24/11/2023\) EBA – The EBA consults on new Guidelines on preventing the abuse of funds and certain crypto-assets transfers for money laundering and terrorist financing purposes](#)

The European Banking Authority (EBA) has launched a public consultation on new Guidelines on preventing the abuse of funds and certain crypto-assets transfers for money laundering and terrorist financing purposes. These 'travel rule' Guidelines specify the steps that Payment Service Providers (PSPs), Intermediary PSPs (IPSPs), crypto-asset service providers (CASPs) and Intermediary CASPs (ICASPs) should take to detect missing or incomplete information that accompanies a transfer of funds or crypto-assets. They also detail the procedures all these providers should put in place to manage a transfer of funds or a transfer of crypto-assets that lacks the required information. These Guidelines aim at forging a common understanding to ensure the consistent application of EU law as well as a stronger anti-money laundering and countering the financing of terrorism (AML/CFT) regime. The consultation runs until 26 February 2024.

Other publications of interest

European region

REPLACEMENT OF THE OTC DERIVATIVES IDENTIFIER IN THE EU C

(29/11/2023) EC - [Specific consultation on the OTC derivatives identifier for public transparency purposes](#)

The European Commission (EC) has published a consultation seeking views on the replacement of the public identifier for over the counter (OTC) derivatives in the European Union (EU). The target audience includes firms that use interest rate and credit derivatives, investment firms, asset managers, trading venues and Clearing and Settlement Houses (CCPs) involved in interest rate and credit derivatives. The consultation is in response to the upcoming revision of the Markets in Financial Instruments Regulation (MiFIR), which requires identifying reference data for public transparency reporting. Key issues include determining an appropriate unique product identifier and considering any additional identifying reference data for OTC derivatives compliance within the scope of the regulation.

BIODIVERSITY IMPACT STUDY S

(01/12/2023) ECB – [Occasional Paper: The impact of the euro area economy and banks on biodiversity](#)

The European Central Bank (ECB) has issued an occasional paper about the impact on the euro area economy and banks biodiversity. This study builds on the previous work on exposure assessment and physical risk and extends it to investigate transition risk for non-financial corporations (NFCs) and banks in the euro area. By looking into the impact of NFCs and banks on nature degradation, this study completes the assessment of nature-related risk and complements previous work by focusing on two main aspects. First, this study quantifies how much the euro area economy and financial sector are contributing to nature degradation by estimating their biodiversity footprint, and then it investigates the integrated climate-nature risk assessment.

TAXONOMY-ALIGNING BENCHMARKS S

(12/12/2023) Platform on Sustainable Finance - [Draft report & call for feedback on EU taxonomy-aligning benchmarks](#)

The Platform on Sustainable Finance has published for feedback a draft report including proposals for European Union (EU) taxonomy-aligning benchmarks (TABs). The report puts forward two proposals for voluntary benchmarks (TABex & TAB), with an aim to initiate a discourse on the pivotal role the taxonomy could assume in shaping climate and environmental benchmarks. The suggested benchmarks do not discard alternative approaches to leveraging the taxonomy in the development of benchmarks. The call for feedback will be open for three months, until 13 March 2024.

EU'S ANTI-MONEY LAUNDERING AND FINANCING TERRORISM AUTHORITY C

(13/12/2023) Council / EP - [Anti-money laundering: Council and Parliament agree to create new authority](#)

The Council and the European Parliament (EP) have reached a provisional agreement on creating a new European authority for countering money laundering and financing of terrorism (AMLA), the centerpiece of the anti-money laundering package. AMLA will have direct and indirect supervisory powers over high-risk obliged entities in the financial sector. This agreement leaves out a decision on the location of the agency's seat, a matter that continues to be discussed on a separate track.

CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE S

(14/12/2023) Council/EP - [Corporate sustainability due diligence: Council and Parliament strike deal to protect environment and human rights](#)

The Council and the European Parliament (EP) have reached a provisional agreement on the Corporate Sustainability Due Diligence Directive (CSDDD), which aims to improve environmental and human rights protection in the European Union (EU) and globally. The Due Diligence Directive will set out rules on the obligations of large companies with regard to actual and potential adverse impacts on human rights and the environment, both in their own operations and in those of their subsidiaries and those of their business partners.

Other publications of interest

European region

CSDR PENALTY MECHANISM CHANGES D

[\(15/12/2023\) ESMA - ESMA consults on potential changes to the CSDR penalty mechanism](#)

The European Securities and Markets Authority (ESMA) has published a Consultation Paper on technical advice to the European Commission (EC) on the Central Securities Depository (CSDR) penalty mechanism. The aim of the consultation is to collect evidence and data from stakeholders on the effectiveness of the current penalty mechanism in discouraging settlement fails and incentivizing their rapid resolution. In addition, it seeks: i) feedback on ESMA's preliminary proposals regarding alternative parameters, when the official interest rate for overnight credit charged by the central bank issuing the settlement currency, is not available; ii) the treatment of historical reference data for the calculation of late matching fail penalties; and iii) alternative methods for calculating cash penalties, including progressive penalty rates. The consultation runs until 29 February 2024.

EU BANK CRISIS MANAGEMENT REFORM PROPOSAL R

[\(15/12/2023\) SRB - The Commission proposal to reform the EU Bank Crisis Management Framework: A selected Analysis](#)

The Single Resolution Board (SRB) has published a Working paper where they analyse the Commission's (EC) proposal to reform the European Union (EU) Bank Crisis Management Framework. The paper uses data for both significant and less significant institutions and makes plausible assumptions. Overall, the working paper shows that the he Crisis Management and Deposit Insurance (CMDI) proposals present a good balance between ensuring that banks can be resolved without use of public money and limiting the additional burden for industry-funded means.

BRIEFING ON EC'S SFDR IMPLEMENTATION CONSULTATION S

[\(17/12/2023\) Platform for Sustainable Finance - Briefing on EC targeted consultation regarding SFDR Implementation](#)

The European Union (EU) Platform on Sustainable Finance has published the briefing on European Commission (EC) targeted consultation regarding Sustainable Finance Disclosure Regulation (SFDR) implementation. This brief to address the main questions raised by the European Commission in the targeted consultation, in particular questions around: i) current requirements of the SFDR; ii) interaction with other sustainable finance legislation; iii) potential changes to the disclosure requirements for financial market participants and iv) potential establishment of a categorization system for financial products.

MACROECONOMIC IMPACT ON EURO AREA AND POLICY ANALYSIS S

[\(17/12/2023\) ECB - NGFS climate scenarios for the euro area: role of fiscal and monetary policy conduct](#)

The European Central Bank (ECB) has published an Occasional Paper Series on the Network for Greening the Financial System's (NGFS) climate scenarios for the euro area. This document provides a common foundation for understanding the economic and financial impacts of transitioning to net-zero emissions. Focused on NGFS Phase III scenarios for the euro area, the paper analyzes the macroeconomic effects of climate-related shocks, including physical, transition, and fiscal influences. Furthermore, it highlights the dominance of physical and transition shocks in shaping GDP growth and inflation, while fiscal actions, especially carbon tax-related measures and influence financial variables. The study explores fiscal recycling options, demonstrating that full recycling through government investment has the least negative impact on GDP. It also examines the response of macroeconomic variables under different monetary policy rules. The paper acknowledges the limitations and uncertainties in climate and economic modeling, emphasizing the NGFS scenarios' role in macroeconomic policy analysis and ongoing efforts to enhance their accuracy and applicability.

