



# Annual Regulation Outlook 2022

Design and Layout

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# Annual Regulation Outlook 2022

Our Annual Regulatory Outlook 2022 highlights the key standards and regulations issued in the past year by those financial regulatory authorities monitored by MS's R&D unit at the global, European and local level (Spain, UK, USA).

This Regulatory Outlook intends to provide an overview of the most recent and relevant regulatory developments for the period. The annual document is compiled from the quarterly reports.

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# Executive summary

## European publications

**Limited regulatory developments in Capital and Resolution. Regarding Sustainability, the Proposal for a Directive on Corporate Due Diligence focuses on monitoring and mitigating adverse human rights and environmental impacts. Meanwhile, EIOPA provides criteria for climate change scenarios and materiality assessment in the context of the ORSA...**

### Relevant Publications

#### Capital and resolution

- **(1Q). Final guidelines for enhancing the resolvability of institutions and resolution authorities**, as well as a **Consultation Paper on transferability guidelines** to complement the assessment of resolvability in the framework of transfer strategies (EBA, January 2022).
- **(1Q). Final draft of RTS regarding PD and LGD** for the default risk model for entities using the new internal model approach (IMA) under FRTB (EBA, March 2022).
- **(2Q). Guidelines on common procedures and methodologies for SREP and supervisory stress testing exercises.** This document introduces the assessment of the risk of excessive leverage and the revision of the methodology for the determination of the Pillar 2 Guidance. In addition, the principle of proportionality is strengthened and cooperation between different supervisory authorities is encouraged (prudential, resolution, money laundering and terrorist financing) (EBA, April 2022).
- **(3Q). Draft methodology and templates for the 2023 EU-wide stress tests.** The methodology covers all risk areas and is based on the 2021 stress test. New compared to the previous year, the projections of net fee and commission income will be based on a top-down model. This is the first step in evolving the stress testing framework towards a hybrid approach (bottom up and top down) (EBA, July 2022).

#### Capital and resolution (cont.)

- **(3Q). Oversight Manual on the validation of IRB rating systems, which complements the roadmap published in 2016 to review the internal models used to calculate own funds requirements for credit risk under the IRB approach.** This Manual provides some general guidance on the expectations regarding the validation function (EBA, August 2022).

#### Sustainability

- **(1Q). Proposal for a Directive on Corporate Sustainability Due Diligence.** This Directive aims to ensure that companies operating in the internal market contribute to the transition towards sustainability by identifying, preventing and mitigating, ceasing and minimizing potential or actual adverse human rights and environmental impacts related to companies' own operations, subsidiaries and value chains (EC, February 2022).
- **(1Q). Final draft ITS on Pillar 3 reporting of ESG risks** with the strategic objective of defining a single, comprehensive Pillar 3 framework under CRR, integrating all relevant reporting requirements (EBA, January 2023).
- **(3Q). Guidance for the assessment of climate change materiality and the use of climate change scenarios in ORSA** (EIOPA, August 2022).

# Executive summary

## European publications

**Disclosure requirements have continued to evolve. In addition, the ECB has set compliance deadlines for its supervisory expectations for climate and environmental risks. On the IT front, the final publication of DORA stands out, as do two different regulations on data use and management.**

### Relevant Publications

#### Sustainability

- **(4Q). Final document of the Corporate Sustainability Reporting Directive (CSRD).** This Directive modernizes and strengthens social and environmental disclosure obligations. In addition, the disclosure requirement is extended to a broader set of large companies as of 2024, as to listed SMEs by 2025 (EP/Council, December 2022).
- **(4Q). Final version of the European Sustainability Reporting Standards (ESRS).** They establish reporting requirements on sustainability-related impacts, risks and opportunities in the CSRD framework (EFRAG, November 2022).
- **(4Q). Results of the 2022 thematic review on C&E risks.** In addition to presenting the results and best practices observed by the ECB, this publication provides the general schedule of expected compliance with its supervisory expectations (ECB, December 2022).

#### Technology

- **(1Q). Proposed Data Law, which is the second legislative initiative stemming from the European Data Strategy of February 2020,** addressing the legal, economic and technical problems that result in underutilization of data. The proposed rules establish who can use and access data generated in the EU across all economic sectors (EC, February 2022).
- **(2Q). Data Governance Regulation establishing robust mechanisms to facilitate the reuse of certain categories of protected public sector data, to increase trust in data brokering services and to encourage altruistic data sharing across the EU.** This Regulation complements the Directive on open data and reuse of public sector information (EP and Council, May 2022).

#### Technology (cont.)

- **(4Q). Digital Operational Resilience Act (DORA) and Digital Operational Resilience Directive for the financial sector.** This regulation will ensure that the financial sector is able to cope with, respond to and recover from all types of ICT-related disruptions and threats. The regulation came into force in January 2023 (EP/Council, December 2022).

# Executive summary

## Local publications

***In Spain, regulatory activity was of limited scope, with one regulation affecting credit financial institutions and another touching on occupational pension plans. In the US, as in Europe, there were developments in Sustainability Disclosure requirements, and a regulation similar to GDPR was proposed.***

### Relevant Publications



#### Spain

- **(1Q).** Circular 1/2022, to financial credit institutions, on liquidity, prudential rules and reporting obligations, which amends Circular 1/2009 and Circular 3/2019. The document sets out the liquidity regulations applicable to financial credit institutions and adapts the reporting obligations of credit institutions in matters of solvency and shareholding structure to their activity, business model, size and relative importance (BdE, January 2022).
- **(3Q).** Law 12/2022 on the regulation for the promotion of occupational pension plans, which amends Royal Decree 1/2002, and whose objective is to favor the existence of publicly promoted occupational pension funds of adequate size to guarantee the lowest management costs, allow a diversified distribution of investments and, thus, improve profitability levels (Spain, Cortes Generales, July 2022).



#### US

- **(1Q).** Cybersecurity risk disclosure, strategy, governance, and incident disclosure rules that would require companies subject to Exchange Act reporting requirements to provide current and periodic notification of significant cybersecurity incidents. In addition, they would require periodic disclosure of policies and procedures for identifying and managing cybersecurity risk (SEC, February 2022).



#### US (cont.)

- **(1Q).** Proposed rules for enhanced and standardized climate disclosures for investors, which would require companies to provide certain climate information in their registration statements and annual reports, including certain information on climate financial risks and climate financial metrics in their financial statements (SEC, March 2022).
- **(2Q).** Rules on enhanced disclosure by certain investment advisers and investment companies of ESG practices. These rules are intended to inform and protect investors, facilitate decision-making and at the same time encourage greater innovation in this area of the asset management industry (SEC, June 2022).
- **(2Q).** Draft USA Data Privacy and Protection Act, which includes data privacy rights, the creation of oversight mechanisms, and the adoption of meaningful enforcement measures (Senate, June 2022).
- **(3Q).** Proposed Policy Statement on Prudential Commercial Real Estate Loan Accommodations and Workouts, which is intended to assist financial institutions, taking into account the challenges and risks associated with commercial real estate lending (USA, OCC/FDIC/NCUA, August 2022).



# Executive summary

## Local publications

*In the UK, highlights include specific regulatory milestones such as the Consumer Duty Instrument and others that are progressing in parallel with EU legislation: i) the proposal on the pending Basel III reforms; ii) the Pillar 2 framework review aimed at improving the supervision of leveraged transactions, and; iii) developments in sustainable investments disclosure.*

### Relevant Publications



UK

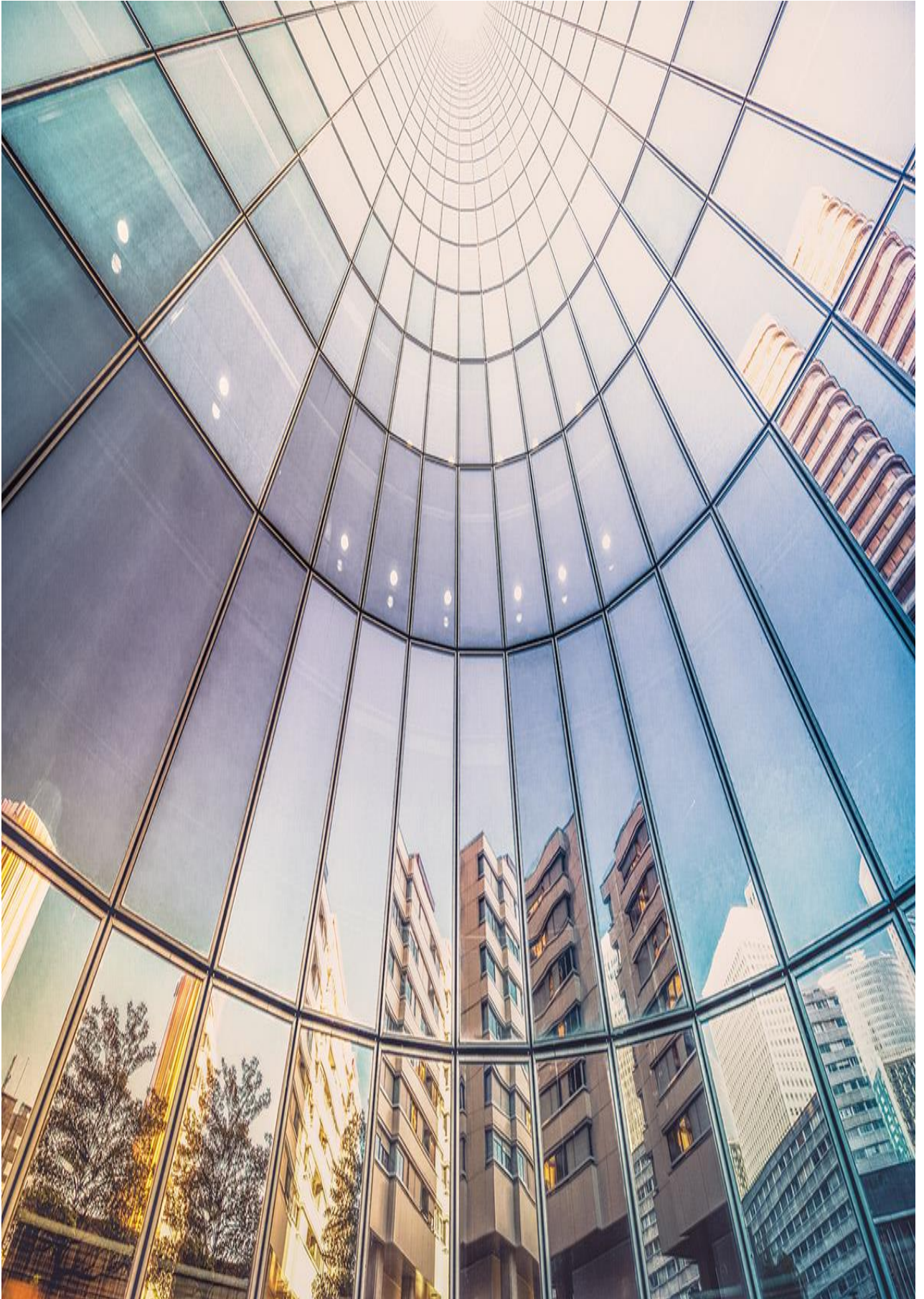
- **(3Q). Consumer Duty Instrument 2022.** These rules set out broader and clearer levels of consumer protection in financial services and require institutions to prioritize the needs of their customers and to demonstrate whether this objective is being met. (UK, FCA, July 2022)
- **(4Q). Consultation Paper (CP) 16/22 on Basel III reforms pending implementation.** The proposals mainly address: the calculation of Risk Weighted Assets (RWA), improving both the measurement of risk in internal models (IM) and standardized approaches (SA), and the comparability of risk measurement across institutions. The implementation date of these reforms is scheduled for January 2025. (UK, PRA, December 2022)
- **(4Q). Consultation Paper (CP) 22/20 on sustainability disclosure requirements (SDRs) and investment labeling.** Proposes to introduce labels to help consumers navigate the market for sustainable investment products, and ensure that sustainability-related terms in product naming and marketing are proportionate with the sustainability profile of the product. (UK,FCA, October 2022)



UK (cont.)

- **(4Q). Consultation Paper (CP) 12/22.** Sets out proposals to update the PRA's supervisory expectations for entities undertaking the Internal Capital Adequacy Assessment Process (ICAAP) in relation to contingent leverage risks, and to introduce a new reporting requirement to collect data on trading exposures where these risks are more likely to arise.(UK, PRA, October 2022)







**Several publications on Sustainability are expected during 2023, such as the second EC Delegated Act that will outline the TSC for the final four objectives of the EU Climate Taxonomy Regulation, or the IAIS Consultation on the amendment of the Insurance Core Principles (ICPs) on climate risk. In the IT area, the Artificial Intelligence Act is expected to be published.**

## Featured regulatory projections

### 1. Next year

- **(Global) Q1 2023:**
  - IAIS: Consultation on amendments to Insurance Core Principles (ICPs) with regard to climate risk; and questions seeking initial stakeholder feedback on the overall package of climate-related work on supervisory practice.
- **(Global) Q2 2023:**
  - ISSB: Publication of IFRS S1 (General requirements for sustainability-related financial disclosures) and IFRS S2 (Climate-related disclosures).
  - IAIS: Publication of Issues Paper on Insurance Sector Operational Resilience.
- **(Global) Q3 2023:**
  - IAIS: Consultation on revised ICP 14 (Valuation) Consultation on revised ICP 17 (Capital Adequacy).
- **(Global) Q4 2023:**
  - IAIS: Consultation on changes to certain ICP guidance with relation to climate risk, as well as supporting material
- **(Europe) 2023:**
  - EBA: i) RTS on ESG disclosures for STS securitization; ii) review of RTS on sustainability disclosures PAI indicators; iii) CP on the Guidelines on ESG risks management; iv) Final report on prudential treatment exposures; v) CP on GL on institution's stress testing.
  - EIOPA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Benchmarks Regulation; ii) Amending RTS on the PAI framework and certain product disclosures under SFDR; iii) RTS; ITS; and GL as required under MiCA; iv) RTS and ITS under DORA including as relates to ICT risk management and third party risk management under DORA; v) Review of technical standards on MiFID II/MiFIR; vi) RTS on the notifications for cross-border marketing and management of AIFs and UCITS; vii) Revision of ITS on external credit assessment institution (ECAI) mapping for corporate ratings under the Capital Requirements Regulation (CCR) and Solvency II; viii) RTS on the minimum elements that should be included in a business reorganisation plan; ix) Revision of RTS on securitisation disclosure requirement (CP); x) Initiate one-off climate change stress test in cooperation with ESRB, ECB, EBA, ESMA.
- **(Europe) Q1 2023:**
  - EBA: i) 2022 benchmarking report on IRB models; ii) 2022 benchmarking report on market risk models; iii) Multi-annual work programme (2024-2026 horizon).
  - EP/Council: Regulation laying down the requirements for artificial intelligence (AI Act).
  - EC: i) Multi-annual work programme (horizon 2023-2025); ii) Second Delegated Act on the remaining four objectives of the Taxonomy Regulation.
- **(Europe) March 2023:**
  - ECB: Partial compliance with supervisory expectations on climate and environmental risks. Institutions have a robust and comprehensive materiality assessment, including a sound analysis of the business environment.
- **(Europe) Q3 2023:**
  - EBA: Report on the application of exemptions to remuneration requirements (CRD) and Large Revenues Report; ii) ITS on the notification of resolutions; vi) Basel III CRD V/CRR II monitoring report; vii) Annual Work Programme 2024.
  - EBA: i) GL on calculation of K IRB for dilution and credit risk (CP); vi) GL on diversity benchmarking under CRD and IFD; viii) GL on resolvability testing; ix) GL on Overall Recovery Capacity; xii) ITS on IRRBB reporting; xiii) ITS on supervisory disclosure.

- **(Europe) July 2023:**
  - EBA: Stress Test results 2023.
  - BoE: Stress Test results for 2022.
- **(Europe) December 2023:**
  - ECB: Manage C&E risks in an institution-wide approach, including business strategy, governance and risk appetite, as well as risk management, including credit, operational, market and liquidity risk management.
- **(Spain) 2023:**
  - Spanish government: Royal Decree implementing Article 32 of Law 7/2021, of May 20, on climate change and energy transition, is expected to be published.
- **(UK) Q1/Q2 2023:**
  - FCA: DP on sustainability disclosure requirements (SDR) and labelling of investments.

### 3. More than a year

- **(Europe) 2024:**
  - EBA: i) Final guidelines on ESG risk management; ii) Third revision of the SREP guidelines; iii) Final guidelines on stress testing of institutions; iii) Greenwashing report; iv) ITS on ESG reporting.
- **(Europe) Q1 2024:**
  - EIOPA: i) Review of the digital transformation strategy, integrating it with the data and IT strategy, the SupTech Strategy and partially also the cyber underwriting strategy.
- **(Europe) July 2024:**
  - ESAs shall submit RTS/ITS specifying some aspects set out in DORA.
- **(Europe) 2025:**
  - EIOPA: i) Implementation of a cyber incident reporting system - Centralised data centre.

### 1. Next year

- **(Global) January 2023:**
  - BCBS technical amendment on the capital treatment of securitisations of NPLs.
  - Amendments to IFRS 17 proposed by the IASB.
- **(Europe) 2023:**
  - Implementation of the provisions amending the CRR III concerning: i) certain provisions concerning own funds and eligible liabilities; ii) amendments on the prudential requirements of investment firms; ii) certain changes on definitions of entities to be included in the scope of prudential consolidation (e.g. definition of investment holding company); iii) treatment of defaulted exposures and iv) changes to the definitions of institutions to be included in the scope of prudential consolidation.
- **(Europe) January 2023:**
  - EC Delegated Act Supplementing the Climate Taxonomy on Climate which includes, under strict conditions, specific nuclear and gas activities in the list of economic activities covered by the EU taxonomy.
  - EBA Guidelines for common procedures and methodologies for the SREP.
- **(Europe) May 2023:**
  - Implementation of the Digital Markets Regulation
- **(Europe) September 2023:**
  - Data Governance Act.
- **(Europe) December 2023:**
  - First date of reference for the disclosure of GAR.
  - ITS of the EIOPA on the amendments of supervisory reporting and disclosure requirements under Solvency II.
- **(UK) June 2023:**
  - PS anti-greenwashing standard on sustainability disclosure requirements (SDR) and investment labelling.
- **(UK) July 2023:**
  - Rules and guidance introduced by the Consumer Duty in relation to new and existing products or services that are open to sale.

## 2. More than a year

- **(Europe) January 2024:**
  - EBA Guidelines on resolvability.
  - EBA final guidelines on transferability.
  - CSRD: application for companies already subject to the NFRD.
- **(Europe) February 2024:**
  - General application of the Digital Services Regulation
- **(Europe) June 2024:**
  - First date of reference for disclosure of additional (vs GAR) BTAR information.
- **(Europe) December 2024:**
  - ECB: Be fully in line with all supervisory expectations, including a robust integration of C&E risks in the institutions' stress testing framework and in the ICAAP.
- **(Europe) 2025:**
  - General application of the provisions amending the CRR which introduce revisions to the Basel III framework in Europe.
  - Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD IV amendments.
- **(Europe) January 2025:**
  - DORA application
  - CSRD: application for large companies not currently subject to the NFRD.
- **(Europe) January 2026:**
  - CSRD: implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(UK) June 2024:**
  - PS labelling, naming and marketing requirements and initial disclosure of PS on sustainability disclosure requirements (SDRs) and investment labelling.
- **(UK) July 2024:**
  - Rules and guidance introduced by the Consumer Duty in relation for closed products or services.
- **(UK) June 2025:**
  - FCA: i) first continuous disclosures related to sustainable performance; ii) entity-level disclosures in the sustainability report (large entities).



# 1Q Quarterly publications

## Summary of outstanding publications of this quarter



### European Commission

<b>Taxonomy</b>	• EU Taxonomy Complementary Climate Delegated Act amending Taxonomy Climate Delegated Act and Taxonomy Disclosures Delegated Act	04/02/2022	22
<b>Standardisation</b>	• Standardisation Strategy	11/02/2022	23
<b>Due Diligence</b>	• Proposal for a Directive on Corporate Sustainability Due Diligence	28/02/2022	25
<b>Data</b>	• Proposal on Data Act	28/02/2022	26
<b>Social taxonomy</b>	• Final Report on Social Taxonomy	03/03/2022	27



### European Central Bank

<b>SREP</b>	• Results of 2021 SREP	18/10/2022	28
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### European Banking Authority

<b>Resolution</b>	• Guidelines on resolvability and CP on transferability	19/01/2022	29
<b>Pillar 3</b>	• Draft ITS on Pillar 3 disclosures on ESG risks	15/01/2022	31
<b>Benchmarking</b>	• Report on the 2021 credit and market risk benchmarking exercise	28/02/2022	33
<b>PD/LGD</b>	• Final Report on draft RTS on PD and LGD under the internal default risk model	17/03/2022	34
<b>SREP</b>	Guidelines for common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing.	13/03/2022	35



### Single Resolution Board

<b>Resolution</b>	• Operational guidance on the identification and mobilisation of collateral in resolution	17/03/2022	37
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### Bank of Spain

<b>Liquidity</b>	• Circular 1/2022, to financial credit establishments, on liquidity, prudential rules and reporting obligations, which amends Circular 1/2009 and Circular 3/2019	02/02/2022	38
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### General Courts of Spain

<b>Consumers and users</b>	• Law 4/2022, of 25 February, on the protection of consumers and users in situations of social and economic vulnerability	03/03/2022	39
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### Spanish Government

<b>Ukraine war</b>	• Royal Decree-Law 6/2022 of 29 March adopting urgent measures in the framework of the National Response Plan to the economic and social consequences of the war in Ukraine.	29/03/2022	40
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### Comisión Nacional del Mercado de Valores

<b>EINF</b>	• Report on the supervision of NFIS	03/03/2022	41
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Topic	Title	Date	Page
	<b>Federal Reserve</b>		
<b>Stress Test</b>	• 2022 Stress Test Scenarios	18/02/2022	42
	<b>Securities Exchange Commission</b>		
<b>Cibersecurity, strategy</b>	• Proposed rule on Cibersecurity Risk Management, Strategy, Governance and Incident Disclosure	09/02/2022	43
<b>Private Fund</b>	• Proposed rule on Private Fund Advisers and Cybersecurity Risk Management for Investment Advisers	15/02/2022	45
<b>Climate disclosure</b>	• New rules on the enhancement and standardization of climate-related disclosures for investors	21/03/2022	47

# 2Q Quarterly publications

## Summary of outstanding publications of this quarter









Topic	Title	Date	Page
 <b>FINANCIAL STABILITY BOARD</b>	<b>Financial Stability Board</b>		
<b>Work program</b>	<ul style="list-style-type: none"> <li>2022 Work program</li> </ul>	07/04/2022	50
 <b>PLATFORM ON SUSTAINABLE FINANCE</b>  <b>EUROPEAN COMMISSION</b>	<b>Platform on Sustainable Finance/ European Commission</b>		
<b>Taxonomy</b>	<ul style="list-style-type: none"> <li>Final Report on Taxonomy extension options supporting a sustainable transition.</li> <li>Methodological report on technical screening criteria for environmental objectives of the Taxonomy Regulation.</li> </ul>	14/04/2022	51
 <b>EUROPEAN PARLIAMENT</b>	<b>European Parliament</b>		
<b>Data Governance</b>	<ul style="list-style-type: none"> <li>Data Governance Act</li> </ul>	18/05/2022	53
 <b>EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY</b>	<b>European Insurance and Occupational Pensions Authority</b>		
<b>Solvency II</b>	<ul style="list-style-type: none"> <li>Draft ITS on the amendments of supervisory reporting and disclosure requirements under Solvency II</li> </ul>	06/04/2022	54
<b>Stress test</b>	<ul style="list-style-type: none"> <li>Stress test climático de 2022 para IORPs</li> </ul>	08/04/2022	56
<b>Climate Change</b>	<ul style="list-style-type: none"> <li>Discussion paper on physical climate change risks</li> </ul>	27/05/2022	57
 <b>EUROPEAN BANKING AUTHORITY</b>	<b>European Banking Authority</b>		
<b>SREP</b>	<ul style="list-style-type: none"> <li>Guidelines for common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing</li> </ul>	05/04/2022	58
<b>AML/CFT</b>	<ul style="list-style-type: none"> <li>Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer</li> </ul>	20/06/2022	60
<b>COVID-19</b>	<ul style="list-style-type: none"> <li>Principles that should be applied in ensuring representativeness of the IRB-relevant data impacted by the COVID-19 pandemic and related measures</li> </ul>	24/06/2022	61
 <b>esma</b>	<b>European Securities Market Authority</b>		
<b>IFRS</b>	<ul style="list-style-type: none"> <li>Public Statement on the Transparency on implementation of IFRS 17 Insurance Contracts</li> </ul>	23/05/2022	62
 <b>EUROPEAN BANKING AUTHORITY</b>	<b>European supervisory authorities</b>		
 <b>EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY</b>			
<b>Securizations</b>	<ul style="list-style-type: none"> <li>Joint Consultation Paper on sustainability disclosures for STS securitizations</li> </ul>	09/05/2022	63
 <b>BANK OF ENGLAND</b>	<b>Bank of England</b>		
<b>Climate Change</b>	<ul style="list-style-type: none"> <li>Results of the 2021 Climate Biennial Exploratory Scenario: Financial risks from climate change</li> </ul>	30/05/2022	64

Topic	Title	Date	Page
	<b>Prudential Regulation Authority</b>		
<b>Stress Test</b>	• Insurance Stress Test 2022	11/05/2022	66
<b>Supervision</b>	• Consultation Paper (CP) 6/22 on Supervisory Statement (SS) on Model risk management principles for banks	24/06/2022	67
	<b>Securities Exchange Commission</b>		
<b>ESG</b>	• Proposed rules on the Enhanced Disclosures by Certain Investment Advisers and Investment Companies about ESG Practices	15/02/2022	69
	<b>United States Senate</b>		
<b>Data Protection</b>	• American Data Privacy and Protection Act Draft Legislation	17/06/2022	71








# 3Q Quarterly publications





## Summary of outstanding publications of this quarter

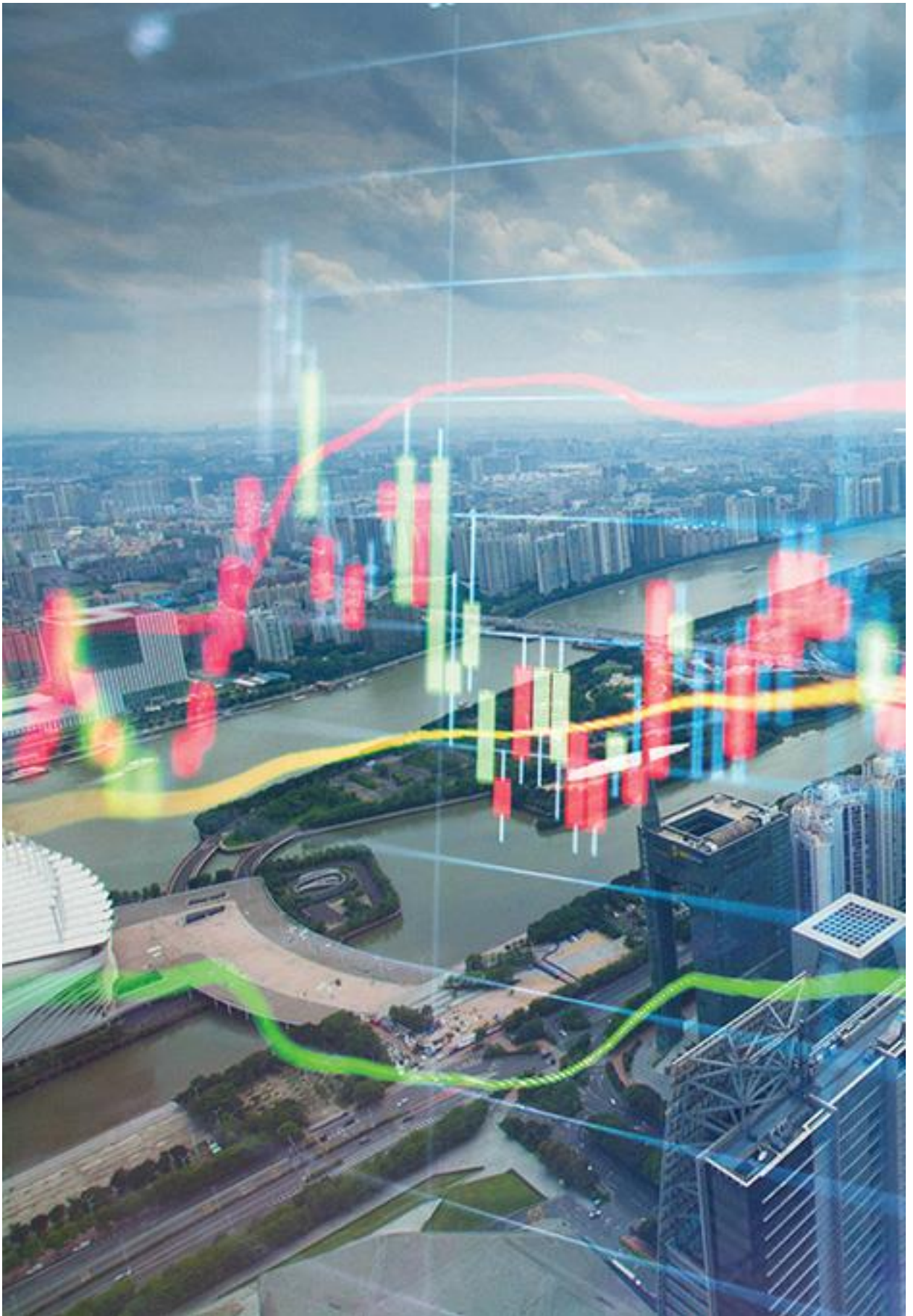
Topic	Title	Date	Page
 <b>European Central Bank</b> <b>Stress Test</b>	<ul style="list-style-type: none"> <li>2022 climate stress test results</li> </ul>	08/07/2022	73
 <b>European Banking Authority</b> <b>Stress Test</b>	<ul style="list-style-type: none"> <li>2023 EU-wide stress test methodology</li> </ul>	22/07/2022	74
<b>IRB</b>	<ul style="list-style-type: none"> <li>Consultation paper on the supervisory handbook on the validation of IRB rating systems.</li> </ul>	28/07/2022	75
<b>Work - programme</b>	<ul style="list-style-type: none"> <li>Annual work programme for 2023</li> </ul>	29/09/2022	76
 <b>European Insurance and Occupational Pensions Authority</b> <b>Climate change scenarios</b>	<ul style="list-style-type: none"> <li>Application guidance on running climate change materiality assessment and using climate change scenarios in the ORSA..</li> </ul>	02/08/2022	77
<b>Work - programme</b>	<ul style="list-style-type: none"> <li>Work Programme 2023</li> </ul>		79
 <b>General Courts</b> <b>Pension plans</b>	<ul style="list-style-type: none"> <li>Law 12/2022 on the regulation for the promotion of occupational pension plans.</li> </ul>	01/07/2022	80
 <b>Federal Reserve</b> <b>Stress Test</b>	<ul style="list-style-type: none"> <li>2022 Federal Reserve Stress Test Results</li> </ul>	01/07/2022	81
 <b>Financial Conduct Authority</b> <b>Climate Change</b>	<ul style="list-style-type: none"> <li>Results of the 2021 Climate Biennial Exploratory Scenario: Financial risks from climate change.</li> </ul>	01/08/2022	82
 <b>OCC/FDIC/NCUA</b> <b>Real State loans</b>	<ul style="list-style-type: none"> <li>Proposed Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts.</li> </ul>	02/08/2022	84
 <b>Bank of England</b> <b>Stress test</b>	<ul style="list-style-type: none"> <li>Key elements of the 2022 Stress Test.</li> </ul>	26/09/2022	85

# 4Q Quarterly publications

## Summary of this quarter's most important publications

Theme	Title	Date	Page
	<b>Basel Committee on Banking Supervision/ European Banking Authority</b>		
<b>Basel IV</b>	• Basel III Monitoring Report	11/10/2022	88
	<b>Financial Stability Board</b>		
<b>Crypto-assets</b>	• Proposals for the regulation and supervision of crypto-assets activities	14/10/2022	90
<b>Cross-border payments</b>	• Priority issues on cross-border payments	14/10/2022	91
	<b>European Central Bank</b>		
<b>Thematic review</b>	• Results of the 2022 thematic assessment on climate and environmental risks	04/11/2022	92
<b>Monitoring</b>	• Supervisory priorities 2023-2025	16/12/2022	94
	<b>European Banking Authority</b>		
<b>Work programme</b>	• Work programme for 2023	04/10/2022	95
<b>Client onboarding</b>	• Final guidelines on the use of remote customer onboarding solutions,	05/12/2022	96
<b>Transparency</b>	• Annual risk assessment report (RAR) and results of the transparency exercise	14/12/2022	97
<b>Sustainable finance</b>	• Sustainable Finance Roadmap	15/12/2022	99
<b>Recovery</b>	• Consultation paper on draft guidelines on ORC in recovery planning	20/12/2022	101
	<b>European Insurance and Pensions Authority</b>		
<b>Payment protection insurance</b>	• Warning aimed at insurers and banks acting as insurance distributors to ensure that CPI products offer fair value to consumers.	11/10/2022	102
<b>Work programme</b>	• EIOPA's strategy for the period 2023-2026	11/10/2022	103
<b>Unit-linked insurance</b>	• Methodology for assessing value for money in the unit-linked market	02/11/2022	104
<b>Stress test</b>	• Results of the climate stress test exercise for the European occupational pensions sector.	16/12/2022	106
<b>Volatility adjustments</b>	• Updated representative portfolios that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures for Solvency II	20/12/2022	108

Theme	Title	Date	Page
 <b>ESMA</b>	<b>European Securities and Markets Authority</b>		
<b>Work programme</b>	<ul style="list-style-type: none"> <li>Annual Work Programme (AWP) to 2023</li> </ul>	14/10/2022	109
 <b>SRB</b>	<b>Single Resolution Board (SRB)</b>		
<b>Work programme</b>	<ul style="list-style-type: none"> <li>Annual Work Programme (AWP) to 2023</li> </ul>	25/11/2022	110
	<b>EP/Council</b>		
<b>Digital Markets</b>	<ul style="list-style-type: none"> <li>Digital Markets Act (DMA)</li> </ul>	21/10/2022	111
<b>Digital Services</b>	<ul style="list-style-type: none"> <li>Digital Services Act (DSA)</li> </ul>	04/11/2022	112
<b>CSRD</b>	<ul style="list-style-type: none"> <li>Corporate Sustainability Reporting Directive</li> </ul>	05/12/2022	113
<b>DORA</b>	<ul style="list-style-type: none"> <li>Digital Operational Resilience Act (DORA)</li> </ul>	05/12/2022	115
<b>Critical entities</b>	<ul style="list-style-type: none"> <li>Directive on the resilience of critical entities</li> </ul>	13/12/2022	117
 <b>EFRAG</b>	<b>European Financial Reporting Advisory Group</b>		
<b>Sustainability</b>	<ul style="list-style-type: none"> <li>Final version of the ESRS</li> </ul>	21/11/2022	118
	<b>Federal Reserve</b>		
<b>Financial risks</b>	<ul style="list-style-type: none"> <li>Draft principles for the management of climate-related financial risks for large financial institutions</li> </ul>	09/12/2022	120
	<b>PRA</b>		
<b>ICAAP</b>	<ul style="list-style-type: none"> <li>Consultation Paper (CP) 12/22 on Risks from contingent leverage</li> </ul>	17/10/2022	121
<b>Basel IV</b>	<ul style="list-style-type: none"> <li>CP16/22 on implementation of the Basel 3.1 standards</li> </ul>	12/12/2022	122
	<b>SEC</b>		
<b>Due diligence</b>	<ul style="list-style-type: none"> <li>Proposal for new rules under the Securities Market Act concerning a broker-dealer's duty of best execution</li> </ul>	23/12/2022	125
	<b>UK Government</b>		
<b>Economic crime</b>	<ul style="list-style-type: none"> <li>Draft law on economic crime and corporate transparency</li> </ul>	02/11/2022	127



# Q1 Publications of the quarter

## European publications

04/02/2022

**EU Taxonomy Complementary Climate Delegated Act amending Taxonomy Climate Delegated Act and Taxonomy Disclosures Delegated Act**



### 1. Context

In 2020 the EC published the Taxonomy Regulation which provides uniform criteria for companies and investors to determine which economic activities can be considered environmentally sustainable. In accordance with the mandates of this Regulation, the EC adopted on 2021 the Taxonomy Climate Delegated Act, to set the technical screening criteria for determining the conditions under which an economic activity qualifies to climate change mitigation, and the Taxonomy Disclosures Delegated Act to specify the information to be disclosed by non-financial and financial undertakings on the share of their business, investments or lending activities that are aligned with the EU Taxonomy. However, not all relevant sectors and activities had been covered in the Taxonomy Climate Delegated Act.

In this context, the EC has published the **Taxonomy Complementary Climate Delegated Act**. This regulation amends the Taxonomy Climate Delegated Act setting out the technical screening criteria for climate change mitigation and climate change adaptation for economic activities in the natural gas and nuclear energy sectors which were not included in the Taxonomy Climate Delegated Act. Moreover, to enhance market transparency and the information of investors, this Delegated Act provides for specific disclosure requirements for the natural gas and nuclear energy sectors by amending the Taxonomy Disclosures Delegated Act.