REDUCING CLIMATE-RELATED FINANCIAL RISKS S

[\(18/12/2023\) ESRB - Banks and insurance have key role to play in reducing climate-related financial stability risks. joint ECB/ESRB report finds](#)

The European Central Bank (ECB) and the European Systemic Risk Board (ESRB) have published a joint report on the impact of climate change on the European Union (EU) financial system. This report proposes three frameworks for relating climate risks to financial stability, addressing risk surveillance, macroprudential policy and broader risks to nature. The framework for financial stability risk surveillance takes stock of advances in measuring and modelling the impacts of climate risk, proposing a list of indicators for regular financial stability risk monitoring. The second framework, on macroprudential policy options, outlines both the features of a robust strategy as well as an initial operational design based on existing instruments, which can be scaled up as further information and more tailored policy options emerge. The third framework takes a first look at prospective financial stability impacts stemming from nature degradation, which could serve to exacerbate the financial stability impacts of climate change.

Other publications of interest

European region

METHODOLOGY FOR CLIMATE RISK STRESS TESTING

S

[\(19/12/2023\) ESMA – ESMA presents methodology for climate risk stress testing and analysis of the financial impact of greenwashing controversies \(art 1\) / \(art 2\)](#)

The European Securities and Markets Authority (ESMA) has published two articles. The first one presents a methodological approach to modelling climate-related shocks in the fund sector, which includes dynamic impacts, such as inflows and outflows from investors and portfolio rebalancing by managers. The analysis focuses on the overall direction of these effects, concluding that investor outflows can worsen falls in fund values following an initial shock. The second, highlights how data on environmental, social and governance (ESG) controversies can be useful to monitor potential reputational risks around greenwashing. It also outlines the challenges involved in using such data.

GUIDELINES ON STRESS TEST SCENARIOS

CL

[\(19/12/2023\) ESMA - ESMA updates the parameters and methodology for MMF stress testing](#)

The European Securities and Markets Authority (ESMA) has published the Final Report on the Guidelines on stress test scenarios under the Money Market Funds (MMF) Regulation. The Final Report includes the updated guidelines of the methodology to implement the scenario related to the hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF, together with the updated guidelines on specification on the type of the stress test and their calibration.

BILATERAL MARGINING OF EQUITY OPTIONS

C

[\(20/12/2023\) ESAs - ESAs Final Report on bilateral margining of equity options](#)

The European Supervisory Authorities (ESAs) have published the joint draft Regulatory Technical Standards (RTS) under the European Market Infrastructure Regulation (EMIR) where they are proposing a two-year extension to the equity option exemption from bilateral margining, until 4 January 2026. The proposal arises in the context of a series of previous extensions, based on the need to avoid market fragmentation and ensure a level playing field for Union counterparties established in the Union on a global level.

SECURITISATION DISCLOSURE TEMPLATES

CL

D

[\(21/12/2023\) ESMA – CP On the securitisation disclosure templates under Article 7 of the Securitisation Regulation](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on the revision of the Disclosure Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS). These standards relate to the specific information and details of securitisation transactions that should be made available. The objective of this consultation is to gather stakeholders' views on four proposed options for the revision of the securitisation disclosure framework: i) putting the template review on hold until the next review of the Securitisation Regulation (SECR); ii) expanding the current framework with the introduction of few amendments to the currently used disclosure templates; iii) focusing on a targeted review for streamlining the information required and developing a new dedicated and simplified template for private securitisations only; or iv) undertaking a thorough review of the current disclosure framework proposing a significant simplification of the templates.

DELEGATED REGULATION ON CORPORATE SUSTAINABILITY REPORTING

S

D

[\(22/12/2023\) EC – Delegated Regulation complementing the Corporate Sustainability Reporting \(CSRD\)](#)

The European Commission (EC) has adopted in the Official Journal of the European Union (OJEU) the Delegated Regulation 2023/2772 of 31 July 2023 complementing the Corporate Sustainability Reporting (CSRD) as regards the European Sustainability Reporting Standards (ESRS). In total, 12 standards have been published aligned with the version published in July 2023. Among them, 2 are cross-cutting, 5 are environmental, 4 are social and 1 is governance. This Regulation shall apply from 1 January 2024 for the financial years of companies starting on or after that date.

Other publications of interest

European region

Spain

FIRST REPORT ON THE TAXONOMY'S ADOPTION

S

[\(16/10/2023\) CNMV – CNMV analyzes the information provided by listed companies on the European sustainability taxonomy](#)

The Comisión Nacional de Mercados de Valores (CNMV) has published for the first time the Report on breakdowns relating to the European Taxonomy of Fiscal Year 2022 which describes the degree of eligibility and alignment with the climate change taxonomy of the economic activities of Spanish securities issuers, taking into account a sample of 25 non-financial entities. The data reported show that the proportion of eligibility tends to be significantly greater than that of alignment in all three indicators, being 78% for CapEx versus 56%, 72% for OpEx versus 44%, and 71% for turnover versus 51%. The greater proportion of alignment is informed for the key performance indicator related to investment in fixed assets (CapEx). This indicator is particularly important and suggests that companies are investing for their activities to be sustainable or to expand those that already are sustainable, while performing investments aimed at transforming their business model and reducing their carbon footprint.

APPLICATION OF CRYPTO-ASSET MARKET REGULATION

T

[\(26/10/2023\) La Moncloa – Spain brings forward the implementation of the first crypto-assets market regulation](#)

The Spanish Government is bringing forward the implementation of the European Regulation on the Market for Cryptoassets (MiCA) by six months, with a view to its implementation in Spain in December 2025. The MiCA Regulation is the first global rule governing the cryptoassets market, and aims to create a stable regulatory and supervisory framework that provides legal certainty and protects investors in relation to the provision of this market. Following the publication of the Regulation, the Member States will decide on the period of application of the regulation, since if no decision is taken, it will apply from July 2026. Spain has taken the decision to bring forward the implementation period, and there will be a transitional period of 18 months from the publication in June this year, in which different regulatory bodies will be able to approve technical implementing rules, as well as grant authorisations to companies that want to provide crypto-asset services.

PUBLICACIÓN CONSULTA PÚBLICA EU

T

[\(01/11/2023\) MINECO – Public consultation for the elaboration of Spain's roadmap for the Digital Decade 2030](#)

The Spanish Ministry of Economic Affairs and Digital Transformation (MINECO) has published the Public Consultation of the European Union (EU) Decision 2022/2481, on the elaboration of the Spanish Roadmap for the Digital Decade 2030. Specifically, the EU Decision sets out the strategic agenda for the Digital Decade 2030, and precisely outlines the overall objectives and digital targets that the EU and the Member States aim to achieve by 2030. It also requires each Member State to submit to the Commission a Roadmap indicating the measures, policies and actions it intends to implement by 2030 to contribute to the achievement of the European digital goals and targets. The aim of the publication of the Consultation is to involve and gather the opinion of citizens and stakeholders in order to draw up Spain's Roadmap for the Digital Decade. The consultation closes on 15 November 2023.

COLLECTIVE INVESTMENT UNDERTAKINGS

O

[\(09/11/2023\) BOE - Royal Decree 816/2023, of 8 November, amending the Regulations for the implementation of Law 35/2003, of 4 November, on Collective Investment Undertakings, approved by Royal Decree 1082/2012, of 13 July](#)

The Official State Gazette (BOE) has published the Royal Decree amending the Regulations implementing Law 35/2003, of 4 November, on Collective Investment Undertakings, approved by Royal Decree 1082/2012, of 13 July. This royal decree introduces improvements to the legal regime for Spanish collective investment in order to boost its competitiveness and improve its functioning and to make adjustments to adapt Spanish regulations to European Union law.