### 2. Main points

#### Amendments to the Taxonomy Climate Delegated Act

- Additional economic activities from the energy sector. Certain nuclear and gas activities are added as activities that support the transition to a climate-neutral economy, to those already covered by the first Delegated Act. These are activities that cannot yet be replaced by technologically and economically feasible low-carbon alternatives, but do contribute to climate change mitigation and with the potential to play a major role in the transition to a climate-neutral economy, subject to strict conditions. These activities are:
  - Nuclear-related activities that contribute to the transition to climate neutrality and fulfils nuclear and environmental safety requirements:
    - **Advanced technologies with closed fuel cycle** (“Generation IV”) to incentivise research and innovation into future technologies in terms of safety standards and minimising waste.
    - **New nuclear power plant projects** for energy generation, which will be using best-available existing technologies (“Generation III+”) for which the construction permit has been issued by 2045.
    - **Modifications and upgrades of existing nuclear installations** for the purposes of lifetime extension, authorised by Member States’ competent authorities by 2040.
  - Gas-related activities that contribute to the transition to climate neutrality and specifically, contributes to the transition from coal to renewables:
    - **Electricity generation from fossil gaseous fuels.**
    - **High-efficiency co-generation of heat/cool and power from fossil gaseous fuels.**
    - **Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system.**

#### Amendments to the Taxonomy Disclosure Delegated Act

- **Specific disclosure requirements for businesses related to their activities in the gas and nuclear energy sectors.** The aim of these requirement is that non-financial and financial undertakings provide investors with a high degree of transparency concerning their investments in fossil gas and nuclear energy generation activities for which technical screening criteria have been laid down. Templates have been provided in order to ensure comparability of the information disclosed to investors and must indicate clearly the proportion of fossil gas and nuclear energy activities in the denominator and, where appropriate, the numerator of key performance indicators of those undertakings.
- **General verification mechanism.** To enhance investor confidence, compliance with the technical screening criteria related to fossil gas activities should be verified by an independent third party. To ensure an impartial and diligent verification of compliance, the independent third-party should have the resources and expertise to perform that verification, be independent to avoid any conflict of interest with the owner or the funder and should not be involved in the development or operation of such fossil gas activities.
- **Specific verification mechanism.** In addition to the verification mechanism, financial and non-financial undertakings may be subject to specific verification requirements provided in other Union legislation on sustainable finance that cover compliance with the technical screening criteria.

### 3. Next Steps

- The Delegated Act will be transmitted for scrutiny by the EP and the Council for a period of **4 months**.
- Once the scrutiny period is over and if neither of the co-legislators objects, the Complementary Delegated Act will enter into force on the twentieth day following that of its publication in the Official Journal and shall apply from **1 January 2023**.

## 11/02/2022 Standardisation Strategy



### 1. Context

In 2012, the European Union (EU) Standardisation Regulation was published with the aim of establishing rules for cooperation between European standardisation organisations. This Regulation defines three of them: i) European Committee for standardization (CEN); ii) Committee for Electrotechnical Standardisation (CENELEC) and; iii) European Telecommunications Standards Institute (ETSI), whose role is to carry out standardisation work requested by the EC in support of EU legislation and policies. The fast pace of innovation, the green and digital ambitions and the implications of technological standards for our EU democratic values require an increasingly strategic approach to standardization, with a need to improve the governance and integrity of these European system.

In this context, the EC has presented a **Standardisation Strategy** which includes a proposal for an **amendment to the Regulation on standardization**. This strategy aims to develop new standards in strategic sectors and to strengthen the innovation and transparency of the European standardisation system so that it can continue to be a global reference.

### 2. Main points

#### Standardisation Strategy

- **The Strategy proposes five key sets of actions.**
  - Anticipate, prioritise and address standardisation needs in strategic areas. The EC sets a number of priorities which are reflected in the work programme:
    - COVID-19 **vaccines and medicines** production.
    - **Critical raw materials** for batteries and waste batteries.
    - **Climate resilience** of infrastructure and low-carbon cement.
    - **Hydrogen technologies** and components.
    - **Transport** and storage of **hydrogen**.
    - Standards for the **certification of chips** in terms of security, authenticity, reliability.
  - Improve the governance and integrity of the European standardisation system. To this end, the EC has proposed an amendment to the Standardisation Regulation.
  - Enhance European leadership in global standards. The EC will work through the High-Level Forum to set up a new mechanism with EU Member States and national standardisation bodies to share information.
  - Support innovation. The development of a Code of Practice for researchers on standardisation will be initiated to strengthen the link between standardisation and research/innovation through the European Research Area (ERA).
  - Enable the next generation of standardisation experts. The EC will promote more academic awareness on standards, for instance through the future organisation of EU University Days and training of researchers.

#### Proposal for a Regulation amending Regulation on standardization

- **Amendments to standardisation requests to European organisations.**
  - The EC may, request that one or several European standardisation organisations draft a European standard or European standardisation deliverable within a set deadline.
  - As a novelty, each European standardisation organisation shall ensure the decisions concerning European standards and European standardisation deliverables are taken exclusively by representatives of the national standardisation bodies within the competent decision-making body of that organization. These decision are:
    - on the **acceptance, refusal** and **execution** of standardisation requests.
    - on the **acceptance** of new **work items**.
    - on the **adoption, revision** and **withdrawal** of European standards or European standardisation deliverables.

This will allow the European system to remain open, transparent, inclusive and impartial, but will improve the governance of the system.

### 3. Next Steps

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

#### Main amendments to CRD IV

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

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

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

### 3. Next Steps

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

28/02/2022

## Proposal for a Directive on Corporate Sustainability Due Diligence



### 1. Context

The behaviour of companies across all sectors of the economy is key to success in the Union's sustainability objectives as Union companies, especially large ones, rely on global value chains. Despite this, companies' progress in integrating sustainability, and in particular human rights and environmental due diligence, into corporate governance processes remains slow. To address these challenges, in March 2021, the European Parliament (EP) called on the EC to submit a legislative proposal on mandatory value chain due diligence. Similarly, on 3 December 2020, the Council in its conclusions called on the EC to present a proposal for an EU legal framework on sustainable corporate governance, including cross-sector corporate due diligence along global value chains.

In this context, the EC has published the **Proposal for a Directive on Corporate Sustainability Due Diligence**. This Directive aims to ensure that companies active in the internal market contribute to sustainability transition of economies and societies through the identification, prevention and mitigation, bringing to an end and minimization of potential or actual adverse human rights and environmental impacts connected with companies' own operations, subsidiaries and value chains.

### 2. Main points

- **Scope of application.** The new due diligence rules will apply to the following companies and sectors:
  - EU companies:
    - **Group 1:** All EU limited liability companies of substantial size and economic power. (more than 500 employees and more than EUR 150 million in net turnover worldwide in the last financial year).
    - **Group 2:** Other limited liability companies operating in defined high impact sectors (e.g manufacture of textiles, food products and extraction of mineral resources), which do not meet both Group 1 thresholds, but have more than 250 employees and a net turnover of EUR 40 million worldwide in the last financial year. For these companies, rules will start to apply 2 years later than for group 1.
  - Non-EU companies active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU.
  - Micro, small and medium enterprises (**SMEs**) are not directly in the scope of this proposal.
- **Due diligence requirements.** In order to comply with the corporate due diligence duty, companies need to:
  - Integrate due diligence into intern policies. The due diligence policy shall contain all the following aspects: i) a description of the **company's approach** to due diligence; ii) a **code of conduct** describing rules and principles to be followed by the company's employees and subsidiaries; and iii) a description of the **processes put in place to implement due diligence**.
  - Identify actual or potential adverse human rights and environmental impacts arising from their own operations or those of their subsidiaries.
  - Prevent, mitigate, bring to an end or minimize potential impacts. Companies shall be required to take concrete actions, where relevant, such us: i) develop and implement a **prevention or corrective action plan** with qualitative and quantitative indicators for measuring improvement; ii) seek **contractual assurances** from a business partner with whom it has a direct business relationship and iii) make necessary **investments**, such as into management or production processes and infrastructure
  - Establish and maintain a complaints procedure.
  - Monitor the effectiveness of the due diligence policy and measures, based on qualitative and quantitative indicators and at least every 12 months.
  - Publicly disclosure on due diligence.
- **Accompanying measures.** The proposal also include different action which will support all companies, including SMEs, that may be indirectly affected. Measures include, among others, the development of individually or jointly dedicated websites, platforms or portals and potential financial support for SMEs.
- **Supervision and compliance measures.** National administrative authorities will be responsible for supervising these new rules and may impose finances in case of non-compliance. In addition, victims will be able to take legal action for damages that could have been avoided with appropriate due diligence measures. At European level, the Commission will set up a European Network of Supervisory Authorities that will bring together representatives of the national bodies to ensure a coordinated approach.

### 3. Next Steps

- The proposal will be presented to the European Parliament and the Council for approval. Once adopted, Member States will have **two years** to transpose the Directive into national law and communicate the relevant texts to the Commission.
- For the companies under **group 2** the rules will start to apply after a transition period of **two years** after the end of the transposition period, for this Directive to allow for a longer adaptation period.



28/02/2022  
Proposal on Data Act



### 1. Context

In February 2020, the EC published the European strategy for data with the aim of setting up a European data space, that allows data to flow freely within the EU and between different sectors, researchers and public administrations (i.e. a single data market). Following this strategy, in November of the same year, the EC published the Proposal on Data Governance Act with the aim of foster the availability of data for use by increasing trust in data intermediaries and by strengthening data-sharing mechanisms across the EU.

In this context, the EC has published the **proposal on Data Act**, second main legislative initiative resulting from the February 2020 European strategy for data. The Data Act addresses the legal, economic and technical issues that lead to data being under-used.

### 2. Main points

- **Subject matter and scope.** This Regulation lays down harmonised rules on making data generated by the use of a product or related service available to the user of that product or service. This Regulation applies to, among others: i) manufacturers of products and suppliers of related services; ii) data holders; iii) data recipients; and iv) public sector bodies.
- **Legal certainty.** Manufacturers and designers have to design the products in a way that makes the data they generate easily accessible. Upon request by a user, the data holder shall make available the data generated by the use of a product or related service to a third party, without undue delay and free of charge.
- **Data availability.** There are addressed the conditions under which a data holder is obliged to make data available to a data recipient. Any conditions will have to be fair and non-discriminatory. A data holder shall agree with a data recipient the terms for making the data available.
- **Unfairness of contractual terms in data sharing contracts between businesses.** It is guarantee that contractual agreements on data access and use do not take advantage of imbalances in negotiating power between the contractual parties. A contractual term is unfair if it is of such a nature that its use grossly deviates from good commercial practice in data access and use, contrary to good faith and fair dealing.
- **Harmonised framework for the use by public sector bodies of data held by enterprises.** There is an obligation to make data available to the public sector in situations of exceptional need to respond to public emergency. Where such data are requested, the exceptional need for which they are requested and the purpose of the request must be demonstrated.
- **Unlawful third party access to non-personal data.** There are set specific safeguards, by way of providers having to take all reasonable technical, legal and organisational measures to prevent international transfer or governmental access to non-personal data held in the EU.
- **Interoperability.** There are provided essential requirements to be complied by operators of data spaces and data processing service providers as well as for essential requirements for smart contracts. For example, the dataset content, use restrictions, licenses, or the data collection methodology must be sufficiently described to allow the recipient to access the data.

### 3. Next Steps

- This regulation will have to be approved by the European Parliament (EP) and the Council. Once approved, this Regulation shall enter into force on the **twentieth day** following that of its publication in the Official Journal of the EU and it shall apply from **12 months** after its entry into force.

## 03/03/2022 Final Report on Social Taxonomy



### 1. Context

The EC published in 2019 the European Green Deal, which sets out a series of climate and energy targets for 2030, and contains a commitment for Europe to become climate neutral by 2050. Furthermore, in 2020 the EC published the Taxonomy Regulation which provides uniform criteria for companies and investors to determine which economic activities can be considered environmentally sustainable. The taxonomy initially only covers environmental activities and objectives only and contained only limited reference to social sustainability. For this reason, the EC mandate the Platform on Sustainable Finance to also work on extending the taxonomy to social objectives.

In this context, the Platform on Sustainable Finance has published a **Final Report on Social Taxonomy** in which summarises the main initial observations and recommendations on this mandated task, and in which there are included social objectives, examples of these objectives, as well as metrics to be considered.

### 2. Main points

- **Social objectives.** The Platform on Sustainable Finance suggests three objectives for a social taxonomy:
  - Decent work (including value-chain workers). This objective focuses on people, in their working lives or as workers. The four pillars of the decent-work are: i) employment creation; ii) social protection; iii) rights at work; and iv) social dialogue. Decent Work has a list of sub-objectives (e.g. ensuring pay levels for workers).
  - Adequate living standards and wellbeing for end-users. This objective focuses on people, in their role as end-users of certain products and services that either pose heightened health or safety risks or that have the potential to help people to meet basic human needs. As a sub-objective, for example, is ensuring healthy and safe products and services.
  - Inclusive and sustainable communities and societies. This objective will emphasise respecting and supporting human rights by paying attention to the impacts of activities on communities and the wider society. It will achieve this by: i) addressing and avoiding negative impacts; and ii) making basic economic infrastructure available to certain target groups. This objective has sub-objectives (e.g. inclusion of people with disabilities).
- **“Do no significant harm” (DNSH) criteria in social taxonomy.** The DNSH criteria ensure that when an activity makes a substantial contribution to one social objective, it does not harm the other social objectives. They have main features/obstacles:
  - Need for more granular DNSH criteria at the level of the sub-objectives.
  - DNSH criteria might play an important role in some important social topics and sub-objectives.
- **Governance.** The Platform on Sustainable Finance recommends 2 objectives:
  - Strengthening sustainability aspects of traditional corporate governance.
  - Strengthening corporate-governance aspects that are important for sustainability.
- **Metrics of a social taxonomy.** There are included metrics on: i) safe and healthy working conditions; ii) anti-discrimination; iii) freedom of association; and iv) employment generation.
- **Harmful activities to be considered for a social taxonomy.** Significantly harmful activities could be those which are fundamentally and under all circumstances opposed to social objectives. A source for identifying harmful activities could be: i) the international humanitarian law treaties; ii) a series of other conventions and protocols on specific topics.
- **Relationship between the social taxonomy and the environmental taxonomy.** The Platform on Sustainable Finance considers two main differences between a social taxonomy and an environmental taxonomy:
  - While most economic activities have detrimental impacts on the environment, most economic activities such as the creation of jobs, paying taxes and production of goods and services can be considered inherently socially beneficial.
  - While environmental objectives and criteria can be based on science, a social taxonomy has to be based on international authoritative standards of topical relevance such as the International Bill of Human Rights.

### 3. Next Steps

- The objectives presented in this report will constitute an input for the definition of the final objectives by the EC.
- The Platform on Sustainable Finance has set several next steps for developing a social taxonomy, for example, to conduct a study on the impacts of a social taxonomy considering different options for application and designs.

15/02/2022  
Results of 2021 SREP

## 1. Context

The ECB has published the outcome of its **2021 Supervisory Review and Evaluation Process (SREP)** which reflect the resilience of Europe's banking sector and the challenges that lie ahead. The findings of that annual assessment indicate that significant institutions have maintained solid capital and liquidity positions, with most banks operating at capital levels above those dictated by capital requirements and guidance.

## 2. Main points

- **Business model.** Significant institutions' profitability recovered in 2021, mainly thanks to lower impairments, but it remains structurally low overall. Most significant institutions' return on equity (ROE) is below the cost of capital, which impairs the capacity to issue more capital in case of need.
- **Internal governance.** Banks have been slow to address the governance challenges posed by the COVID-19 pandemic in relation to:
  - Ineffective supervision on the part of the management body.
  - Insufficient attention on the part of the management body to risk and compliance functions in the second line of defence.
  - Effectiveness of management bodies in terms of their composition and collective suitability.
  - Fragmented and non-harmonised IT landscapes.
- **Credit risk.** The increase in credit risk linked to COVID-19 has not yet materialised in the form of an increase in NPLs. For example, NPLs also continued to decline in 2021. Also notable is the continuing increase in exposure to leveraged lending, with the associated credit standards continuing to loosen.
- **Capital adequacy.** Banks' capital positions have strengthened significantly in the course of the pandemic, but their scores remained broadly stable in 2021 given the extent of public support measures. Capital adequacy scores have undergone minor changes compared to 2019. 82% of Significant institutions' were assigned the same score as in 2019, 5% saw their score deteriorate, and 13% were given a better score.
- **Operational resilience.** Banks' reliance on IT systems, and thus their vulnerability to IT, related risks is increasing as they continue to digitalise and move towards round-the-clock availability of services.



19/01/2022

## Guidelines on resolvability and CP on transferability

### 1. Context

In 2016, the Financial Stability Board (FSB) published Guidance on Arrangements to support Operational Continuity in Resolution. In addition, the European Commission (EC) published the Delegated Regulation that complements regulatory technical standards (RTS) specifying the content of recovery plans and resolution plans. Additionally, in 2021 the EBA published the consultation paper (CP) on draft Guidelines (GL) on resolvability.

In this context, the EBA published its **Final Report on GL on improving resolvability for institutions and resolution authorities**. These guidelines aim to implement existing international standards on resolvability and take stock of the best practices so far developed by EU resolution authorities on resolvability topics. Complementing this GL in order to cover more precisely separability in the context of the application of transfer tools, the EBA has also launched its **CP for GL on transferability to complement the resolvability assessment for transfer strategies**.

### 2. Main points

#### Final Report on Guidelines for institutions and resolution authorities on improving banks' resolvability

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

#### CP for Guidelines on institutions and resolution authorities on transferability to complement the resolvability assessment for transfer strategies

- **Definition of the transfer perimeter.** Although the methodology for the definition of the entity or entities, business lines or portfolios of assets, rights and/or liabilities to be transferred (known as transfer perimeter) remains resolution authorities' responsibility, institutions should be able to implement this definition, identifying impediments and proposing potential enhancements aiming at improving the credibility and feasibility of the transfer strategy or tool. These transfer tools are:
  - Sale of Business (SoB): If a resolution strategy includes the SoB tool, resolution authorities should evaluate, as part of the resolution planning, the execution risk of asset and share deals and consider the least intrusive transaction that achieves best the resolution objectives.
  - Bridge Institution (BI): Resolution authorities should consider the objectives and the exit strategy of the BI, given the scenario considered, when setting the methodology for the definition of the perimeter to be transferred to a BI.
  - Asset Separation Tool (AST): Institutions, based on the information communicated by resolution authorities, should flag to authorities the assets, rights and/or liabilities and the principles laid down in EBA guidelines on the AST in order to examine to which extent it can be applied.

- **Operational transfer.**

- The second step on implementation of the transfer tool is preparing for operational transfer. Resolution authorities and institutions should have arrangements in place in order to prepare for the sale of the transfer perimeter.
  - Resolution authorities should develop a sale process to support the SoB, and investigate additional preparatory measures to support the execution of the transfer tools.
  - Both institutions and resolution authorities should develop capabilities to solve separability conflicts and to implement the transfer in a timely manner.
  - Institutions should establish processes to handle the operational consequences of the transfer and should demonstrate to resolution authorities how reliable these processes are.
- When AST and BI are the resolution tools foreseen in the resolution strategy, resolution authorities should have processes in place in order to respectively set up an assets management company.

### **3. Next steps**

- The Resolvability Guidelines will become applicable from **1 January 2024**.
- Comments on the Transferability Guidelines can be submitted until 13 April 2021. The aim is to publish the final guidelines by **30 September 2022**. The institutions and resolution authorities in scope of these guidelines should comply in full by **1 January 2024**.



25/01/2022

## Draft ITS on Pillar 3 disclosures on ESG risks

### 1. Context

Under the Capital requirements regulation (CRR), large institutions with securities traded on a regulated market of any Member State are required to disclose prudential information on environmental, social and governance risks (ESG) and climate change risks, including transition and physical risk. In this sense, the EBA must develop draft implementing technical standards (ITS) specifying uniform formats and associated instructions for the disclosure of this information in a way that conveys sufficiently comprehensive and comparable information for users of that information to assess the risk profile of institutions.

In this context, the EBA following the publication of the consultation paper in March 2021, has published **draft ITS on Pillar 3 disclosures on ESG risks** with the strategic objective of defining a single, comprehensive Pillar 3 framework under the CRR that should integrate all the relevant disclosure requirements. These ITS put forward the tables, templates and associated instructions that institutions must use in order to disclose relevant qualitative information on ESG risks, and quantitative information on climate-change-related risks, including transition and physical risks and mitigating actions.

### 2. Main points

This ITS includes:

- **Quantitative disclosures on climate change transition risk.** Includes several templates through which institutions should show:
    - Their exposures towards non-financial corporates (NFCs) that operate in sectors that highly contribute to climate change, exposures towards fossil fuel counterparties and exposures towards counterparties that operate in other carbon related sectors.
    - Information on the energy efficiency of the underlying real estate collaterals, including loans collateralized by commercial and residential real estate, and repossessed real estate collaterals.
    - Information on their plans and potential methodology to implement disclosures on scope 3 emissions.
- When providing this information, institutions are asked to disclose quantitative data on the credit risk quality of the exposures and explain in the narrative accompanying the templates any implications that these exposures may have in terms of operational and liquidity risk for the institution. In this respect, a series of templates are included which present the following new features compared with the consultation document:
- Template 1 and Template 2 from the consultation have been merged into the final Template on credit quality of exposures by sector, emissions and residual maturity and some details, such as PD, have been removed.
  - Template on climate change transition risk: loans collateralised by immovable property, has been simplified. The breakdown by country originally required to facilitate comparability of energy performance certificate (EPC) labels when EPC labels are defined differently across EU countries or regions has been dropped. In addition, this information is also requested for non-EU countries.
  - The former Template 6 on climate change transition risk has been dropped.
- **Quantitative disclosures on climate change physical risk.** Includes template on Exposures in the banking book subject to climate change physical risk. This template includes information by sector of economic activity (NACE classification) and by geography. As a novelty compared to the draft, the opening by type of physical risk event will no longer be required.
  - **Quantitative information on mitigation actions.** Includes templates with quantitative information on assets and exposures that are contributing and enabling climate change mitigation and adaptation by supporting institutions' helping them to mitigate their climate change transition and physical risks:
    - Assets for the calculation of the Green Asset Ratio (GAR) which includes information necessary for the calculation of the GAR and other relevant KPIs.
    - GAR KPIs under which institutions shall disclose information on the percentage of their total assets covered by the GAR.
    - New template 9 with respect to the consultation document. Shows information on taxonomy alignment of exposures towards counterparties in the banking book, including corporates that do not have disclosure obligations under the NFRD. This information will be used for the computation of the Banking Book Taxonomy Alignment Ratio (BTAR).
    - Other climate change mitigating actions.
  - **Qualitative disclosures.** The disclosure requirements are organised by risk category: i) environmental; ii) social; and iii) governance. Under each risk category, the disclosure requirements target governance, business model and strategy, and risk management.

### 3. Main points

- Entities will have to start disclosing this information from **June 2022**. The first disclosure will be on an annual basis and thereafter on a semi-annual basis.
- In addition, a phase-in period until **June 2024** is proposed for disclosures on institutions' scope 3 emissions.
- The disclosure of information on the **GAR** will start to apply in **2024**.
- As an update to the consultation document, the additional and separate information on the BTAR will apply from June 2024. And information on environmentally sustainable exposures (CCM) in Template 1 will be disclosed by institutions starting from end of December 2023 (for exposures included in the numerator of the GAR) and end **of June 2024** (for exposures included in the numerator of the BTAR only) as the first disclosure reference date.



28/02/2022

## Report on the 2021 credit and market risk benchmarking exercise

### 1. Context

According to the directive Capital Requirement Directive (CRD), competent authorities (CAs) shall carry out supervisory benchmarking studies of internal approaches for calculating own funds requirements. Moreover, the EBA is mandated to produce a report to assist the CAs in the assessment of the quality of the internal approaches.

In this regard, the EBA has published two reports on the consistency of the Risk Weighted Assets (RWAs), a **Report on the results from the 2021 high and low default portfolios** (HDPs and LDPs) credit risk benchmarking, and a **Report on the results from the 2021 market risk benchmarking exercise**. In particular, the credit risk benchmarking exercise aims to monitor the variability of the RWAs for institutions applying the IRB approaches in EU Member States. For its part, the market risk benchmarking assesses the variability in banks' market risk models and identifies the drivers that account for it.

### 2. Main points

#### Report on the 2021 Credit Risk Benchmarking Exercise

- Sample. 83 institutions provided related realisations for LDP portfolios (i.e. exposures to large corporates, sovereigns and institutions) and HDP portfolios (i.e. residential mortgages, small and medium-sized enterprise (SME) retail, SME corporate and corporate-other portfolios). In addition, institutions provide the RWA and related IRB parameters for some specific large corporates, institutions and sovereigns to which they have exposures.
- IRB risk parameters end-2020.
  - Description of average RW, probability of default (PD) and loss given default (LGD). Decrease of average RWs between December 2019 and December 2020 in nearly all exposure classes. For LDP portfolios, the average RW has decreased for central governments and central banks and institutions. On the other hand, the average RW has increased for large corporates.
  - Analysis of decreased average PDs. Decrease in PDs in HDP portfolios might be driven by:
    - The annual review of estimates and recalibration.
    - The impact of national measures that were imposed to contain the coronavirus and to support the economy.
    - The use of moratoria and public guarantee schemes for material shares of a given IRB portfolio.
    - The implementation of the IRB roadmap.
  - Variability of IRB parameters. A top-down analysis was performed with a methodology broadly unchanged from previous years. This approach shows that the overall variability has slightly decreased from the 2020 to 2021 exercise.
- Default rates as of end-2020. With reference to other retail SME exposures (SMOT) and retail SME exposures secured by real estate (RSMS) exposures classes, the average default rates observed in 2021 (i.e. as of December 2020) are significantly lower than those observed in 2020 (as of December 2019). This can probably, among others, be explained by the different materiality and effects stemming from the public support measures and from the use of moratoria in particular.

#### Report on the 2021 Market Risk Benchmarking Exercise

- Sample. 40 banks from 13 jurisdictions that submitted data for 59 market portfolios across all major asset classes (e.g. equity, interest rates) and 4 correlation trading portfolios.
- Main findings.
  - Reduction in the dispersion of the initial market valuation (IMV) versus the 2020 exercises with regard to the FX and Commodities (CO) asset classes.
  - Interest rates and CO portfolios exhibit a lower level of dispersion than the FX and credit spread asset classes.
  - Across all asset classes the overall variability for value at risk (VaR) is lower than the observed variability for stressed VaR (sVaR) (27% and 31% respectively). More complex measures such as the incremental risk charge (IRC) show a higher level of dispersion (43% compared with 49% in 2020).
  - The variability of empirical estimates of expected shortfall (ES) at a 97.5% confidence level across risk factors is similar than that found for VaR and profit and loss (P&L) VaR.
- Dispersion in capital outcome. The average variability across the sample, measured by the inter-quantile dispersion statistic (IQD) coefficient, is around 24% (considered significant by the EBA), especially for the most complex portfolios in the credit spread asset class.
- CAs' assessments based on supervisory benchmarks. Overall, CAs planned some actions for 13 banks (e.g. reviewing the banks' internal VaR and IRC models; a supervisory extra charge; stringent conditions on any extension of the internal model approach).



17/03/2022

## Final Report on draft RTS on PD and LGD under the internal default risk model

After the Basel Committee on Banking Supervision (BCBS) finalised and published standards on Minimum capital requirement for market risk in January 2019, previous minimum capital requirements for market risk in the global regulatory framework were replaced. As a key requirement, institutions using the Internal Model Approach (IMA) to compute own funds requirements for market risk are required to compute additional own funds requirement using an internal default risk model for their positions in traded debt and equity instruments included in IMA trading desks.

In this context, and after the publication of the consultation document in July 2020, the EBA has published the **final report on Regulatory Technical Standards (RTS) on default probabilities (PDs) and losses given default (LGDs) for default risk model for institutions using the new IMA under the Fundamental Review of the Trading Book (FRTB)** to clarify the requirements that an institution's internal methodology or external sources are to be met for the estimation of PDs and LGDs under the default risk model (DRC).

### 2. Main points

- **Estimating PDs/ LGDs.** As a novelty with respect to the consultation document, the requirements for estimating PDs and LGDs, are detailed in these RTS and shall be:
  - For an institution's internal methodology, estimating PD and LGDs shall fulfil several requirements when all of the following conditions are met (assessed quarterly): i) no external sources are available for estimating a PD for a specific issuer or an LGD for a specific position; ii) the use of an internal methodology that meets the IRB requirements is not feasible due to a lack of input data for that issuer or position or a disproportionality in relation to the materiality or holding period of the position; iii) the use of 'fallback' PD and LGD estimates is not excessive in relation to the overall scope of the internal DRC. These requirements are:
    - **Estimating PD.** An institution's internal methodology, or a part of it, shall assign to an issuer an estimate of PD which is equal to or higher than the maximum of the following values: i) the highest PD assigned to investment grade issuers of positions under the scope of the institution's internal DRC and for which PDs are not estimated by means of the 'fallback' approach; ii) the equally weighted average of PDs assigned to issuers of positions under the scope of the institution's internal DRC and for which default probabilities are not estimated by means of the "fallback" approach, excluding defaulted issuers.
    - **Estimating LGD.** An institution's internal methodology, or a part of it, shall assign to an issuer an estimate of LGD which is equal to or higher than the maximum of the following values: i) 75% for subordinated debt positions; ii) 45% for senior unsecured debt positions; iii) 11.25% for covered bond positions; iv) 25% for any other positions. For 'fallback' LGDs applied to positions for which own funds requirements decrease with increasing values of LGDs, the limits mentioned above should be understood as caps rather than floors.
  - For external sources, estimating PD and LGDs requires that:
    - are validated on a **periodic basis** for their use in the internal default risk model.
    - are obtained from **external sources** by employing a methodology that is conceptually sound.
    - Where **more than one external source** is used, a hierarchy of sources is established in order to ensure the overall consistency of PD and LGD estimates used in the internal default risk model.
- **Documentation requirements for external sources.** To comply with minimum qualitative standards, an inventory of the external data sources used by the institution when estimating PDs and LGDs shall be kept up to date, and include:
  - a description of the methodologies used to estimate PDs and LGDs using external sources;
  - the results of the validation performed;
  - the hierarchy of the sources used;
  - As a novelty with respect to the consultation paper, it includes documentation and underlying rationale where an institution has identified different terms, information or assumptions in accounting for expected credit losses and the PDs from external sources for the purpose of ensuring sound credit risk management.

### 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.



18/03/2022

## Guidelines for common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing.

### 1. Context

The directive Capital Requirement Directive (CRD), mandates the EBA to draft guidelines for competent authorities, specifying the common procedures and methodologies for SREP and for the assessment of the organization and treatment of risks referred in the Directive. Additionally, the CRD empowers the EBA to issue guidelines to ensure that common methodologies are used by competent authorities (CAs) when conducting annual supervisory stress tests for SREP purpose. The first SREP Guidelines were published in December 2014 and updated in 2017. However, it was necessary to align the last version with the last regulatory developments that have taken place since then, such as the publication of CRD V and CRR II and the issuance by the EBA of other relevant guidelines and technical standards.

In this regard, the EBA has updated the **Guidelines for common procedures and methodologies for the SREP and supervisory stress testing**, taking into account the requirements of CRR II and the CRD V. The revision of the SREP Guidelines, while keeping the original framework with the main SREP elements intact, reflects the amendments at Level 1, which include, among other things, the introduction of the assessment of the risk of excessive leverage and the revision of the methodology for the determination of the Pillar-2 capital guidance (P2G). Additionally, the principle of proportionality is enhanced as well as the encouragement of cooperation among prudential supervisory authorities and money laundering and countering the financing of terrorism (ML/FT) supervisors, as well as resolution authorities.

### 2. Main points

CAs should ensure that the SREP of an institution covers the following components:

- **Categorisation of the institution.** CAs should categorise all institutions under their supervisory remit into 4 different categories. As a novelty, the categorisation takes into account the definitions of small and non-complex institutions as well as large institutions, as set out in the CRR II, to ensure consistency in the scope of application of proportionality within the overall regulatory framework.
- **Scoring framework.** These guidelines introduce two types of scores, the first one indicating the likelihood that the risks to capital, liquidity and funding will have a significant impact on the institution, while the second type indicates the magnitude of risks to the institution's viability.
- **Monitoring of key indicators.** CAs should engage in regular monitoring of key financial and non-financial indicators to monitor changes in the financial conditions and risk profiles of institutions, as well as to identify the need for updates to the assessment of SREP elements in light of new material information outside of planned. As a novelty, indicators used for monitoring should include, where available, indicators based on quantitative or qualitative information from reporting provided to competent authorities that may point to ML/TF risk.
- **Business model analysis (BMA).** CAs should conduct regular BMA to assess business and strategic risks and determine the viability of the institution's current business model. As a novelty, CAs should also use the BMA to assess prudential implications of ML/TF risks known to them, linked to the business model of the institution. Furthermore, when identifying key vulnerabilities CAs shall consider the ESG risks and their impact on the viability and sustainability of the business model and long-term resilience of the institution.
- **Assessment of internal governance and institution-wide controls.** CAs should assess whether or not an institution's internal governance arrangements are adequate for and commensurate with the institution's risk profile, business model, nature, size and complexity. As a novelty, these assessment should include the verification of the existence of governance arrangements and mechanisms to ensure that the institution complies with applicable Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) requirements.
- **Assessment of risks to capital.** CAs should assess and score the risks to capital that have been identified as material for the institution. As a novelty:
  - CAs should consider ML/TF risks within the context of the assessment of the different risks.
  - Regarding the assessment of credit and counterparty risk it is aggregated the assessment of: i) the equity risk in the banking book; ii) the real-estate risk and iii) model risk for regulatory approved models
  - When assessing market risk for institutions which do not meet the conditions of the small trading book as set out CRR II CAs should consider the relevance and materiality of fixed subcategories of risks set in the Guidelines.
  - When assessing operational risk, CAs should also consider conduct risk, model risk and ICT risk.
  - Assessment of the interest rate risk of an institution's non-trading book activities (IRRBB) should be differentiated from assessment of credit spread risk arising from positions in the non-trading book.

- Assessment of the adequacy of the institution's own funds. CAs should determine through the SREP capital assessment whether the own funds held by the institution provide sound coverage of risks to capital to which the institution is or might be exposed, if such risks are assessed as material to the institution. As a novelty:
  - The reference to the CRR II Pillar 1 own funds requirements is added.
  - When setting the additional own funds requirements and where relevant, guidance, CAs should: i) take into account any supervisory measures that the CA has applied or is planning to apply to an institution; ii) clearly justify all elements of additional own funds requirements for Pillar 2 requirements (P2R) and P2R- leverage ratio (LR) as well as for P2G and P2G-LR; and iii) apply P2R and P2R-LR as well as P2G and P2G-LR in a consistent manner to ensure broad consistency of prudential outcomes across institutions.
  - CAs should determine additional own funds requirements for risks other than the risk of excessive leverage, where they identify specific situations set in the Guidelines.
  - In accordance with the CRD V, CAs should assess the risk of excessive leverage separately from other types of risk.
  - CAs should determine the Total SREP leverage ratio requirement (TSLRR) and the Overall leverage ratio requirement (OLRR).
- **Assessment of risks to liquidity and funding and the SREP liquidity assessment.** CAs should assess the risks to liquidity and funding that have been identified as material for the institution. As a novelty CAs should include the information from AML/CFT, when conducting these assessment. Also, CAs should assess whether institutions have an appropriate reporting framework for liquidity and funding risk. Regarding the SREP assessment, two new approaches are added to articulate the specific quantitative stable funding requirements.
- **Overall SREP assessment and application of supervisory measures.** CAs should exercise their supervisory powers on the basis of deficiencies identified during the assessments of the individual SREP elements and taking into account the overall SREP assessment. As a novelty, in order to address these deficiencies, CAs should consider whether supervisory measures are needed to address prudential deficiencies/vulnerabilities related to ML/TF risks. Furthermore, two new chapters are included: i) instructions on supervisory reaction to a situation where P2G is not met and ii) instructions on interaction between supervisory and AML/CFT measures.
- **Supervisory stress testing.** CAs should, also, use supervisory stress testing to facilitate the SREP and, in particular, supervisory assessment of its key elements, which are described in these guidelines. Furthermore, supervisory stress testing should help CAs to assess supervisory organisational procedures and to plan supervisory resources, considering also other relevant information.

### 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 **2 months** after the publication of the translations.
- These updated guidelines apply from **1 January 2023**.



17/03/2022

## Operational guidance on the identification and mobilisation of collateral in resolution

### 1. Contexto

On April 2020, the Single Resolution Board (SRB) published the Expectations for Banks (EfB) which sets out the capabilities to show that banks are resolvable including the dimensions of Operational Continuity in Resolution (OCIR) and access to Financial Market Infrastructures (FMIs). According to the EfB, banks are expected to establish processes and develop capabilities to identify and mobilise collateral in resolution.

In this context, the SRB has published its operational guidance on the identification and mobilisation of collateral in resolution which complements the Expectations for Banks document and help to understand the operational and legal requirements that banks need to anticipate in order to maximise the amount of assets that could be mobilised as collateral in and after resolution.