SUPERVISORY POWERS AND FACULTIES OF CNMV

E

[\(09/11/2023\) BOE - Royal Decree 815/2023, of 8 November, implementing Law 6/2023, of 17 March, on Securities Markets and Investment Services, in relation to the official registers of the National Securities Market Commission, cooperation with other authorities and the supervision of investment services companies](#)

The Official State Gazette (BOE) has published the Royal Decree implementing Law 6/2023, of 17 March, on Securities Markets and Investment Services, in relation to the official registers of the National Securities Market Commission (CNMV), cooperation with other authorities and the supervision of investment services firms. This royal decree aims to develop in a unitary and coherent manner the administrative supervisory powers and faculties attributed to the CNMV by the Law. In addition, the regulation develops the CNMV's registration obligations and inter-administrative relations.

Other publications of interest

European region

REORDERING OF DECREE O

[\(09/11/2023\) BOE - Royal Decree 814/2023, of 8 November, on financial instruments, admission to trading, registration of negotiable securities and market infrastructures.](#)

The Official State Gazette (BOE) has published the Royal Decree on financial instruments, admission to trading, registration of negotiable securities and market infrastructures. In order to simplify matters, the provisions previously in force have been summarised and rearranged with regard to the regulatory framework applicable to the registration of financial instruments and marketable securities, the admission to trading of marketable securities on regulated markets, public offers for sale or subscription and the prospectus required for such purposes, as well as those relating to trading venues and post-trade market infrastructures, maintaining the basic regime in the text of the Law and transferring their development to this Royal Decree. The distribution of matters between the Law and this regulation thus improves the knowledge and understanding of the regulation by those to whom it is addressed, facilitating its interpretation and application.

LEGAL REGIME OF INVESTMENT FIRMS CL

[\(09/11/2023\) BOE - Royal Decree 813/2023, of 8 November, on the legal regime for investment services firms and other entities providing investment services.](#)

The Official State Gazette (BOE) has published the Royal Decree on the legal regime of investment firms and other entities providing investment services. The main objective of this Royal Decree is to finalise the transposition and complete the regulatory development of the regime applicable to entities that provide investment services following the changes introduced in Law 6/2023 of 17 March on Securities Markets and Investment Services, further developing the principles that already inspired the amendment of the aforementioned Law. One of the novelties of the new prudential regime is the modification of the initial capital requirements. Directive 2019/2034/EC thus establishes harmonised requirements between service companies in order to avoid fragmentation at European Union (EU) level and regulatory arbitrage between jurisdictions.

INFORMATION TO BE COMMUNICATED BY PAYMENT SERVICE PROVIDERS T

[\(10/11/2023\) BdE - Consulta pública previa sobre un proyecto de Circular del Banco de España a proveedores de servicios de pago sobre información a comunicar al Banco de España y otras medidas aplicables a esos proveedores.](#)

The Bank of Spain (BdE) has published a Circular to payment service providers on information to be communicated to the BdE and other measures applicable to such providers. The purpose of this consultation is to seek, directly or through their representative associations, the opinion of persons and entities potentially affected by the proposed rule. Citizens, entities, organisations and associations that so wish may submit their opinions or comments on the aspects raised, up to and including 27 November 2023.

AMENDMENTS TO THE CIRCULAR OF CREDIT INSTITUTIONS CL

[\(14/11/2023\) BOE - Bank of Spain Circular 3/2023 of 31 October](#)

Circular 3/2023 has been published in the Official State Gazette (BOE), which includes amendments to Circular 2/2016 and 1/2022 in relation to: i) the authorisation of the provision of branchless services by credit institutions headquartered in non-EU Member States; ii) the general periodic information to be submitted on remuneration; iii) the periodic information to be submitted on the gender pay gap; and iv) the information to be submitted on the highest authorised ratios between variable and fixed remuneration.

NON-BANK FINANCIAL INTERMEDIATION IN SPAIN O

[\(20/12/2023\) CNMV - Non-bank financial intermediation in Spain](#)

The Spanish National Securities Market Commission (CNMV) has published its report on non-bank financial intermediation (NBFIs) in Spain for 2022. The document concludes that the total assets of these institutions, after discounting those that consolidate in banking groups, amount to EUR 300 billion, 8.6% less than in 2021. This figure represents 6% of the total financial system, a proportion that has remained fairly stable since 2014 and which is lower than that of the countries analysed annually by the Financial Stability Board (FSB) in its report on the NBFIs, close to 14% on average.

Other publications of interest

European region

United Kingdom

INSURANCE BRANCHES O

[\(04/10/2023\) PRA - CP21/23 – The PRA’s approach to the authorisation and supervision of insurance branches](#)

The Prudential Regulation Authority (PRA), has published a consultation paper (CP) on PRA’s approach to the authorisation and supervision of insurance branches. This CP sets out the PRA’s proposals to consolidate and formalise its existing policy on overseas insurers that write business in the UK through the establishment of a third-country branch, and to offer more clarity on the expectations of these third-country branches. Comments can be sent before 12 January 2024.

FINANCIAL STABILITY IN UK CL

[\(10/10/2023\) Bank of England - Financial stability: The FPC’s approach to assessing risks in market-based finance](#)

The Bank of England (BoE) has published the Financial Stability Report in which sets out the Financial Policy Committee’s (FPC) strategy and approach to assessing the risks inherent in market-based finance (MBF). The primary objective of the FPC is to ensure the preparedness and resilience of the UK financial system to cope with a range of risks and to continue to serve households and businesses. To achieve this, the FPC has established an approach that enables it to identify, assess, monitor and respond to financial stability risks related to the MBF.

G-SIIS IDENTIFICATION METHODOLOGY CL

[\(24/10/2023\) BoE - PS13/23 – Updating UK Technical Standards on the identification of global systemically important institutions \(G-SIIs\)](#)

The Bank of England (BoE) has published the policy statement (PS) which provides feedback to responses to consultation paper (CP) 16/23 on Updating UK Technical Standards on the identification of global systemically important institutions (G-SIIs). The Standards add trading volume as a new indicator under the substitutability/financial institution infrastructure category; update indicator weights for the substitutability/financial institution infrastructure category; and add insurance subsidiaries to data consolidation for several indicators. The Standards will take effect on 31 October 2023.

REMUNERATION POLICY G

[\(24/10/2023\) BoE - PS9/23 – Remuneration: Ratio between fixed and variable components of total remuneration \('bonus cap'\)](#)

The Bank of England (BoE) has published a policy statement (PS) on Remuneration. The PS sets that a firm must set an appropriate ratio between the fixed and variable components of total remuneration and ensure that: i) fixed and variable components of total remuneration are appropriately balanced; and ii) the level of the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The PS will be effective from 31 October 2023.

AGREEMENT ON AI T

[\(01/11/2023\) Gov.UK – Countries agree on safe and responsible AI development in landmark Bletchley Declaration](#)

The United Kingdom (UK) government has issued a press release, reporting that the world’s leading nations have reached an agreement on advanced Artificial Intelligence (AI). This agreement, called the Bletchley Declaration, has been endorsed by 28 countries, including the United States, European Union (EU) countries and China. The agreement highlights the importance of governments from different countries cooperating together internationally to address both the opportunities and risks related to AI in a global context. The UK has been at the forefront of this initiative and has taken responsibility for establishing an AI Security Institute. This institute will be tasked with examining the key risks involved in AI. The Bletchley Declaration has marked a milestone in global collaboration to address the challenges associated with advanced AI.