### 2. Main points

- **Collateral governance and management framework in resolution.** Banks are expected to provide targeted information on their collateral management framework to ensure that the framework: i) can support the execution of the resolution process; ii) is suited to the specific circumstances of a resolution scenario; and iii) would not be adversely impacted by any potential measure that could separate the entities in the group, such as transfer tools.
- **Identification of assets to be used as collateral in resolution.** Banks are expected to have the required capacity to identify the legal, operational and practical availability of collateral within the resolution group. Furthermore, it is expected that banks: i) develop capabilities to accurately identify all assets that could be used as collateral in resolution; ii) have the capabilities to identify the location of available collateral within all relevant key liquidity entities (KLEs) of the resolution group; iii) have adequate management information system (MIS) capacity enabling them to value, provide documentation and monitor the evolution of available collateral, and provide updated reports on a regular basis.
  - Assets eligible as collateral for accessing ordinary Central Bank (CB) facilities. The inability to assess the eligibility of collateral, for example because of data quality issues, should not result in a classification of the collateral as not eligible. Banks should describe the root causes of its inability to assess the eligibility of collateral and present a plan to remedy these root causes.
  - Assets not eligible as collateral for accessing ordinary CB facilities. Assets not eligible for CB facilities can be used as collateral to obtain funding during resolution. This asset class could be used to obtain funding via private markets.
- **Mobilisation of collateral in resolution. Banks are expected to perform an assessment on their ability to: i) identify any legal and operational barriers to the mobilisation of local and cross-border collateral; ii) identify private counterparties to get access to secured funding in resolution; iii) identify the time that it would take to mobilise collateral to obtain access to funding.**
  - Assets eligible and not eligible as collateral for accessing ordinary CB facilities. Banks are expected to develop the necessary capacity to mobilise non-marketable assets that are eligible as CB collateral on a cross-border basis. As well as to document assets that are deemed non-eligible as CB collateral.
  - Mobilisation of collateral under different resolution strategies. In a single point of entry (SPE) strategy, the presumption is that the resolution group should be ready to guarantee sufficient funding for critical economic functions and the core business lines of the whole resolution group, especially when sufficient private sector funding is unavailable. Under an multiple point of entry resolution (MPE) Strategy, each resolution group should be able to manage its own liquidity independently, in case the group is separated during resolution.

# 1Q Publications of the quarter

## Local publications

04/02/2022

**Circular 1/2022, to financial credit establishments, on liquidity, prudential rules and reporting obligations, which amends Circular 1/2009 and Circular 3/2019**

### 1. Context

The main objective of Royal Decree 309/2020 on the legal regime of credit financial institutions is to establish the regulations applicable to them, including the solvency and liquidity obligations. In implementation of the powers set out in the Royal Decree, in June 2021 the BoS presented the public consultation on the draft circular to credit financial institutions on liquidity, prudential rules and reporting obligations with the aim of developing these matters contained in the Royal Decree.

In this context, the BoS has launched **Circular 1/2022**, to financial credit establishments, on liquidity, prudential rules and reporting obligations, which **amends Circular 1/2009 and Circular 3/2019**. The document sets the liquidity regulations applicable to financial credit institutions, and adapts the reporting obligations of credit institutions in matters of solvency and shareholder structure to the activity, business model, size and relative importance of financial credit institutions.

### 2. Main points

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

### 3. Next steps

- This Circular will enter into **force three months** after its publication in the Official State Journal (BOE).



03/03/2022

## Law 4/2022, of 25 February, on the protection of consumers and users in situations of social and economic vulnerability

### 1. Context

Article 51.1 of the Spanish Constitution establishes that the public authorities shall guarantee the defence of consumers and users. For the effective fulfilment of this mandate, the impact that the COVID-19 pandemic has had on consumer practices must be considered, causing an increase in the number of consumers in a situation of economic vulnerability. Along these lines, the New Consumer Agenda published by the European Commission (EC) in 2020 underlines the need to address the specific needs of consumers who, due to their characteristics or circumstances, require greater protection.

In this context, the General Courts have approved **Law 4/2022, of 25 February, on the protection of consumers and users in situations of social and economic vulnerability**, which adopts urgent measures to address certain situations of vulnerability affecting consumers and users. Specifically, the essential modification lies in the inclusion, for the first time in state consumer protection legislation, of the figure of the vulnerable consumer, which has made it necessary to adapt the law's protection regime to this figure.

### 2. Main points

- **Concept of vulnerable consumer.** Those natural persons who, individually or collectively, due to their characteristics, needs or personal, economic, educational or social circumstances, are in a special situation of subordination, defencelessness or lack of protection that prevents them from exercising their rights as consumers under conditions of equality, shall be considered vulnerable consumers, with regard to specific consumer relations.
- **Consumer information, training and education.** The reference to the figure of the vulnerable consumer is introduced, so that special attention will be paid to those sectors which, due to their complexity or characteristics, have a higher proportion of vulnerable consumers among their customers or users, paying precise attention to the circumstances that generate the situation of specific vulnerability.
- **Labelling and presentation of goods and services.** It is specified that special attention will be paid to vulnerable consumers and that all goods and services made available to consumers and users must be easy to access and understand and, in any case, must incorporate, accompany or, as a last resort, allow for obtaining, in a clear and comprehensible manner, truthful, effective and sufficient information on their essential characteristics, as detailed in the regulation.
- **Commercial information on goods and services.** It is determined that the necessary information to be included in the commercial offer must be provided to consumers or users, mainly in the case of vulnerable consumers, in clear, comprehensible and truthful terms and in an easily accessible format, in such a way as to ensure their proper understanding and allow them to make decisions that are in their best interests.
- **Contracts with consumers and users.** Two additional provisions are introduced referring to the Government's promotion of the financial inclusion of the most vulnerable people. The following aspects are covered:
  - Introduction of the necessary amendments to **guarantee personalised attention in payment services** for consumers and users in vulnerable situations who demand it, without discrimination due to the digital divide.
  - A **Plan of Measures** to promote the inclusion of the most vulnerable people, especially the elderly, in coordination with the Bank of Spain (BoS) and representatives of the financial sector. It should include, among other measures, the following:
    - The closure of bank branches should not be accompanied by the closure of their external ATMs.
    - An increase in the number of support staff to help the less digitally literate to carry out the necessary operations.
    - The installation of signs and indications of priority in the use of ATMs by vulnerable people.
    - Promote the reservation of ATMs for the exclusive use of vulnerable people.
    - Simple, understandable, inclusive and secure banking access technologies.
    - Maximum security, to protect bank users from theft, fraud and online scams.
    - online scams.
    - Any measures deemed necessary to guarantee face-to-face attention to groups with difficulties in using technological means and access to financial services in rural areas.

### 3. Next steps

- This law will enter into force on **the day following its publication** in the Official State Journal (BOE), with the exception of the modifications to the accessibility and legality requirements regarding contracts with consumers and users that use non-individually negotiated clauses, which will enter into force **three months** after its publication.
- The Government will promote, within **three months** of the entry into force of this law, legislative amendments to guarantee personalised attention in payment services.

29/03/2022

## Royal Decree-Law 6/2022 of 29 March adopting urgent measures in the framework of the National Response Plan to the economic and social consequences of the war in Ukraine.

### 1. Context

On 24 February 2022, Russia's invasion of Ukraine began. This situation is having major consequences at all levels. On the one hand, from a humanitarian point of view, it has led to the displacement of millions of refugees. On the other hand, it has aggravated the supply shock that the European economy has been suffering since the summer of 2021 due to the soaring price of natural gas and has also added uncertainty regarding its duration and intensity. This rise in energy prices is particularly affecting those sectors that use energy intensively and have little capacity to transfer it into prices, such as road transport, fisheries, agriculture and livestock farming. Finally, the rise in gas prices has also led to higher electricity prices, which has had an effect on inflation and in turn on household disposable income.

In this context, the Government has approved Royal Decree-Law 6/2022, on urgent measures in response to the economic and social consequences of the war in Ukraine, which aims to address the economic and social consequences of the war with short-term measures and measures to accelerate medium- and long-term action on energy transition.

### 2. Main points

- **Measures in the energy field.** These measures consist of:
  - Industry support measures. With effect from 1 January 2022 and until 31 December 2022, a support mechanism will be applied to the electricity-intensive industry consisting of a reduction in the electricity bill of 80 percent of the cost corresponding to the access tolls to the electricity transmission and distribution networks applicable at any given time. This reduction shall be applied by the electricity distribution company to the costs associated with access tolls to the electricity transmission and distribution networks applicable in each billing cycle. In order to compensate for the reduction in revenue, an extraordinary appropriation and support measures for the gas-intensive industry are granted.
  - Updating of the remuneration parameters of the standard installations applicable to certain electricity production facilities using renewable energy sources, cogeneration and waste.
  - Other measures regulating certain aspects of admission competitions. Capacity is released in the nodes reserved for competition for self-consumption (10 percent of the total available capacity in each of these nodes will be released).
  - Reducing the intensity of greenhouse gas emissions during the life cycle of fuels. The obligation to reduce the life-cycle greenhouse gas emission intensity of fuels and energy supplied in transport is established. These obligated parties are, for example, wholesale operators of petroleum products or companies engaged in the retail distribution of these products.
  - Extraordinary and temporary discount on the final price of certain energy products. An extraordinary and temporary rebate on the retail price of certain energy products and additives is approved. The beneficiaries will be those who purchase products such as petrol, diesel, liquefied petroleum gases (LPG), etc.
  - Provision of goods and services to be performed by wholesale operators of petroleum products. Wholesale operators of petroleum products with refining capacity in Spain and an annual turnover of more than 750 million euros must pay a quarterly non-tax public benefit for the period from 1 April to 30 June 2022, inclusive. (e.g. 0.05 Euro per litre of petrol, diesel, LPG, compressed natural gas (CNG), LNG, bioethanol, biodiesel).
- **Measures to support the economic and business sector.**
  - Measures to strengthen the liquidity of companies and the self-employed include the approval of a line of guarantees to cover, on behalf of the State, the financing granted by financial institutions to companies and the self-employed. The Ministerio de Asuntos Económicos y Transformación Digital may grant guarantees for a maximum amount of 10 billion euros until 31 December 2022.
  - Other measures to support the agricultural, livestock, fisheries, film and industrial property sectors also stand out.

### 3. Next steps

- This Royal Decree-Law came into force **the day after** its **publication** in the Official State Journal (BOE).



03/03/2022

## Report on the supervision of NFIS

### 1. Context

In 2017, Royal Decree-Law 18/2017 made it mandatory for issuers of securities on regulated markets to publish the Non-Financial Information Statement (NFIS). This regulation established the obligations imposed by the Non-Financial Reporting Directive (NFRD). In 2018, with the amendment of the Capital Companies Act, the information required in the NFRD was increased and the verification of this information by an independent audit service provider became mandatory. In 2019, the European Commission (EC) complemented the NFRD with a supplement on climate change disclosures. The following year, the European Parliament (EP) and the Council published the Taxonomy Regulation, which will oblige entities subject to the NFRD to include in their NFIS information on how and to what extent their activities qualify as environmentally sustainable, considering the taxonomy approved by the EU.

In this context, the CNMV has published a **Report on the supervision of NFIS and main areas of review for the next financial year**. The document describes the supervisory work carried out by the CNMV in relation to 2020 NFIS of issuers of securities traded on regulated markets in the EU. It also includes certain priority areas for the CNMV's supervision of 2021 NFIS.

### 2. Main points

- **Issuers subject to NFS publication.** Of the 145 issuers that sent individual annual accounts, and of the 136 issuers that issued consolidated annual accounts for the financial year 2020, only 43 were required to include the NFIS in their individual management report.
  - Four Ibex companies were not required to prepare the 2020 NFIS because they do not have more than 500 employees on average per year.
  - All issuers obliged by Royal Decree Law 18/2017 submitted the corresponding NFS verification report.
- **Supervision of non-financial information.**
  - Formal review. Different recommendations were sent to 14 issuers, and further information was requested from 3 issuers on the following issues: i) the location of the NFIS; ii) the frameworks used; and iii) the tables of contents.
  - Substantive review. There were recommendations to 16 issuers, and further information was required from 14 issuers, primarily in relation to the following aspects: i) consideration of dual materiality; ii) breakdown of their definition of value creation, and how the business model impacts and is impacted by non-financial issues; iii) the methodology and concepts considered for the calculation of the pay gap; iv) impacts of COVID-19.
  - Risks related to climate change and other environmental issues. Practically all the companies reviewed include at least one Greenhouse Gases (GHG) emissions indicator, providing scope 1; 90% provide scope 2 emissions; and 55% provide scope 3 emissions. However, of those that provide scope 3 emissions, less than half indicate that this scope includes indirect emissions from the use of the entity's goods and services by its customers. It is considered necessary, depending on their materiality, to provide more details of the scope and the methodology and inputs used, also segmenting the emissions by geographical areas and lines of activity.
  - Social and staff issues. About 20% of the companies in the selected sample do not provide comparative data on the pay gap, nor an explanation of its evolution. It is considered important to provide comparative data, an explanation of its evolution and, where relevant, a description of plans and measures to reduce the pay gap. Where relevant, a description of plans and measures to reduce the pay gap should be provided.
- **Special analyses performed.** The following special actions were carried out during the review of the NFS:
  - Increased monitoring of the impact of Covid-19 on NFI.
  - Analysis on the nature and scope of the verification of the NFIS, in 2019 and 2020.
- **Supervision Plan for 2021 NFIS.**
  - The European Securities and Markets Authority (ESMA) established in October 2021 the following priority topics for NFI to be included in the 2021 NFIS: i) the impact of the Covid-19 pandemic, ii) climate-related issues, iii) expected credit loss, iv) taxonomy-related disclosures.
  - The CNMV adds other recommendations such as: i) greater transparency regarding the carbon footprint of issuing entities; ii) an analysis of the perimeter of the NFIS and of the disclosures relating to the participation of the entity and its stakeholders in the value chain, and iii) a more detailed analysis of the consistency between the financial statements and the NFIS.
  - In addition to ESMA's priorities, the CNMV considers it relevant that the information required by the Taxonomy Regulation and its contents are adequately identified in the NFIS and traceable, and recommends the inclusion of a specific section relating to the requirements of the taxonomy in the table which identifies where the different contents of the NFIS can be found.





## 18/02/2022 2022 Stress Test Scenarios

### 1. Context

The Fed's stress tests evaluate the resilience of large banks by estimating their losses, revenues, expenses and resulting capital levels under hypothetical recession scenarios into the future, with the aim to ensure that large banks are able to lend to households and businesses even in a severe recession. In 2021, the Fed published hypothetical scenarios describing two supervisory scenarios (baseline and severely adverse) that the Fed used to conduct the 2021 stress test.

In this context, the Fed has released the **hypothetical scenarios for its 2022 bank stress tests** in which 34 large banks will be tested against a severe global recession with heightened stress in commercial real estate and corporate debt markets.

### 2. Main points

- **General aspects.** The scenarios start in the first quarter of 2022 and extend through the first quarter of 2025. Each scenario includes 28 variables; which are the same as the set provided in last year's supervisory scenarios. The variables describing economic developments within the US include:
  - Six measures of economic activity and prices (e.g. percent changes in real and nominal GDP).
  - Four aggregate measures of asset prices or financial conditions (e.g. indexes of house prices).
  - Six measures of interest rates (e.g. the rate on 3-month Treasury bills).
- **Baseline scenario.** The baseline scenario for the US is an economic expansion over the 13-quarter scenario period:
  - The unemployment rate to about 3.25 percent by the end of the scenario.
  - Real GDP growth declines from about 6 percent at the end of 2021 to around 2 percent at the end of the scenario.
  - CPI inflation also declines.
  - The 3-month treasury rate increases from around 0 percent to about 1.5 percent at the end of the scenario.
- **Severely adverse scenario.** The severely adverse scenario is characterized by a severe global recession accompanied by a period of heightened stress in commercial real estate and corporate debt markets. In this scenario:
  - The unemployment rate climbs to a peak of 10 percent in the third quarter of 2023, a 5.75 percentage point increase relative to its fourth-quarter 2021 level.
  - Real GDP declines more than 3.5 percent from the fourth quarter of 2021 to its trough in the first quarter of 2023.
  - CPI inflation falls from an annual rate of 8.25 percent at the end of 2021 to an annual rate of about 1.25 percent in the third quarter of 2022.
  - Short-term interest rates as measured by the 3-month treasury rate remain near zero throughout the scenario.
- **Global market shock component.** The global market shock is a set of hypothetical shocks to a large set of risk factors reflecting general market distress and heightened uncertainty. Banking organizations with significant trading activity must consider the global market shock as part of their supervisory severely adverse scenario.
- **Counterparty default component.** Large banks with substantial trading or custodial operations are required to incorporate a counterparty default scenario component into their supervisory severely adverse stress scenario for 2022 and recognize associated losses in the first quarter of the projection horizon.

### 3. Next steps

- Following the publication of what-if scenarios for the 2022 bank stress test, the Fed is expected to publish the stress test methodology by the **end of the first quarter** of this year.



09/02/2022

## Proposed rule on Cybersecurity Risk Management, Strategy, Governance and Incident Disclosure


### 1. Context

In 2011, the SEC published explanatory guidance setting out the Commission's views on the disclosure obligations of operating companies in relation to cybersecurity risks and incidents. Later in 2018, the SEC released new guidance to help operating companies determine when they may be required to disclose information about cybersecurity risks and incidents under existing disclosure rules. Disclosure by exchange-listed companies of both material cybersecurity incidents and cybersecurity risk management and governance has improved since the issuance of both guidelines. However, the Commission has noted that the current information is not sufficiently detailed and may not be sufficiently consistent, traceable and timely.

In this context, the SEC has **proposed new rules on Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure** to improve and standardise the disclosure of cybersecurity risk information by publicly traded companies subject to the reporting requirements of the Securities Exchange Act of 1934. The proposed rules would require current and periodic reporting of significant cybersecurity incidents. In addition, they would require periodic disclosure of policies and procedures for identifying and managing cybersecurity risk, including the impact of cybersecurity risks on business strategy and the role and expertise of management and the board of directors in cybersecurity.

### 2. Main aspects

- **Reporting of cybersecurity incidents.** It is proposed to require companies to disclose material cybersecurity incidents in their current Form 8-K reporting within four business days after the company determines that it has experienced a material cybersecurity incident. Specifically, the Form 8-K is amended by adding a new rule that would require a company to disclose specific information about a material cybersecurity incident, to the extent the information is known at the time of filling the Form 8-K.
  - In order to determine whether the incident is material, companies would need to thoroughly and objectively evaluate the total mix of information, taking into consideration all relevant facts and circumstances surrounding the cybersecurity incident, including both quantitative and qualitative factors.
- **Disclosure about cybersecurity incidents in periodic reports.** It is proposed a new rule, which would require companies to disclose.
  - Any material changes, additions, or updates to information required to be disclosed pursuant to amendments of Form 8-K, so the investors can stay informed of such developments. Additionally, the company may be able to provide information on the effect of the previously reported cybersecurity incident as well as a description of remedial steps it has taken.
  - Previously undisclosed individually immaterial cybersecurity incidents that have become material in the aggregate. Thus, companies would need to analyze related cybersecurity incidents for materiality, both individually and in the aggregate level.
- **Disclosure of a company's risk management, strategy and governance regarding cybersecurity risks.**
  - Risk Management and Strategy: It is proposed a new rule in order to require companies to disclose more consistent and informative disclosure regarding their cybersecurity risk management and strategy. Specifically, companies would be required to disclose its policies and procedures, if it has any, to identify and manage cybersecurity risks and threats, including: i) operational risk; ii) intellectual property theft; iii) fraud, extortion and harm to employees or customers; iv) violation of privacy laws and other litigation and legal risk; and v) reputational risk.
  - Governance: It is proposed a new rule in order to require companies to disclose its cybersecurity governance, including the board's oversight of cybersecurity risk and a description of: i) management's role in assessing and managing cybersecurity risks; ii) its relevant expertise, and iii) its role in implementing the company's cybersecurity policies, procedures and strategies.
  - Definitions: Proposed rule defines the terms: i) cybersecurity incident; ii) cybersecurity threat and iii) information systems.
- **Disclosure regarding the Board of Directors' cybersecurity expertise.** It is proposed a new rule, in order to require disclosure about the cybersecurity expertise of members of the board of directors of the company. To this end, the following is established:
  - The company would have to disclose the name(s) of any such director(s), and provide such detail as necessary to fully describe the nature of the expertise.
  - The company should consider the non-exclusive list of criteria included in the proposal, in order to reach a determination on whether a director has expertise in cybersecurity.

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- **Structured data requirements.** It is proposed to required companies to tag the information specified by the new disclosure rules in Inline XBRL. The proposed requirements would include block text tagging of narrative disclosures, as well as detail tagging of quantitative amounts disclosed within the narrative disclosures. Inline XBRL is both machine-readable and human-readable, which improves the quality and usability of XBRL data for investors.

### 3. Next steps

- Comments to the proposed rules should be received before **30 days** after its date of publication in the Federal Register, or **9 May 2022**, whichever occurs later.



15/02/2022

## Proposed rule on Private Fund Advisers and Cybersecurity Risk Management for Investment

### 1. Context

In 2010 the USA Congress passed the Dodd-Frank Act, which amended among other documents, the Investment Advisers Act, in order to increase the SEC's oversight responsibility for private fund advisers. However, the SEC continued to observe that private fund investments often lack of sufficient transparency and that advisers acts on conflicts of interest. On the other hand, the Investment Advisers Act and the Investment Company Act do not impose explicit cybersecurity requirements on advisers and funds and certain advisers and funds show a lack of cybersecurity preparedness, which puts clients and investors at risk.

In this context, the SEC have a **proposed new rules on Private Fund advisers; Documentation of registered investment adviser compliance reviews** which amends Investment Advisers Act. This proposed rules increase visibility into certain practices, establish requirements to address certain practices that have the potential to lead to investor harm, and prohibit adviser activity that is contrary to the public interest and the protection of investor. Furthermore, the SEC has proposed new rules on **Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies** amending the Investment Advisers Act and the Investment Company Act. These new rules address cybersecurity risks for advisers and funds, enhance disclosure of information regarding cybersecurity risks and significant cybersecurity incidents, and require the reporting of significant cybersecurity incidents to the SEC.

### 2. Main points

#### Private Fund Advisers: Documentation of Registered Investment Adviser Compliance Reviews

- **Quarterly Statements.** The proposed rule would require an investment adviser that is registered or required to be registered with the SEC to prepare a quarterly statement that includes certain information regarding fees, expenses, and performance for any private fund that it advises and distribute the quarterly statement to the private fund's investors within 45 days after each calendar quarter end.
- **Mandatory Private Fund Adviser Audits.** The proposed audit rule would require a registered investment adviser providing investment advice, directly or indirectly, to a private fund, to cause that fund to undergo a financial statement audit that meets the terms of the rule at least annually and upon liquidation, unless the fund otherwise undergoes such an audit.
- **Prohibited Activities.** The proposed rules would prohibit a private fund adviser to a private fund, directly or indirectly, from engaging in certain sales practices, conflicts of interest, and compensation schemes that are contrary to the public interest and the protection of investors.
- **Preferential Treatment.** The proposed rules prohibit all private fund advisers, regardless of whether they are registered with the Commission, from providing preferential terms to certain investors regarding redemption or information about portfolio holdings or exposures. Furthermore, it is proposed to prohibit these advisers from providing any other preferential treatment to any investor in the private fund unless the adviser provides written disclosures to prospective and current investors in a private fund regarding all preferential treatment the adviser or its related persons are providing to other investors in the same fund.
- **Compliance programme.** The proposed rules requires all SEC registered advisers to document the annual review of their compliance policies and procedures in writing. The rule does not enumerate specific elements that advisers must include in the written documentation of their annual review.

#### Cybersecurity Risk Management for Investment Advisers, Registered Investment

- **Cybersecurity Risk Management Policies and Procedures.** The proposed cybersecurity risk management rules would require all advisers and funds to adopt and implement cybersecurity policies and procedures containing certain elements. These measure would allow firms to tailor their cybersecurity policies and procedures to fit the nature and scope of their business and address their individual cybersecurity risks. The elements are:
  - Risk Assessment. The proposed rules would require advisers and funds, when conducting this risk assessment, to:
    - Categorize and prioritize cybersecurity risks based on an inventory of the components of their information systems, the information residing therein, and the potential effect of a cybersecurity incident on the advisers and funds.
    - Identify their service providers that receive, maintain or process adviser or fund information, or that are permitted to access their information system.
  - User Security and Access. The proposed rules would require controls designed to minimize user-related risks and prevent the unauthorized access to information and systems.
  - Information Protection. The proposed rules would require advisers and funds to monitor information systems and protect information from unauthorized access or use, based on a periodic assessment of their information systems and the information that resides on the systems.

On the other hand, proposed rules would require advisers and funds to review their cybersecurity policies and procedures no less frequently than annually. Furthermore, new recordkeeping requirements to advisers and funds are proposed.

- **Reporting of Significant Cybersecurity Incidents to the SEC.** The new rules on reporting requirements would require advisers to report significant cybersecurity incidents to the SEC by submitting the proposed Form ADV-C within 48 hours after having a reasonable basis to conclude that a significant adviser cybersecurity incident or a significant fund cybersecurity incident occurred or is occurring.
- **Disclosure of Cybersecurity Risks and Incidents.** The new rules proposed amends certain forms used by advisers and funds to require the disclosure of cybersecurity risks and incidents to their investors and other market participants. These proposals would address cybersecurity risks and incidents more directly. In particular, amendments are proposed to Form ADV Part 2A for advisers and Forms N-1A, N-2, N-3, N-4, N-6, N-8B-2, and S-6 for funds.

### 3. Next steps

- Comments to the proposed rules on Private Fund advisers and Cybersecurity Risk Management should be received before **30 days** after its date of publication in the Federal Register.
- The proposed rules on private fund advisers would be applicable **60 days** after the date of the publication of the rules in the Federal Register.
- A one- year **transition period** is proposed to provide time for advisers to come into compliance with the new rules on private fund advisers.



21/03/2022

## Proposed rules on the Enhancement and Standardization of Climate-Related Disclosures for


### 1. Context

In 2010 the SEC published guidance for issuers of securities or investments companies under the Securities Act and Exchange Act (hereinafter “ the companies”), on how the Commission's existing disclosure rules may require disclosure of the impacts of climate change on a company's business or financial condition. Since that time, as awareness of climate-related risks to businesses and the economy has grown, investors have increased their demand for more detailed information about its effects on a company's business and opportunities when conducting its operations and developing its business strategy and financial plans. However, there is considerable variation in the content, detail, and location of climate-related disclosures.

In this context, the SEC have proposed for public comments **New rules on the enhancement and standardization of climate-related disclosures for investors** that would require companies to provide certain climate-related information in their registration statements and annual reports, including certain information about climate-related financial risks and climate-related financial metrics in their financial statements.

### 2. Main points

- **Location of the Climate-Related Disclosure.** The proposed rules would include the climate-related disclosure rules in Regulation S-K and Regulation S-X. Specifically, it is proposed to require a company to include climate-related disclosure in Securities Act or Exchange Act registration statements and Exchange Act annual reports in a separately on Climate-Related Disclosure section and in the financial statements.
- **Disclosure of climate-related risks.** The proposed rules would require a company to disclose any climate-related risks reasonably likely to have a material impact on the it's business or consolidated financial statements. A company may also disclose, as applicable, the actual and potential impacts of any climate-related opportunities it is pursuing. For these purpose, the following has been proposed:
  - A definition on climate-related risks including definitions on **physical risk and transition risks**. The proposed rules would require a company to specify whether an identified climate-related risk is a physical or transition risk and to describe the nature of those risks.
  - A definition on climate-related opportunities. A company, at its option, may disclose information about any climate-related opportunities it may be pursuing when responding to the proposed disclosure requirements concerning governance, strategy, and risk management in connection with climate-related risks.
- **Disclosure regarding climate-related impacts.**
  - The proposed rules would require to disclose firstly, information about how any climate-related risks identified by the company have had or are likely to have a material impact on its business and consolidated financial statements, which may manifest over the short-, medium-, or long-term.
  - Secondly, it would be required to disclose the actual and potential impacts in a determined time horizon on its strategy, business model, and outlook of climate-related events. Additionally, it would be required to discuss how it has considered the identified impacts as part of its business strategy, financial planning, and capital allocation.
- **Governance and Risk management disclosure.** The proposed rules would require a company to:
  - Disclose, as applicable, certain information concerning the board's oversight of climate-related risks, and management's role in assessing and managing those risk.
  - Describe any processes the company has for identifying, assessing, and managing climate-related risks. These includes the adoption of a transition plan, which would describe a company's strategy and implementation plan to reduce climate-related risks and would be updated each fiscal year.
- **GHG emission metrics disclosures.** The proposed rules would require a company to disclose its GHG emissions for its most recently completed fiscal year. GHG emissions are defined to mean direct and indirect emissions of greenhouse gases. These proposed GHG emissions disclosure is based on the concept of Scope 1, Scope 2, and Scope 3 emissions, for which definitions have also been introduced.
  - Scope 1 and Scope 2 would be disclosed separately by all company and the Scope 3 emissions would be disclosed only if those emissions are material, or if the company has set a GHG emissions reduction target or goal that includes its Scope 3 emissions.
  - In addition to requiring the disclosure of its GHG emissions in gross terms, the proposed rules would also require a company to disclose the sum of its Scopes 1 and 2 emissions in terms of GHG intensity. If required to disclose Scope 3 emissions, a company would also be required to separately disclose its Scope 3 emissions in terms of GHG intensity.

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- **Attestation of Scope 1 and Scope 2 Emission Disclosure.** The proposed rules would require a company to describe the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions metrics.

### **3. Next steps**

- Comments to the proposed rules should be received before **30 days** after its date of publication in the Federal Register, or **20 May 2022**, whichever occurs later.





# 2Q Publications of the quarter

## Global publications



07/04/2022

### 2022 Work Programme

#### 1. Context

The FSB has published the **work programme for 2022** which aims to maximise the value of the FSB's global and cross-sectoral approach to financial stability policy. The FSB's work priorities reflect that financial challenges are global in nature and affect the financial system as a whole. These challenges include digitalisation, climate change and potentially also shifts in the macroeconomic and interest rate environment.

#### 2. Main points

- **Supporting international cooperation and coordination on current financial stability issues.** Against the backdrop of the Russia-Ukraine conflict and its economic impacts, the FSB is reinforcing its forward-looking monitoring to identify, assess and address new and emerging risks to global financial stability. Furthermore, work will also continue on policy responses to COVID-19 pandemic.
- **Enhancing the resilience of the non-bank financial intermediation (NBFi) sector.** The FSB's published a holistic review of the March 2020 market turmoil which lays out a comprehensive and ambitious work programme for strengthening the resilience of NBFi. Work in 2022 will focus on the specific issues identified in the holistic review, including on the USD funding and emerging market economy (EME) vulnerabilities and on the development a systemic approach to NBFi. For example, in April it is expected that the FSB will publish a Report on USD funding and EME vulnerabilities during the March 2020 turmoil.
- **Enhancing cross-border payments.** In October 2020, the FSB published a roadmap to address challenges and frictions in existing cross-border payment systems and processes. In 2022, the FSB will have to complete a number of actions under the roadmap, including the development of an approach to monitor progress against the quantitative targets; identification of gaps or areas for enhanced implementation in standards; and work on enhancing data sharing. In October, it is expected that the FSB will publish an annual report on implementation of the cross-border payments roadmap.
- **Harnessing the benefits of digital innovation while containing its risks.** The FSB will continue to work on the financial stability and regulatory and supervisory implications of technological innovation, with a particular focus on various forms of crypto-assets, including decentralised finance (DeFi).
- **Addressing financial risks from climate change.** The focus will be on building and strengthening the analytical basis for monitoring climate-related risks to financial stability and identifying regulatory and supervisory approaches to address climate-related financial risks. For example, in July it is expected that the FSB will publish a Report on the use of scenario analysis for climate-related risks.

# 2Q Publications of the quarter

## European obligations



PLATFORM ON  
SUSTAINABLE FINANCE



EUROPEAN  
COMMISSION

11/04/2022

**Final Report on Taxonomy extension options supporting a sustainable transition**

**Methodological report on technical screening criteria for environmental objectives of the Taxonomy Regulation**

### 1. Context

As set out in the Taxonomy Regulation (TR), the European Commission (EC) is required to deliver a report on describing the provisions that would be required to extend the scope of the TR. To this end, the EC asked the PFS for advice on extending the taxonomy to social objectives and the possible extensions of the taxonomy to classify a wider range of activities. On March 2022 the PSF published the Final Report on Social Taxonomy which summarises the main initial observations and recommendations on this mandated task. The EC also asked the PFS for advice on the technical screening criteria (TSC) on environmental objectives, as well as on the possible need to update those criteria, in order to assist the EC on the elaboration of the second delegated act for the remaining objectives of the TR.

In this context, the PSF has published the Final Report on Taxonomy extension options supporting a sustainable transition. When read together with the Platform's report on a future Social Taxonomy, this report presents a fuller picture of how the Taxonomy can and should develop in the near future. Additionally, the PSF has published the Methodological report on TSC for environmental objectives of the TR, which contains recommendations relating to TSC for objectives 3 to 6 of the TR, as well as recommendations to improve the design of the Taxonomy and the Taxonomy criteria.

### 2. Main points

#### Final Report on Taxonomy extension options supporting a sustainable transition.

The PSF recommends extending the TR to rank the activities as follows, highlighting that priority should be given to the first three in the list:

- **Unsustainable performance requiring an urgent transition to avoid significant harm.** These are activities that need to be improved urgently and could qualify for Taxonomy-recognised investment as part of a transition plan to avoid their current significantly harmful performance and move to intermediate performance levels.
- **Unsustainable, significantly harmful performance where urgent, managed exit/decommissioning is required.** These are activities that cannot be improved to avoid significant harm and will therefore remain always significantly harmful (ASH) and should be prioritised for Taxonomy-recognised transition investment as part of a decommissioning plan with a Just Transition effort.
- **Intermediate (or Amber) performance.** These are activities that operate between significantly harmful and substantial contribution performance levels and could qualify for Taxonomy-recognised investment as part of an intermediate/amber transition plan under which they continue to improve to stay out of significantly harmful performance.
- **Low environmental impact (LEnvi) activities.** These are activities that do not have a significant environmental impact and should not be regarded as either red, amber or green. This could allow enterprises or entities to show that their overall activities, while not considered green, do not cause environmental or social harm. It could also enhance their environmental credibility by ensuring that an entire portfolio, with a number of non-green investments, does not cause significant environmental harm. This classification should also encourage LEnvi enterprises to access green Taxonomy-aligned finance for their green investments and expenditures.

#### Methodological report on TSC for environmental objectives of the Taxonomy Regulation.

- **Taxonomy approach explained.** The PSF sets out the requirements and principles used to assess which economic activities should be included in the taxonomy and under which conditions. Furthermore, describes the NACE sector and economic activity-based framework under which criteria were established.
  - Whilst a harmonised methodology was applied across all four objectives, for the collection, assessment and structuring of the data, objectives were treated separately in order to obtain separate lists and rankings of economic activities.
  - The core of the EU taxonomy is the TSC, which define when an activity is assessed as environmentally sustainable. The PSF has selected a list of 44 activities/criteria, per environmental objective and has allocated them across the following eight sectors: i) Agriculture, forestry and fishing; ii) Mining and Processing; iii) Manufacturing; iv) Energy; v) Construction and buildings; vi) ICT, vii) Emergency Services; viii) Transport; ix) Restoration and Remediation and Tourism; x) Water supply; xi) Sewerage, and Waste Management.

- **Defining headline ambition levels for environmental objectives.** Defining substantial contribution to the Taxonomy environmental objectives requires an understanding of what the objectives are in terms of their end-state targets (headline ambition levels), how they interact and what sort of contribution should be expected through an implementing activity. In the same way TSC were provided for the objectives 1 and 2, the PSF has provided those same interpreted targets for objectives 3 to 6 of the TR. The principles for setting a headline ambition level of the four remaining objectives are: i) be science-based; ii) be based on international agreements that EU supports and iv) reflect EU's response to international agreements or EU's leadership on an objective.
- **Understanding Environmental Objectives.** Unlike circular economy (objective 4), or pollution (objective 5), the water and biodiversity objectives (3 and 6) require an understanding of when the desired end state has been reached and how that can be described in the context of different economic activities through TSC. For this reason, the PSF has developed substantial contributions to these objective, in order to complement TR and provide methodological guidance.
- **Recommendations.** The PSF sets out the recommendations and preliminary lessons learned from the process of developing criteria for the remaining four objectives of the Taxonomy, how these have added to the knowledge and understanding of the Taxonomy framework beyond the climate objective, and the work that would be needed to improve and evolve the Taxonomy over time. These recommendations include: i) ensuring synergy and consistency between criteria as the Taxonomy evolves ; ii) the proposal to review the existing do no significant harm criteria in the climate delegated act; iii) undertaking a horizontal analysis of adaptation approaches to climate; iv) clarifying for the using audience and future taxonomy developers understanding around the scope of economic activities and the link with assets and v) the development of measures to allow Taxonomy alignment below the level of an activity

A Technical Annex (Part B) supplements this report. The annex contains the TSC for economic activities contributing to all six environmental objectives of the TR, including the rationale for those criteria.

### 3. Next Steps

- Recommendations and the revised conceptual framework for economic activities qualified as contributing substantially to one or more of the environmental objectives (enabling activities) set out in the TR, are expected to be presented in the PSF supplement to this report by **May**. This report would include also activities such as forestry, agriculture, bioenergy for the objective related to biodiversity and waterborne transportation, manufacturing of chemical products and land transportation for the objective related to pollution.
- Beyond these activities, there are **other activities and criteria** that have proven particularly challenging and where evidence is lacking or the approach to delivering a substantial contribution is not yet clear. These activities are not currently undergoing any further development work, but are being considered for **future work**. One such activity is land-based mining and quarrying of minerals (other than coal, lignite, crude oil/petroleum or natural gas) and supplementary 20 activities aimed at preparing the crude materials for marketing.
- The adoption of the **delegated act** by the EC developing the aspects analyzed by the PSF, has been delayed from the initial date foreseen in the TR of 31 December 2021 and is expected to be adopted in the course of 2022. At the moment there is no further information on the new release date.



## 18/05/2022 Data Governance Act

### 1. Context

Over the last few years, digital technologies have transformed the economy and society, affecting all sectors of activity and daily life. Data is at the centre of this transformation: data-driven innovation will bring enormous benefits for citizens, for example through improved personalised medicine, new mobility, and its contribution to the European Green Deal, among others. In this sense, in November 2020 the European Commission (EC) published the Proposal on Data Governance Act for approval by the European Parliament and Council.

In this context, the European Parliament and the Council have approved the **Data Governance Act** which will set up robust mechanisms to facilitate the reuse of certain categories of protected public-sector data, increase trust in data intermediation services and foster data altruism across the EU. The aim of this new regulation is not to amend or remove the substantial rights on access and use of data, but to complement the Directive on open data and the re-use of public sector information.

### 2. Main points

- **Re-use of categories of protected data held by public sector bodies.** It applies to data held by public sector bodies which are protected on grounds of: i) commercial confidentiality; ii) statistical confidentiality; iii) protection of intellectual property rights of third parties; and iv) protection of personal data excluded from the scope of the Open Data Directive.
  - Prohibition of exclusive arrangements. An exclusive right to re-use data may be granted to the extent necessary for the provision of a service or a product in the general interest.
  - Conditions for re-use. Public sector bodies which are competent under national law to grant or refuse access for the re-use of data shall make publicly available the conditions for allowing such re-use of data and the procedure to request it. The conditions include, among others compliance with confidentiality obligations, intellectual property rights and specific obligations in case of transmission of data to a third country. Additionally, public sector bodies may provide for the following requirements to ensure that the protected nature of data is preserved (e.g guarantee of anonymity, modification or treatment of data) and may charge fees for allowing such re-use.
  - Single information point. Member States shall establish a new body or designate an existing body or structure as the single information point. On this information point it should be available an overview of all available data resources including conditions for re-use of data. The organism will receive requests for the re-use of data and shall transmit them to the competent public sector bodies. As a novelty, the possibility of creating a specific information channel for SMEs has been introduced.
  - Procedure for requests for re-use. As a novelty, a period of two months from the date of receipt of the request is established to take decisions on the re-use of the data.
- **Requirements applicable to data sharing services.**
  - Conditions for providing data intermediation services. Any provider of data sharing services who intends to provide certain services described in a previous proposal shall submit a notification to the competent authority, which must include certain information set out in the Regulation. The provision of services will also be subject to a number of conditions., which have been expanded in the final document.
  - Competent authorities. Each Member State shall designate in its territory one or more authorities competent to carry out the tasks related to the notification framework and to monitor and supervise the requirements applicable to data sharing services. This authorities shall be legally distinct from any provider of data sharing services.
- **Data altruism.** Each competent authority designated shall keep a register of recognised data altruism organisations and shall monitoring compliance with the requirements that the data altruism organization shall meet. The competent authority shall monitor and supervise the register of data altruism organisations, and shall have the power to request information and require cessation in the event of a breach.
- **European data innovation board.** The EC shall establish a European Data Innovation Board (“the Board”) in the form of an expert group. The board will assist the EC in facilitating cooperation between national competent authorities within the framework of this regulation and will advise about the prioritization of cross-sector standards to be used and developed for data use and cross-sector data sharing.

### 3. Next steps

- This Regulation shall enter into force on the **twentieth day** following that of its publication in the Official Journal of the EU and it shall apply **15 months** after its entry into force (expected in **September 2023**)
- Entities providing the data intermediation services shall comply with the obligations set out in the Regulation 39 months after the date of entry into force of this Regulation (expected in **September 2025**).

# 2Q Publications of the quarter

## European publications



06/04/2022

### Draft ITS on the amendments of supervisory reporting and disclosure requirements under Solvency II

#### 1. Context

In December 2020, the EIOPA published the Opinion on the 2020 review of Solvency II which propose a number of amendments to ensure that the regulatory framework remains fit for purpose. However, there is a need to implement amendments to reporting requirements within the current legal framework, without waiting for the Solvency II review because of the significant improvements that these changes would bring for insurers. In 2021 the EIOPA conducted a public consultation on the amendments of supervisory reporting and disclosure requirements under Solvency II. These proposed amendments involve changes to the EC Implementing Regulations published in 2015 on reporting and disclosure.

In this context, the EIOPA has published the **Draft Implementing Technical Standards (ITS) on the amendments of supervisory reporting and disclosure requirements under Solvency II** based on the feedback received following the publication of the consultation paper (CP). These proposal leads to fit-for-purpose reporting requirements, reduction of reporting costs for the majority of insurance undertakings and better supervision through the inclusion of some new information on emerging risks and new areas for which supervisors identified a number of data gaps.

#### 2. Main points

- **Disclosure.** The main changes to the EC implementing Regulation laying down ITS with regard to the procedures, formats and templates the solvency and financial condition report, are:
  - Templates for the solvency and financial condition report of individual undertaking. Insurance and reinsurance undertakings shall publicly disclose as part of their solvency and financial condition disclose several templates. Some of these templates have been modified, such as the one specifying information on premiums, claims and expenses by country.
  - Templates for the solvency and financial condition report of groups. Participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies shall publicly disclose several templates. As a novelty to the CP, the template on the specific information on the undertakings in the scope of the group has been deleted.
  - References to other documents in the solvency and financial condition report. Undertakings above mentioned can include in the solvency and financial condition report references to other publicly available documents. New with respect to the CP, is the removal of the requirement to not change for at least five years after the disclosure date the location of the other publicly available documents for which the solvency and financial condition report makes reference in the website of that undertaking.
  - Consistency of information. Insurance and reinsurance undertakings, participating insurance and reinsurance undertakings, insurance holding companies or mixed financial holding companies are responsible for the quality of the information disclosed.
- **Reporting.** The main changes to the EC implementing Regulation laying down ITS with regard to the templates for the submission of information to the supervisory authorities, include:
  - Changes to the quantitative reporting templates for individual undertakings, including captive insurance and captive reinsurance undertakings and groups.
    - The proposals include the **simplification of quarterly reporting** for all undertakings and elimination of some annual reporting templates for all undertakings. Other new features include the introduction of an annual quantitative template for individual institutions specifying information on climate risks for investments and an annual quantitative template for these institutions specifying information on cyber security underwriting risk.
    - Furthermore, the proposal takes into account the **specific nature of captive insurance** and captive reinsurance undertakings, and provides for specific arrangements for them, with reporting requirements adjusted to the nature, scale and complexity of their business and taking account of the different business models, and with a defined scope of reporting from a risk perspective (e.g specific quarterly and annual quantitative templates for these undertakings have been added).
    - Finally, the amendments includes **new thresholds** to better promote risk-based and proportionate reporting requirements, leading to exemptions of reporting certain templates for many undertakings. As a novelty to the CP, the undertakings within the scope of this regulation companies shall not submit the annual templates to which a reporting threshold applies when that threshold is not exceeded both in the current and the previous reporting year. However, they may submit them on a voluntary basis when the umbral mentioned is not exceeded. Additionally, under these condition they shall be exempted from reporting the annual templates concerned for the current and the following reporting year.

### 3. Next Steps

- As a novelty to the CP, the entry into force of the Implementing Regulations is amended to **31 December 2023**.

08/04/2022  
2022 climate stress test for IORPs

### 1. Context

EIOPA has to initiate and coordinate Union-wide assessments of the resilience of financial institutions to adverse market developments. In such assessments, EIOPA should consider the effects of economic scenarios on the Institutions for occupational retirement provision (IORP's) financial position, taking into account defined benefit (DB) and defined contribution (DC). Further, environmental risks and their effects on the financial stability of the IORP sector should be analysed. In 2019, EIOPA carried out a stress test to assess the resilience and potential vulnerabilities of the DB and DC. For the first time, this European exercise also covered an analysis of IORPs' integration of Environmental, Social and Governance (ESG) factors. However, only 30% of them had processes in place to manage ESG risks and only 19% of them assessed the impact of ESG factors on investments' risk and returns.

In this context, the EIOPA has launched its first **climate stress test to gain insights into the effects of environmental risks on the European occupational pension sector**. The stress test focuses on the impact on IORPs' investments, yet also addresses the effects on IORPs' financial situation, including the financing by sponsoring undertakings. Among the documents published are the reporting templates for the exercise and a support tool.

### 2. Main points

- **Objectives.** The 2022 IORP stress test has two main objectives:
  - Assessing IORPs' exposures to environmental risks, by estimating the impact of an adverse environmental scenario on the value of IORP's investments.
  - Assessing the effects of a rise in inflation on retirement income, by carrying out a qualitative analysis to assess the dependencies between inflation, loss of purchasing powers and mandatory or automatic (or discretionary) mitigating adaptation mechanisms.
- **Scope.** Consistently with previous IORP stress tests, only European Economic Area (EEA) countries with material IORP sectors, exceeding EUR 500m in assets at year-end 20203, are required to participate.
- **Processes.** Participating IORPs have to submit the reporting spreadsheets to their National Competent Authority (NCA) after completing the exercise, no later than 13 June 2022. The NCAs will validate the data submissions at the national level and will follow up with IORPs if inconsistencies are discovered.
- **Environmental risks: climate change scenario.** The scenario used in this exercise assesses IORPs' potential financial losses and short-term vulnerabilities in an assumed instantaneous shock triggered by a disorderly transition due to a sharp increase in the price of carbon emissions. This scenario is based on the disorderly transition scenario developed by the Network for Greening the Financial System (NGFS).
- **Assessing the effects of a rise in inflation.** To understand the potential effects of rising inflation levels, EIOPA developed a qualitative questionnaire to see in which ways the retirement income of members and beneficiaries and, where relevant, potentially the technical provisions of IORPs are affected. Further, some quantitative information is requested to or a high-level assessment as to how sensitive future retirement income (and technical provisions).

### 3. Next steps

- From **13 April to 16 May 2022**, participating IORPs can make use of a dedicated EIOPA Q&A process by contacting their national competent authorities.
- By **13 June 2022**, participating IORPs are expected to complete the exercise and submit the results to their national competent authorities.
- The results of the stress test are expected to be published in **December 2022**.

27/05/2022

## Discussion paper on physical climate change risks

### 1. Context

In 2020, and as part of the sustainability agenda to integrate environmental, social and governance risk assessment in the regulatory and supervisory framework, the EIOPA published the sensitivity analysis of climate-change related transition risks. This report quantifies potential climate-change related transition risks and presents insights into possible impacts on these investments as economies transition away from fossil fuel-dependent energy production and carbon-intensive production.

In this context, the EIOPA has published the **Discussion paper on physical climate change risks**, which is a follow-up to the report published in 2020. The Objective of the paper is to provide an assessment of the European insurance sector's exposure to climate-related hazards and inform future work in this field.

### 2. Main points

- **Approach and methodology.** The results presented in this report are primarily based on the data collected from large European insurance groups and solo undertakings. The selected sample provides (at least) 50% coverage at country level for 24 jurisdictions. The data collected refers to:
  - Year-end 2020 data on sum insured, number of buildings insured or losses among others.
  - Historical information on three diverse European natural disasters with different impacts in terms of regions impacted, number of countries impacted and year of occurrence (2013, 2017 and 2020).
  - Insurers' views and expectations for the next 10-20 years on the potential impact of long-term physical risks on their business strategies.
 The analysis focuses on three key weather related perils: windstorm, wildfire and coastal and river flood.
- **Main findings.**
  - Three major European natural catastrophes. The report finds that, historically, companies included in the sample have been well placed for handling the pursuing claims, but due to the increased frequency and severity of events, they will require companies to adapt their underwriting and reinsurance practices, particularly for flooding and windstorm.
  - Insured losses. Windstorm is already the most insured peril followed by river flood, wildfire, and coastal flood. The future evolution of these events may have major impacts on the (re)insurance sector. The insurance sector's ability to continue to offer financial protection against the consequences of these events relies on their ability to understand the likely impact of climate change and adapt their business strategies.
  - Current and expected impact of physical climate change risk. All property-related line of businesses are expected to be impacted by physical climate change risk and there is an emerging consensus that premiums are likely to increase and that adaptation and mitigation measures will play a crucial role in reducing the risk levels in the future.
  - Measurement methodologies. Physical risks are long-term risks for which a standardised methodology for their assessment is not yet widely and fully developed. The complexity and uncertainty in terms of time horizons and potential future pathway and developments make it difficult to precisely assess and quantify them.
  - Further work needed. Results highlight that more than 50% of the participants have not undertaken any climate change analyses so far and that many of them had difficulties in providing data to assess the risks that are likely to materialise in the coming years.

### 3. Next steps

- EIOPA plans, based on the feedback on this paper and pursuing discussions, to continue its analytical work in this field.



05/04/2022

## Guidelines for common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing

### 1. Context

The directive Capital Requirement Directive (CRD), mandates the EBA to draft guidelines for competent authorities, specifying the common procedures and methodologies for SREP and for the assessment of the organization and treatment of risks referred in the Directive. Additionally, the CRD empowers the EBA to issue guidelines to ensure that common methodologies are used by competent authorities (CAs) when conducting annual supervisory stress tests for SREP purpose. The first SREP Guidelines were published in December 2014 and updated in 2017. However, it was necessary to align the last version with the last regulatory developments that have taken place since then, such as the publication of CRD V and CRR II and the issuance by the EBA of other relevant guidelines and technical standards.

In this regard, the EBA has updated the **Guidelines for common procedures and methodologies for the SREP and supervisory stress testing**, taking into account the requirements of CRR II and the CRD V. The revision of the SREP Guidelines, while keeping the original framework with the main SREP elements intact, reflects the amendments at Level 1, which include, among other things, the introduction of the assessment of the risk of excessive leverage and the revision of the methodology for the determination of the Pillar-2 capital guidance (P2G). Additionally, the principle of proportionality is enhanced as well as the encouragement of cooperation among prudential supervisory authorities and money laundering and countering the financing of terrorism (ML/FT) supervisors, as well as resolution authorities.

### 2. Main points

CAs should ensure that the SREP of an institution covers the following components:

- **Categorisation of the institution.** CAs should categorise all institutions under their supervisory remit into 4 different categories. As a novelty, the categorisation takes into account the definitions of small and non-complex institutions as well as large institutions, as set out in the CRR II, to ensure consistency in the scope of application of proportionality within the overall regulatory framework.
- **Scoring framework.** These guidelines introduce two types of scores, the first one indicating the likelihood that the risks to capital, liquidity and funding will have a significant impact on the institution, while the second type indicates the magnitude of risks to the institution's viability.
- **Monitoring of key indicators.** CAs should engage in regular monitoring of key financial and non-financial indicators to monitor changes in the financial conditions and risk profiles of institutions, as well as to identify the need for updates to the assessment of SREP elements in light of new material information outside of planned. As a novelty, indicators used for monitoring should include, where available, indicators based on quantitative or qualitative information from reporting provided to competent authorities that may point to ML/TF risk.
- **Business model analysis (BMA).** CAs should conduct regular BMA to assess business and strategic risks and determine the viability of the institution's current business model. As a novelty, CAs should also use the BMA to assess prudential implications of ML/TF risks known to them, linked to the business model of the institution. Furthermore, when identifying key vulnerabilities CAs shall consider the ESG risks and their impact on the viability and sustainability of the business model and long-term resilience of the institution.
- **Assessment of internal governance and institution-wide controls.** CAs should assess whether or not an institution's internal governance arrangements are adequate for and commensurate with the institution's risk profile, business model, nature, size and complexity. As a novelty, these assessment should include the verification of the existence of governance arrangements and mechanisms to ensure that the institution complies with applicable Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) requirements.
- Assessment of risks to capital. CAs should assess and score the risks to capital that have been identified as material for the institution. As a novelty:
  - CAs should consider ML/TF risks within the context of the assessment of the different risks.
  - Regarding the assessment of credit and counterparty risk it is aggregated the assessment of: i) the equity risk in the banking book; ii) the real-estate risk and iii) model risk for regulatory approved models
  - When assessing market risk for institutions which do not meet the conditions of the small trading book as set out CRR II CAs should consider the relevance and materiality of fixed subcategories of risks set in the Guidelines.
  - When assessing operational risk, CAs should also consider conduct risk, model risk and ICT risk.
  - Assessment of the interest rate risk of an institution's non-trading book activities (IRRBB) should be differentiated from assessment of credit spread risk arising from positions in the non-trading book.

- **Assessment of the adequacy of the institution's own funds.** CAs should determine through the SREP capital assessment whether the own funds held by the institution provide sound coverage of risks to capital to which the institution is or might be exposed, if such risks are assessed as material to the institution. As a novelty:
  - The reference to the CRR II Pillar 1 own funds requirements is added.
  - When setting the additional own funds requirements and where relevant, guidance, CAs should: i) take into account any supervisory measures that the CA has applied or is planning to apply to an institution; ii) clearly justify all elements of additional own funds requirements for Pillar 2 requirements (P2R) and P2R-leverage ratio (LR) as well as for P2G and P2G-LR; and iii) apply P2R and P2R-LR as well as P2G and P2G-LR in a consistent manner to ensure broad consistency of prudential outcomes across institutions.
  - CAs should determine additional own funds requirements for risks other than the risk of excessive leverage, where they identify specific situations set in the Guidelines.
  - In accordance with the CRD V, CAs should assess the risk of excessive leverage separately from other types of risk
  - CAs should determine the Total SREP leverage ratio requirement (TSLRR) and the Overall leverage ratio requirement (OLRR).
- **Assessment of risks to liquidity and funding and the SREP liquidity assessment.** CAs should assess the risks to liquidity and funding that have been identified as material for the institution. As a novelty CAs should include the information from AML/CFT, when conducting these assessment. Also, CAs should assess whether institutions have an appropriate reporting framework for liquidity and funding risk. Regarding the SREP assessment, two new approaches are added to articulate the specific quantitative stable funding requirements.
- **Overall SREP assessment and application of supervisory measures.** CAs should exercise their supervisory powers on the basis of deficiencies identified during the assessments of the individual SREP elements and taking into account the overall SREP assessment. As a novelty, in order to address these deficiencies, CAs should consider whether supervisory measures are needed to address prudential deficiencies/vulnerabilities related to ML/TF risks. Furthermore, two new chapters are included: i) instructions on supervisory reaction to a situation where P2G is not met and ii) instructions on interaction between supervisory and AML/CFT measures.
- **Supervisory stress testing.** CAs should, also, use supervisory stress testing to facilitate the SREP and, in particular, supervisory assessment of its key elements, which are described in these guidelines. Furthermore, supervisory stress testing should help CAs to assess supervisory organisational procedures and to plan supervisory resources, considering also other relevant information.

### 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 **2 months** after the publication of the translations.
- These updated guidelines apply from **1 January 2023**.

20/06/2022

## Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer

### 1. Context

Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (ML/TF) requires that credit or financial institutions have in place policies, controls and procedures to mitigate and manage effectively the risks of ML and TF. Past evidence has revealed differences in the interpretation, as well as uneven implementation of the requirements of this Directive. The EBA has a mandate to lead, monitor and coordinate the EU financial sector's fight against ML/TF. In line with this mandate, in August 2021 the EBA issued the Draft Guidelines on the role of anti-money laundering and countering the financing of terrorism (AML/CFT) compliance officers, in order to clarify the role of AML/CFT compliance officers in credit and financial institutions.

In this regard, the EBA has published its final **Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer**, which comprehensively address, for the first time at the level of the EU, the whole AML/CFT governance set-up. These guidelines specify the role, tasks and responsibilities of the AML/CFT compliance officer, the management body and senior manager in charge of AML/CFT compliance as well as internal policies, controls and procedures. They complement, but do not replace, relevant guidelines issued by the European Supervisory Authorities on wider governance arrangements and suitability checks.

### 2. Main aspects

- **Scope of application.** These guidelines apply to credit or financial institutions and to all existing management body structures, irrespective of the board structure used across Member States.
- **The role and responsibilities of the management body in the AML/CFT framework.** The management body should be responsible for approving the institution's overall AML/CFT strategy and for overseeing its implementation. Specific duties can be distinguished depending on the function of the management body:
  - The role of the management body in its supervisory function. The main tasks are among others: i) overseeing and monitoring the implementation of the internal governance and internal control framework; and ii) ensuring that the member of the management body or, where applicable the senior manager, comply with specific knowledge requirements (e. g. sufficient knowledge and experience regarding ML/TF risks, and the implementation of AML/CFT policies).
  - The role of the management body in its management function. The main tasks are: i) implement the organisational and operational structure necessary to comply with the AML/CFT strategy adopted by the management body; ii) ensure implementation of internal AML/CFT policies and procedures; iii) review the AML/CFT compliance officer's activity report, at least annually; iv) ensure adequate, timely and sufficiently detailed AML/CFT reporting to the competent authority and vi) where applicable, ensure compliance with the ESAs guidelines on outsourcing arrangements and on internal governance.
- **The role and responsibilities of senior manager responsible for AML/CFT.** Where no management body is in place, the institution should appoint a senior manager who is ultimately responsible for the implementation of the laws, regulations and administrative provisions necessary to comply with Directive on ML/TF.
- **The role and responsibilities of the AML/CFT compliance officer.**
  - The AML/CFT compliance officer should be appointed at management level and should be part of the second line of defence. As such, some conditions should be met: i) the independence of the compliance officer from the business lines or units he/she controls ii) direct access to all information that is necessary to the performance of his/her function and iii) the possibility to report significant incidents.
  - When the management body decides not to appoint a separate AML/CFT compliance officer, the reasons should be justified and documented, and explicitly refer to specific criteria set in the Guidelines.
  - Compliance officer should possess specific skills, knowledge and experience, as well as fulfill suitability requirements.
  - The role and tasks of the AML should be clearly defined and documented. These Guidelines develops each of them (e.g development of a risk assessment framework and policies and procedures)
  - Where the outsourcing of operational functions of the AML/CFT compliance officer is permitted, the Guidelines lists some key principles to be considered.
- **Organisation of the AML/CFT compliance function at group level.** Where a financial services operator is part of a group, a Group AML/CFT compliance officer in the parent company should be appointed to ensure the establishment and implementation of effective group-wide AML/CFT policies and procedures. The EBA describes also the main task and expects the compliance officer to cooperate fully with the compliance officer of each entity.

### 3. Next steps

- The deadline for competent authorities to report whether they comply with the guidelines will be **six months** after the publication of the translations of these guidelines.
- The guidelines will apply from **1 December 2022**.



24/06/2022

## Principles that should be applied in ensuring representativeness of the IRB-relevant data impacted by the COVID-19 pandemic and related measures

### 1. Contexto

The COVID-19 pandemic and in particular the measures implemented by member states and by the EU to counter the health and the related economic crisis, have impacted the IRB-relevant data. This is due to the change in the contracts of institutions with their obligors in relation to the application of moratoria and public guarantee schemes (PGS), and also because of the impact that COVID-19 support measures have had in the input parameters relevant for the application of a rating model (other than moratoria and PGS), such as in the case of direct payments that impact the obligor's financial data or behavior.

In this context, the EBA has published **the Principles that should be applied in ensuring representativeness of the IRB-relevant data impacted by the COVID-19 pandemic and related measures**. The objective is to maintain their validity and usefulness.

### 2. Main aspects

Este Borrador se basa en cuatro principios:

- **Principle 1.** The guidance on the assessment of data representativeness laid down in the EBA Guidelines on PD and LGD should be applied also in the case of COVID-19-impacted data.
- **Principle 2.** A significant decrease in applied IRB risk parameters compared to the pre-crisis levels indicates a potential lack of representativeness and should be analysed in more depth:
  - Institutions should analyse the drivers of this decrease, paying particular attention to any potential representativeness issues on input parameters.
  - Institutions should assess if comparable values of those input parameters triggering the improvements can be observed in the historical data set used for the relevant model development.
- **Principle 3.** Institutions should assess whether a re-calibration, taking into account data impacted by the pandemic is necessary. Where there are indications of non-representativeness, institutions should postpone any recalibration to lower long-run averages including the most recent data until it is sufficiently certain that the trend of decreased realisations (e.g. default rates) is not driven by the extraordinary COVID-19 support measures.
- **Principle 4.** The EBA recommends that potential downward recalibrations of downturn LGD in the context of the pandemic be postponed at least until the effects of the crisis have fully materialised in the observed loss rates.

### 3. Next steps

- The EBA is currently working on a supervisory handbook, which aims to clarify the existing requirements applicable for the validation of regulatory credit risk models under the IRB approach. These principles will be part of this handbook, which the EBA will publish before the **end of the year 2022**.

23/05/2022

## Public Statement on the Transparency on implementation of IFRS 17 Insurance Contracts

### 1. Context

In May 2017, the International Accounting Standards Board (IASB) published the IFRS 17 which replaces the requirements of IFRS 4. This new standard includes principles-based requirements that aim to improve the comparability of the measurement and presentation of insurance contracts across issuers. Its effective date of application in the EU is 1 January 2023.

In this context, the ESMA has published **the public statement on the transparency on implementation of IFRS 17 Insurance Contracts** in order to promote its consistent application and implementation by issuers. In this statement, the ESMA highlights the need for issuers to provide relevant and comparable information in their financial statements that enables users to assess the possible impact that IFRS 17 will have in the period of initial application.

### 2. Main points

- **Transparency on implementation and effects of IFRS 17.** IFRS 17 introduces a new measurement and presentation model, so it is particularly relevant to disclose known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.
- **Good disclosure practices.** ESMA recognizes good disclosure practices to consider in case an issuer expects the application of IFRS 17 to have a significant impact on its financial statements.
  - Relevant disclosures on significant judgements, estimates and accounting policies should be provided to enable users of the financial statements to assess the effects that insurance contracts will have on the financial position, financial performance and cash flows of the issuer.
  - The disclosures should explain how the accounting currently reported on different types of insurance contracts are likely to differ under IFRS 17 in relation to:
    - Key items in the statement of financial position, such as **insurance liabilities, insurance assets and equity**.
    - Key items of the **statement of comprehensive income**.
    - Any changes in the **expected profitability patterns** of portfolios of insurance contracts.
- **2022 IFRS interim financial statements.** ESMA is of the view that for those issuers it would be appropriate to provide disclosures about the changes in the accounting policies and their impacts on the financial statements prior to their 2022 annual financial reports.
- **2022 IFRS annual financial statements.** ESMA expects that the 2022 annual financial statements provide the quantitative impact of the application of IFRS 17 and explain the changes compared to the amounts reported under IFRS 4, disaggregated as appropriate.

### 3. Next steps

- ESMA, and the National Competent Authorities, will consider how the recommendations in the public statement have been implemented by issuers in their **interim and annual financial statements 2022**.



09/05/2022

## Joint Consultation Paper on sustainability disclosures for STS securitizations

### 1. Context

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

In this context, the ESAs have published the **Joint Consultation Paper on sustainability disclosures for STS securitizations**, which provides the content, methodologies, and presentation of information about the principal adverse impacts on sustainability factors of the assets financed by the underlying exposures of securitisations.

### 2. Main points

- **Format of disclosure.** Disclosure is achieved by use of a “Principal adverse impact statement” (PAI statement) presented in the template set out in the Annex of this draft RTS.
- **Sustainability policies.** The originator shall provide a concise explanation of whether and, if so, how PAIs on sustainability factors are taken into account in the originator’s credit granting criteria and in the selection of underlying exposures to be added to the pool at the time of marketing.
- **Selection of PAI indicators to be reported in the annual principal adverse sustainability impacts statement.** There is a set of mandatory indicators and a set of additional indicators (social/governance and environmental). Of the additional ones, the use of at least one social/governance and at least one environmental indicator is required. The mandatory indicators for each type of asset are:
  - Non-green asset ratio. Originators are required to disclose the share of non-green assets ratio (i.e. 100% assets minus GAR) in the PAI statement.
  - Indicators relating to residential real estate. It includes two types of indicators: i) the exposure to energy-inefficient real estate assets; and ii) the proportion of loans to households secured by residential immovable property that are not contributing to the environmental objective of climate change mitigation.
  - Indicators relating to auto loans and leases. These include: i) exposure to vehicles that do not comply with the ‘zero-and-low emission’ definition; ii) exposure to vehicles which fail to meet air pollution thresholds and standards.

### 3. Next steps

- Comments to this document can be sent before **2 July 2022**.
- The final RTS will be submitted to the European Commission (EC) and will enter into force on the **twentieth day** following that of its publication in the Official Journal of the European Union.



30/05/2022

### Results of the 2021 Climate Biennial Exploratory Scenario: Financial risks from climate change

#### 1. Context

The Bank of England (BoE) regularly conducts two types of exercise, the annual solvency stress tests and biennial exploratory scenarios (BES). Running BES allows to probe the resilience of the UK financial system to a wide range of risks. In this respect, in June 2021 the BoE launched the first round of the Climate Biennial Exploratory Scenario (CBES). Participating banks and insurers were required to produce loss projections under the three published scenarios, as well as responses to a qualitative questionnaire. In February 2022 the Bank launched a second round, which focused on exploring in greater depth banks' and insurers' prospective responses to climate risks.

In this context, the BoE has published the **Results of the 2021 CBES** which is the first exploratory scenario exercise on climate risk, involving the largest UK banks and insurers hereinafter referred to as "firms") aiming to assist in ensuring the financial system is resilient to climate-related financial risks. It was also intended to improve firms climate risk management, size the risks that participants in the exercise face and better understand the potential responses to climate-related risks and their broader implications. In general, all participating firms have more work to do to improve their climate risk management capabilities.

#### 2. Main points

- **Scope.** i) The exercise required participants to make granular assessments of their largest counterparties; ii) particular emphasis was placed on firms' ability to evaluate the net-zero transition plans of their corporate counterparties; and iii) the exercise focused on participants' responses to climate risks to a greater extent.
- **Main findings on firms' climate risk management.** Among the main findings are:
  - **Banks** have made good progress in integrating climate risk into their existing risk governance structures and reporting frameworks, as well as in identifying their portfolios which may be most sensitive to climate risks. However, face challenges in accurately quantifying the level of risk they are exposed to. On the other hand, progress in relation to risk appetite and risk assessment has been significantly hampered by a lack of standardised data of sufficient quality.
  - **Insurers** have also made good progress in incorporating climate risk into their existing risk governance frameworks, but also noted numerous data challenges that they faced in estimating potential losses on their invested assets. It highlights the variety of physical risk models across firms.Firms will need to prioritise investment in their **internal modelling and data capabilities** and doing more to **scrutinise data and projections** supplied by third-party providers. The inability to capture appropriate and robust data in certain areas is a common limitation, which means many climate risks are only being partially measured.
- **Main findings on firms' exposures to climate risks.** The loss estimates presented are based on the simplifying assumption that banks' and insurers' balance sheets stay fixed over the scenario horizon, remaining as they stood at end-2020. In reality, firms business models are likely to respond to climate risks over time. Among the main findings are:
  - Across scenarios, participants' projections show that if firms do not respond effectively, climate risks could cause a persistent and material drag on their profitability. Loss projections are equivalent to an annual drag on profits of around 10-15% on average. Losses of this magnitude could make individual firms, and the financial system overall, more vulnerable to other future shocks.
  - The overall costs to them from the transition to net zero should be bearable without substantial impacts on firms' capital positions. These costs will be lower if early, well-ordered action is taken.
  - Projected loss rates from individual firms spanned a wide range. This suggests significant uncertainty around the true magnitude of these risks, reflecting the fact that participants' climate risk assessment techniques are still developing.
- **Main findings on firms' responses to climate-related risks.** This part of the CBES exercise explores the implications of firms' responses to climate risk for the provision of financial services, and to assess firms' ability to take a strategic, long-term approach to managing climate risks and adapting their business models. Among the main findings are:
  - UK firms typically responded to all three scenarios in this exercise by following their existing plans around the transition to net-zero emissions.
  - They also reported plans to reduce their exposure to carbon-intensive sectors and households which were most exposed to physical risks. That means that many of them may struggle to access finance as the transition progresses, especially from banks.
  - Participating firms identified more business opportunities in the transition scenarios than in the No Additional Action scenario (NAA) scenario, and banks were able to quantify more new opportunities than life insurers in this exercise.

### 3. Next steps

- The Bank will give firm-specific feedback to participants, and will use findings from the CBES to help target their efforts.
- Also, evidence gathered through the CBES will help the PRA to assess firms' progress against the PRA's expectations in this area, and help to reveal where more intensive action is needed by firms.
- This exercise will not be used to set capital requirements related to climate risk.





## 11/05/2022 Insurance Stress Test 2022

### 1. Context

The PRA runs its own stress tests on a periodic biennial basis for a number of insurance firms. These exercises assess the financial resilience of the life and general insurance sector in severe but plausible common scenarios, tailored to the vulnerabilities of the sector. The Insurance Stress Test 2019 was the third PRA exercise for general insurers and the first one for life insurers since the introduction of Solvency II. This exercise incorporated asset and liability shock scenarios as well as a number of exploratory scenarios, including a climate change exercise.

Following the request for technical input launched on January 2022, the PRA has launched the 2022 Insurance Stress Test. For that purpose, the PRA has selected 17 large regulated life insurers and 17 large regulated general insurers to provide information about the impact of a range of stress scenarios on their business. Some novelties compared to the previous exercise that was conducted in 2019 have been introduced, such as the obligation to provide a results and basis of preparation (RBP) report in which each firm is required to set out in its governance process and quality assurance in completing this exercise. In addition to this report, quantitative templates specifying the nature and structure of the numerical information needs to be provided, together with the instructions for completing these templates.

### 2. Main points

#### Life Insurance stress test

- **Structure of the life insurance stress test (scenario).** This exercise consists of one scenario with four stages, designed to capture adverse economic, liquidity, counterparty and longevity shocks. All four stages are designed to represent a set of events that could develop over a year.
  - **Stage 1.** This is designed to represent an initial market shock where the impact is assessed prior to any management actions in relation to new reinsurance agreements or external trading in financial investments (including derivatives).
  - **Stage 2.** This follows on from the initial market shock to capture a lagging shock to credit ratings, commercial property and residential property.
  - **Stage 3.** 12 months after the initial market shock. The impact is assessed after a limited range of management actions such as orderly implementation of external trading of liquid financial investments including derivatives.
  - **Stage 4.** This is an alternative end state to Stage 3 and incorporates an increase to longevity expectations.
- **General description of templates.** The templates are in Excel format and should be submitted to the PRA through the portal provided for this purpose. The information to be provided includes, among others: i) basic information about the firm; ii) pre-stress information (e.g. balance sheet); iii) results of the insurance firm stress test.
- **RBP report.** Firms should disclose in the RBP report what management actions they have assumed at each stage of the scenario and how this would impact their own funds and capital requirements.

#### General Insurance stress test

- **Structure of the life insurance stress test.** The exercise contains several scenarios:
  - **Natural catastrophe scenario.** These are: i) US hurricanes scenario; ii) California Earthquake scenario; iii) UK windstorm and flood scenario.
  - **Cyber underwriting scenarios.** These are: i) “cloud down” scenario; ii) “data exfiltration” scenario; iii) “systemic ransomware” event. In addition to these, the company is asked to provide details of a scenario of its own if the loss for such a scenario is higher than in any of the scenarios proposed by the PRA.
- **General description of templates.** The information to be provided includes, among others: i) basic information about the firm; ii) 2021 year-end balance sheet; iii) planned movement in basic own funds for the year ending 31 December 2022; iv) 7 sets of templates for scenarios

### 3. Next steps

- The requested information must be submitted by **28 September 2022**.



24/06/2022

## Consultation Paper (CP) 6/22 on Supervisory Statement (SS) on Model risk management principles for banks

### 1. Context

The PRA considers firms' use of models as a key basis for informing important business decisions, to have increased significantly in recent years. This is due, in part, to new regulations and reporting requirements (eg IFRS 9), and regulatory expectations in respect of stress testing. The PRA has found evidence of poor model risk management (MRM) and these could lead to adverse consequences that pose risks to the safety and soundness of firms and overall financial stability.

In this context, the PRA has launched the **Consultation Paper (CP) 6/22 on Supervisory Statement (SS) on Model risk management principles for banks**, which sets out the PRA's proposed expectations regarding banks' management of model risk. The PRA has developed a proposed set of principles which it considers to be key in establishing an effective MRM framework. These proposed principles covers all elements of the model lifecycle and would be applicable to all types of models that are used to inform key business decisions, whether developed in-house or externally (including vendor models) and models used for financial reporting purposes. Lastly, these proposals are intended to complement, not supersede, existing requirements and supervisory expectations that are currently in force for selected model types.

### 2. Main aspects

- **Scope of application.** This CP is relevant to all firms in the wider banking sector and their external auditors, although the PRA proposes that firms that qualify as a "simpler-regime firm" would apply Principle 1 in full, but would be expected to only focus on the basic elements of Principle 2.
- **Implementation and ongoing self-assessment.** The PRA proposes that:
  - By the implementation date of the Policy, all firms applying the proposed principles would have undertaken an initial self-assessment against the proposals and, where necessary, prepared remediation plans to address any identified shortcomings. That self-assessments should be updated annually thereafter, and any remediation plans should be reviewed, updated on a regular basis and shared with firms' boards in a timely manner.
  - A board appointed accountable individual for MRM would be responsible for ensuring remediation plans are in place with clear ownership for any actions needed.
- **Model risk management principles.** The PRA proposes that firms meet five model risk management principles, designed to cover all elements of the model lifecycle. The proposed principles set out what the PRA considers to be the core disciplines necessary for a sound MRM framework to manage model risk effectively across all model and risk types. The PRA's proposed MRM principles are:
  - Principle 1: Model identification and model risk classification. Firms have an established definition of a model that sets the scope for MRM, a model inventory, and a risk-based tiering approach to categorise models to help identify and manage model risk.
  - Principle 2: Governance. Firms have strong governance oversight with a board that promotes an MRM culture from the top through setting clear model risk appetite. The board approves the MRM policy and appoints an accountable individual to assume the responsibility to implement a sound MRM framework that will ensure effective MRM practices.
  - Principle 3: Model development, implementation and use. Firms have a robust model development process with standards for model design and implementation, model selection, and model performance measurement.
  - Principle 4: Independent model validation. Firms have a validation process that provides ongoing, independent, and effective challenge to model development and use.
  - Principle 5: Model risk mitigants. Firms have established policies and procedures for the use of model risk mitigants when models are under-performing, and have procedures for the independent review of post-model adjustments.
- **Senior Management Function (SMF) accountability for model risk management framework.** The PRA proposes that firms would identify and allocate responsibility for the overall MRM framework to the most appropriate SMF holder, with the responsibility for the risks resulting from models operated by the firm, and ensure the responsibilities in the SMF's Statement of Responsibilities reflect this.
- **Financial reporting and external auditors.** The PRA proposes that firms report on the effectiveness of MRM for financial reporting to the audit committee on a regular basis, and at least annually, and ensure that this report is available on a timely basis.
- **Artificial Intelligence (AI) and Machine Learning (ML) models.** The proposed SS provides a cross-cutting definition of a model, and defines the overarching framework for firms' MRM. As such, the proposals in this CP set out principles and expectations that apply to all models, including the use of AI technology in modelling techniques such as ML.