Other publications of interest

European region

CLIMATE CHANGE SCENARIO ANALYSIS S

[\(01/11/2023\) Gov.UK – Analysis of climate change scenarios in PSPS valuations](#)

The Government Actuary's Department (GAD) has included an analysis of climate change scenarios in the valuations of Public Service Pension Schemes (PSPS), with the aim of illustrating possible implications of climate change on these pension schemes. Research indicates that human activity, including the burning of fossil fuels, has been a major contributor to climate change since 1800. Specifically, during this period global temperatures have risen by more than one degree Celsius. The GAD has also formulated three climate change scenarios, covering a range of climate outcomes for the year 2100, including an orderly, a disorderly and a failed transition. The analysis of these scenarios is used to assess the potential impact on future valuation assumptions and their effects on PSPS.

SECOND SUPERVISORY STRESS TEST OF CENTRAL COUNTERPARTY E

[\(08/11/2023\) BoE - 2023 CCP Supervisory Stress Test: results report](#)

The Bank of England (BoE) has published its second public UK Central Counterparty (CCP) Supervisory Stress Test which marks another important step forward in the Bank's supervision and regulation of CCPs. These counterparties lie at the heart of the global financial system and are supervised by the BoE because of their importance to the smooth functioning of financial markets and the wider economy. As part of this supervision, the BoE conducts regular stress testing of UK CCPs. This report sets out the results of the Bank's public SST of UK CCPs. The 2023 CCP SST has four analytical components: i) the Credit Stress Test; ii) the Credit Reverse Stress Test; iii) the Liquidity Stress Test, and iv) the Clearing Member and Client Analysis. Overall, the exercise demonstrates that UK CCPs are resilient to the Baseline Market Stress Scenario and default of the Cover-2 population from both a credit and liquidity perspective.

NON-PERFORMING EXPOSURES CAPITAL DEDUCTION CL

[\(13/11/2023\) BoE – PS14/23 – The non-performing exposures capital deduction](#)

The Bank of England (BoE) has published a policy statement (PS), which provides feedback to responses to consultation paper (CP) 6/23 on the non-performing exposures (NPE) capital deduction. In this regard, the NPE deduction requirement is removed and institutions will no longer be required to complete the associated reporting templates. This requirement will enter into force on 14 November 2023.

RELATIONSHIP BETWEEN BUSINESS AND ADS CL C

[\(15/11/2023\) BoE – Charter on the relationship of companies with Deposit Aggregators](#)

The Bank of England (BoE) has issued a joint letter from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) regarding firms' engagement with Deposit Aggregators (DAs). The communication highlights measures that firms should take to mitigate the risks associated with DPs, with specific examples in key areas such as liquidity risk and third party risks.

O-SII RATE SETTING CL

[\(20/11/2023\) BoE – PRA setting of the O-SII rate](#)

The Bank of England (BoE) has announced the setting of the 2023 additional capital or Other Systemically Important Institutions (O-SII) buffer rates for systemically important financial institutions operating in the United Kingdom (UK) by the Prudential Regulation Authority (PRA). These rates apply to ring-faced banks (RFBs) and large building societies, and are based on the framework set by the Financial Policy Committee (FPC). The rates are based on data from the UK leverage exposure measure until the end of 2022, and will apply from 1 January 2025.

PRUDENTIAL ASSESSMENT OF ACQUISITIONS AND INCREASES IN CONTROL CL

[\(23/11/2023\) BoE – CP25/23 – Supervisory statement – Prudential assessment of acquisitions and increases in control](#)

The Bank of England (BoE) has published a consultation paper (CP) which sets out the Prudential Regulation Authority's (PRA) and the Financial Conduct Authority's (FCA) proposals to replace the European Union's (EU) guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector (3L3 Guidelines) with a new PRA supervisory statement (SS), prudential assessment of acquisitions and increases in control, and new FCA guidance. The PRA also proposes to delete the SS33/15 aggregation of holdings for the purpose of prudential assessment of controllers, the content of which is proposed to be transferred to the new SS, as well as to remove reference to the 3L3 Guidelines in its statement of policy (SoP) interpretation of EU Guidelines and Recommendations.

Other publications of interest

European region

CAPITAL DEDUCTION FOR REDRESS FOR PIFs **CL**

(29/11/2023) FCA - [CP23/24: Capital deduction for redress: personal investment firms](#)

The Financial Conduct Authority (FCA) has published a Consultation Paper (CP) on Capital deduction for redress: personal investment firms (PIFs). This consultation sets out FCA's plans to require PIFs to be more prudent and set aside capital for potential redress liabilities at an early stage. The FCA intervention is specifically designed to be proportionate, build on existing obligations and target the firms that generate redress liabilities. This consultation also includes a Discussion Chapter to look at broader improvements to the prudential regime for PIFs.

CONSULTATIVE DOCUMENT OF DISCLOSURE OF CLIMATE-RELATED FINANCIAL RISKS **O**

(08/12/2023) BoE - [CP27/23: The Prudential Regulation Authority's Approach to Policy](#)

The Prudential Regulation Authority (PRA) has released CP27/23, outlining its new approach to financial policy under the Financial Services and Markets Act of 2023. With notable changes in regulatory principles, a proactive focus on competitiveness, alignment with international standards, and increased transparency. The consultation invites feedback until April 8, 2024, signaling a significant shift in the UK's financial regulatory framework.

IMPLEMENTATION OF BASEL 3.1 STANDARDS **CL**

(12/12/2023) PRA - [PS17/23 – Implementation of the Basel 3.1 standards near-final part 1](#)

The Prudential Regulation Authority (PRA) has published the near-final part 1 policy statement (PS) 17/23 which provides feedback to responses to some chapters of the consultation paper (CP) 16/22 on the implementation of the Basel 3.1 standards. This near-final PS also contains the PRA's near-final policy material relevant to the same chapters. In Q2 2024 the PRA intends to publish a second near-final PS to provide feedback to responses to the remaining chapter of CP 16/22. The second near-final PS will contain the near-final policy material relevant to those chapters as well as feedback to responses on Pillar 2 relating to the Pillar 2A credit risk methodology, use of internal ratings-based (IRB) benchmarks, and the interaction with the output floor.

PAYMENTS TO DATA PROVIDERS AND FORMS FOR DATA REPORTING SERVICES PROVIDERS **T**

(20/12/2023) FCA – [Consultation on Payments to data providers and forms for Data Reporting Services Providers Including Policy Statement for the framework for UK consolidated tape \(CP23/15\)](#)

The Financial Conduct Authority (FCA) has launched a consultation paper (CP) on Payments to data providers and forms for Data Reporting Services Providers Including Policy Statement for the framework for UK consolidated tape (CT). This CP sets out our final policy on the UK CT framework for bonds and response to discussion paper questions on a CT for equities. Considering the responses received to CP23/15, it also includes a consultation on payments to data providers and authorisation and supervisory forms for Data Reporting Service Providers. The consultation runs until 9th February 2024.