### 3. Next steps

- The responses to this CP shall be submitted by **21 October 2022**.
- The PRA proposes that the implementation date would be set at **12 months** following the publication of the final SS.
- In future, the PRA may seek to rationalise existing references to MRM under a single overarching policy framework, where the proposed broad expectations would be applicable to all model and risk types.



02/06/2022

## Proposed rules on the Enhanced Disclosures by Certain Investment Advisers and Investment Companies about ESG Practices

### 1. Context

Currently, funds and registered advisers are subject to disclosure requirements concerning their investment strategies. However, there are no specific requirements about what a fund or adviser following an ESG strategy must include in its disclosures. Also, the information concerning how they consider ESG factors in their investment strategies is inconsistent. All these factors increase the risk of greenwashing and also makes it difficult for investors to understand the fundamental characteristics of an ESG fund or an adviser's ESG strategy in order to make a more informed investment decision.

In this context, the SEC have proposed for public comments **New rules on the enhanced disclosures by certain investment advisers and investment companies about ESG investment practices**. The proposed rules and form amendments are designed to create a consistent, comparable, and decision-useful regulatory framework for ESG advisory services and investment companies to inform and protect investors while facilitating further innovation in this area of the asset management industry.

### 2. Main points

- **Proposed Fund Disclosures to Investors.** The proposed rules would require registered funds to disclose to investors how they incorporate ESG factors into their investment selection processes and in their investment strategies. Funds that meet the proposed definition of Integration Fund would provide more limited disclosures than ESG-Focused Funds:
  - Proposed Integration Fund disclosure: An Integration Fund, for this purpose, would be a fund that considers one or more ESG factors along with others in its investment decisions, which are generally no more significant than other factors. These funds would be required to summarize in the fund's prospectus how the fund incorporates ESG factors into its investment selection process, including what ESG factors the fund considers and, where applicable, the ways in which funds consider GHG emissions.
  - Proposed ESG-Focused Fund disclosure: An ESG-Focused Fund would mean a fund that focuses on one or more ESG factors by using them as a significant or main consideration in selecting investments or in its engagement strategy with the companies in which it invests. This definition includes also the Impact Funds, which seeks to achieve a specific ESG impact or impacts. ESG-Focused Funds would provide key information about their consideration of ESG factors in a tabular format in the fund's prospectus. An Impact Fund would have additional disclosure requirements (e.g how the fund measures progress towards the stated impact).
  - Unit Investment Trusts (UITs): The proposed amendment would require any UIT with portfolio securities selected based on one or more ESG factors to explain how those factors were used to select the portfolio securities.
  - Annual reports: Additionally, the proposed rules would require ESG-Focused Funds to provide the impact, engagement, and GHG emissions disclosure in their annual reports. These requirements would not be extended to UITs. Regarding the GHG emissions, proposed rules require disclosure of two GHG emissions metrics for the portfolio and establish a methodology for its calculation:
    - **WACI metric:** portfolio's exposure to carbon-intensive companies, expressed in tons of carbon dioxide equivalents (CO<sub>2</sub>e) per million dollars of the portfolio company's revenue.
    - **Carbon footprint:** total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tons CO<sub>2</sub>e per million dollars invested.
  - Inline XBRL tagging: The proposed rules would require funds to submit all proposed ESG-related registration statement and fund annual report disclosure filed with the Commission in Inline XBRL. This would enable automated extraction and analysis of data regarding the ESG disclosures for investors and other market participants.
- **Adviser Brochure.** Currently advisers registered with the SEC must deliver these brochure to help them make more informed decisions about whether to hire or retain that adviser. The proposed rules would amend it to include among others aspects:
  - A description of the ESG factor or factors it considers for each significant investment strategy or method of analysis for which the adviser considers any ESG factors.
  - Criteria or a methodology to evaluate, select, or exclude investments based on the consideration of ESG.
  - A description of any relationship or arrangement, that is material to the business, that the adviser or any of its management persons have with any related person that is an ESG consultant or other ESG service provider.
  - For advisers that have specific voting policies or procedures that include one or more ESG considerations, when voting client securities they would include in their brochures a description of which ESG factors they consider and how they consider them.

- **Regulatory Reporting on Form N-CEN and Form ADV.** The SEC proposes to amend these forms for registered funds and advisers respectively, to collect census-type information about funds' and advisers' uses of ESG factors using the structured XML-based data languages. This data can be used to understand industry trends in the market for ESG investment products and services.
- **Compliance Policies and Procedures and Marketing.** The proposed rules includes specific examples for funds and advisers to address the accuracy of ESG-disclosures made to clients, investors and regulators and portfolio management processes. The latter would help ensure portfolios are managed consistently with the ESG-related investment objectives disclosed by the adviser and/or fund.

### 3. Next steps

- Comments to this Proposed rule should be received on or before **60 days** after date of publication in the Federal Register.
- SEC proposes that the compliance date of any adoption of this proposal for the following items would be:
  - **One year** following the effective date of publication: i) some proposed disclosure requirements in prospectuses and for UITs; ii) the proposed regulatory reporting on Form N-CEN, and iii) the proposed disclosure requirements and regulatory reporting on Form ADV Parts 1 and 2.
  - **18 months** following the effective date of publication for the proposed disclosures in the report to shareholders.



17/06/2022

## American Data Privacy and Protection Act Draft Legislation

### 1. Context

The effort to produce a comprehensive data privacy framework has been years in the making. Until now, there were only sectoral regulations such as the California Consumer Privacy Act (2018), the Foreign Account Tax Compliance Act (2019), the Consumer Online Privacy Rights Act (2021) or the Consumer Data Privacy Act of Virginia (2021).

In this context, Senate and House of Representatives have published the **American Data Privacy and Protection Act Draft Legislation** which is the first comprehensive privacy proposal to gain bipartisan, bicameral support. This Act would establish a strong national framework to protect consumer data privacy and security, including the guarantee of data privacy rights, the creation of oversight mechanisms and the adoption of meaningful enforcement.

### 2. Main aspects

- **Scope of application.** The Act defines both the entities and the data covered by this regulation:
  - Covered entities: any entity that collects, processes, or transfers covered data and is subject to the jurisdiction of the Federal Trade Commission (FTC), including nonprofits, and telecommunications common carriers.
  - Covered data: information identifying, linked, or reasonably linkable to an individual or device linkable to an individual. This includes derived data and unique identifiers, but does not include de-identified data, employee data, or publicly available information (each of which is separately defined).
  - Sensitive covered data: this type of data is also defined and subject to heightened requirements. Includes any information related to individuals under 17 as well as government-issued identifiers not required to be displayed in public such as among others, health information, financial information, biometric information, genetic information, geolocation information or private communications. Any other covered data collected, processed, or transferred for the purpose of identifying sensitive covered data is also considered sensitive.
- **Duty of Loyalty.** The Act imposes certain duties to covered entities related to:
  - Data Minimization. Prohibition of collecting, processing, or transferring covered data beyond what is reasonably necessary.
  - Loyalty Duties. Prohibition or restriction of engaging in certain data collection practices regarding specific types of covered data except for very limited circumstances.
  - Privacy by Design. Obligation to implement reasonable and proportionate policies, practices, and procedures for collecting, processing, and transferring covered data.
  - Loyalty to Individuals with Respect to Pricing. Obligation of not to condition or effectively condition the provision or termination of services or products to individuals by having individuals waive any privacy rights in the Act.
- **Consumer Data Rights.**
  - Transparency, individual data ownership and control. Covered entities must provide individuals with privacy policies detailing their data collection, processing, transfer, and security activities in a readily available and understandable manner. Additionally, individuals have the right to access, correct, delete, and portability of, covered data that pertains to them. Finally, sensitive covered data may not be collected, processed, or transferred to a third party without the express affirmative consent of the individual to whom it pertains.
  - Data Protections for Children and Minors. Some practices are prohibited, such as targeted advertising or transfer of cover data of individuals between 13 and 17 years without consent.
  - Other obligations. The Act establishes: i) special disclosure rules for third-party collecting entities; ii) prohibitions related to violation of civil rights and use of algorithms and iii) implementation and requirements of data security practices by covered entities.
- **Corporate Accountability.** All covered entities must designate one or more privacy and data security officers who must implement privacy and data security programs and ensure ongoing compliance with the Act. Large data holders must also conduct privacy impact assessments and annually certify that their company maintains reasonable internal controls and reporting structures for compliance with the Act. Service providers and third parties have the same responsibilities as other covered entities under the Act with some exceptions, such as the ones for the rights to consent.
- **Enforcement rules.** The Act establishes some requirements to the main authorities regarding the enforcement of the different rules. It also provides enforcement rights to individuals.

### 3. Next steps

- The Act will take effect **180 days** after the date of enactment.
- Within **90 days** of enactment, the FTC must publish a public web page describing all provisions of the Act in plain language, listed separately to help advise individuals and covered entities of their rights and obligations under the Act.
- Within **120 days** of enactment, the FTC must promulgate regulations to establish processes for covered entities to submit technical compliance programs for approval.
- Within **a year** after enactment and annually after that Department of Commerce (DOC) must publish a report on digital content forgeries. The report will define, describe, and assess digital content forgeries, including the methods to identify and take counter-measures against them.
- Starting **four years** after the date the Act takes effect, persons or classes of persons may generally bring a civil action in federal court seeking compensatory damages, injunctive relief, declaratory relief, and reasonable attorney's fees and litigation costs.

# 3Q Publications of the quarter

## European publications



08/07/2022

### 2022 climate stress test results

#### 1. Context

The ECB is required to carry out annual stress tests on supervised entities in the context of its Supervisory Review and Evaluation Process (SREP). In this line, the ECB published in October 2021 the climate risk stress test methodology which outlines the main characteristics of the 2022 exercise and provides banks with guidance on how to conduct it. In January 2022, the supervisory climate risk stress test was launched in order to assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk.

In this context, the ECB has published the **2022 climate risk stress test results** which show that banks do not yet sufficiently incorporate climate risk into their stress-testing frameworks and internal models, despite some progress made since 2020.

#### 2. Main points

- **Scope.** A total of 104 significant banks participated in the test consisting of three modules, in which banks provided information on their: i) own climate stress-testing capabilities, ii) reliance on carbon-emitting sectors, and iii) performance under different scenarios over several time horizons. The bottom-up stress test within the third module was limited to 41 directly supervised banks to ensure proportionality towards smaller banks.
- **Qualitative findings.** The analysis of the qualitative questionnaires allowed the ECB to gain an overview of the banks' climate risk stress-testing capabilities, including their framework, governance and modelling practices.
  - **First module.** The results of the qualitative questionnaire show that around 60% of banks do not yet have a climate risk stress-testing framework. Around 40% of the banks with a climate risk stress-testing framework in place do not consider climate stress test outcomes when implementing their business strategy, while only 19% of the banks with a CST framework in place use it to inform their loan granting process.
- **Quantitative findings.** Data collection made it possible to assess the degree to which institutions' income relies on the financing of Green House Gas (GHG) emitting corporate sectors.
  - **Second module.** Institutions reported that on average, more than 60% of their interest income was derived from business with non-financial corporate customers belonging to the 22 carbon-intensive sectors (e.g. construction). The extent to which this could give rise to climate risk will depend on the transition plans of the counterparties in these high-emitting sectors. For banks to be able to gauge their exposure to climate risks in the future, it will therefore be important for them to enhance their customer engagement to gain insights into their clients' transition plans. In relation to financed emissions by banks, it is observed, in many cases, these come from a small number of large counterparties, which increases their transition risk.
  - **Third module.** Findings show that banks' vulnerability to a drought and heat scenario is highly dependent on sectoral activities and the geographical location of their exposures. The impact of this risk materialises through a decrease in sectoral productivity, such as agricultural activities, construction or mining. Similarly, in the flood risk scenario, real estate collateral and underlying mortgages and corporate loans are expected to suffer, particularly in the most affected locations. In relation to long-term projections, it is observed that losses projected are lower in the orderly transition scenario than in a disorderly or no policy action scenario. Banks are vulnerable to an abrupt and large increase in transition risk shock in the short term, showing an increase in cumulated impairments of around 73 basis points compared with the baseline over the scenario horizon. Taken together, under a short-term, three-year disorderly transition risk scenario and the two physical risk scenarios (flood risk and drought and heat risk, respectively), the combined credit and market risk losses for the 41 banks that provided projections would amount to around €70 billion.
- **Data gaps identified.**
  - **Most banks** are making extensive use of proxies instead of actual counterparty data to measure climate-related aspects, such as Scope 1, 2 and (more often) 3 emissions and energy performance certificates for housing collateral.
  - The ECB considers that banks need to invest more in climate-relevant data collection and become less dependent on the use of proxies, particularly in view of possible developments in climate risk disclosure regulations. The ECB expects banks to step up their customer engagement and make significant progress in developing data infrastructures that allow for proper counterparty assessments.

#### 3. Next Steps

- The results will feed qualitative elements into the SREP, but will not have direct impact on capital through Pillar 2 guidance recommendations in 2022.
- The SREP will jointly integrate the findings from the 2022 CST and the thematic review on climate-related and environmental risk.



22/07/2022

## 2023 EU-wide stress test methodology

### 1. Context

The EBA is required to initiate and coordinate EU-wide stress tests. The objective of the EU-wide stress test is to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks and the EU banking system to shocks, and to challenge the capital position of EU banks. In March 2020, the EBA decided to postpone the EU-wide stress test exercise to 2021 to allow banks to focus on and ensure continuity of their core operations, including support for their customers. The exercise was launched in January 2021 and the results were published in July of the same year.

In this context, the EBA has published its **2023 EU-wide stress test draft methodology, templates and template guidance**. The methodology covers all risk areas and builds on the one prepared for the 2021 EU wide stress test. Some aspects of the methodology have been improved based on the lessons learned from the previous exercise. As a new feature, the projections on net fee and commission income (NFCI) will be based on a top-down model. This is a first step of revising the EU-wide stress test framework towards a hybrid (bottom-up and top-down) approach

### 2. Main points

- **Sample of banks and scope of consolidation.**
  - The sample for the 2023 EU-wide stress test has been enlarged compared to previous exercises. 26 more banks than in the 2021 exercise will participate, which is a total of **76 banks** covering 75% of the banking sector in the euro area, each non-euro area EU Member State and Norway, which is a 5% higher than the previous exercise. Due to specific business models, certain banks have been excluded from the sample (according to their total assets would have been included).
  - To be included in the sample, banks have to hold a minimum of **€30 billion in assets**. Nonetheless, Competent Authorities (CAs) could request to include additional institutions in their jurisdiction.
  - The **scope of consolidation** is the perimeter of the banking group as defined by the CRR/CRD.
- **Macroeconomic scenarios and reference date.** The stress test includes a **baseline scenario** and an **adverse scenario**. The exercise is carried out on the basis of year-end 2022 figures, and the scenarios will be applied over a period of 3 years from end 2023 to end 2025.
- **Risk coverage.**
  - Banks are required to stress test the following **common set of risks**:
    - **Credit risk**, including securitisation.
    - **Market risk**, counterparty credit risk (CCR) and credit valuation adjustment (CVA).
    - **Operational risk**, including conduct risk.
  - Banks are also requested to project the effect of the scenarios on **net interest income (NII)** and to stress **P&L and capital items** not covered by other risk types. In this regard, and as a novelty, impact on NFCI is projected using prescribed growth rate parameters.
  - The risks arising from **sovereign exposures** are covered in credit risk and in market risk, depending on their accounting treatment.
- **Regulatory regime and hurdle rates.**
  - The impact of the EU-wide stress test will be reported in terms of CET1. In addition, the Tier 1 capital ratio and total capital ratio, as well as the leverage ratio, will be **reported for every year** of the exercise.
  - Like in the 2016, 2018 and 2021 stress test, **no hurdle rates** or capital thresholds are defined for the purpose of the exercise. CAs will apply the results as an input to the **SREP**.
- **Process.** It involves close cooperation between the EBA, the CAs and the ECB, as well as the European Systemic Risk Board (ESRB) and the European Commission (EC).
  - The ESRB and the ECB develop the **adverse macroeconomic scenario** and any risk type specific shocks linked to it.
  - The ECB supplies the **macroeconomic baseline scenario**.
  - The EBA **coordinates the exercise**, defines the common methodology as well as the minimum quality assurance guidance for competent authorities.
  - The CAs are responsible for the **quality assurance process**.
- **Main changes on the templates.**
  - An additional tab is required (CSV-LR-MDA) containing the **calculation of the Leverage Ratio (LR) Maximum Distributable Amount (MDA)**, taking into account the requirements for G-SIIs. G-SIIs are expected to complete this template after having filled in the template CSV\_MDA. All other banks shall leave this template empty.

### 3. Next steps

- The final methodology will be published by the **end of 2022**.
- The exercise will be launched in **January 2023** and the results are expected to be published by **the end of July 2023**.



28/07/2022

## Consultation paper on the supervisory handbook on the validation of IRB rating systems

### 1. Context

In 2010, it was published the Regulation establishing a European Supervisory Authority, the EBA. This Regulation stipulates that the EBA shall develop and maintain an up-to-date Union supervisory handbook on the supervision of financial institutions which is to set out supervisory best practices and high-quality methodologies and processes. Therefore, in 2016 it was published the roadmap to repair internal models used to calculate own funds requirements for credit risk under the Internal Ratings Based (IRB) approach and later in 2019, a progress report of this roadmap.

In this context, the EBA has published a **Consultation Paper (CP) on the supervisory handbook on the validation of IRB rating systems**, which complements the roadmap and provides some general guidance on the expectations relative to the validation function without presenting any specific methodology to be used.

### 2. Main points

- **General requirements.** These requirements are applicable to the validation function:
  - **Scope.** The internal validation should be conducted at each level where a Competent Authority (CA) has granted an approval for a rating system.
  - **Validation policy and validation report.** The validation policy is expected to describe the validation framework, i.e. the roles, responsibilities, processes and content of the validation activities that need to be performed.
  - **Validation tasks.** Institutions shall have robust systems in place to validate the accuracy and consistency of rating systems, processes and the estimation of all relevant risk parameters. The techniques that are expected to be used should include quantitative as well as qualitative methods.
- **Validation content.** A differentiation must be made between the tasks related to the pure model performance assessment and the ones dealing with the modelling environment.
  - **Assessment of the core model performance.** One of the objectives of the validation function is to assess the core performance of the rating system and this assessment can be broken down in:
    - **Risk differentiation:** its dimensions are: i) the consistency and comprehensiveness of the rating assignment process; and ii) the accuracy of the rating assignment in the model development.
    - **Risk quantification:** its dimensions are: i) the accuracy of the best estimates; ii) the conservatism of the risk estimates; and iii) for the Loss given default (LGD) and Credit conversion factor (CF) parameters, the appropriateness of the estimates.
    - **Specificities:** there are several specificities related to the validation of: i) defaulted exposures; ii) credit risk mitigation; and iii) Exposures risk weighted according to the slotting approach.
  - **Assessment of the modelling environment.** To ensure a proper assessment of the data quality and maintenance, the data quality framework should clearly define policies, roles and responsibilities in data processing and data quality management. Furthermore, the validation function is expected to verify the adequacy of the implementation of internal ratings and risk parameters in IT systems.
- **First validation of newly developed rating systems.** It refers to the validation of either a newly introduced model or the validation of changes or extensions to changed models. In the first validation it is important to address the model design and risk quantification choices and in case of a model change, the validation function is expected to compare the performance of the new models with the previous ones.
- **Subsequent validation.** It refers to the validation of either an unchanged model or the validation of unchanged aspects. The subsequent validation differs from the first validation in two ways: i) It benefits from additional data and observations; and ii) it has at its disposal previous conclusions from the first validation. In both the first and the subsequent validation there are certain specificities in relation to the performance of the core model and the modelling environment.
- **Validation challenges.** It refers to the validation of either an unchanged model or the validation of unchanged aspects. The subsequent validation differs from the first validation in two ways: i) It benefits from additional data and observations; and ii) it has at its disposal previous conclusions from the first validation. In both the first and the subsequent validation there are certain specificities in relation to the performance of the core model and the modelling environment.
  - **Use of external data in the model development.** The validation of a rating system built on external data is expected to follow five principles: i) representativeness; ii) access to data; iii) methodological choices' assessment; iv) performance assessment; v) data quality.
  - **Outsourcing of validation task.** It is expected that the institution perform a comprehensive analysis of its compliance with all the regulatory requirements on outsourcing.
  - **Validation in the context of data scarcity.** The validation of ratings systems in a context of data scarcity brings some additional challenges, for example, the adaptation of the validation policy.

### 3. Next Steps

- Comments to this CP can be sent before **28 October 2022**.

29/09/2022

## Annual work programme for 2023

### 1. Context

The EBA has published the 2023 work programme describing the key strategic areas of work for the Authority for the coming year, as well as related activities and tasks. Compared to the 2022 work programme, adjustments have been introduced to reflect new mandates expected in 2023, especially the political agreements reached on the Digital Operational Resilience Act (DORA) and European Commission's Regulation of Markets in Crypto-assets (MiCA) texts.

### 2. Main points

- The EBA's priorities focus on:
  - Finalise the Basel implementation in the EU. Priority will be given to the implementation of the outstanding Basel III reforms in the EU to ensure banks can withstand future crises. In this regard, the EBA will publish several Guidelines (GL) on credit risk (e.g. GL on calculation of K IRB for dilution and credit risk (CP)), and Regulatory Technical Standards (RTS) in relation to market risk (e.g. RTS on the assessment methodology for the internal models approach).
  - Run an enhanced 2023 EU-wide stress test. In this exercise, the projections on net fee and commission income (NFCI) will be based on a top-down model. This is a first step of revising the EU-wide stress test framework towards a hybrid (bottom-up and top-down) approach.
  - Data at the service of stakeholders. The EBA will continue to implement its Data Strategy aiming to improve the way regulatory data is acquired, compiled, used, and disseminated to relevant stakeholders. Therefore, for 2023 will also complete the first phase of Digital Regulatory Reporting (DRR) tools that will help the efficient creation and maintenance of the data dictionary related with reporting requirements.
  - Digital finance and the delivery of MiCA/DORA mandates. The EBA, together with the other European supervisory authorities (ESAs), will need to develop the vast policy work from MiCA and DORA in advance of the application date (1 January 2025). For example, it will develop RTS on specifying the elements and components of ICT risk management framework (art 14 DORA).
  - Enhancing capacity to fight Money Laundering/ Financing of Terrorism (ML/FT) in the EU. The EBA will continue to lead, coordinate, and monitor the EU financial sector's fight against ML/TF. In this regard, the EBA for example will publish revised guidelines on ML/TF risk factors.
  - Execution of the ESG roadmap. Finally, ESG risk assessment tools will be further developed to enable efficient monitoring of ESG risks in the banking sector and development of the green financial market. In this respect, the EBA is developing ESG risk assessment and monitoring tools and will publish in 2023 an annual report under Article 18 of the Sustainable Finance Disclosure Regulation (SFDR), on best practices and disclosure recommendations.

02/08/2022

## Application guidance on running climate change materiality assessment and using climate change scenarios in the ORSA


### 1. Context

In April 2021 the EIOPA published an Opinion on the supervision of the use of climate change risk scenarios in ORSA. Given that undertakings will be impacted by climate change-related physical and transition risks, EIOPA believes it is important to encourage a forward-looking management of these risks, also in the long term. During the public consultation of the Opinion, nearly all respondents provided comments and suggestions on the application guidance for developing and including climate change risk scenarios in ORSA. EIOPA therefore decided to elaborate a Consultation Paper (CP) on an application guidance in December 2021.

In this context, the EIOPA has published the **Application guidance on running climate change materiality assessment and using climate change scenarios in the ORSA**, seeing the advantages of developing and providing optional guidance for materiality assessment in the context of climate change scenario design and specifications using concrete case studies. This would also contribute to lowering implementation costs for insurance undertakings, in particular small- and mid-sized ones, and to enhancing the comparability of reported information. As a novelty to the CP, the sections on climate change scenario analysis are modified and reference to Methodological principles of insurance stress testing climate risks EIOPA is introduced.

### 2. Main points

- **The ORSA and climate change.** Climate change risk can translate into physical and transition risk, and can have material impact on the undertakings. Given the potential impact, undertakings are expected to integrate climate change risks into their ORSA by describing and assessing the impact of these risks on their risk profile. Some good practices are:
  - To address climate change risks in more than one (sub) chapter of the ORSA report.
  - To mention to what extent the impact of climate change risks has been analyzed in previous years.
  - To distinguish between physical and transition risks, explaining their assessed impacts in the short, medium and long term.
- **General insights.**
  - Materiality assessment. A first step when considering climate change risks in the ORSA is to assess the materiality. In order to conduct such assessment, the Guidance explains the following steps, which could be considered by the undertakings:
    - Defining the **business context** where they would be exposed to climate change risks. E.g impacted insurance activities or the time horizon considered.
    - Researching **impacts of climate change** on the business, distinguishing between transition and physical risk.
    - Assessing **relevance to the business**, i.e the materiality of each climate change risk on both sides of the balance sheet. The materiality assessment could be summarized in a so-called materiality matrix considering three dimensions: i) the impact; ii) the probability and iii) time horizon.
  - Climate change scenario. For material risks undertakings shall proceed to run climate change scenarios and for non-material risks explain in the ORSA why. The Guidance explains three steps that could be followed in order to conduct this analysis:
    - **Defining the scenario.** Undertakings are expected to consider at least two long-term climate scenarios but the guidelines analyses shorter-term scenarios as they will also be relevant for the businesses: transition scenarios and physical scenarios.
    - **Transforming scenario into climate change risks.** Different transition scenarios will result in different transition risks and different GHG emission pathways will result into different physical risks. For the first type of risks the final document has included the set of transition pathways developed by the Network for Greening the Financial System (NGFS), which seem particularly relevant for climate change related risks. The final document have included a summarize list of indicators (for physical risk, transition risk or both) to provide a comprehensive picture of the major drivers behind the impact of the prescribed scenarios on balance sheet items, solvency or other variables.
    - **Transforming climate change risks into financial losses.**
- **Concrete examples.** Using the dummy non-life and life companies the Guidance provides examples on materiality assessment and running climate change scenarios:
  - Materiality assessment. The examples show how materiality assessment could be performed for the asset side and the liability side. The examples first focus on a qualitative analysis considering both physical and transitions risks for the assets. In a second step, to complement the qualitative analysis, more quantitative analyses are performed. The assessment shows that:
    - The most prominent risk for the **dummy non-life company** is linked **with physical risks on the liability side**.
    - The most prominent risk for the **dummy life company** is linked with **transition risks on the asset side**.

- 
- Climate change scenario.
    - Examples on climate change scenario analysis for **dummy non-life company** focus at physical risk on the liability side. Four ways to perform scenario analysis on flood risks have been considered in order to show different sources of data to be used for such analysis but also the advantages/disadvantages associated with each of them.
    - Examples on climate change scenario analysis for **dummy life company** use three different approaches. The new document have changed the first approach (use a combined climate risk scenario) by the approach of adapt traditional techniques to climate change. Additionally, a section of other existing Stress Test exercises have been included.

30/09/2022

## Single Programming Document 2022-2024

### 1. Context

The **EIOPA Strategy for the period 2023-2026** sets out EIOPA's plans for the coming years, which have been designed taking into account the current geopolitical and economic context. This includes the Russia's unprovoked invasion of Ukraine coupled with lingering effects of the pandemic, market volatility and inflation. Additionally, the EIOPA has published its **Single Programming Document**, including the **Annual Work Programme for 2023**. This document sets out the key activities planned for 2023.

### 2. Main points

- EIOPA has identified six **strategic priorities**. For each objective some **regulatory provisions for 2023** have been outlined.
  - Address sustainability related challenges, contributing to building up sustainable insurance and pensions, including by addressing protection gaps, for the benefit of citizens and businesses.
    - Update the regulatory technical standards (RTS) to clarify **environmental and social indicators**.
  - Supporting the market and supervisory community through digital transformation, helping the supervisory community and industry to mitigate the risks and seize the opportunities of the digital changes, including by further promoting a data-driven culture.
    - Deliver the Regulatory and Implementing Technical Standards (ITS) from **DORA**.
    - Developing a sound regime for the use of **artificial intelligence (AI)** by the insurance sector.
  - Strengthen supervisory convergence, promoting sound, efficient and consistent prudential and conduct supervision throughout Europe, particularly in view of increased cross-border business. Through digital literacy initiatives and work, EIOPA will also strive to promote accessibility.
  - Ensuring technically sound prudential and conduct of business policy, delivering high-quality advice and other policy work taking into account changing and growing needs of society as well as the effects of new horizontal regulation. EIOPA aims to create an ecosystem that supports financial resilience and enhances the financial health of consumers, taking into account diversity and inclusion considerations.
    - Delivering advice in relation to the review of the **IORP II Directive**.
  - Further enhance financial stability, with particular focus on the analysis of financial sector risks, vulnerabilities, and emerging threats. EIOPA aims at further building up its reputation for sound evidence-based analysis, which takes into account sustainability considerations, including through stress tests exercises. Improved modelling, also based on Artificial Intelligence techniques, and increased use of predictive approaches, such as early warning models, shall contribute to enhancing the quality of the analysis, thereby also better accounting for country specificities.
    - Initiating one-off coordinated **climate change stress test**.
  - Ensuring good internal governance, being a model EU Authority with high professional standards and cost-effective governance. EIOPA aims to further strengthen its organisational capabilities, in particular through the use of technology to facilitate collaboration, increase efficiency and security and drive long-term performance in a post pandemic working environment.

# 3Q Publications of the quarter

## Local publications



01/07/2022

### Law 12/2022 on the regulation for the promotion of occupational pension plans

#### 1. Context

Over the years, the assets managed in occupational pension funds have lost relative weight with respect to the total number of pension funds, since they represented 50% of the total complementary social provision at the beginning of the 1990s, whereas now they represent a percentage slightly above 25%. In addition, the level of savings through occupational pension plans in Spain is less than 1 per cent of the wage bill of the working population, reaching just over 10 per cent of the working population. The small average size of Spanish pension fund assets is an element that affects their efficiency in terms of management costs and, ultimately, their profitability.

In this context, the General Courts have approved **Law 12/2022 on the regulation for the promotion of occupational pension plans**, which amends Royal Decree 1/2002, with the aim of encouraging the existence of publicly promoted occupational pension funds of an adequate size to guarantee the lowest management costs, allow a diversified distribution of investments and, therefore, improve profitability levels.

#### 2. Main points

The new law incorporates a number of new features with respect to Royal Decree 1/2022 on the regulation of occupational pension plans:

- **Addition of two new chapters.**

- Chapter XI. Open public occupational pension fund. The new law includes a number of provisions on such funds:
  - **Characteristics.** Open public occupational pension funds are those promoted by the Ministry of Inclusion, Social Security and Migration through the Promotion and Monitoring Commission created for this purpose. Simplified occupational pension plans and defined-contribution occupational pension plans for the retirement contingency can be integrated into this type of fund.
  - **Financial regime.** The assets of the funds shall be invested exclusively in the interest of the participants and beneficiaries, taking into account the profitability, risk and social and environmental impact of the investments. The investment strategy of these funds shall set out guidelines regarding: i) the limits and purpose of derivative transactions; ii) specific criteria for safety, profitability, diversification, dispersion and consistency of investments.
  - **Management and depository institutions.** In addition to meeting a series of requirements, managing entities must use a regulated digital platform and follow the open selection process regulated by Law 9/2017 on public sector contracts.
- Chapter XII. Simplified occupational pension schemes. This type of fund can be integrated either in an open public occupational pension fund or in a private occupational pension fund. In addition, it can be promoted by:
  - Undertakings covered by **sectoral agreements** linked to collective agreements.
  - **Public administrations and public undertakings.**
  - **Associations, federations, confederations** or unions of associations of self-employed workers or self-employed persons.
  - **Cooperative or labour companies**
- **Amendment of existing provisions.** Some provisions have undergone minor wording changes, e.g. the amendment of Article 4 on the modalities of pension schemes or the amendment of Article 9 on the approval and review of pension schemes. On the other hand, Article 5 on the basic principles of pension schemes has also been amended. Specifically, the limit on total maximum annual company contributions and contributions to pension plans can be increased by applying the coefficients included in the new law.

#### 3. Next steps

- This law has entered into force on **the day following its publication** in the Official State Journal (BOE)..



01/07/2022

## 2022 Federal Reserve Stress Test Results

### 1. Context

The Fed's stress test evaluate the resilience of large banks by estimating their capital levels, losses, revenue and expenses under hypothetical scenarios over nine future quarters. In early 2022, the Fed published these scenarios, which were tougher than the 2021 test, due to their design, and inclusion of a severe global recession with substantial stress in commercial real estate and corporate debt markets.

In this context, the Fed has released the **2022 stress test results** which showed that banks continue to have strong capital levels, allowing them to continue lending to households and businesses during a severe recession.

### 2. Main points

A total of 34 banks were required to participate in this year's exercise and the results include the following information.

- **Capital.** The results indicate that large banks would experience substantial losses under the severely adverse scenario but would maintain capital ratios well above minimum risk-based requirements. The aggregate CET1 capital ratio is projected to decline from 12.4 percent at the start of the projection horizon to 10.3 percent at the end of nine quarters.
- **Pre-tax Net Income.** Over the nine quarters of the projection horizon, aggregate cumulative pre-tax net income is projected to be negative \$198 billion. Furthermore, this is negative for 21 banks out of the total sample and varies considerably across banks, ranging from negative 2.7 percent to positive 2.7 percent. This range reflects differences in the sensitivity of the various components of pre-tax net income to the economic and financial market conditions in the severely adverse scenario.
- **Losses.** Aggregate losses on loans and other positions are projected to be \$612 billion. These losses are comprised mainly of: i) \$463 billion in loan losses; ii) \$43 billion in additional losses from items such as loans booked under the fair-value option; and iii) \$100 billion in trading and counterparty losses.
- **Pre-provision Net Revenue (PPNR).** Banks are projected to generate an aggregate of \$412 billion in PPNR which is equal to 2.0 percent of their combined average assets. The ratio of PPNR to average assets varies across banks, primarily reflecting differences in business focus. For instance, the ratio of PPNR to assets tends to be higher at banks focusing on credit card lending.





01/08/2022

## A new Consumer Duty.

### 1. Context

In 2018 the FCA disclosed a discussion paper (DP18/5) which discussed stakeholders' concerns that the regulatory framework may not be adequate to tackle the level of consumer harm in retail markets. Later, the FCA published the subsequent feedback statement (FS19/2), setting out the intention to take forward specific options for change. Finally, on May 2021 the FCA released the first Consultation Paper (CP21/13) on a A new Consumer Duty and in December 2021, the FCA consulted on the final proposals for the Duty, including draft rules and guidance (CP21/36).

In this context, the FCA has published the **Policy Statement (PS) which presents the feedback to CP21/36 alongside the final rules (named Consumer Duty Instrument 2022)**. The rules set higher and clearer standards of consumer protection across financial services and require firms to put their customers' needs first and to evidence whether this outcome is being met. Additionally, the FCA has published the **Finalised Guidance (FG) which contains the non-Handbook guidance for firms on the Consumer Duty** which provides further instructions to firms on how they should comply with their obligations including examples of how specific elements of the Duty would work in practice across different retail markets. The analysis below focuses on the general rules set in the PS.

### 2. Main points

- **Scope of application.**
  - The Duty applies to the regulated activities and ancillary activities of all firms authorised under the Financial Services and Markets Act 2000 (FSMA), the Payment Services Regulations 2017 (PSRs) and E-money Regulations 2011 (EMRs), in respect of products and services for prospective and actual retail customers.
  - The Duty does not have a retrospective effect and does not apply to past actions by firms. However, the Duty does apply, on a forward-looking basis, to:
    - **existing products and services.** these are products and services still on sale to new customers or available for renewal by existing customers.
    - **closed book products and services.** these are products and services that are no longer on sale to new customers or available for renewal by existing customers..
- **New Consumer Principle.** The FCA has introduced a new consumer principle (Principle 12) which requires firms to act to deliver good outcomes for retail customers. It sets a higher standard than both existing principles 6 and 7. Principle 12 imposes obligations on firms towards customers of products and services, irrespective of whether the customer is a direct client of the firm.
- **Cross cutting rules.** The new cross-cutting rules set out how firms should act to deliver good outcomes for retail customers. These cross cutting rules require firms to: i) act in good faith; ii) avoid causing foreseeable harm and iii) enable and support retail customers to pursue their financial objectives.
- **Four outcomes.** FCA has introduced four expected outcomes under the application of the Duty. These are a suite of rules and guidance setting more detailed expectations for firm conduct in four areas that represent key elements of the firm consumer relationship, which are instrumental in helping to drive good outcomes for customers. These outcomes relate to: i) products and services; ii) price and value; iii) consumer understanding and iv) consumer support.
- **Culture, governance and accountability.** The rules require firms to ensure their strategies, governance, leadership, and people policies (including incentives at all levels) lead to good outcomes for customers. The rules also make clear that FCA expects customer outcomes to be a key lens for important areas, such as Risk and Internal Audit. This should be supported by individual accountability and personal conduct resulting from the Senior Managers & Certification Regime (SM&CR) rules:
  - In this regard, the FCA has introduced minor changes to the individual conduct rule (rule 6) in order to reflect the higher standard of the Duty, and the behaviour expected of all conduct staff.
- **Monitoring outcomes.** A key part of the Duty is that firms assess, test, understand and are able to evidence the outcomes their customers are receiving. The general obligations set are:
  - Monitor and regularly review the outcomes their customers are experiencing to ensure that the products and services that firms provide are delivering outcomes consistent with the Duty.
  - Identify where customers or groups of customers are not getting good outcomes and understand why.
  - Have processes in place to adapt and change products and services, or policies and practices, to address any risks or issues identified and stop it occurring again in the future.

A firm's governing body should review and approve the firm's assessment of whether it is delivering good outcomes for its customers which are consistent with the Duty and agree any action required, at least annually.

### 3. Next steps

- The rules and guidance introduced come into force on a phased basis:
  - for new and existing products or services that are open to sale or renewal the rules come into force on 31 July 2023.
  - for closed products or services, the rules come into force on 31 July 2024.

- The FCA has set out its expectation and a roadmap for how firms will use this implementation period to effectively embed the Duty:
  - By the end of **October 2022**, firms' boards (or equivalent management body) should have agreed their implementation plans and be able to evidence they have scrutinised and challenged the plans to ensure they are deliverable and robust to meet the new standards
  - Manufacturers of products and services should aim to complete all the reviews necessary to meet the four outcome rules for their existing open products and services by the end of **April 2023**.



02/08/2022

## Proposed Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts.

### 1. Context

On October 2009, the agencies adopted the Policy Statement on Prudent Commercial Real Estate Loan Workouts (2009 Statement) as a useful resource in understanding risk management and accounting practices for commercial real estate (CRE) loan workouts. Currently, more than 98 percent of banks engage in CRE lending, and CRE loans are the largest loan portfolio type for nearly half of all banks. In 2020, the COVID-19 pandemic led to stress across several CRE property types and has been compounded by other ongoing issues such as inflation, supply chain imbalances, labor challenges, and vulnerability to rising interest rates.

In this context, the OCC, the FDIC and the NCUA in consultation with state bank and credit union regulators, are inviting comment on a **Proposed Policy Statement for prudent commercial real estate loan accommodations and workouts** in order to assist financial institutions, given these challenges and risks related to CRE lending. The proposed statement updates and expands the 2009 Statement by incorporating recent policy guidance on loan accommodations and accounting developments for estimating loan losses.

### 2. Main points

The proposed Statement includes the following additional changes:

- **Addition of a new section on short-term loan accommodations.** The proposed Statement would identify short-term loan accommodations as a tool that can be used to mitigate adverse effects on borrowers and would encourage financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations during periods of financial stress. This section of the proposed Statement would incorporate principles consistent with existing interagency guidance on accommodations.
- **Information about changes in accounting principles since 2009.** The proposed Statement also would reflect changes in generally accepted accounting principles (GAAP) including those in relation to current expected credit losses (CECL):
  - The section for Regulatory Reporting and Accounting Considerations would be modified to include CECL references.
  - Appendices 5 and 6 of the proposed Statement would address the relevant accounting and regulatory guidance on estimating loan losses for financial institutions that use the CECL methodology, or incurred loss methodology, respectively.
  - The agencies have modified sections of the proposed Statement to reflect updates that have occurred pertaining to troubled debt restructuring (TDR), for financial institutions that are still required to report TDRs
- **Revisions and additions to examples of CRE loan workouts.** The proposed Statement would include updated information about current industry loan workout practices and revisions to examples of CRE loan workouts:
  - The examples in the proposed Statement are intended to illustrate the application of existing guidance on: i) credit classification; ii) determination of nonaccrual status, and iii) determination of TDR status..
  - (Appendix 2) The proposed Statement also provide an updated summary of selected references to relevant supervisory guidance and accounting standards for: i) real estate lending; ii) appraisals; iii) restructured loans; iv) fair value measurement, and v) regulatory reporting matters such as a loan's nonaccrual status.
  - (Appendix 3) The proposed Statement would retain information about valuation concepts for income-producing real property included in the 2009 Statement.
  - (Appendix 4) The proposed Statement restates the agencies' long-standing special mention and classification definitions that are referenced and applied in the examples in Appendix 1..

Additionally, the Proposed Statement would be consistent with safety and soundness standards for insured depository institutions.

### 3. Next steps

- Comments to this Proposed Statement should be submitted by **3 October 2022**.



26/09/2022

## Key elements of the 2022 Stress Test.

### 1. Context

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

In this context, the BoE has published the Guidance on the 2022 annual cyclical scenario for participants, the templates used for collecting data, and the Key elements of the 2022 annual cyclical scenario which provides further details on the 2022 baseline scenario and ACS.

### 2. Main points

La propuesta de Declaración incluye los siguientes cambios adicionales:

- **Scope.** The 2022 stress test will cover the following banking groups and building societies (hereafter 'banks'):
  - Barclays, HSBC, Lloyds Banking Group, Nationwide, NatWest Group, Santander UK, Standard Chartered y Virgin Money UK.
  - **For the first time**, the 2022 ACS will assess the ring-fenced subgroups of the existing participating banks on a standalone basis, where these differ materially from the group as a whole. This will include: Barclays Bank UK, HSBC UK Bank, Lloyds Bank and NatWest Holdings.

All participating banks should provide results at their highest level of UK consolidation and sub-consolidation (if applicable). Insurance activities are excluded, although banks are expected to assess the impact of the scenarios on their insurance activities and model the impact on any dividend streams, significant investments or minority interest capital deductions and risk weightings.

- **Hurdle rate.** Since 2018 the Bank has adjusted hurdle rates in the stress test to take into account the impact of the IFRS 9. This will continue to be the case in the 2022 ACS.
- **Time horizon and reference date.** The 2022 stress test will cover a five-year horizon. Unless otherwise agreed, the reference date will be 30 June 2022. Exceptions include some traded risk elements. Banks are expected to submit projections as at 30 June for subsequent years unless agreed otherwise with the Bank..
- **Macroeconomic scenario.** Banks should follow the guidance to assess the impact of the baseline and annual cyclical scenarios. In order to do this, it is likely that banks will need to expand the set of macroeconomic and financial variables provided alongside the Key elements document.
- **Libor transition.** The 2022 ACS incorporates an orderly transition from Libor to alternative reference rates in line with planned timelines. For the purposes of the 2022 ACS, banks should make the simplifying assumption that all contracts not renegotiated before the proposed cessation dates can be transitioned through fallback arrangements. Banks should develop projections for the transition of Libor-linked contracts based on the principles set out in the Guidance (e.g market developments).
- **Management actions and mandatory distribution restrictions.** Banks are asked to consider what realistic strategic and business-as-usual management actions could be taken in response to the stress scenario. A description of all material business-as-usual actions should be submitted alongside banks' projections. On the other hand, banks should ensure that the strategic management actions they propose fulfill some characteristics listed in the guidance.
- **Qualitative review.** In 2022 the Bank will carry out a Delivery Assessment, an assessment of submission quality (focused on errors and resubmissions and explanations provided for the stress results) across the different risk areas. Further details can be found in the guidance for stress-test participants.
- **Policy responses.** The FPC and Prudential Regulation Committee (PRC) will consider how banks perform in the test to determine if any actions are required. Banks that fall below their hurdle rate will generally be required to take action to strengthen their capital position, if they have not already done so. Some banks may see their capital depleted by more than the aggregate effect of the UK economic component of the test.

- **Types of stress.** In common with previous exercises, the 2022 ACS contains three types of stress, which are assumed to be synchronised: a **UK and global macroeconomic stress**, spanning a five-year period from 2022 Q3 to 2027 Q2; a **traded risk stress**, linked to a financial market scenario consistent with the content and calibration of the macroeconomic stress and a **misconduct costs stress**:
  - As a novelty to previous ACS scenarios, it takes into account the latest risk assessment and its severity has been calibrated to ensure greater consistency across different variables.
  - Additionally, this ACS will for the first time test UK banks' resilience to higher global interest rates, in the face of a series of global cost shocks and high and persistent global inflation.
  - The stress scenario is more severe than the global financial crisis for both the UK and the world. In the stress scenario, weaker household real income growth, lower confidence and tighter financial conditions result in severe domestic and global recessions

### 3. Next steps

- The projections data requested (structured and unstructured) should be submitted to the BoE by **11 January 2023**.
- The qualitative review will be carried out in **2023 H1**.
- The results of the test will be published in **summer 2023** and, along with other relevant information, will be used to help inform banks' capital buffers (both the UK countercyclical capital buffer (CCyB) rate and Prudential Regulation Authority (PRA) buffers). The BoE is committed to disclosing the information necessary to explain the results of the ACS, including sufficient information on ring-fenced subgroups.



# 4Q Publications of the quarter

## Global publications

11/10/2022  
Basel III Monitoring Report



### 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. Additionally, the monitoring report includes special features on banks' exposures to cryptoassets, and on capital buffers and total CET1 requirements. 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 2021.

### 2. Main points

#### BCBS - Basel III Monitoring Report

- **Sample of banks:** 182 banks, including 117 of the Group 1 and 65 banks of the Group 2.
- **General aspects:**
  - The estimates presented generally assume full implementation of the Basel III requirements.
  - This report does not reflect the additional capital requirements of Pillar 2 of the Basel III framework, as well as any capital buffers for systemic or countercyclical banks.

#### Change in total T1 MRC (weighted average in %)

	30 June 2021			31 December 2021		
	Group 1	G-SIBs	Group 2	Group 1	G-SIBs	Group 2
Increase of the minimum requirement of Tier 1 MRC	3,3%	3,7%	8,4%	2,4%	2,2%	5,7%
CET1 ratio (%)	12,7%	12,5%	15,2%	13%	12,9%	14,5%
Target capital shortfalls (MM€)	2,3	2,3	1,3	0,1	0,1	1,2
TLAC shortfalls (MM€)	11,5	11,5	N/A	7,9	7,9	N/A

#### EBA - Basel III Monitoring Exercise

- **Sample of banks:** 163 banks from all European Economic Area (EEA) countries including 58 of the Group 1 and 62 banks of the Group 2.
- **General aspects:**
  - The impact is assessed on the assumption of the full implementation of the Basel reforms (i.e. 2028).
  - The baseline impact assessment methodology quantifies the difference in the Pillar 1 minimum required capital between the current EU implementation of the Basel standards (CRR/CRD IV) and the full Basel III implementation.

#### Change in total T1 MRC (weighted average in %)

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-SIBs	2,0	3,4	0,0	0,0	3,5	3,4	6,3	6,5	24,9	-0,2	24,7
G.2	4,3	3,7	0,1	0,0	0,9	3,6	1,7	5,1	19,4	-7,7	11,8

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

This report compares the CRR IV/ CRR II framework with the CRR III proposal. That is, compared to the previous analysis, it incorporates the **additional features** of Basel III implementation in the EU (e.g. SME factor; infrastructure factor; treatment of equities in CRR III; simplified CVA methods...).

### **Change in total T1 MRC (weighted average in %)**

Group	Credit Risk				Market risk	CVA	Op. risk	Output floor	Total risk-based	Revised LR	Total
	SA	IRB	Securit.	CCPs							
<b>All banks</b>	1,5	0,2	0,0	0,0	1,8	0,4	1,7	6,8	11,8	-1,1	10,7
<b>G.1</b>	1,2	0,1	0,0	0,0	2,0	0,4	2,0	7,8	12,8	-0,8	12,0
G-SIIs	1,7	1,2	0,0	0,0	3,5	0,8	2,4	7,7	17,1	2,9	20,0
<b>G.2</b>	3,0	0,9	0,0	0,0	0,5	0,3	0,3	1,9	7,0	-2,6	4,3



14/10/2022

## Set of proposal for the regulation and supervision of crypto-asset activities

### 1. Context

The FSB is mandated by the G20 to examine regulatory and supervisory issues raised by crypto-asset activities with a focus to address financial stability risks. It found a number of structural vulnerabilities in those markets that were amplified by a lack of transparency and disclosures, flawed governance, inadequate consumer and investor protections, and weaknesses in risk management.

In this context, the FSB is submitting a **set of proposal for the regulation and supervision of crypto-asset activities**. They consist of: i) a report on proposed recommendations to promote the consistency and comprehensiveness of regulatory, supervisory and oversight approaches to crypto-asset activities and markets; and ii) a report on high-level recommendations on supervision, and oversight of “global stablecoin” (GSC) arrangements.

### 2. Main points

Proposed recommendations to promote the consistency and comprehensiveness of regulatory, supervisory and oversight approaches to crypto-asset activities and markets

- **Issues and challenges in regulatory, supervisory and oversight approaches to crypto-asset activities.** The main findings identified relate to: i) regulatory powers and their reach as well as potential gaps or challenges in their application; and ii) the effective regulation and supervision of crypto-asset activities and markets in a cross-border context.
- **A set of nine high-level recommendations.** Authorities should:
  - Have the appropriate powers and tools, and adequate resources, to regulate, supervise, and oversee crypto-asset activities and markets, including crypto-asset issuers and service providers.
  - Apply effective regulation, supervision, and oversight to crypto-asset activities and markets.
  - Cooperate and coordinate with each other, both domestically and internationally, to foster efficient and effective communication.
  - Require that crypto-asset issuers and service providers have in place and disclose a comprehensive governance framework.
  - Require crypto-asset service providers to have an effective risk management framework that comprehensively addresses all material risks associated with their activities.
  - Require that crypto-asset issuers and service providers have in place robust frameworks for collecting and accurate reporting of data.
  - Require that crypto-asset issuers and service providers disclose to users and relevant stakeholders comprehensive, clear and transparent information regarding their operations, and risk profiles.
  - Identify and monitor the relevant interconnections, both within the crypto-asset ecosystem, as well as between the crypto-asset ecosystem and the wider financial system.
  - Ensure that crypto-asset service providers that combine multiple functions and activities, for example crypto-asset trading platforms, are subject to regulation, supervision and oversight that comprehensively address the risks associated with individual functions.

High-level recommendations for the regulation, supervision, and oversight of “global stablecoin” (GSC) arrangements

- **Scope.** The recommendations focus on addressing risks to financial stability and therefore do not comprehensively cover important issues such as anti-money laundering and countering financing of terrorism (AML/CFT), data privacy, cyber security, or consumer and investor protection.
- **High-level recommendations.** The recommendations focusses, among others, on:
  - Authorities’ readiness to regulate and supervise GSC arrangements and to mitigate financial stability risks they pose.
  - Comprehensive oversight of GSC activities and functions that focuses on promote a technology neutral approach that enables comprehensive oversight of GSC’s functions and activities and mitigates regulatory arbitrage.
  - Cross-border cooperation, coordination and information sharing flexible and effective.
  - Settlement of governance structures, decentralised operations and risk management frameworks.
  - Arrangements for proper data storage and appropriate recovery and resolution plans.

### 3. Next Steps

- Comments to both reports can be sent before **15 December 2022**.
- The FSB aims to finalise the high-level recommendations on stablecoins by **July 2023**.



14/10/2022

## Next steps for enhancing cross-border payments

### 1. Context

In 2020, the G20 leaders endorsed the roadmap for enhancing cross-border payments. The lines of work set out in this roadmap identified the way forward, through specific proposals, best practices and updated guidance. It also included quantitative targets for achieving cheaper, faster, more transparent, and more accessible cross-border payments. However, it has been considered necessary to outline a new phase of work on the roadmap.

In this context, the FSB has published priority issues on **cross-border payments for the continuation of the roadmap and a progress report on the roadmap**. The priority themes focuses on: i) the payment system interoperability and extension; ii) legal and regulatory frameworks; and iii) cross-border data exchange.

### 2. Main points

#### G20 Roadmap for Enhancing Cross-border: priorities for the next phase of work

- **Payment system interoperability and extension.** Work on this priority will focus on improvement of payment system interoperability and on extending and aligning the operating hours of key payment systems across jurisdictions, in order to speed up cross-border payments, improve liquidity management, and reduce settlement risk.
- **Legal, regulatory and supervisory frameworks.** Work under this priority will focus on the promotion of an efficient legal, regulatory and supervisory environment for cross-border payments while maintaining their safety, security, and integrity. In this regard, the work include applying Anti Money Laundering / Combatting the Financing of Terrorism (AML/CFT) rules consistently.
- **Cross-border data exchange and message standards.** Work under this priority will focus on facilitating cross-border data exchange and increasing the use of standardised messaging formats for cross-border payments. For that, it will be adopted a harmonized ISO 20022 version for message formats.

#### Progress made during the second year of the roadmap

The progress of the roadmap provides an update on all actions underway, around the main areas in which the roadmap is structured:

- **Committing to a joint public and private sector vision to enhance cross-border payments.** The FSB will publish a report on the current performance of cross-border payments at the end of November and will continue to work to improve the data to enhance the monitoring exercise.
- **Coordinating on regulatory, supervisory and oversight frameworks.** It will be established a working group to further explore and make recommendations related to the application of supervision to banks and non-banks regarding their cross-border payments activities.
- **Increasing data quality and straight-through processing by enhancing data and market practices.** Financial institutions and other entities in the payments ecosystem have been using APIs to enhance efficiency, facilitate automation and extend payment functionality. Therefore, the FSB will call for participation of relevant stakeholders assist in the evaluation of proposals for a set of API standards.
- **Exploring the potential role of new payment infrastructures and arrangements.** The FSB in cooperation with relevant stakeholders, is considering whether and how the use of well-designed and stablecoin arrangements could enhance cross-border payments. It is also considering what opportunities and challenges this would entail, and how this could impact central banks' core functions. The outcome of this work will be finalised by the end of this year.

# 4Q Publications of the quarter

## European publications



EUROPEAN CENTRAL BANK  
EUROSYSTEM

04/11/2022

### Results of the 2022 thematic review on climate-related and environmental risks

#### 1. Context

In November 2020 the ECB published its Guide on climate-related and environmental risks to ensure that the banking sector effectively and comprehensively addresses climate-related and environmental (C&E) risks. In early 2021 institutions were requested to perform a self-assessment of their current practices against the expectations set out in the Guide and to inform the ECB of their implementation plans for advancing the management of C&E risks. The outcome of the assessment showed that while some institutions had taken considerable steps, none of the institutions were close to fully aligning their practices with supervisory expectations and the quality of institutions' implementation plans varied considerably.

In this context, the ECB has published the **Results of the 2022 thematic review on climate-related and environmental risks**. With this review the ECB conducted further deep dives into institutions' C&E risk strategies, as well as their governance and risk management frameworks and processes. In addition, the outcome of the thematic review has been incorporated into the 2022 SREP.

#### 2. Main points

- **Scope.** The thematic review covered **107 significant institutions (SIs)** under the direct supervision of the ECB. Another **79 less significant institutions (LSIs)** under the supervision of national authorities from eight Member States also participated. The institution's practices are assessed from **three complementary perspectives**, namely their soundness, comprehensiveness and effectiveness of their practices.
- **The state of the banking sector.**
  - **Approaches to managing C&E risks:** The outcome of the 2022 thematic review shows that the majority of institutions (**referred to SIs**) now have at least basic practices in place for most of the expectations. This is a significant increase compared with the results of the 2021 supervisory assessment. However, only a small group of leading institutions have advanced practices that rely on sufficiently granular and forward-looking information to manage the risks (e.g. C&E-related data strategies that are integrated into their established data governance and quality policies).
  - **Execution capabilities:** Most institutions have improved their action plans to steer risk management since last year's assessment. In addition, many institutions have not always implemented their documented practices effectively. Concretely, 55% of institutions have practices in place that are not at all or only partially effectively implemented. The ECB has therefore expressed significant supervisory concern regarding the execution capabilities of these institutions.
- **Materiality assessment.** Following persistent supervisory efforts, most institutions have assessed how they could be impacted by climate change and the transition to a low-carbon economy. By contrast to 2021, this year over **90% of the institutions conducted at least a basic assessment of materiality** for at least one of their main risk types. On the other hand, while institutions' views on their exposures to C&E risks is improving, they need to make further efforts to attain an acceptable degree of coverage of key portfolios, geographies and risk drivers.
- **Strategy.** Many institutions have taken steps to understand how climate-related risks might impact their business model and set out initial strategic responses, but their strategies do not yet make their business model resilient to these risks or address all risks comprehensively.
- **Governance and risk appetite** Institutions have improved their organisational structure and gained awareness of data gaps, but are still in the **early stages of tackling climate-related risks in a granular, bank-wide and comprehensive manner**. In fact, almost all institutions have assigned roles and responsibilities for climate-related risks to members of their management body and/or its sub-committees. On the other hand, institutions have generally bolstered their risk appetite framework by including climate-related key risk indicators (KRIs), albeit not always in a granular manner and often without specifying consequences for indicator breaches.
- **Risk management.**
  - **Risk management framework:**
    - Almost all institutions use at least basic quantification methods to measure climate-related risks, employing proxies and assumptions when data availability is limited.
    - Most institutions have yet to develop the granular and forward-looking quantification methods required to fully grasp the magnitude of the risks.
    - While many institutions have started to consider climate-related risks in their assessment of economic capital adequacy, in most cases this remains a qualitative assessment.
  - **Risk management processes:**
    - Only a quarter of institutions have put in place at least basic climate-related risk practices across all stages of the credit risk management cycle.
    - Institutions are starting to account for both physical and transition risk drivers in their operational risk management.
    - Most institutions within the scope of the market risk module have taken initial steps towards integrating climate-related risks in the investment process and portfolio monitoring.
  - **Environmental management processes:**
    - While still lagging behind climate risk management, institutions are following a similar path for the management of other environmental risks and are improving their understanding of the impact of environmental risks on their risk profile and business model.

### 3. Next steps

- - by the end of **March 2023** at the latest, to have in place a sound and comprehensive materiality assessment, including robust scanning of the business environment;
  - by the **end of 2023** at the latest, to manage C&E risks with an institution-wide approach covering business strategy, governance and risk appetite, as well as risk management, including credit, operational, market and liquidity risk management;
  - by the **end of 2024** at the latest, to be fully aligned with all supervisory expectations, including having in place a sound integration of C&E risks in their stress testing framework and ICAAP.

## 1. Context

The ECB Banking Supervision, in collaboration with national competent authorities, has published its **strategic priorities for the next three years**. The three priorities identified builds on a thorough assessment of the main risks and vulnerabilities for supervised banks, considers the progress made on the priorities endorsed last year and draws on the outcome of the 2022 Supervisory Review and Evaluation Process (SREP).

## 2. Main points

- **Strengthening resilience to immediate macro-financial and geopolitical shocks.** The aim is to ensure that the banking sector remains resilient and that banks cope with the impact of external shocks on their activities in order to address identified vulnerabilities:
  - Shortcomings in credit risk management, including exposures to vulnerable sectors: Banks should address deficiencies in their credit risk management frameworks to identify and mitigate any build-up of risks. In this regard, the ECB will carry out a series of activities to follow up on the identified vulnerabilities:
    - **Targeted reviews** of loan origination and monitoring, assessing compliance with the related EBA guidelines.
    - **Targeted reviews** of IFRS 9 aimed at assessing compliance of selected banks with supervisory expectations laid down in the 2020 “Dear CEO” letter.
    - **On-site inspection (OSI) campaigns on IFRS 9.** Also, targeted OSIs on energy and/or commodity traders and Targeted joint on-site/internal model investigations for some material portfolios.
  - Lack of diversification of funding sources and deficiencies in funding plans: institutions will be asked to develop, execute and adjust as needed a sound and reliable liquidity and funding plan. In this regard, the ECB will conduct a targeted review of targeted longer-term refinancing operations (TLTRO III) exit strategies for selected banks.
- **Ensuring that banks address digitalisation effectively and strengthen their management bodies’ steering capabilities.** Banks should address persisting deficiencies in their digital transformation strategies and governance arrangements. Doing so can help make their business models more resilient and sustainable.
  - Deficiencies in banks’ digital transformation strategies. Institutions must have sound strategies and adequate arrangements in place to address the challenges arising from the changes brought about by digitalisation. In this respect, the ECB:
    - Will publish **supervisory expectations** on digital transformation strategies.
    - Will perform reviews of banks’ digital transformation strategies and OSIs on digital transformation.
  - Deficiencies in operational resilience frameworks. The continuity of banking activities and services must be ensured in the face of potential disruptions. In this sense, the ECB will collect and horizontal analysis of outsourcing registers to identify interconnections among significant institutions and will perform targeted reviews and OSIs of outsourcing and cyber security management.
  - Deficiencies in management bodies’ functioning and steering capabilities. Banks need to strengthen the composition and oversight capabilities of their boards. The ECB Will conduct Targeted reviews of the effectiveness of banks’ management bodies and will update the supervisory expectations regarding banks’ governance arrangements and risk management.
  - Deficiencies in risk data aggregation and reporting. Appropriate frameworks for data aggregation and reporting are necessary. The ECB will refine and communicate to banks of supervisory expectations related to the implementation of risk data aggregation and risk reporting principles. Inspections of entities with persistent deficiencies will also be carried out.
- **Stepping up efforts to address climate change.** Institutions need to take measures and address the risks associated with climate change in an appropriate manner. In this regard, the greatest vulnerability is significant exposures to physical and transitional risk. Banks will only be able to mitigate the risks they face if they adequately consider climate-related and environmental factors in their strategies, risk management practices and decision-making processes. In this sense, the ECB will:
  - Targeted deep dives to follow up on shortcomings identified in the context of the 2022 climate risk stress test and thematic review.
  - Review of banks’ compliance with new ITS reporting and Pillar 3 disclosure requirements related to climate risk, and benchmarking of banks’ practices against supervisory expectations.
  - Deep dives on reputational and litigation risk associated with climate-related and environmental strategies and risk profiles for selected banks.
  - Preparatory work for reviews of banks’ transition planning capabilities and readiness for ESG related mandates expected in the sixth Capital Requirements Directive (CRD VI).
  - Targeted OSIs on climate-related aspects.



04/10/2022

## Work Programme 2023

### 1. Context

The SRB has published the **Work Programme 2023** which sets out its objectives and priorities for the year ahead. Particularly, the focus will be on achieving resolvability of SRB entities and less significant institutions, fostering a robust resolution framework, carrying out effective crisis management, operationalising the Single Resolution Fund, and targeting improvements to areas such as IT and organisational structure. The SRB is committed to making banks fully resolvable by the end of the coming year

### 2. Main points

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

- **Achieving resolvability of SRB Banks and Less-Significant Institutions (LSIs).**
  - Implementation of the SRB Expectations for Banks (EfB). The SRB will continue implementing its 12-month Resolution planning cycle (RPC), in order to revise and update the resolution plans based on the banks' progress against the EfB. The EfB set the end of 2023 as the final deadline for banks to demonstrate that they **fully comply** with the expectations set for each of the seven dimensions of resolvability: i) governance; ii) bank-in execution; iii) liquidity and funding in resolution; iv) operational continuity and Financial Market Infrastructures (FMI) access; v) information systems and data requirements; vi) communication; and vii) separability and reorganization.
  - Minimum requirements for own funds and eligible liabilities. Closely monitoring the adherence of the SRB banks Bank Recovery and Resolution Directive (BRRD2) and urge the banks to have a forward-looking funding plan to prevent any breaches of MREL targets from occurring
  - Resolvability assessments. Assessing banks' progress in the resolvability conditions phased in 2022 via the heat-map tool and communicate the main results in the Resolvability Assessment of Banking Union banks for 2023.
  - Deep-dives and On-site inspections. Carrying out further deep dive missions to test the compliance of the different resolvability dimensions and consolidate the on-site inspection guidance.
- **Fostering a robust resolution framework.** The key areas for work are:
  - Development of SRB policies: i) updating MREL policy; ii ) implement the key findings from the work undertaken in 2022 to operationalise the Single Point of Entry approach; iii) assess banks' capabilities for measuring and reporting on the liquidity situation; iv) extend the Public Interest Assessment (PIA) methodology by refining the SRB policy and strengthening its data- and model-driven analysis (e.g. the SRB will start analysing the impact of crypto assets and decentralised finance on the resolvability of banks).
  - Dissemination of SRB policies. The main plans are:
    - Continue with the systematic quality review of the resolution plans in close relation with the resolvability assessment and the resolvability heat-map.
    - Contributions to external policy and regulatory activity which includes the review of the Crisis management and deposit insurance (CMDI) framework and of the State aid communications for banks in crisis and the implementation of DORA.
    - Cooperation agreements and international relations with EU institutions and agencies and international stakeholders.
- **Preparing and carrying out effective crisis management.** The SRB will among others: i) continue to perform horizontal analyses of banks' bail-in playbooks and incorporate best practices in its guidance and crisis materials, including the bail-in calculator; ii) conduct dry-run exercise testing, at least one fully-fledged simulation exercise and one technical exercise and iii) manage crisis cases, should they occur, in close coordination with all stakeholders, and using already tested protocols to ensure swift action.
- **Operationalising the Single Resolution Fund (SRF).** The SRB will conduct one more exercise of raising *ex ante* contributions in order to meet the target established for the end of the transition period, and will continue to manage the fund investments and lay down procedures for using the available and additional funds for resolution.
- **The SRB will continue working towards a digital SRB,** implementing its 2022-2024 ICT strategy and improving the governance, organisation and management of data following the approval of its Data Management Framework.
- **Actions beyond 2023.** The SRB will conduct comprehensive testing of banks' resolvability capabilities in accordance with a multiannual testing plan, starting in 2024. This approach is in line with the EBA requirements for banks to demonstrate compliance with the EBA Guidelines on improving resolvability as they become applicable on 1 January 2024.

05/12/2022

## Final Guidelines on the use of remote customer onboarding solutions

### 1. Context

In September 2020, the European Commission (EC) published its Digital Finance Strategy for the European Union (EU). This document sets out a strategic objective to make the benefits of digital finance available to European consumers and businesses. In this sense, one of the EC's priorities is to address the fragmentation in the Digital Single Market for financial services. To this end, the Commission asked the EBA to issue guidelines on the application of anti-money laundering and countering the financing of terrorism (AML/CFT) rules where customers are onboarded remotely. This Guidelines were published for consultation on December 2021.

In this context, the EBA has published its **final Guidelines on the use of remote customer onboarding solutions**, which set out the steps financial institutions should take to ensure safe and effective remote customer onboarding practices in line with applicable AML/CFT legislation and the EU's data protection framework.

### 2. Main points

- Internal policies and procedures. Financial institutions should put in place and maintain policies and procedures in situations where the customer is onboarded remotely. These policies should set out at least:
  - A general description of the solution to collect, verify, and record information throughout the remote customer onboarding process.
  - The situations where this solution can be used including a description of the category of customers, products and services.
  - The distinction between steps that are fully autonomized and those that require human intervention.
  - The controls in place to ensure that the first transaction with a newly onboarded customer is executed only once all initial customer due diligence measures have been applied.
  - A description of the induction and regular training programs to ensure staff awareness and up-to-date knowledge of the functioning of the remote customer onboarding solution.

Institutions should set out the scope, steps and record keeping requirements of the pre-implementation assessment in their policies and procedures, which should include at least: i) an assessment of the adequacy of the solution; ii) an assessment of the impact on operational, reputational and legal risks; iii) the identification of possible mitigating measures for each risk; iv) tests to assess fraud risks; and v) testing of the functioning of the solution.
- Acquisition of information.
  - Identifying the customer. Institutions should ensure, among other, to collect:
    - All relevant data and documentation to identify and verify the legal person.
    - All relevant data and documentation to verify that the natural person acting on behalf of the legal person is legally entitled to act as such.
- Document authenticity & integrity. Where institutions accept reproductions of an original document and do not examine it, they should take steps to ascertain that the reproduction is reliable.
- Matching customer identity as part of the verification process. Where institutions use unattended remote onboarding solutions, in which the customer does not interact with an employee to perform the verification process, they should:
  - Ensure that any photograph(s) or video is taken under adequate conditions and use algorithms that allow the proper verification of the customer's identity.

Where institutions use attended remote customer onboarding solutions in which the customer interacts with an employee to perform the verification process, they should:

  - Ensure that the employee that has sufficient knowledge of the applicable AML/CFT regulation and security aspects of remote verification and develop an interview guide defining the subsequent steps of the remote verification process as well as the actions required from the employee.
- Outsourcing. Institutions should include in their policies and procedures specifications setting out which remote customer onboarding functions and activities will be carried out or performed by the institution, by third parties or by another outsourced service provider.

### 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.



14/12/2022

## Risk assessment report and 2022 EU-wide transparency exercise.

### 1. Context

The EBA has published its **annual Risk Assessment Report (RAR)**, which describes the main developments and trends that have affected the EU banking sector between June 2021 and June 2022 and provides an outlook on the main risks and vulnerabilities. In particular, the RAR includes aggregate results on capital position, return on equity (RoE), non-performing loans (NPL) ratio, and coverage ratio of NPLs. Moreover, the RAR also addresses other aspects such as the level of liabilities, operational risks or risks to the global economy. This year, the RAR has considered the consequences of the Russian war of aggression against Ukraine and the subsequent energy crisis. EBA warns that banks should prepare for a likely deterioration in asset quality and strengthen their screening systems and controls to ensure a strict compliance with sanctions to prevent legal and reputational risks.

Moreover, along with the RAR the EBA has published the **results of the EU-wide 2022 transparency exercise** which provides detailed information for 122 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. Liechtenstein and Norwegian banks implemented the reporting framework based on CRR2/CRD5 as of Q2 2022. To ensure comparability over time, EU/EEA aggregated figures do not include data for Liechtenstein and Norwegian banks.

### 2. Main points

**Sample of banks in the RAR.** The RAR builds on the supervisory reporting data that competent authorities submit to the EBA on a quarterly basis for a sample of 161 banks from 30 EEA countries (131 banks at the highest EEA/EU level of consolidation from 25 countries). Based on total assets, this sample covers about 80% of the EU banking sector.

- **Reference date of the RAR.** The data presented in the RAR is as of 30 June 2022.
- **Data for the RAR.** The RAR is based on qualitative and quantitative information collected by the EBA. The report's data sources are the following:
  - EU supervisory reporting data.
  - The EBA risk assessment questionnaire (RAQ), addressed to banks and market analysts.
  - Market intelligence on as well as microprudential qualitative information.
- **Results of the RAR.**
  - Demand for sustainable finance and Environmental, Social and Governance (ESG) products remains robust. Physical risks are increasing due to more frequent heatwaves, floods and droughts. Transition risk is also rising as further policy initiatives to reduce greenhouse gas emissions appear increasingly likely.
  - Lending growth declined in the second quarter of 2022. From June 2021 to June 2022, asset volumes increased considerably driven by loans and advances and derivatives. After Russia's invasion of Ukraine, some lending segments such as residential mortgages registered a rather subdued growth as a result of rising rates and increasing uncertainty.
  - EU/European Economic Area (EEA) banks have increased their exposures to the energy sector. Banks have been actively engaging with energy companies to provide them with a wide range of services to manage volatility in derivative energy markets. As a result, banks have significantly increased their overall exposures to the sector, both in terms of loans as well as derivatives. These exposures are concentrated with a small number of Banks.
  - Early signs of asset quality deterioration. The non-performing loan (NPL) ratio continued a downward trend and its dispersion across banks tightened significantly. However, new NPL inflows increased substantially in the first half of 2022. Banks have increased provisions for performing loans. Nonetheless, the overall cost of risk (CoR) has fallen below pre[1]pandemic lows presumably because of still substantial NPL outflows and the release or the reallocation of unused COVID-19 provisioning overlays.
  - Banks funding costs are expected to increase further. Banks must repay substantial amounts of central bank loans until 2024. A number of banks will be able to rely on existing liquidity buffers – including central bank deposits – to pay back central bank loans. Some banks however may need to issue additional debt or increase deposits.
  - Volatile markets may continue to challenge banks' ability to obtain market funding. Bank funding plans indicate that the shift in economic and monetary developments will reduce banks' liquidity coverage ratios (LCRs) and net stable funding ratios (NSFR) going forward. All banks in the sample have strong liquidity positions. Banks at the lowest end of the distribution also maintained ratios above regulatory requirements.
  - Banks continue to hold capital well above regulatory requirements - including Pillar 2 Guidance (P2G). Although it decreased during the last year, the average capital headroom was 4.65% in June 2022 versus 5.58% in June 2021. Despite this average headroom there are banks that are closer to respective requirements. Increase in risk-weighted assets (RWA) outpaced capital generation and led to a 60 basis points (bps) decline in the average Common Equity Tier 1 (CET1) ratio to 15.2%. On the leverage ratio, most banks in the sample have a buffer of more than 200 bps above the minimum requirement. However, 6% of the banks are within 100 bps above the minimum requirement.



- Russia's invasion of Ukraine has increased operational risk. The increasing reliance of banks on digital solutions towards customers also affects the number and impact of information and communication technology (ICT)-related incidents. The significant number of EU- as well as international sanctions in response to the Russia's invasion of Ukraine increases the risk of implementation errors and circumvention risk. In addition, EU banks face substantial costs as they retreat from their Russian operations.
- It remains uncertain how bank profitability will evolve. Strong lending growth and higher net interest margins (NIM) helped increase banks' return on equity (RoE) year on year (YoY). The expected macroeconomic deterioration will likely result in slower lending growth and rising impairments, and higher inflation may increase operating costs. Lower GDP growth and rising rates could also result in lower fee income from asset management and payment services. Finally, banks that are more reliant on wholesale funding may face more rapid increases in funding costs.

### Overview of key figures:

Reference date	CET1 ratio (transitional)	CET1 ratio (fully loaded)	Liquidity coverage ratio	NPL ratio	Share of Stage 2 loans	RoE	Leverage ratio (fully phased-in)
June 2022	15.2%	15%	165.1%	1.8%	14%	7.8%	5.3%
June 2021	15.8%	15.5%	174.50%	2.3%	8.8%	7.4%	5.7%



15/12/2022

## Roadmap on sustainable finance

### 1. Context


In light of transition-related financing needs, a sound framework for sustainable banking products is necessary, while the cross-cutting nature of ESG risks raises a need for a holistic approach which entails enhancing the measurement, management, disclosure, and monitoring of ESG risks as well as effective supervision of institutions. In 2019, the EBA published its first action plan on sustainable finance which explained EBA's approach and timeline for delivering mandates related to ESG factors.