Other publications of interest

American region

United States

CAPITAL REQUIREMENTS FOR INSURERS

CL

[\(06/10/2023\) FED – The Federal Reserve Board develops a rule establishing capital requirements for insurers supervised by the Board.](#)

The Federal Reserve Board (Fed) has ended a rulemaking setting capital requirements for insurers under its supervision. The final rule is very similar to the proposal submitted in September 2019. It introduces a so-called Building Block Approach that builds on existing state insurance requirements. In addition, it considers risks specific to the insurance industry and differs from the calculations used for bank capital requirements. Under this approach, a Board-supervised insurer is required to aggregate the capital requirements of its parent company with those of its subsidiaries to determine enterprise-wide requirements. All insurers supervised by the Board currently hold enough capital to comply with this rule, which takes effect as of January 1, 2024.

BASEL ENDGAME IMPACT DATA COLLECTION

CL

[\(20/10/2023\) FED - Federal Reserve Board launches data collection to gather more information from the banks affected by the large bank capital proposal it announced earlier this year / Agencies extend comment period on proposed rules to strengthen large bank capital requirements](#)

The Board of Governors of the Federal Reserve System (Fed) announced the launch of a data collection to gather more information from banks affected by the large bank capital proposal (Basel III Endgame). The additional data will further clarify the estimated effects of the proposal and will serve as the basis for any final rule, summaries of which will be made public at a later date. In addition, the deadline of 30 November 2023 has been extended to 16 January 2024 to ensure that stakeholders have sufficient time to analyse the issues and prepare comments on the large banks' capital proposal.

FINAL RULE ON SYSTEMIC RISK DETERMINATION

CL

[\(16/11/2023\) FDIC – FDIC Board of Directors Issues a Final Rule on Special Assessment Pursuant to Systemic Risk Determination](#)

The Federal Deposit Insurance Corporation (FDIC) approved a final rule to implement a special levy to recover the loss to the Deposit Insurance Fund (DIF) associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank. Under the final rule, the banks that benefited most from the assistance provided under the systemic risk determination will be charged a special levy to recover losses to the DIF resulting from the protection of uninsured depositors. The special levy will be levied at an annual rate of approximately 13.4 basis points for an anticipated total of eight quarterly levy periods.

Other publications of interest

American region

Brazil

REGULATORY RESOLUTION ON RWA CALCULATION PROCEDURES

CL

[\(04/10/2023\) BCB - BCB Resolution n° 346 of 5/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Resolution No 346 of 5 October 2023, which introduces amendments to BCB Resolution No 229 of 12 May 2022, which regulates the procedures for the calculation of the Risk Weighted Assets Ratio (RWA), as well as credit risk exposures subject to mandatory capital calculation using a standardised approach. This Resolution will enter into force on 2 January 2024.

REGULATORY RESOLUTION AMENDING CIRCULAR NO 3.978

C

[\(04/10/2023\) BCB - BCB Resolution n° 344 of 4/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Regulatory Resolution No. 344 of 4/10/2023, which amends Circular No. 3.978. The Circular establishes the policy, procedures and internal controls to be adopted by the institutions authorised to operate by the BCB, with the objective of preventing the use of the financial system to commit crimes of money laundering or concealment of goods, rights and securities. Regulatory Instruction modifying BCB

REGULATORY INSTRUCTION MODIFYING BCB REGULATORY INSTRUCTION NO. 85

CL D

[\(05/10/2023\) BCB - BCB Regulation Instruction n° 413 of 5/10/2023](#)

El Banco Central de Brasil (BCB) publicó la Instrucción BCB n° 413, de 5 de octubre de 2023, que modifica la Instrucción BCB n° 85, de 10 de marzo de 2021. Esta instrucción contiene los procedimientos para la comunicación de información relacionada con el cálculo de los límites y estándares regulatorios. La instrucción entra en vigor en octubre de 2023 e incluye exenciones para instituciones financieras, instituciones de pago y agentes fiduciarios.

REGULATORY RESOLUTION AMENDING THE PROVISION AND INSTRUCTIONS FOR COMPLETING DOCUMENT.3040

CL D

[\(16/10/2023\) BCB - BCB Regulatory Instruction n° 414 of 16/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Normative Instruction no. 414 of 16 October 2023, which amends the layout and instructions for completing Document 3040 on Credit Risk Data and the Credit Reporting System (SCR), dealt with in Circular no. 3,870 of 19 December 2017 and Circular no. 3,869 of 19 March 2018. This Regulatory Instruction came into force on 1 November 2023.

REGULATORY RESOLUTION ON CAPITAL, OPERATIONS AND FOREIGN INVESTMENT

CL

[\(17/10/2023\) BCB – BCB Resolution n° 348 of 17/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Regulatory Resolution no. 348 of 17 October 2023, which amends Resolution no. 278 of 31 December 2022. The latter Resolution regulates legislation on foreign capital in the country, foreign credit operations and foreign direct investment, as well as the provision of information to the BCB. It also amends BCB Resolution No. 281 of 31 December 2022, which regulates the transitional provisions to be observed in conjunction with BCB Resolution No. 278 of 2022, which regulates Law No. 286 of 2021, in relation to the implementation of Law No. 286 of 2021, in relation to foreign capital in Brazil, foreign credit operations and foreign direct investment, as well as the provision of information to the BCB, and amending Circular No. 3,689, of 16 December 2013, which regulates, within the scope of the BCB, the provisions on foreign capital in Brazil and Brazilian capital abroad.

REGULATORY RESOLUTION AMENDING THE DESIGN AND ADDITIONAL INSTRUCTIONS FOR THE REPORTING OF CREDIT TRANSACTIONS

S D

[\(13/11/2023\) BCB – BCB Regulatory Instruction n° 419 of 13/11/2023](#)

The Central Bank of Brazil (BCB) published BCB Regulatory Instruction No 419 of 13 November 2023, which amends the design and additional instructions relating to the reporting of credit operations for emergency programmes of document 3040 on credit risk data in the data reporting system (SCR), which in turn are contained in Circular No 3870 of 19 December 2017 and Circular No 3869 of 19 March 2018. This Regulatory Instruction enters into force on 1 December 2023.

Other publications of interest

American region

RESOLUTION ON ACCOUNTING CONCEPTS AND METHODS RELATING TO FINANCIAL INSTRUMENTS



[\(23/11/2023\) BCB – BCB Resolution n° 352 of 23/11/2023](#)

The Central Bank of Brazil (BCB) published the BCB Regulatory Resolution of 23 November 2023, which establishes the accounting concepts and criteria applicable to financial instruments, as well as the designation and recognition of hedging accounting relationships by securities dealers, securities dealers, foreign exchange dealers, pool managers and payment institutions authorised by the BCB. It also addresses the accounting procedures for defining the cash flows of financial assets as principal and interest payments only, the application of the methodology for calculating the effective interest rate of financial instruments, the constitution of provisions for losses associated with credit risk and the disclosure of information related to financial instruments in explanatory notes, which must be followed by financial institutions and other institutions authorised by the BCB. This Resolution enters into force on 1 January 2024, in relation to Article 24, Articles 100 and 101; and points X and XI of Article 107; on 1 January 2027, in relation to Chapter IV of Title II; and on 1 January 2025, in relation to the other provisions.