In this context, the EBA has published its **Roadmap on sustainable finance** which outlines the EBA's workplan on sustainable finance and ESG risks. It supersedes the EBA's first action plan, adding new areas of focus, including aspects related to labeling of sustainable products, greenwashing, as well as supervisory reporting and enhanced risk monitoring framework. To this end, this roadmap creates a continuity from the first action plan and at the same time builds on the latter to reflect the mandates and tasks that the EBA will fulfill in the next three years.

### 2. Main points

The EBA's activities on ESG risks and sustainable finance can be classified under the following main areas:

- **Transparency and disclosures.** The EBA will follow the sequence reflected in the received mandates, which can be summarised as:
  - Pillar 3 disclosures. The EBA will continue to develop the disclosure templates on ESG risks regarding: i) the expansion of the scope of quantitative disclosures beyond climate risk mitigation and adaptation, including disclosure metrics on other ESG risks; and ii) potential expansion of the scope of disclosure requirements to a larger universe of banks, should according to the mandate of the CRR III proposal.
  - Sustainable Finance Disclosure Regulation (SFDR). ESAs work on amendments to SFDR Delegated Regulation to review the indicators for principal adverse impact and the financial product disclosures is planned to be finalised in 2023. Going forward, the ESAs will continue providing clarifications on the application of SFDR disclosures as necessary.
  - Work related to the EU Taxonomy. The EBA will continue its technical support to the EC to: i) ensure a common, uniform and consistent application of entity-level disclosures under Article 8 of the Taxonomy Regulation (TR); ii) extend the KPIs defined in the Commission Delegated Regulation to the remaining environmental objectives of the TR.
  - Securitisation-related disclosures. The ESAs are currently finalising the RTS mandated under the EU Securitisation Regulation which will standardise the information an originator of an simple, transparent and standardised securitisations (STS) may choose to disclose about the adverse impacts of the assets financed by the securitised exposures on the climate and other sustainability factors. This work should be finalised at the beginning of 2023 at the latest.
- **Risk management and supervision (including transition plans).**
  - Forthcoming work by the EBA in this area will provide more guidance to institutions and supervisors, in particular through Guidelines for institutions on the management of ESG risks and further revision of the Guidelines on SREP Expectations on disclosure.
  - The EBA is undertaking preparatory work to deliver the new mandate contained in the proposal of CRD VI, regarding the elaboration of further guidance to institutions to ensure robust and harmonised practices in the assessment and management of ESG risks, including through stress testing and transition plans. Furthermore, based on the final text of the revised CRD, an update to the EBA Guidelines on internal governance and to the Guidelines on remuneration policies may be undertaken to elaborate on aspects related to ESG risks.
  - The EBA plans to include more granular requirements on the treatment of ESG risks in the SREP in a further review of the SREP guidelines, according to the mandates contained in the CRR III/CRD VI proposal.
- **Prudential treatment of exposures.** The EBA will publish a final report which will pursue the analysis set out in the Discussion paper on the role of environmental risks in the prudential framework and explore, for those elements of the framework which are most likely to be affected by environmental risk drivers, how these risk drivers can be best captured through either existing mechanisms or through enhancements or clarifications within the framework.
- **Stress-testing.** The EBA, along with other ESAs and the ECB, has started preparation for a one-off joint climate stress test across the EU financial sector. This joint exercise should assess vulnerabilities in the financial system, including through interlinkages between different sectors within the financial system and how these vulnerabilities relate to the transition to the 2030 goals. Additionally, the EBA is planning to review its Guidelines on institutions' stress testing and to develop, with the other ESAs, joint guidelines for supervisory ESG stress testing, starting with climate risk.
- **Standards and labels.** The EBA is willing to support regulators in order to adjust the upcoming EU Green Bond Standard Regulation so that it is applicable to securitisations. On the other hand, the EBA will deliver its advice on the definition and possible supporting tools for green retail loans and green mortgages by December 2023.

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- **Greenwashing.** The EBA will provide insights into an understanding of the greenwashing phenomenon and identify the specific forms and dimensions it can take in the context of banking activities. A final report on this matter is planned for May 2024. Based on the inputs, EC will consider amendments to the EU single rulebook, if needed.
  - **Supervisory reporting.** The EBA will develop the uniform reporting formats and templates regarding the reporting of ESG risk exposure contained in the banking package. These will be built on the Pillar 3 ITS on ESG risks disclosure. EBA plans to commence the work in 2023.
  - **ESG risks and sustainable finance monitoring framework.** The EBA has started preparatory work to put in place a monitoring system to assess material ESG risks and monitor developments of sustainable finance. The monitoring framework will start as an internal monitoring tool, however going forward it may be used to develop a more standardised, public data and information tool. Furthermore, the EBA will contribute to the EC's systemic monitoring of climate-related financial stability risk.



20/12/2022

## CP on Guidelines on the overall recovery capacity in recovery planning

### 1. Context

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

In this context, the EBA has published the consultation paper on draft guidelines on ORC in recovery planning which aim to set up a consistent framework for the determination of the ORC by institutions in their recovery plans and the respective assessment by competent authorities.

### 2. Main points

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

### 3. Next steps

- Comments to this consultation document can be sent before **14 March 2023**

11/10/2022

## Warning aimed at insurers and banks acting as insurance distributors to ensure that CPI products offer fair value to consumers

### 1. Context

The European Insurance and Occupational Pensions Authority (EIOPA) with the support of National Competent Authorities (NCAs) have conducted a thematic review, looking at the functioning of the EU market for credit protection insurance (CPI) products sold via banks. These review key issues that can negatively impact consumer outcomes.

In this context, and following the thematic review, the EIOPA has issued a **warning aimed at insurers and banks acting as insurance distributors to ensure that CPI products offer fair value to consumers**. Furthermore, the EIOPA expects all insurers and banks acting as insurance distributors to fully comply with the Insurance Distribution Directive (IDD), including the product oversight and governance (POG) requirements.

### 2. Main points

- **EIOPA's expectations.** It is expected that insurers and banks to put customers' interests at the heart of their business model and take relevant measures to prevent the occurrence of consumer detriment. Should this occur, all insurers and banks concerned should take remedial actions to improve consumer outcomes by mitigating the situation and preventing further occurrences of the detrimental event. EIOPA considers that action should be taken in the following areas:
  - Manufacturing of CPI products. Manufacturers of CPI products should ensure, among others, that:
    - Their products are designed to meet the **needs of the identified target market**, meaning offering fair value and ensuring fairness in pricing practices. In order to do so, their product approval process should be designed in a way that is proportional to the complexity and the risks related to the relevant business model, the CPI product and the target market.
    - **Make use of the available data** (such as complaints, rejected claims and other) and conduct relevant analysis to ensure proper product monitoring, including whether the product offers value to the target market.
    - Monitor that the banks acting as insurance intermediaries act in accordance with the objectives of their **product approval process** and that sales schemes, in place at the bank level are not detrimental to consumers.
  - Distribution arrangements of CPI. Insurers and banks are expected to assess and review their distribution and remuneration arrangements to ensure that they always act honestly, fairly and professionally in accordance with the best interests of their customers. It is also expected that product distribution arrangements to take into account the level of complexity and the risks related to the products, as well as the nature, scale and complexity of the business of the distributor (bank).

### 3. Next steps

- EIOPA and NCA will prioritise monitoring the European CPI market and when needed, exercise their supervisory powers including via on-site inspections and other investigatory methods. In the event of a breach appropriate sanctions and administrative measures may be applied.

11/10/2022

## Single Programming Document 2022-2024

### 1. Context

The **EIOPA Strategy for the period 2023-2026** sets out EIOPA's plans for the coming years, which have been designed taking into account the current geopolitical and economic context. This includes the Russia's unprovoked invasion of Ukraine coupled with lingering effects of the pandemic, market volatility and inflation. Additionally, the EIOPA has published its **Single Programming Document**, including the **Annual Work Programme for 2023**. This document sets out the key activities planned for 2023.

### 2. Main points

- EIOPA has identified six **strategic priorities**. For each objective some **regulatory provisions**
  - Address sustainability related challenges, contributing to building up sustainable insurance and pensions, including by addressing protection gaps, for the benefit of citizens and businesses.
    - Update the regulatory technical standards (RTS) to clarify **environmental and social indicators**.
  - Supporting the market and supervisory community through digital transformation, helping the supervisory community and industry to mitigate the risks and seize the opportunities of the digital changes, including by further promoting a data-driven culture.
    - Deliver the Regulatory and Implementing Technical Standards (ITS) from **DORA**.
    - Developing a sound regime for the use of **artificial intelligence (AI)** by the insurance sector.
  - Strengthen supervisory convergence, promoting sound, efficient and consistent prudential and conduct supervision throughout Europe, particularly in view of increased cross-border business. Through digital literacy initiatives and work, EIOPA will also strive to promote accessibility.
  - Ensuring technically sound prudential and conduct of business policy, delivering high-quality advice and other policy work taking into account changing and growing needs of society as well as the effects of new horizontal regulation. EIOPA aims to create an ecosystem that supports financial resilience and enhances the financial health of consumers, taking into account diversity and inclusion considerations.
    - Delivering advice in relation to the review of the **IORP II Directive**.
  - Further enhance financial stability, with particular focus on the analysis of financial sector risks, vulnerabilities, and emerging threats. EIOPA aims at further building up its reputation for sound evidence-based analysis, which takes into account sustainability considerations, including through stress tests exercises. Improved modelling, also based on Artificial Intelligence techniques, and increased use of predictive approaches, such as early warning models, shall contribute to enhancing the quality of the analysis, thereby also better accounting for country specificities.
    - Initiating one-off coordinated **climate change stress test**.
  - Ensuring good internal governance, being a model EU Authority with high professional standards and cost-effective governance. EIOPA aims to further strengthen its organisational capabilities, in particular through the use of technology to facilitate collaboration, increase efficiency and security and drive long-term performance in a post pandemic working environment.

02/11/2022

## Methodology for assessing value for money in the unit-linked market

### 1. Context

Following the publication of the Supervisory Statement on Value for Money in November 2021, EIOPA has worked on a methodology to ensure a consistent and convergent approach towards the implementation of said Supervisory Statement.

In this context, the EIOPA has published the **Methodology for assessing value for money in the unit-linked market**, which outlines a common European approach on how to identify unit-linked products which may offer poor or no value for money and require a close monitoring by national competent authorities (NCAs) to ensure risks are sufficiently identified, monitored and mitigated. The methodology also offers more clarity to insurance manufacturers and distributors on the supervisory approach to addressing value for money risks when supervising product oversight and governance (POG) requirements.

### 2. Main points

The approach is divided into three layers:

- **Layer I: Market wide assessment** through which NCAs would identify products requiring higher scrutiny:
  - The products in scope of the analysis should be currently commercialised ones to make sure the analysis is representative of the current market environment.
  - The methodology assess undertakings or products (depending on the tool used) to monitor the trade-off between costs and returns. Moreover additional extrinsic factors may matter when assessing product value for money (e.g. inflation)
  - Regarding costs it should need to be determined whether the specific product includes costs for the product's distribution or whether such costs – according to the undertaking's distribution strategy – are borne separately by the customer and paid directly to the intermediary. This should be taken into account when assessing value for money.
  - The different tools presented are based on: i) PRIIPs KID data; ii) product national reporting; iii) Solvency II retail risk indicators; and iv) quality of funds underlying unit-linked products. These are indicative and should be adapted by NCAs.
  - The products or undertakings (depending on the tool used) to be shortlisted for enhanced monitoring (Layer II) are the outliers (both in terms of low performance and high costs) according to the different metric corresponding to one (or a combination) of tools used. Outliers may be identified using relative thresholds, i.e. relative to the figures observed in the market, or on the basis of fixed thresholds.
- **Layer II: Enhanced supervision** through which NCAs would assess different indicators and determine whether products offer value or not:
  - Indicators to test independently the Value for Money would focus on both the "surrender scenario" and the "biometric risk scenario" as two independent events.
  - The assessment should be carried out at individual product level, specifically testing product profitability and not undertakings' lines of business.
  - The different tools presented are based on:
    - **Product Profitability Testing.** This exercise will allow to gain a full picture of the impact of costs and, depending on the target market, other factors like inflation, versus the performance following a consumer perspective. The product profitability testing should also verify whether the investment strategy and general functioning of the product lead to satisfactory performance.
    - **Enhanced PRIIPs KID analysis.** Alternatively to the Product Profitability Testing, some other indicators provided in the PRIIPs KID might be used and jointly interpreted to perform an enhanced supervision.
- **Layer III: Assessment of POG documents.** The final step of the methodology envisages to interpret the set of information gathered in the previous layers in light of the POG process followed by the manufacturers.
  - For those products which, based on Layer II, may offer value for money despite having high costs and / or having certain features which may not be simple / easy for any target market to understand, supervisors should assess whether the cost are due and the services and / or the product features to which the costs relate too are aligned with the needs, objectives and characteristics of the target market.
  - The POG Process relies on the following steps:
    - **Manufacturers' systems and controls** to ensure customer centric business models, ensuring product meets needs of the identified target market and mitigate consumer detriment.
    - **The definition of product's target market**, namely the identification of a group of customers, with similar characteristics, for whom the product is compatible.
    - **The product testing**, to assess if the products meet the identified target market's needs, objective and characteristics, over the lifetime of the product.

- **The assessment of the appropriateness of the distribution strategy**, to ensure manufacturer have appropriate processes and controls that determine the processes criteria and steps to be followed for the development of distribution strategies.
- **Product monitoring and review**, to ensure that insurance products remain consistent with the needs, characteristics and objectives of the target market.

After the finalisation of the three layers analysis, it is expected that a conclusive decision on whether products offer value for money to their identified target market would be reached. Finally, it is important to note that this approach, in particular Layer III, is not meant to replace manufacturers' assessment of value for money. It rather aims at determining whether manufacturers have sufficiently and adequately tested that their products offer value to a given target market.

### 3. Next steps

- This work is not yet finalised and the document should be read as a work in progress, to which further improvements will be made and the content refined after the NCAs start to apply it in practice.



16/12/2022

## Results of the climate stress test for the European occupational pension sector

### 1. Context

In 2019, EIOPA carried out a stress test which for the first time covered an analysis of Institutions for occupational retirement provision (IORP's) integration of Environmental, Social and Governance (ESG) factors. However, only 30% of them had processes in place to manage ESG risks and only 19% of them assessed the impact of ESG factors on investments' risk and returns. While this stress test already included an assessment of ESG exposures, focusing on qualitative aspects, it did not assess quantitatively the effects of an adverse climate change scenario. As a result, in April 2022 the EIOPA launched its first climate stress test to gain insights into the effects of environmental risks on the European occupational pension sector.

In this context, the EIOPA has released the **Results of the climate stress test for the European occupational pension sector**. Unlike traditional stress tests that typically examine the impact of low-probability shocks, the scenario for this exercise simulated a sudden, disorderly transition to a green economy that results from the delayed implementation of climate policy measures. The results show that IORPs are materially exposed to transition risks.

### 1. Main points

- **Objectives.** The 2022 IORP stress test has two main objectives:
  - Assessing IORPs' exposures to environmental risks, by estimating the impact of an adverse environmental scenario on the value of IORP's investments.
  - Assessing the effects of a rise in inflation on retirement income, by carrying out a qualitative analysis to assess the dependencies between inflation, loss of purchasing powers and mandatory or automatic (or discretionary) mitigating adaptation mechanisms.
- **Scope.** 187 IORPs from 18 countries covering all European Economic Area (EEA) countries with significant IORP sectors. On aggregate, more than 65% of assets in defined benefit (DB) schemes and defined contribution (DC) schemes were analysed.
- **Approach.** The exercise followed a dual methodology: in addition to a national balance sheet (NBS) approach based on national valuation regulation, a common balance sheet (CBS) approach with mark-to-market valuations was used to make meaningful comparisons possible.
- **Quantitative results scenario (CBS approach vs NBS approach)**
  - Assets in baseline scenario: The aggregate value of assets of the participating IORPs at the end of 2021 amounted to EUR 1,985 bn according to the CBS. Of this, 88% is attributed to DB schemes and 12% to DC schemes. Under the NBS, the aggregate value of was equal to EUR 1,922 bn.
  - Assets in adverse market scenario: On the CBS the adverse scenario leads to a fall of 12.9% in the value of the assets, in absolute terms of approximately EUR 255 billion euro. Equity and bonds investments are the main drivers of the drop in the value of assets in the scenario. The bulk of the drop in value showed up in equity and bond investments. IORPs on average had around 6% of their equity and 10% of their corporate bond investments in carbon intensive industries such as mining, electricity & gas and land transport, for which the scenario prescribed steep write-downs of between 20% and 38%. According to the NBS scenario the impact is less severe (-12.2%). Equity is one of the main drivers for the drop in the value of the asset, followed by bonds and other investment funds.
  - Liabilities and funding ratio. A drop in liabilities due to rising risk-free rates helped cushion the impact of asset-side losses on IORPs' funding ratio, but it did not fully offset it. Financial positions therefore still worsened slightly (-2.9 percentage points) while according to the NBS decreased -2.5. According to the CBS, post-shock aggregate funding ratios in DB schemes remained above 100% in most Member States – due, in part, to strong pre-shock positions.

- **ESG exposures and sustainability investment policy.** The stress test was complemented by a qualitative survey on mitigation and adaptation measures, which revealed that more than 90% of IORPs consider ESG factors when determining their investment policy. Nonetheless, IORPs still experience hurdles in allocating investments to climate risk-sensitive categories. In particular, investment funds are identified by almost half of the participating IORPs (44%) as an asset category where look through is not always possible to be applied with the required level of granularity, and hence, identifying the business categories. On the other hand, only 14% of IORPs reported using environmental stress testing in their own risk management. Importantly, results indicate that this subgroup performed better in the exercise than their peers that do not conduct such analyses, suggesting that own climate stress testing helps IORPs position themselves better against transition risks.
- **ESG and sustainability disclosure.** In general, the IORPs view the SFDR as helpful for their ESG policies, however, some IORPs note that the SFDR and taxonomy disclosures can be an extra administrative burden. 89% of the IORPs inform stakeholders about the way in which ESG factors are taken into account in their investment policies, which is a significant increase from the previous stress test (65%).
- **ESG and sustainability risk management.** 64% of participating IORPs reported to have documented processes to identify, assess, monitor and/or manage ESG and sustainability risks. This is a massive increase from the previous IORP stress test (36%). Likewise, about 40% report to have identified assets that are prone to E, S and G risks, compared to 30% in 2021 and 48% (35% in 2021) perform a risk assessment of one or more of the following risks: physical risks; legal risks; governance risks; transition risks; and technology risks.
- **Assessing the effects of a rise in inflation.** A majority of IORPs providing DB schemes provide schemes where benefits are directly linked to inflation. However, the difference between IORPs operating DB and DC schemes is significant: for 55% of participating IORPs offering DB schemes, benefits of all or some DB schemes are directly linked to inflation whereas for only 15% of participating IORPs offering DC schemes the benefits provided in those DC schemes (all or some) are directly linked to inflation.

### Impact of climate change scenarios

Scenarios	Pre-stress	Post-stress	Impact
<b>Assets</b>			
<b>Total assets - CBS</b>	1.985 trillion	1.730 trillion	-12,9%
<b>Funding ratio* - CBS</b>	119,9 %	117.0%	-2.9 p.p.
<b>Funding ratio* - NBS</b>	112.7%	120.2%	-2.5 p.p.

\*defined benefit schemes

20/12/2022

## Updated representative portfolios to calculate volatility adjustments to the Solvency II risk-free interest rate term structures for 2023 and the RFR Technical Documentation

### 1. Context

The EIOPA has published the **updated representative portfolios that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures for Solvency II** which are based on the end-of-2021 annual reporting templates as reported by European (re)insurance companies to their national supervisory authorities. The updated portfolios enable more accurate reflection of the impact of market volatility under the Solvency II framework. The changes are performed over the last published version that was in September 2022.

### 2. Main points

- **Changes stemming from the deep, liquid and transparent financial markets (DLT Assessment) 2022** are typos or errata changes.
- **Changes stemming from the update of the representative portfolios for 2023.**
  - It has been updated the Table 11 on weights referred to in Article 50 on calculation of the spread underlying the volatility adjustment of Solvency II. The currency and country weights has been changed and are now based on end of 2022 annual reporting templates and 2021 annual reporting.
  - **It has been updated the annex F.15 of historical overview of the government bond- and corporate bond-weights used for the representative portfolios.** The history of currency and country weights has been updated.

### 3. Next steps

- The typo changes will become effective as **1 January 2023**.
- Changes from the update of representative portfolios will become effective as **31 March 2023**.



14/10/2022  
2023 Annual Work Programme

1. Context

The ESMA has published its Strategy for 2023-2028 which details its long-term priorities and objectives. It has been developed against the backdrop of a challenging economic and political environment including the after-effects of COVID, the war in Ukraine, and mounting inflation. Along with this document the ESMA has released its **2023 Annual Work Programme (AWP)**, which is the first work programme developed under the ESMA Strategy for 2023-2028 and will see ESMA delivering amongst others on the priorities set out in the sustainable finance roadmap, adapting to digitalisation in financial markets and enhancing the access to and quality of supervisory data.

1. Main points

The key deliverables for 2023 is presented in accordance to two thematic drivers and ESMA's activities:

- Regulation (SFDR) and work to better understand and fight against greenwashing.
- **Facilitating technological innovation and effective use of data.** Develop technical standards and guidelines in order to help the market prepare for the implementation of key new regulations in the area of digital finance: the Digital Operational Resilience Act (DORA), the Regulation on Markets in Crypto-Assets (MiCA) and the DLT Pilot Regime.
- **Investors and issuers.** Continue to report on the impact of costs and charges for retail investors and coordinate new workstreams on mystery shopping. On the other hand, coordinate a Common Supervisory Action (CSA) in the area of sustainability, covering the risk of greenwashing in the fast-growing area of sustainable investment products. ESMA also expects to be mandated to support the regulatory framework for sustainable finance, under the Corporate Sustainable Reporting Directive, the proposed regulation for EU Green Bonds and the SFDR.
- **Markets and infrastructures.** Develop technical standards on authorisation and registration of benchmark providers, as well as deliver the final technical standards and guidelines mandated under the CCP Recovery and Resolution Regulation.
- **Risk assessment.** Continue to monitor market developments to assess risks, in particular the impact of commodity market developments, financial market impacts of inflation and rising interest rates.
- **Supervision and convergence.** Continue risk-based supervision of all EU Credit Rating Agencies (CRAs), Securitisation Repositories (SRs), Trade Repositories (TRs) as well as certain Data reporting services providers (DRSPs), benchmark administrators and third-country CCPs, and work with national authorities to promote supervisory convergence and a common understanding of where major risks lie. Prepare for the supervision of Consolidated Tape Providers (CTPs), subject to ongoing legislative proceedings on MiFIR review and for the oversight of critical ICT third-party providers (CTPPs) with the other ESAs.

25/11/2022  
Work Programme 2023

## 1. Context

The SRB has published the **Work Programme 2023** which sets out its objectives and priorities for the year ahead. Particularly, the focus will be on achieving resolvability of SRB entities and less significant institutions, fostering a robust resolution framework, carrying out effective crisis management, operationalising the Single Resolution Fund, and targeting improvements to areas such as IT and organisational structure. The SRB is committed to making banks fully resolvable by the end of the coming year.

## 2. Main points

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

- **Achieving resolvability of SRB Banks and Less-Significant Institutions (LSIs).**
  - Implementation of the SRB Expectations for Banks (EfB). The SRB will continue implementing its 12-month Resolution planning cycle (RPC), in order to revise and update the resolution plans based on the banks' progress against the EfB. The EfB set the end of 2023 as the final deadline for banks to demonstrate that they **fully comply** with the expectations set for each of the seven dimensions of resolvability: i) governance; ii) bank-in execution; iii) liquidity and funding in resolution; iv) operational continuity and Financial Market Infrastructures (FMI) access; v) information systems and data requirements; vi) communication; and vii) separability and reorganization.
  - Minimum requirements for own funds and eligible liabilities. Closely monitoring the adherence of the SRB banks Bank Recovery and Resolution Directive (BRRD2) and urge the banks to have a forward-looking funding plan to prevent any breaches of MREL targets from occurring
  - Resolvability assessments. Assessing banks' progress in the resolvability conditions phased in 2022 via the heat-map tool and communicate the main results in the Resolvability Assessment of Banking Union banks for 2023.
  - Deep-dives and On-site inspections. Carrying out further deep dive missions to test the compliance of the different resolvability dimensions and consolidate the on-site inspection guidance.
- **Fostering a robust resolution framework.** The key areas for work are:
  - Development of SRB policies: i) updating MREL policy; ii ) implement the key findings from the work undertaken in 2022 to operationalise the Single Point of Entry approach; iii) assess banks' capabilities for measuring and reporting on the liquidity situation; iv) extend the Public Interest Assessment (PIA) methodology by refining the SRB policy and strengthening its data- and model-driven analysis (e.g. the SRB will start analysing the impact of crypto assets and decentralised finance on the resolvability of banks).
  - Dissemination of SRB policies. The main plans are:
    - Continue with the systematic quality review of the resolution plans in close relation with the resolvability assessment and the resolvability heat-map.
    - Contributions to external policy and regulatory activity which includes the review of the Crisis management and deposit insurance (CMDI) framework and of the State aid communications for banks in crisis and the implementation of DORA.
  - Cooperation agreements and international relations with EU institutions and agencies and international stakeholders.
- **Preparing and carrying out effective crisis management.** The SRB will among others: i) continue to perform horizontal analyses of banks' bail-in playbooks and incorporate best practices in its guidance and crisis materials, including the bail-in calculator; ii) conduct dry-run exercise testing, at least one fully-fledged simulation exercise and one technical exercise and iii) manage crisis cases, should they occur, in close coordination with all stakeholders, and using already tested protocols to ensure swift action.
- **Operationalising the Single Resolution Fund (SRF).** The SRB will conduct one more exercise of raising *ex ante* contributions in order to meet the target established for the end of the transition period, and will continue to manage the fund investments and lay down procedures for using the available and additional funds for resolution.
- **The SRB will continue working towards a digital SRB,** implementing its 2022-2024 ICT strategy and improving the governance, organisation and management of data following the approval of its Data Management Framework.
- **Actions beyond 2023.** The SRB will conduct comprehensive testing of banks' resolvability capabilities in accordance with a multiannual testing plan, starting in 2024. This approach is in line with the EBA requirements for banks to demonstrate compliance with the EBA Guidelines on improving resolvability as they become applicable on 1 January 2024.



## 04/11/2022 Digital Markets Act (DMA)

### 1. Context

The European Commission (EC), European Union (EU) Member States and many other jurisdictions have engaged in recent years to understand the effects that digitalisation and online platforms have on fundamental rights, competition, and, more generally, on societies and economies. Since the adoption of e-Commerce Directive, the landscape of digital services has changed, new information society services have emerged leading to a transformation on how EU citizens communicate and do business. Furthermore, Digital Services have contributed to the internal market by opening new business opportunities and facilitating cross-border trading. In this respect, the EC proposed in December 2020 the Digital Services Act and Digital Markets Act.

In this context, the EP and Council have approved the **Digital Markets Act** with the aim of contributing to the proper functioning of the internal market by laying down harmonised rules ensuring for all businesses, contestable and fair markets in the digital sector across the Union where gatekeepers are present, to the benefit of business users and end users.

### 2. Main points

- **Scope of application.** It shall apply to core platform services provided or offered by gatekeepers to business users established in the EU or end users established or located in the EU, irrespective of the place of establishment or residence of the gatekeepers.
- **Designation of gatekeepers.** It establishes the conditions under which undertakings should be designated as gatekeepers: This is:
  - When it has a significant impact on the internal market. This requirement has been modified with the adoption of the final regulation, to require a turnover of more than EUR 7,5 billion, whereas the previous requirement was EUR 6,5 billion.
  - When it provides a core platform service which is an important gateway for business users to reach end users.
  - When it enjoys an entrenched and durable position, in its operations, or it is foreseeable that it will enjoy such a position in the near future.

The status of a gatekeeper will be reviewed by the EC on a regular basis. Following the adoption of the final Regulation, the review is changed from at least every 2 years to 3 years.

- **Obligations of gatekeepers.** A number of obligations must be fulfilled, including, among others, the following:
  - Allow business users to communicate and promote offers and to conclude contracts with end users, regardless of whether, for that purpose, they use the core platform services of the gatekeeper.
  - Allow end users to access and use, through its core platform services, content, subscriptions, features or other items.
  - Other obligations, which have been extended as a novelty with respect to the draft regulation and which consist of not doing: i) process personal data of end users using services of third parties that make use of core platform services of the gatekeeper; ii) combine personal data from relevant core platform services with personal data from other services; iii) cross-use personal data from the relevant core platform service in other services provided separately by the gatekeeper, including other core platform services, and vice versa.

New from the draft, within 6 months of the appointment of a gatekeeper as such, the gatekeeper must submit a report to the EC detailing the measures to comply with these obligations.

- **Investigative, enforcement and monitoring powers.** It determines the rules related to different instruments that can be used by the EC in the context of market investigations. As novelty compared to the draft, daily periodic penalty payments are introduced which may be imposed by the EC and which must not exceed 5% of the average daily worldwide turnover in the preceding financial year per day. These fines can be set to compel gatekeepers to submit to an inspection, to provide correct information or to comply with certain decisions of the EC.

### 3. Next steps

- This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the EU and shall apply generally from **2 May 2023**.



## 04/11/2022 Digital Services Act (DSA)

### 1. Context

Since the adoption of e-Commerce Directive in 2000, the landscape of digital services has changed, new information society services have emerged leading to a transformation on how EU citizens communicate and do business. Furthermore, Digital Services have contributed to the internal market by opening new business opportunities and facilitating cross-border trading. In this respect, the EC proposed a set of new rules applicable to platforms providing digital services in 2021.

In this context, the EP and Council have published **the Digital Services Act (DSA)** which harmonises the rules applicable to intermediary services in the internal market with the objective of ensuring a safe, predictable and trusted online environment, addressing the dissemination of illegal content online and the societal risks that the dissemination of disinformation or other content may generate, and within which fundamental rights enshrined in the Charter are effectively protected and innovation is facilitated.

### 2. Main points

The new regulatory framework of digital services will rebalance the rights and responsibilities of users, intermediary platforms, and public authorities.

- **Provisions applicable to all providers of intermediary services.** It lays down the following obligations: i) to establish a single point of contact to facilitate direct communication with Member States' authorities; ii) to designate a legal representative in the EU for providers not established in any Member State, but offering their services in the EU; iii) to set out in their terms and conditions any restrictions that they may impose on the use of their services; and iv) transparency reporting obligations in relation to the disabling of information considered to be illegal content to the providers' terms and conditions.
- **Additional provisions applicable to providers of hosting services, including online platforms.** Providers of hosting services shall put mechanisms in place to allow any individual or entity to notify them of the presence on their service of specific items of information that the individual or entity considers to be illegal content. As a novelty with regard to the draft, provisions regarded to the notification of suspicions of criminal offences are added. This means, where a provider of hosting services becomes aware of any information giving rise to a suspicion that a criminal offence involving a threat to the life or safety of a person has taken place, is taking place or is likely to take place, it shall promptly inform the law enforcement or judicial authorities of the Member State concerned.
  - It lays down the obligation for online platforms to provide an internal complaint-handling system in respect of decisions taken in relation to alleged illegal information incompatible with their terms and conditions.
  - As a novelty compared to the draft, there are added obligations regarding online interface design and organization. In this sense, providers of online platforms shall not design, organise or operate their online interfaces in a way that deceives or manipulates the recipients of their service or in a way that otherwise materially distorts or impairs the ability of the recipients of their service to make free and informed decisions.
- As a novelty to the draft, **additional provisions applicable to providers of online platforms allowing consumers to conclude distance contracts with traders.** Providers of online platforms allowing consumers to conclude distance contracts with traders shall ensure that its online interface is designed and organised in a way that it allows traders to provide at least the following: i) the information necessary for the clear and unambiguous identification of the products or the services promoted or offered to consumers; ii) any sign identifying the trader such as the trademark, symbol or logo; and iii) the information concerning the labelling and marking.
- **Additional obligations for very large online platforms to manage systemic risks.** Very large online platforms are obliged to conduct risk assessments on the systemic risks brought about by or relating to the functioning and use of their services and to take reasonable and effective measures aimed at mitigating those risks. They are also to submit themselves to external and independent audits.
- **Implementation, sanctions and enforcement.** The EC proposes to create a Digital Services Coordinators, which are the competent authorities for the consistent application of this Regulation.

### 3. Next steps

- This Regulation shall enter into force on the **twentieth day** following that of its publication in the Official Journal of the EU.
- This Regulation shall apply from **17 February 2024** with the exception of certain rules which shall apply from **16 November 2022**:
  - Transparency reporting obligations for providers of intermediary services.
  - Very large online platforms and very large online search engines.
  - Independent audit.
  - Data access and scrutiny.
  - Supervisory fee.



05/12/2022

## Corporate Sustainability Reporting Directive (CSRD)

### 1. Context

In 2019 the Non-Financial Reporting Directive (NFRD) was adopted in order to include information in the non-financial reporting statements on how, and to what extent, their activities are associated with environmentally sustainable economic activities. In June 2017 the European Commission (EC) published its voluntary guidelines to help companies disclose environmental and social information. Later, in June 2019 a new supplement of these guidelines in order to introduce among others, the disclosure recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). Finally, on 21 April 2021, the EC published the CSRD proposal which would amend the existing reporting requirements of the NFRD. Under this proposal, the European Financial Reporting Advisory Group (EFRAG) has delivered on November 2022 the draft European Sustainability Reporting Standards (ESRS), which will replace the NFRD guidelines.

In this context, following the Council's approval of the European Parliament's (EP) position, **the final CSRD** has been adopted. This Directive introduces more detailed reporting requirements and ensures that large companies and listed SMEs report on sustainability matters such as environmental rights, social, human and governance factors.

### 2. Main points

- **Amendments to the Directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.**
  - It modifies the personal scope of the reporting requirements, extending their application to all large companies and all companies with securities listed on EU regulated markets, except micro-companies.
  - It clarifies the principle of double materiality, removing any ambiguity about the fact that companies should report information necessary to understand how sustainability matters affect them, and information necessary to understand the impact they have on people and the environment.
  - It specifies in greater detail the information that companies should disclose, which shall be clearly identifiable within the management report, through a dedicated section. In this respect, the final Directive adds the obligation for undertakings on the reporting of the information on the key intangible resources on which the business model of the undertaking fundamentally depends, and explain this dependency and how they are a source of value creation for the undertaking.
  - Additionally, regarding the information that shall be contained in the management report the final Directive adds new content (e.g.: i) a description of the greenhouse gas emission reduction targets at least for 2030 and 2050, where appropriate; ii) a description of the principal actual or potential adverse impacts connected with the undertaking's own operations and with its value chain, including actions taken to identify and track these impacts, and other adverse impact; iii) any actions taken by the undertaking to remediate or bring an end to actual or potential adverse impacts).
  - It mandates the undertakings to prepare their management reports in electronic format (XHTML format) and mark-up their sustainability reporting, including the disclosures laid down in Article 8 of Taxonomy Regulation.
  - The final Directive includes that certain undertakings (SMEs, small and non-complex institutions; captive insurance undertakings; and captive reinsurance undertakings) may limit their sustainability reporting, for example, to: i) a brief description of the undertaking's business model and strategy; or ii) a description of the undertaking's policies in relation to sustainability matters, among others.
  - The subsidiary undertakings and parent undertakings exempted from the reporting obligation will be now subject to new conditions under the **final Directive**. Additionally, the exemption **shall also apply to public interest entities** unless that public-interest entity is a large undertaking.
  - **As a novelty**, sustainability reporting standards shall specify forward-looking and retrospective information, and qualitative and quantitative information, as appropriate to be reported by undertakings and shall specify disclosures on value chains that are proportionate and relevant to the scale and complexity of the activities.
  - **As a novelty**, the coordination measures prescribed in the sustainability reporting rules shall not apply to an alternative investment funds (AIF) and UCITS.
  - It requires the statutory auditor to perform a limited assurance engagement on a company's sustainability reporting, including on the compliance of the sustainability reporting with the reporting standards.
  - Additionally, **the final Directive modifies some definitions**: net turnover; sustainability matters; sustainability reporting and key intangible resources.
  - **Another novelty** is that rules on sustainability reports of third country undertakings are inserted. Therefore, third country undertakings which generate a net turnover of more than EUR 150 million in the Union, and which have a subsidiary or a branch in the EU should be subject to EU sustainability reporting requirements.
- **Amendments to Directive on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.** It introduces the requirement to include sustainability reporting in the management report. **As a novelty**, the statutory auditor shall express the opinion and statement on the management report.



- **Amendments to Directive on statutory audits of annual accounts and consolidated accounts.** It establishes rules concerning the statutory audit of annual and consolidated accounts and the assurance of annual and consolidated sustainability reporting, where this is performed by the statutory auditor or audit firm carrying out the statutory audit of financial statements. Some educational qualifications and professional competence requirements shall be fulfilled for a person to carry out a statutory.

### 3. Next Steps

- After being signed by the President of the EP and the President of the Council, the CSRD will be published in the Official Journal of the European Union and will enter into force 20 days afterwards. The new rules will need to be implemented by member states **18 months** later.
- The application of the regulation will take place in **four stages**:
  - reporting in **2025** on the financial year 2024 for companies already subject to the NFRD;
  - reporting in **2026** on the financial year 2025 for large companies that are not currently subject to the NFRD;
  - reporting in **2027** on the financial year 2026 for listed SMEs (except micro undertakings), small and non-complex credit institutions and captive insurance undertakings;
  - reporting in **2029** on the financial year 2028 for third-country undertakings with net turnover above 150 million in the EU if they have at least one subsidiary or branch in the EU exceeding certain thresholds.
- An **opt-out** will be possible for listed SMEs during a transitional period in order to alleviate the reporting burden, exempting them from the application of the directive **until 2028**. The undertaking shall however provide a statement in its management report declaring briefly why the sustainability reporting was not provided.
- The EC will adopt the final version of the standards as a delegated act (expected in **June 2023**), following consultations with EU member states and a number of European bodies. These standards shall not enter into force earlier than four months after their adoption by the Commission (approximately **October 2023**).
- The EC should adopt a second set of reporting standards at the latest by **30 June 2024**, specifying complementary information that undertakings should disclose about sustainability matters and reporting areas where necessary.