RESOLUTION ON THE DISSEMINATION OF THE GRSAC REPORT



[\(28/11/2023\) BCB – BCB Resolution n°354 of 28/11/2023](#)

The Central Bank of Brazil published Resolution 354 of 28 November 2023, which amends Resolution 139 of 15 September 2021 on the disclosure of the Report on Social, Environmental and Climate Risks and Opportunities (GRSAC Report). Specifically, the disclosure of the GRSAC Report in open data format will be mandatory as of the base date of December 2024. This Resolution enters into force on the date of its publication.

RESOLUTION TEMPORARILY SUSPENDING THE OBLIGATION TO PROVIDE INFORMATION IN OPEN DATA FORMAT



[\(29/11/2023\) BCB – BCB Regulatory Instruction n° 425 of 29/11/2023](#)

The Central Bank of Brazil published Regulatory Instruction 425 of 29 November 2023, which amends BCB Regulatory Instruction 385 of 30 May 2023. The update temporarily suspends, as of 29 November 2023, the obligation to provide the information in open data format foreseen in the Pillar 3 Report, under the terms of art. 23 of Resolution no. 54 of 2020 of the BCB. New tables are added to the Pillar 3 Report, such as Table CRE, Table CR6, Table CR7, Table CR8 and Table CR9, and Table CR5 is adjusted, namely in the table Exposures and FCCs applied to off-balance sheet exposures. The Instruction becomes effective on the date of its publication.

RESOLUTION AMENDING THE SUBMISSION OF THE PILLAR III REPORT DOCUMENT



[\(29/11/2023\) BCB – BCB Regulatory Instruction n° 424 of 29/11/2023](#)

The Central Bank of Brazil published Regulatory Instruction No 424 of 29 November 2023, which amends the provision of the Pillar III Report document referred to in Resolution No 54 of 16 December 2020 and Regulatory Instruction No 385 of 30 May 2023. In particular, changes have been made to the provision in Table GSIB 1 of the document, and to Table CCyB1. This Normative Instruction enters into force on 1 January 2024.

RESOLUTION ON THE OPERATION OF SECURITIES DEALERS AND DISTRIBUTORS



[\(30/11/2023\) BCB - BCB Resolution n° 358 of 30/11/2023](#)

The Central Bank of Brazil (BCB) published Resolution No. 358 of 30 November 2023, which provides for brokers and dealers of transferable securities to act as counterparties in third-party portfolio transactions and for the segregation of the management of third-party funds in these institutions. It defines the activity of third-party fund management and lays down the conditions under which these institutions may act as counterparties to portfolio transactions. It also requires the separation of trustee and asset management activities from the other activities of these institutions. The resolution also provides for the appointment of a member of the Board of Directors or a trustee responsible for the management of securities portfolios and regulates the possibility of contracting asset management companies. The resolution enters into force on 2 January 2024.

Other publications of interest

American region

RESOLUTION REGULATING THE OPERATION OF THE PIX PAYMENT ARRANGEMENT

T

[\(07/12/2023\) BCB - BCB Resolution n° 360 of 7/12/2023](#)

The Central Bank of Brazil (BCB) published Resolution No. 360, of 7 December 2023, which amends the Regulations attached to BCB Resolution No. 1, of 12 August 2020, which governs the operation of the Pix payment arrangement and approves its Regulations, to establish the rules for the operation of Automatic Pix and to make adjustments to the devices related to Programmed Pix. This Resolution comes into force on 1 October 2024.

RESOLUTION DETAILING THE OPERATIONAL PROCEDURES RELATED TO AUTOMATIC PIX, SCHEDULED PIX AND PIX BILLING

T

[\(07/12/2023\) BCB - BCB Regulatory Instruction n° 436 of 7/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction no. 436 of 7 December 2023, which details the operating procedures related to Pix Automático, Pix Agendado and Pix Cobrança. The document details rules relating to the periodicity of operations, the authorisation of payments, the scheduling of automatic payments and the cancellation of scheduled withdrawals. It also covers the handling of authorisations granted, payment instructions, settlement of payment orders and processes for returning funds in specific cases. The Regulatory Instruction will come into force on 1 October 2024.

RESOLUTION AMENDING THE PROCEDURES FOR CALCULATING RWAS

CL

[\(14/12/2023\) BCB - BCB Resolution n° 363 of 14/12/2023](#)

The Central Bank of Brazil (BCB) published Resolution 363 of 14 December 2023, which amends BCB circulars and resolutions on the procedures for calculating portions of the amount of risk-weighted assets (RWAs) for credit risk, operational risk and risks associated with payment services. This Resolution comes into force on 1st January 2024.

RESOLUTION AMENDING THE PROCEDURES FOR THE PRESENTATION OF FINANCIAL STATEMENTS

O D

[\(14/12/2023\) BCB - BCB Regulatory Instruction n° 438 of 14/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction 438 of 14 December 2023, which amends Regulatory Instruction 236 of 17 February 2022. The Instruction in question amends the procedures for presenting individual and consolidated annual, half-yearly and interim financial statements, for the purposes of disclosure in the Central Balance Sheet of the National Financial System (CDSFN), referred to in BCB Resolution 2 of 12 August 2020. This Regulatory Instruction comes into force on 2 January 2024.

CMN RESOLUTION

O

[\(21/12/2023\) BCB - CMN Resolution n° 5.112 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published the Resolution of the International Monetary Council (CMN) of 21 December 2023, which amends Resolution No. 4549 of 26 December 2017 on the financing of the outstanding balance of credit card bills and other post-paid instruments. It also amends CMN Resolution 5004 of 24 March 2022, which sets out the requirements to be observed when offering, contracting and providing services for credit and leasing operations. Finally, it also amends CMN Resolution 5057 of 15 December 2022, which provides for the portability of credit and leasing operations. The first article of this Resolution, which refers to the amendment of Resolution 4,549, comes into force as of its publication. The other articles come into force on 1 July 2024.

JOINT RESOLUTION ON THE ADOPTION OF FINANCIAL EDUCATION MEASURES

O

[\(21/12/2023\) BCB - Joint Resolution n° 8 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published Joint Resolution no. 8 of 21 December 2023, which provides for the adoption of financial education measures by financial institutions, payment institutions and other entities authorised to operate by the BCB. These measures will be aimed at customers and private users and include the organisation and planning of personal and family budgets, training in savings and financial resilience, and the prevention of default and over-indebtedness. This Resolution comes into force on 1 July 2024.

Other publications of interest

American region

RESOLUTION AMENDING THE CONDITIONS UNDER WHICH FINANCIAL INSTITUTIONS MUST MAINTAIN AN AMOUNT ALLOCATED TO FEDERAL GOVERNMENT BONDS **CL**

[\(21/12/2023\) BCB - Resolution CMN n° 5.114 of 21/12/2023](#)

The Central Bank of Brazil published CMN Resolution 5114 of 21 December 2023. The Resolution amends Resolution 4.222, of 23 May 2013, to establish the conditions under which financial institutions associated with the Credit Guarantee Fund (FGC) must maintain an amount allocated in federal government bonds and to modify the maximum limit for the issue of Specially Guaranteed Time Deposits. Specifically, the BCB will regulate how to calculate the adjusted net worth, the reference value and the reference funding for the purposes of the Resolution. Finally, this Resolution comes into force on 1st March 2024.

RESOLUTION ON OPENING, MAINTAINING AND CLOSING PAYMENT ACCOUNTS **T**

[\(21/12/2023\) BCB - BCB Resolution n° 365 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published Resolution No. 365, of 21 December 2023, which amends Resolution No. 96, of 19 May 2021, on opening, maintaining and closing payment accounts. Some of the provisions included describe that, when contracting payment and post-payment instruments, the institution must provide the account holder with the option of at least three invoice due dates, with a minimum difference of seven days between them. In addition, the post-paid payment account invoice made available to the account holder by physical or electronic means must present the information in an orderly manner according to the following groups of information: i) highlighted area; ii) payment alternatives; and iii) additional information. This Resolution comes into force on 1 July 2024.

RESOLUTION AMENDING THE PROCEDURES FOR SUBMITTING DOCUMENT 5050 **CL**

[\(21/12/2023\) BCB - BCB Regulatory Instruction n° 444 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction No. 444, of 21 December 2023, which amends BCB Regulatory Instruction No. 33, of 29 October 2020, which establishes the procedures for submitting Document 5050 or Operational Risk Statement (DRO) referred to in Circular No. 3,979, of 30 January 2020. This Regulatory Instruction comes into force on 1 January 2024.

REGULATORY INSTRUCTION AMENDING THE FILLING INSTRUCTIONS AND LAYOUT OF DOCUMENT CODE 2061 **CL**

[\(22/12/2023\) BCB - BCB Regulatory Instruction n° 445 of 22/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction No. 445 of 22 December 2023, which amends the Instructions for Completion and the layout of the document code 2061 - Statement of Operational Limits (DLO), referred to in BCB Regulatory Instruction No. 81 of 23 February 2021. Specifically, the tables in Chapter V, Annex 010, referring to the Exposure Weighting Factor Code, and Annex 24, referring to the standard element, will be amended. This Instruction will come into force on 2 January 2024.

Other publications of interest

American region

Chile

AMENDMENT OF GUIDELINES

C

[\(10/10/2023\) Diario Oficial - Agreement adopted by the Council of the Central Bank of Chile at its ordinary session No. 2586](#)

The Official Journal of the Republic of Chile has announced that the Council of the Central Bank of Chile has adopted the Agreement on Amendments to the Guidelines for Monitoring Compliance with Investment Limits in relation to the Economic and Social Stabilisation Fund (FEES), as well as new Guidelines on Custody and other matters of the FEES and the Pension Reserve Fund (FRP). It has also been adopted to empower the Manager of the Financial Markets Division to establish the internal procedures to regulate the implementation of the amendments and to state for the record that the requirements presented in the amendments to the Guidelines for Monitoring Compliance with Investment Limits in relation to the FEES and in the new Guidelines for Custody and other matters of the FEES and the FRP do not imply a modification to the remuneration to the Fiscal Agent accepted by Agreement No. 2511-02.

RESILIENCE OF THE FINANCIAL SYSTEM AND ITS INFRASTRUCTURE

O

[\(11/10/2023\) Cámara de diputadas y diputados - Bill promotes financial resilience and includes cooperatives](#)

The Chamber of Deputies has published amendments to the bill that aims to strengthen the resilience of the financial system and its infrastructures. The law aims to mitigate the economic and social effects on the system. To this end, they improve the market for sale and repurchase agreements (REPOs) and expand access to the Central Bank's payment systems, liquidity management services and other services for non-bank financial institutions and intermediaries, such as savings and credit cooperatives. They also strengthen the institutional framework for financial market infrastructures and incorporate a simplified procedure for obtaining a Single Tax Identification Number to facilitate the internationalisation of the Chilean peso.

FINTEC LAW

CL D

[\(16/10/2023\) CMF - CMF puts in public consultation the regulations on financial service providers of the Fintec Law](#)

The Financial Market Commission (CMF) has published for consultation the rules for the regulation of service providers incorporated in the Fintec Law (No. 21.521). The consultation will be open until 10 November 2023. The proposal regulates the registration and authorisation for the provision of services; risk management and corporate governance, capital and collateral requirements; and disclosure and reporting obligations. The regulations under consultation will apply to those engaged in the provision of financial services set out in the Fintec Law, which are: i) crowdfunding platforms; ii) alternative transaction systems; iii) intermediation of financial instruments; iv) order routing; v) credit advice; vi) investment advice; and vii) custody of financial instruments.

GREEN CREDIT PROGRAMME IN CHILE

S

[\(26/10/2023\) BCN - Modification of the rules of the "Green Credit Programme", approved by Resolution \(A\) No. 29 of 2020 and modified by Resolution \(A\) No. 86 of 2022](#)

The Library of the National Congress (BCN) of Chile has announced the modification to the rules of the "Green Credit Programme", approved by Resolution (A) No. 29 of 2020 and amended by Resolution (a) No. 86 of 2022, both of the Chilean Economic Development Agency (CORFO). Changes are incorporated to the points relating to the maximum amount per Intermediate Financial Institution (IFI) and to the form of distribution of resources, within the section Resources of the programme, as well as to the section Refinancing loans granted to financial intermediaries, in its points relating to Refinancing requests to the corporation and Disbursement requests.

FUTURE CONGRESS 2024

T

[\(14/11/2023\) MinCiencia – Celebration of the Future Congress 2024 with focus on the transformative capacity of AI](#)

The Ministry of Science, Technology, Knowledge and Innovation has informed about the celebration of the Congreso Futuro 2024, recognised as one of the most important science outreach events in Latin America. So far, its first exhibitors and the new format focused on artificial intelligence (AI) have been revealed. Under the slogan "What do we do now?", the event will take place from 15 to 20 January at the CEINA Cultural Centre in Santiago and in various regions of Chile. In addition to presentations by leading national and international figures on AI, the Congress will include interactive workshops, immersive experiences in the Metaverse, art exhibitions and a literary fair. The event, which is free and considered a positive ritual for Chile, seeks to address ethical issues and risks related to IA. The full programme will be available in December on the Congreso Futuro website, which will also broadcast the event with TV Senado.

Other publications of interest

American region

CORPORATE GROUP DISCLOSURES O D

[\(27/11/2023\) CMF - Regulatory Report on Corporate Group Reporting](#)

The Financial Market Commission (CMF) has published for consultation a Regulatory Report on Corporate Group Reporting, repealing Circulars 1246 and 1664 on the same subject. The aim of this draft regulation is to improve the current rules on the reporting requirements for corporate groups. To this end, the audited entities previously defined by the CMF are required to select the corporate group to which they belong or, failing this, to create their group and enter the information on the entities that comprise it through the computer systems set up by the CMF itself. This information must be constantly updated by the institution. This Regulatory Report will enter into force on 1 May 2024.

MODIFICATION OF FOGAPE REGULATIONS AND UPDATING OF INFORMATION REQUIREMENTS O D

[\(27/11/2023\) CMF - CMF launches a public consultation on the modification of the FOGAPE Regulation and updates the information requirements](#)

The Financial Market Commission (CMF) has published for consultation a circular introducing amendments to the Regulations of the Guarantee Fund for Small and Medium-sized Enterprises (FOGAPE), as well as two circulars formalising the information requirements for the Administrator, Banco del Estado de Chile, and for the Special Guarantee Fund (FOGAES). The purpose of these amendments is to adjust the leverage limit required by FOGAPE, taking into account the behaviour of the debtors in each programme, instead of the fixed limit currently required by the regulation. Likewise, in order to ensure the consistency of the debtors' payroll, it is proposed to exempt the State Bank from the requirement to report information on the debt related to subrogated credits, establishing that participating entities must report the entire credit, including both the subrogated and non-subrogated part. Comments on the draft regulations under consultation will be received until 26 December.

PUBLIC CONSULTATION ON BASEL PILLAR 3 ADJUSTMENTS CL D

[\(27/11/2023\) CMF - CMF launches public consultation on adjustments to Basel Pillar 3 rules](#)

The Financial Market Commission (CMF) has announced the opening of a public consultation on three proposed refinements to the Updated Rulebook (RAN), related to market discipline and financial transparency. These clarifications aim to ensure consistency and make minor corrections to the regulatory framework introduced on 1 December 2020, which establishes the disclosure of relevant information under the Basel Committee on Banking Supervision (BCBS) Pillar 3 standard. The CMF has consolidated the links to banks' disclosure documents on its website, facilitating their review, and the consultation will be open until 18 December 2023.

Other publications of interest

American region

Mexico

AMENDMENT TO GENERAL PROVISIONS CL

[\(15/09/2023\) DOF - Resolution amending the General Provisions applicable to credit institutions](#)

The Official Journal of the Federation (DOF) has published the Resolution amending the General Provisions applicable to credit institutions. The Article regarding the methodology for calculating the capital requirement for exposure to Operational Risk is reformed, and the variable "Other operating expenses" is added to Table 3. This Resolution shall enter into force the day following its publication in the Official Gazette of the Federation.

AMENDMENT TO GENERAL PROVISIONS S D

[\(27/09/2023\) DOF - Resolution amending the General Provisions applicable to credit institutions](#)

The Official Journal of the Federation (DOF) has published the Resolution amending the General Provisions applicable to credit institutions. This Resolution reforms the article regarding the information to be provided by institutions and the Annex "Regulatory Reports," and adds a section on portfolio rating methodology and the section on reporting and data entry format within the Annex "Regulatory Reports." Among the information that entities must provide to the Commission is the number of women serving on the Board of Directors and in Senior Management. This Resolution shall enter into force on July 1, 2024.

AMENDMENT TO THE CATASTROPHIC RISK RESERVE PROVISIONS P

[\(18/10/2023\) DOF - Circular modifying the reference parameters of the reserve balance of insurance institutions](#)

The Official Journal of the Federation (DOF) has issued an Amending Circular that updates the provisions of the Chapter on the valuation, constitution and increase of catastrophic risk reserves of insurance institutions and mutual societies of the Single Insurance and Surety Bonding Circular (CURSF). These provisions establish that the balance of the catastrophic risk reserve constituted in foreign currency must be increased monthly by the corresponding financial products determined on the basis of the arithmetic mean of the 30-day London InterBank Offered Rate (LIBOR), published by the Intercontinental Exchange Benchmark Administration. On the occasion of the disappearance of this institution, and following the suggestions of the Bank for International Settlements (BIS) of the Financial Stability Board (FSB), this Circular incorporates a new benchmark, the Secured Overnight Financing Rate (SOFR), published by the Federal Reserve Bank of New York. The Circular in question entered into force on 19 October 2023, one day after its publication in the DOF.

SPECIAL ACCOUNTING CRITERIA APPLICABLE TO VARIOUS REGULATED AND SUPERVISED ENTITIES BY THE CNBV S D

[\(30/10/2023\) CNBV - CNBV issues special accounting criteria applicable to various entities regulated and supervised by the CNBV](#)

Following the passage of Hurricane Otis over the coasts of Guerrero, the National Banking and Securities Commission (CNBV) has issued the special accounting criteria (CCE) applicable to various regulated and supervised entities, in relation to loans granted to individuals and companies that have their domicile or their sources of payment in the areas affected by the meteorological events of the hurricane, as well as housing loans in which the property is located in these areas. The purpose of these CCEs is to enable financial institutions to generate support programmes for their borrowers, should they need them.

MODIFICATION OF CYBERSECURITY AND INFORMATION TECHNOLOGY PROVISIONS T

[\(11/22/2023\) DOF - Amendment to Circular 4/2016 on strengthening cybersecurity and information technology provisions of the interbank dollar payment system](#)

The Official Journal of the Federation (DOF) has reported on the publication by the Bank of Mexico of Circular 13/2023, amending Circular 4/2016, updating the cybersecurity standards applicable to the Rules of the Interbank Dollar Payment System (SPID). The objective of the update is to promote the healthy development of the financial system and ensure the protection of the public's interests. This modification aims to provide greater clarity on the technological infrastructure subject to the standards, precisely define the obligations of participants regarding cybersecurity requirements, and establish responsibilities related to the designation of information security officers in the SPID. Additionally, additional elements have been included to strengthen the cybersecurity and cyber resilience framework of SPID participants. This Circular comes into force on December 19, 2023, except for transitional provisions that will enter into force on later dates.

Other publications of interest

American region

Peru

MODIFICATION OF THE INFRACTIONS AND SANCTIONS REGULATION C

[\(02/10/2023\) SBS - Amendments to the Regulation of Infractions and Sanctions of the Superintendency of Banking, Insurance and Private Pension Fund Management Companies](#)

The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has published amendments to the SBS's Regulations on Infractions and Sanctions. These Regulations are applicable to companies in the financial system and the insurance system, to private pension fund administrators, to spillovers and benefit funds, and to natural and legal persons who, in accordance with the General Law of the Financial System and the Insurance System and the Organic Law of the SBS, are subject to the regulation and supervision of the Superintendency. Likewise, the specific infringements of the insurance system and of the private pension fund management system are modified. This Resolution enters into force on the day following its publication in the Official Gazette El Peruano.

MODIFICATION OF THE MODEL RISK MANAGEMENT REGULATION CL

[\(19/10/2023\) SBS - Modification of the Model Risk Management Regulation \(SBS Resolution No. 53-2023\)](#)

The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has published amendments to the Model Risk Management Regulations. This document establishes the guidelines and minimum requirements to address the main elements in the management of model risks, such as the development, validation, implementation, use, monitoring and contracting of model providers. It also incorporates the responsibilities of the Model Risk Committee and amends the articles related to market, liquidity, operational, money laundering and terrorist financing risk management. This Resolution enters into force on the day following its publication in the Official Gazette El Peruano.

MODIFICATION OF THE GENERAL REGULATIONS OF THE COOPAC O

[\(31/10/2023\) Gob.pe - Superintendency Resolution modifying the Accounting Manual for Financial System Companies](#)

The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has announced that, by means of Resolution SBS N° 895-98 and its amendments, the Accounting Manual for Companies in the Financial System has been modified. As stated in the Resolution in question, the modification of the Manual was necessary to ensure the control and monitoring of credits related to the Guarantee Programme and the Myperu Promotion Programme. This Resolution enters into force the day after its publication in the Official Gazette El Peruano.

SUBORDINATED DEBT REGULATION CL

[\(31/10/2023\) Gob.pe - Draft resolution approving the regulation of subordinated debt applicable to insurance companies](#)

The Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones (SBS) has published the Draft Resolution approving the regulation of subordinated debt applicable to insurance companies. This Resolution modifies the characteristics, requirements, modalities and limits applicable to subordinated debt, so that it is considered an element of effective equity. The draft enters into force on the day following its publication in the official gazette El Peruano, from which date the Subordinated Debt Regulation applicable to insurance companies, approved by SBS Resolution No. 6599-2011, becomes null and void.

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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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Manuel Ángel Guzmán Caba

Partner in Management Solutions

manuel.guzman@managementsolutions.com

Marta Hierro Triviño

Partner in Management Solutions

marta.hierro@managementsolutions.com

Management Solutions

Tel. (+34) 91 183 08 00

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