05/12/2022

## Digital Operational Resilience Act (DORA)

### 1. Context

Given the ever-increasing risks of cyber-attacks, the EU is strengthening the ICT (Information Communication Technologies) security of financial entities such as banks, insurance companies and investment firms. In this regard, In this context, in September 2020 the European Commission (EC) adopted a the **Digital Finance Package**, including digital finance and retail payments strategies, and legislative proposals on crypto-assets and digital resilience.

In this context, the Council has adopted the **Digital Operational Resilience Act (DORA)** along with different aspects that require national transposition (**Directive on digital operational resilience for the financial sector**). These regulations will make sure the financial sector in Europe is able to stay resilient through a severe operational disruption, by creating a regulatory framework on digital operational resilience whereby all firms need to make sure they can withstand, respond to and recover from all types of ICT-related disruptions and threats. This note analyses solely the general requirements set out in DORA.

### 1. Main points

- **Scope of application.** DORA lays down uniform requirements concerning the security of network and information systems of financial entities as well as critical third parties which provide ICT-related services to them, such as cloud platforms or data analytics services. These regulation excludes: i) some managers of alternative investment funds; ii) some insurance and reinsurance undertakings; iii) institutions for occupational retirement provision which operate pension schemes which together do not have more than 15 members in total; iv) insurance intermediaries, reinsurance intermediaries and ancillary insurance intermediaries which are microenterprises or small or medium-sized enterprises; and natural and legal persons exempted pursuant Directive on markets in financial instruments (e.g persons providing investment services exclusively for their parent undertakings).
- **ICT risk management.** Financial entities shall:
  - Have in place an internal governance and control framework that ensures an effective and prudent management of ICT risk. DORA describes the different tasks of the management body on this regard. This also includes to establish a role in order to monitor the arrangements concluded with ICT third-party service providers.
  - Have a sound, comprehensive and well-documented ICT risk management framework, which includes at least strategies, policies, procedures, ICT protocols and tools that are necessary to duly and adequately protect all information assets and ICT assets. In addition, is necessary to: i) assign responsibility for managing and overseeing ICT risk; ii) review the framework at least once a year and iii) subject it to internal audit.
  - Identify all sources of ICT risk and the risk scenarios impacting them, as well as map the evolution of ICT risk over time.
  - Implement detection mechanisms of anomalous activities and conduct business impact analysis (BIA) of the exposures to severe business disruptions, as well as implement post ICT-related incident reviews.
  - Have in place crisis communication plans enabling a responsible disclosure of, at least, major ICT-related incidents or vulnerabilities to clients, counterparts and general public.

This rules does not apply to :i) small and non-interconnected investment firms; ii) some payment institutions iii) some electronic money institutions and small institutions for occupational retirement provision. These institutions will carry out put in place a simplified ICT risk management framework described in the regulation.
- **ICT-related incident management, classification and reporting.** Financial entities shall:
  - Define, establish and implement an ICT-related incident management process to detect, manage and notify ICT-related incidents. That includes among other put in place early warning indicators, establish procedures to identify, track, log, categorise and classify ICT-related incidents or set out plans for communication to staff, external stakeholders and media.
  - Classify ICT-related incidents and determine their impact based on the listed criteria, (e.g. the number and/or relevance of clients or financial counterparts affected), as well as classify cyber threats based on the criticality of the services at risk.
  - Submit an initial notification and reports on major ICT-related incidents to the relevant competent authority, by means of the templates which will be developed by European Supervisory Authorities (ESAs).

- **Digital operational resilience testing.** For the purpose of assessing preparedness for handling ICT-related incidents, of identifying weaknesses, deficiencies and gaps in digital operational resilience, and of promptly implementing corrective measures, financial entities, shall, establish, maintain and review a sound and comprehensive digital operational resilience testing programme as an integral part of the ICT risk-management framework. This shall include
  - A range of assessments, tests, methodologies, practices and tools specified in the Regulation and follow a risk-based approach:
    - **Testing of ICT tools and systems:** The digital operational resilience testing programme shall provide the execution of appropriate tests, such as vulnerability assessments and scans, open source analyses, network security assessments, gap analyses and physical security reviews among others.
    - **Advanced testing of ICT tools, systems and processes based on threat-led penetration testing (TLPT):** Financial entities (excepting the ones under the simplified ICT risk management framework and other than microenterprises) shall carry out at least every 3 years advanced testing by means of TLPT, which is defined as a framework that mimics the tactics, techniques and procedures of real-life threat actors. Financial entities shall only use testers for the carrying out of TLPT, which fulfill specific characteristics listed in the regulation. These testers can be external or internal.
  - Ensuring that tests are undertaken by independent parties, whether internal or external.
  - Prioritise, classify and remedy all issues revealed throughout the performance of the test, as well as establish internal validation methodologies.
  - Ensuring that test are conducted at least yearly and covering all ICT systems and applications supporting critical or important function.
- **Managing of ICT third-party risk.**
  - Key principles for a sound management of ICT third-party risk: management as an integral component of ICT risk within their ICT risk management framework. That includes among others:
    - Maintain and update a register of information in relation to all contractual arrangements on the use of ICT services, as well as report the new arrangements on the use of ICT services to the competent authorities.
    - Ensuring the compliance of the ICT third-party service providers with appropriate information security standards and exercising access, inspection and audit rights over the ICT third-party service provider.
    - Ensuring that contractual arrangements on the use of ICT services may be terminated in specific circumstances. For ICT services supporting critical or important functions, financial entities shall put in place exit strategies.
    - Identify and assess all relevant risks in relation to the contractual arrangement.
  - Oversight framework of critical ICT third-party service providers: The ESAs shall designate the ICT third-party service providers that are critical for financial entities based on specific criteria listed in the Regulation and appoint a Lead Overseer for each one.
- **Information-sharing arrangements.** Financial entities may exchange amongst themselves cyber threat information and intelligence, including indicators of compromise, tactics, techniques, and procedures, cyber security alerts and configuration tools, to the extent that such information and intelligence sharing: i) aims to enhance the digital operational resilience of financial entities; ii) takes places within trusted communities of financial entities and iii) is implemented through information-sharing arrangements that protect the potentially sensitive nature of the information shared.

### 3. Next steps

- DORA will be published in the Official Journal of the European Union and will enter into force 20 days afterwards.
- It shall apply 24 months from the date of entry into force (approximately **December 2024**).
- ESAs shall submit regulatory technical standards (RTS) specifying some aspects established in this Regulation by 12 months from the date of entry into force of this Regulation (approximately **December 2023**).
- ESAs shall prepare a joint report assessing the feasibility of further centralisation of incident reporting through the establishment of a single EU Hub for major ICT-related incident reporting by financial entities by 24 months from the date of entry into force of this Regulation (approximately **December 2024**).



13/12/2022

## Directive on resilience of critical entities

### 1. Context

In 2008, the European Commission (EC) published Directive on the identification and designation of European critical infrastructure. A 2019 evaluation of that directive highlighted the need to update and further strengthen the existing rules in light of new challenges facing the EU, such as the rise of the digital economy, the growing impacts of climate change, and terrorist threats. In this sense, the EC presented a proposal for a directive on the resilience of critical entities in December 2020.

In this context, the **Directive on the resilience of critical entities** has been approved, with the aim of reducing the vulnerabilities and strengthening the resilience of these entities in order that they are able to prevent, protect against, respond to, cope with and recover from attacks, natural disasters, terrorist threats and public health emergencies.

### 2. Main points

- **Subject matter and scope.** Lays down obligations on Member States to take specific measures aimed at ensuring that services which are essential for the maintenance of vital societal functions or economic activities are provided in an unobstructed manner in the internal market. Furthermore, it lays down obligations for critical entities aimed at enhancing their resilience and ability to provide services.  
The sectors and categories of entities, are, among others: i) energy; ii) transport; iii) banking; iv) financial market infrastructure; v) health; vi) drinking water; vii) waste water; viii) digital infrastructure; ix) public administration; x) space; xi) production, processing and distribution of food. This is a greater scope than the 2008 Directive, which only covered Energy and Transport.
- **National frameworks on the resilience of critical entities.** Each Member State shall adopt a strategy for enhancing the resilience of critical entities. This strategy shall set, among others:
  - Strategic objectives and priorities for the purposes of enhancing the overall resilience of critical entities.
  - A governance framework to achieve the strategic objectives and priorities.
  - A description of measures necessary to enhance the overall resilience of critical entities.
  - A description of the process by which critical entities are identified.Furthermore, each Member State shall identify the critical entities for the sectors and subsectors set out in the Directive and ensure that those critical entities are notified that they have been identified as critical entities within one month of that identification.
- **Resilience of critical entities.**
  - Risk assessment. Member States shall ensure that critical entities carry out a risk assessment within nine months of receiving the notification. Critical entity risk assessments shall account for all the relevant natural and man-made risks which could lead to an incident, including those of a cross-sectoral or cross-border nature, accidents, natural disasters, public health emergencies and other threats.
  - Resilience measures. Member States shall ensure that critical entities take appropriate and proportionate technical, security and organisational measures to ensure their resilience, based on the relevant information provided by Member States on their risk assessment.
- **Critical entities of particular European significance.** An entity shall be considered a critical entity of particular European significance where it: i) has been identified as a critical entity; ii) provides the same or similar essential services to or in six or more Member States; and iii) has been notified by its competent authority, that it is considered a critical entity of particular European significance.
- **Supervision and enforcement.** In order to assess the compliance of the entities identified by Member States as critical entities Member States shall ensure that the competent authorities have the powers and means to: i) conduct on-site inspections of the critical infrastructure and the premises that the critical entity uses to provide its essential services; and ii) conduct or order audits in respect of critical entities.

### 3. Next Steps

- This Directive shall enter into force **20 days** following that of its publication in the Official Journal of the European Union.
- **By 21 months** from the date of entry into force, Member States shall adopt and publish the measures necessary to comply with this Directive.
- **By 54 months** from the date of entry into force, the Commission shall submit to the EP and to the Council a report assessing the extent to which each Member State has taken the necessary measures to comply with this Directive.

21/11/2022

## Agreement on first set of draft ESRS to be submitted to the EC

### 1. Context

On 21 April 2021 the EC adopted a legislative proposal for a Corporate Sustainability Reporting Directive (CSRD) which would oblige companies under scope to report in compliance with European Sustainability Reporting Standards (ESRS). Under the proposed CSRD, EFRAG was mandated to develop draft of these standards. The timeline contained in the proposal assumed the elaboration of draft sustainability reporting standards in parallel to the legislative process of the proposed CSRD. In this regard, EFRAG published for consultation in May 2022 an initial draft of the ESRS. The consultation ended on 8 August 2022.

In this context, the EFRAG has approved the **Final version of the ESRS** which set out the requirements that undertakings shall comply to report on sustainability-related impacts, risks and opportunities under the CSRD. The information shall enable the understanding of the undertaking's impacts on those matters and how they affect the undertaking's financial development, performance and position. This final version includes various amendments to the initial draft agreed after the feedback received during the consultation period. In this note these changes are outlined.

### 2. Main points

- **Scope of information to disclose.**
  - The Disclosure Requirements (DR) cover the **following areas**: i) Governance (GOV): the governance processes, controls and procedures used to monitor and manage impacts, risks and opportunities; ii) Strategy (SBM): how the undertaking's strategy and business model(s) interact with its material impacts, risks and opportunities, including the strategy for addressing them; iii) Impact, risk and opportunity management (IRO): the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and action and iv) Metrics and targets (CCR-3): how the undertaking measures its performance, including progress towards the targets it has set.
  - There are **three types** of applicable disclosures: i) sector-agnostic; ii) sector-specific and iii) entity-specific.
  - **Environmental topic standards** include: Climate Change, Pollution, Water and marine resources, Biodiversity and ecosystems, and Circular economy. On the other hand, **Social topics standards** include Own workforce, Workers in the value chain, Affected communities, and Consumers and end-users.
  - If the undertaking concludes that a topic is not material and therefore it omits all the DR in a topical standard, it shall briefly explain the conclusions of its materiality assessment for the topic. However there is **mandatory information** that has to be reported also if it refers to a topic assessed to be not material: i) ESRS 2 General disclosures; ii) datapoints prescribed in topical ESRS that are listed in Appendix D of General disclosures that stem from other EU legislation; iii) ESRS E1 Climate change; iv) specific DR (including their datapoints) set out in ESRS S1 (Own workforce).
- **Time horizon.**
  - The reporting period for the undertaking's sustainability statements shall be **consistent with that of its financial statements**. Additionally, the undertaking shall establish appropriate linkage in its sustainability statements between **retrospective and forward-looking information**, when relevant, to foster a clear understanding of how historical data relate to future-oriented data.
  - When preparing its sustainability statements, the undertaking shall adopt the following **time intervals** as of the end of the reporting period: i) for short-term: the period adopted by the undertaking as reporting period in its financial statements; ii) for medium-term: from the end of the reporting period for short-term above to five years; and iii) for long-term: more than five years.
- **General presentation requirements.**
  - The presentation of the information about sustainability matters shall be prepared in compliance with the CSRD and the ESRS (i.e., **sustainability statements**) within the undertaking's management report.
  - Undertakings shall report **all the applicable disclosures** (sector-agnostic, sector-specific and entity-specific) required by ESRS standards and disclosures ESRS, as well as, the disclosures pursuant to **Article 8 of Regulation 2020/852 (EU Taxonomy)**.
  - The undertaking shall structure its sustainability statements in **four parts**: i) general information; ii) environmental information; iii) social information and iv) governance information.
- **Main changes to the proposed ESRS.**
  - ESRS 1 (General requirements):
    - **Approach to materiality**: The overall approach has been approved. However, it is clarified that there are no omissions for DRs related to policies, actions and targets ESRS E1 and ESRS 2. On the other hand, in order to omit a datapoint the information provided shall allow to meet the objective of the DR. It has also decided to modify the area of mandatory items to be reported irrespective of materiality.
    - **Threshold for material impacts, risks and opportunities**: Following the decision of the ISSB to discontinue the term 'significant' as a reference to materiality of risks and opportunities and in order to enhance the alignment with impact materiality assessment in GRI, the threshold for material, impacts, risks and opportunities is now linked to the concept of them having respectively material effects on people and the environment and material financial effects.

- ESRS E1 (Climate change): It has been added: i) EBA datapoints; ii) exposure to coal, oil and gas related-activities in terms of revenue and CapEx; iii) clarifications on language on reporting boundary for its sustainability reporting (referred to the one retained for its financial statements expanded to its upstream and downstream value chain) and disclosure of Scope 1 and 2 emissions.
- ESRS E3 (Water and marine resources): it has been added additional data points and additional content on “financial effects arising from opportunities” and transition provision requirement has been eliminated.
- ESRS E4 (Biodiversity and ecosystems): on the one hand it has been specified the scope for listed priority sectors and reporting of mandatory indicators has been established, such as: i) indicators for Life Cycle Assessment (LCA); ii) for priority sectors material impacts on land-use change and ii) for the status of ecosystems. Additionally, SFDR-datapoint to report the share of non-vegetated surface area compared to the total surface area was removed. Lastly, the DR on Financial effects was aligned across environmental standards.
- ESRS E5 (Resource use and circular economy): included modifications of data points in DR E5-3 (targets) and DR E5-5 (resource outflows) and additional content on “financial effects arising from opportunities” in DR E5-6 (financial effects).
- ESRS S1(Own workforce): new mandatory DR are included , such as requirements for diversity for undertakings with 250 employees or more. Moreover, on the latter, a new DR is included as diversity and people with disabilities has been split. On the other hand, datapoints is modified, e.g. in order to diversity policies to be mandatory.
- ESRS G1 (Business conduct): the two original governance ESRS have been narrowed to one topic, namely Business Conduct. Moreover, a requirement for a description of policies/practices to prevent late payments to SMEs has been added and financial information about spending on lobbying activities are now voluntary. at the same time additional granular information has been deleted. Finally, split of SME information was deleted and while the standard payment terms requirement was simplified, this still includes the requirement to provide such information by main category of suppliers.
- Minor changes in ESRS 2 (General disclosure); ESRS E2 (Pollution); ESRS S2(Workers in value chain)/ S3 ( Affected communities)/ S4 (Consumers and users).

### 3. Next steps

- The drafts are subject to **editorial review** of the EFRAG Sustainability Reporting Board (SRB) before its presentation to the EC. This includes among other steps: i) editorial review of SRB members and EFRAG Secretariat; ii) checking references to number of paragraph and name of paragraph/chapter within the same standard and in other standards;iii) streamlining/understanding of the language; (d) alignment of language across standards; and iv) formatting.

# 4Q Publications of the quarter

## Local publications



09/12/2022

### 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 the United States. Furthermore, financial institutions are likely to be affected by both the physical risks and transition risks associated with climate change.

In this context, the Fed has published the **Draft 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 for supervised financial institutions with over \$100 billion in assets.

#### 2. Main points

##### • General Principles.

- Risk management. Management should 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.
- Data, Risk Measurement and Reporting. Management should incorporate climate-related financial risk information into the financial institution's internal reporting and monitoring processes to facilitate timely and sound decision-making.
- Scenario analysis. Management should develop and implement climate-related scenario analysis frameworks 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.

#### 3. Next steps

- Comments on the draft principles must be received on or before **6 February 2023**.



17/10/2022

## CP12/22: Risks from contingent leverage

### 1. Context

PRA rules require firms to have in place sound, effective, and comprehensive strategies, processes, and systems to identify and manage any major sources of risk that affect their capital adequacy, including the risks of excessive leverage. Specifically, firms should consider their vulnerability due to excessive leverage or contingent leverage that may require unintended corrective measures to their business plans.

In this context, the PRA has published the **Consultation Paper (CP) 12/22** which sets out the proposals to update the PRA's supervisory expectations for firms undertaking an Internal Capital Adequacy Assessment Process (ICAAP) in relation to the **risks from contingent leverage**, and to introduce a new data reporting requirement for collecting data on trading exposures where these risks may most likely arise. The PRA considers these proposals would help firms identify, monitor, and manage contingent leverage risk and would improve its ability to monitor the evolution of these risks with more granular data, helping the PRA take targeted action where relevant

### 2. Main points

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

### 3. Next steps

- This consultation closes on Friday **3 February 2023**.
- The proposed reporting change would be effective from **1 July 2023**, with the first submission expected to the PRA in 2024, with a first reference reporting date of **31 December 2023**. The PRA further proposes that firms would report data on both an end-period and averaged basis





02/11/2022

## CP16/22 on implementation of the Basel 3.1 standards

### 1. Context

In response to the global financial crisis, the Basel Committee on Banking Supervision (BCBS) released a series of reforms to its standards (Basel standards). These reforms, collectively known as the Basel III standards were intended to enhance the resilience of banks throughout the economic cycle. Many of the Basel III standards have already been implemented in the UK through EU legislation that was onshored as part of the UK's exit from the EU on 31 December 2020. Additionally, in April 2022 the PRA released a CP which sets out its proposals for introducing a definition of a 'Simpler-regime Firm' through the 'strong and simple' initiative that would seek to simplify the prudential framework for non-systemic domestic banks and building societies, while maintaining their resilience.

In this context, the PRA has published the **Consultation Paper (CP) 16/22 which sets out the proposed rules and expectations that cover the parts of the reforms of Basel III standards** that remain to be implemented in the UK (the Basel 3.1 standards). The CP also includes revised criteria for determining which firms would be in scope of the future 'strong and simple' regime. The proposals address mainly the last element of the reforms – the measurement of RWAs (the denominator of capital ratios). The proposals address mainly: the calculation of RWAs by improving both the measurement of risk in internal models (IMs) and standardised approaches (SAs), and the comparability of risk measurement across firms.

### 2. Main points

- **Scope.** This CP is relevant to PRA-authorized banks, building societies, PRA-designated investment firms, and PRA-approved or PRA-designated financial or mixed financial holding companies (collectively 'firms'). PRA-authorized banks, building societies and designated investment firms that meet the 'Simpler-regime criteria' definition would not have to apply the proposed implementation of the Basel 3.1 standards set out in this CP, but could choose to be subject to them.
- **Credit risk – standardised approach.** The proposals include:
  - enhanced risk-sensitivity, including lower risk weights for low-risk mortgage lending and the introduction of specific treatments for 'specialised lending'.
  - a more risk-sensitive treatment for exposures to unrated corporates, including unrated funds;
  - a simpler, more transparent and prudent mechanism for determining risk weights aimed at supporting lending to small and medium-sized enterprises (SMEs).
  - a more risk-sensitive approach to risk-weighting equity exposures, including a prudent treatment for higher risk 'speculative unlisted equity'.
  - off-balance sheet conversion factors (CFs) aligned to local UK market conditions.
  - a proportionate approach to SA operational requirements, including for the new due diligence requirements included in the Basel 3.1 standards.
- **Credit risk – internal ratings based approach.** These proposals include:
  - removing the option to use the IRB approach for certain categories of exposures and restricting modelling within the IRB approach for certain other categories of exposures where it is judged that the model parameters cannot be estimated reliably for regulatory capital purposes. As such, firms using the IRB approach would no longer be required to model all material exposure classes.
  - adopting exposure-level, model parameter floors ('input floors') to help ensure a minimum level of conservatism for portfolios where the IRB approaches remain available.
  - providing greater specification of parameter estimation practices to reduce variability in RWAs for portfolios where the IRB approaches remain available.
  - improving the operation of the elements of the IRB framework that do not derive from the Basel 3.1 standards which includes a proposal to change the threshold for approving IRB model applications and IRB model changes from 'full compliance' with the IRB requirements to 'material compliance'.
- **Credit risk mitigation.** The proposals regard to:
  - Funded credit protection (FCP): i) under the SA, removal of certain methods for calculating the effects of FCP and amendments to the methods that remain available; ii) under the foundation internal ratings based (FIRB) approach, amendments to existing methods for calculating the effects of FCP, including new supervisory LGD values and collateral volatility adjustments; and iii) under the advanced internal ratings based (AIRB) approach, a new technique for calculating the effects of FCP where firms lack sufficient data (LGD modelling collateral method).
  - Unfunded credit protection (UFCP): i) restrictions on existing methods where firms adjust PDs and/or obligor grades in IRB models; and new restrictions on recognising and modelling UFCP which would depend on the credit risk approach applicable to comparable direct exposures to the protection provider.

- **Market risk.** Sets out the proposals to implement Basel 3.1 on market risk, which included the new market risk framework finalised by the BCBS in 2019. These proposals would:
  - more clearly define the scope of the framework by introducing a stricter delineation between positions that should be allocated to the trading book and non-trading book, and specifying the treatment of internal hedges between the two books.
  - retain a recalibrated version of the existing standardised approach as the simplified standardised approach (SSA) for firms with limited derivatives business. The updated calibration reflects market developments since the approach was initially introduced.
  - introduce a new, more comprehensive standardised approach – new advanced standardised approach (ASA). The PRA proposes that this would be used by firms that do not meet the criteria to use the SSA and that have not been granted supervisory permission to use the new internal model approach (IMA).
  - introduce a new IMA for firms that have been granted supervisory permission. This approach would replace the existing modelled approach.
- **Credit valuation adjustment and counterparty credit risk** aligned with the new credit valuation adjustment (CVA) risk framework finalised by the BCBS in 2019. The new framework is intended to improve the risk-sensitivity and comparability of CVA capital requirements, and incorporates the following improvements relative to the existing framework.
  - a more comprehensive treatment of CVA risks and a better recognition of CVA hedges.
  - closer alignment with industry CVA practices for accounting purposes.
  - new methodologies, which have less reliance on modelling.
  - alignment with the new market risk framework methodology in the case of the most advanced method (SA-CVA).
  - increase the scope of application of the CVA risk framework, relative to the CRR, to include exposures to sovereigns, non-financial counterparties, and pension funds. Legacy trades would have transitional arrangements available.
  - apply a targeted reduced risk weight in the CVA risk framework compared to Basel 3.1 for exposures to pension funds.
  - apply a reduced 'alpha factor' of one in the standardised approach to counterparty credit risk (SA-CCR) framework for calculating exposures to non-financial counterparties and pension funds.
- **Operational risk.** The proposals include the implementation of the new standardised approach (SA) for Pillar 1 operational risk capital requirements; and the exercise of national discretion to set the internal loss multiplier (ILM) equal to 1.
- **Output floor.** The PRA proposes to introduce a floor on RWAs that would require relevant firms with internal model (IM) permissions to calculate RWAs as the higher of: i) the total RWAs calculated using all approaches that they have supervisory approval to use (including IM approaches); or ii) 72.5% of RWAs calculated using only standardised approaches (SAs) (where the latter is called 'the output floor' or 'floored RWAs'). This requirement would apply also to UK firms that are not part of a group headquartered overseas. IM firms would apply the PRA's proposed implementation of the SA in the same manner as for firms without permission to use IMs:
- **Interactions with the PRA's Pillar 2 framework.** The PRA has not included contain any specific new policy proposals but intends to review its Pillar 2A methodologies more fully by 2024, so that Pillar 2 requirements and any corresponding reporting requirements are updated as necessary before the changes to the Pillar 1 framework set out in this CP are implemented. However, this chapter sets out a range of topics the PRA is currently considering:
  - how Pillar 2A operational risk, market risk and credit risk methodologies interact at a high level with the proposed changes to Pillar 1 risk-weighted asset (RWA) approaches set out within this CP.
  - at a high level, the consequential impacts to capital buffers including the PRA buffer.
  - the timing and setting of firm-specific capital requirements.
- **Disclosure (Pillar 3).** The PRA proposes to modify, and in some instances delete, existing disclosure templates, as well as introduce new disclosure templates, to align disclosure requirements with Basel 3.1, and reflect the proposals set out in this CP. The PRA proposes to adopt the Basel 3.1 disclosure templates, without material deviations to the content or format.
- **Reporting.** The proposals set out in this chapter include:
  - revisions to existing COREP templates and instructions on own funds, and own funds' requirements to reflect the proposals set out in this CP.
  - the deletion of certain COREP templates that would become obsolete under the proposals in this CP.
  - the introduction of new COREP templates to reflect the proposed new Pillar 1 RWA calculations, and internal model use conditions proposed in this CP.
  - deletion of the FSA005 Market risk template to reflect the proposed discontinuation of the 'risks not in value-at-risk' (RNIV) methodology for the calculation of market risk.
  - revisions to the Capital+ templates and instructions to reflect the proposals set out in this chapter.
- **Currency redenomination.** The PRA proposes to continue applying the methodology used when redenominating thresholds in respect of other regulatory changes to the proposals covered in this CP, specifying EUR thresholds and monetary values in GBP when implementing Basel 3.1, and in making PRA rules that cover material that is currently covered in the CRR. Additionally, the PRA proposes a separate but similar, methodology to redenominate in GBP certain thresholds and monetary values in USD including those within CRR articles that are stated in EUR but based on a USD threshold in Basel standards.

### 3. Next steps

- This consultation closes on **31 March 2023**.
- The PRA's proposed implementation date for the changes resulting from this CP would be **1 January 2025**.
- The PRA proposes to implement transitional provisions covering a **five-year period** beginning on the PRA's proposed implementation date:
  - For the output floor.
  - For SA and IRB firms implementation of the revised treatment of equity exposures in the credit risk SA.
  - For legacy trades under which they would be exempt from CVA RWAs prior to the application of the new CVA requirements set out in this CP. Firms would, however, have the option to irreversibly apply the new CVA requirements to these trades instead.
- In the SA-CCR framework, the PRA proposes to allow firms to apply the reduced alpha multiplier to trades with certain counterparties, including legacy trades with such counterparties, from the proposed implementation date, but to require them to maintain additional Pillar 1 capital equal to the reduction in capital requirements on the proposed implementation date for the legacy trades. The additional capital requirement for the legacy trades would reduce linearly over **five years**.
- This CP proposes a Transitional Capital Regime so that small firms do not need to apply the Basel 3.1 standards before the future implementation date for a permanent risk-based capital framework for the simpler regime, and so that they remain subject to a regime based on the existing CRR provisions until that time. The PRA proposes that firms meeting the Simpler-regime criteria on **1 January 2024** can choose between being subject to Basel 3.1 on the same timetable as other firms to which the new rules apply, or being subject to the Transitional Capital Regime that would be in place until the implementation date of a permanent risk-based capital framework for the simpler regime.



23/12/2022

## SEC - Proposed rule relating to a broker-dealer's duty of best execution

### 1. Context

The duty of best execution requires a broker-dealer to execute customers' trades at the most favorable terms reasonably available under the circumstances, and customers benefit from broker-dealers' robust considerations of execution opportunities that may provide customers with the most favorable terms. While Financial Industry Regulatory Authority, Inc. (FINRA), a national securities association, and the Municipal Securities Rulemaking Board (MSRB) have established rules and guidance directly addressing the duty of best execution, the SEC believes it is appropriate to propose its own comprehensive and detailed best execution requirements which can be more effective and consistent.

In this context, the SEC have published proposed new rules under the Exchange Act relating to a broker-dealer's duty of best execution consistent with FINRA and MSRB standards which would enhance the existing regulatory framework concerning the duty of best execution by requiring detailed and robust policies and procedures for all broker-dealers, including situations of certain conflicted transactions with retail customers, as well as related review and documentation requirements.

### 2. Main points

- The Best Execution Standard. It would be required that in any transaction for or with a customer, or a customer of another broker-dealer, a broker-dealer, or a natural person who is an associated person of a broker-dealer, must use reasonable diligence to ascertain the best market for the security, and buy or sell in such market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.
  - The proposed best execution standard would apply to: i) securities transactions for or with a broker-dealer's own customers, as well for those of another broker-dealer; and ii) transactions for or with a customer, regardless of whether the broker-dealer is transacting for or with the customer on an agency basis or in a principal capacity
  - Exemptions from this rule are proposed: i) when the broker-dealer is quoting a price for a security where another broker-dealer routes a customer order for execution against that quote; ii) when an institutional customer, exercising independent judgment, executes its order against the broker-dealer's quotation; or iii) when the broker-dealer receives an unsolicited instruction from a customer to route that customer's order to a particular market for execution.
- Best Execution Policies and Procedures. It would be required that a broker-dealer that effects any transaction for or with a customer or a customer of another broker-dealer to establish, maintain, and enforce written policies and procedures reasonably that would address: i) how the broker-dealer would comply with the best execution standard; and ii) how the broker-dealer would determine the best market for the customer orders that it receives.
- Policies and Procedures and Documentation for Conflicted Transactions. It would be required that a broker-dealer's best execution policies and procedures to address additional considerations with respect to "conflicted transactions." It would also require a broker-dealer to document its compliance with the proposed best execution standard for conflicted transactions and document any arrangement concerning payment for order flow.
  - "Conflicted transaction" would be defined as any "transaction for or with a retail customer" where a broker-dealer: i) executes an order as principal, including riskless principal; ii) routes an order to, or receives an order from, an affiliate for execution; or iii) provides or receives payment for order flow.
  - Best execution policies and procedures would address the following with respect to conflicted transactions: i) how the broker-dealer will obtain and assess information including additional information about price, volume, and execution quality, in identifying a broader range of markets beyond those identified as material potential liquidity sources; and ii) how the broker-dealer will evaluate a broader range of markets, that might provide the most favorable price for customer orders, including a broader range of order exposure opportunities and markets that may be smaller or less accessible.
- Regular Review of Execution Quality. It would be required that a broker-dealer, no less frequently than quarterly, to review the execution quality of its transactions for or with its customers or customers of another broker-dealer, and how such execution quality compares with the execution quality the broker-dealer might have obtained from other markets, and to revise its best execution policies and procedures, including its order handling and routing practices, accordingly. It is also included the obligation to document the results of the review.
- Introducing Brokers. It would be permitted a broker-dealer that qualifies as an introducing broker to rely on its executing broker to comply with the best execution proposed rules subject to certain review requirements.
  - "Introducing broker" would be defined as a broker-dealer that: i) does not carry customer accounts and does not hold customer funds or securities; ii) has entered into an arrangement with an unaffiliated broker-dealer that has agreed to handle and execute on an agency basis all of the introducing broker's customer orders ("executing broker"); and iii) has not accepted any monetary payment, service, property, or other benefit that results in remuneration, compensation, or consideration from the executing broker in return for the routing of the introducing broker's customer orders to the executing broker.

- An introducing broker that routes customer orders to an executing broker does not need to separately comply with the best execution proposed rules so long as the introducing broker establishes, maintains, and enforces policies and procedures that require the introducing broker to regularly review the execution quality obtained from such executing broker, compare it with the execution quality it might have obtained from other executing brokers, and revise its order handling practices, accordingly. The introducing broker would also be required to document the results of this review.
- Annual Report. It would be required a broker-dealer that effects any transaction for or with a customer or a customer of another broker-dealer to review, no less frequently than annually, review and assess the design and overall effectiveness of its best execution policies and procedures, including its order handling practices.

### 3. Next steps

- Comments to the proposed rules should be received on or before **March 31, 2023**, or 60 days after date of publication in the Federal Register, whichever is later.



02/11/2022

## Economic Crime and Corporate Transparency Bill

### 1. Context

The UK has one of the world's largest and most open economies, making it an attractive place for global business. However, this same openness exposes the UK to the risk of fraud and money laundering, which, in turn, funds serious and organised crime here in the UK, and facilitates corruption overseas. The threat of illicit finance undermines legitimate business and impacts on everyday society and all citizens' lives. In August 2022, the government introduced the Economic Crime (Transparency and Enforcement) (ECTE) which is aimed at strengthening the UK's fight against economic crime.

In this context and following the ECTE, the UK government has published the **Economic Crime and Corporate Transparency Bill** in order to deliver a suite of wider-ranging reforms to tackle economic crime and improve transparency over corporate entities.

### 2. Main points

- **Companies House reform.** The Bill will reform the role of Companies House and improve transparency over UK companies and other legal entities in order to strengthen the business environment, support the national security and combat economic crime, whilst delivering a more reliable companies register to underpin business activity. The reforms include:
  - Introducing identity verification for all new and existing registered company directors, People with Significant Control, and those delivering documents to the Registrar.
  - Broadening the Registrar of Companies House's powers so that the Registrar can become a more active gatekeeper over company creation and custodian of more reliable data, including new powers to check, remove or decline information submitted to, or already on, the companies register.
  - Improving the financial information on the register so that the register is more reliable, complete and accurate, reflects the latest advancements in digital technology, and enables better business decisions.
  - Providing Companies House with more effective investigation and enforcement powers and introducing better cross-checking of data with other public and private sector bodies. Companies House will be able to proactively share information with law enforcement bodies where they have evidence of anomalous filings or suspicious behaviour.
  - Enhancing the protection of personal information provided to Companies House to protect individuals from fraud and other harms.
  - Broader reforms to clamp down on misuse of corporate entities, such as the duty to deliver (e.g. confirmation statements or rules on disqualification of persons designated under sanctions legislation).
- **Cryptoassets.** The Bill will provide additional powers to law enforcement so they are able to more quickly and easily seize and recover cryptoassets which are the proceeds of crime or associated with illicit activity such as money laundering, fraud and ransomware attacks.
- **Strengthening anti-money laundering powers.** The Bill will strengthen anti-money laundering powers, enabling better information sharing on suspected money laundering, fraud and other economic crimes. The reforms will:
  - Enable businesses in certain situations to share information more easily for the purposes of preventing, investigating or detecting economic crime by disapplying civil liability for breaches of confidentiality for firms who share information to combat economic crime.
  - Enable proactive intelligence gathering by law enforcement and strengthening the National Crime Agency's Financial Intelligence Unit's (FIU) ability to obtain information from businesses relating to money laundering and terrorist financing by removing the requirement for a pre-existing Suspicious Activity Report (SAR) to have been submitted before an Information Order (IO) can be made.
  - Focus private sector and law enforcement resources on high value activity, reducing the reporting burden on businesses and enabling greater prioritisation of law enforcement resource by expanding the types of case in which businesses can deal with clients' property without having to first submit a Defence Against Money Laundering (DAML) SAR.
- **Limited partnership reform.** The Bill will tackle the misuse of limited partnerships, including Scottish limited partnerships, while modernising the law governing them.

### 3. Next steps

- The Bill started in the House of Commons and is not approved yet. The first session of the bill's committee stage in the House of Commons is scheduled for 25 October 2022. After that a third reading will take place and it will pass to the House of Lords for approval.

# Other publications of interest

## Capital, liquidity and leverage

### INSURANCE STRESS TEST

[\(20/01/2022\) PRA – Insurance Stress Test 2022 – Request for technical input](#)

The Prudential Regulation Authority (PRA) has published the second request for technical input regarding the insurance stress test that PRA will be conducting for the largest regulated life and general insurers from May 2022. This request includes the following documents: i) updated scenarios together with the scenario calibration, specifications, and guidance; ii) quantitative data templates; and iii) qualitative report which will complement the quantitative results. Participants can submit their feedback until Thursday 17 March 2022.

### OWN FUNDS REQUIREMENTS

[\(02/02/2022\) EBA - EBA publishes technical standards listing advanced economy countries for market risk own funds requirements](#)

The European Banking Authority (EBA) has published its final draft Regulatory Technical Standards (RTS) on the list of countries with an advanced economy for calculating the equity risk under the alternative standardised approach (FRTB-SA). These RTS are part of the phase 3 deliverables of the EBA roadmap for the new market and counterparty credit risk approaches.

### CAPITAL BUFFERS

[\(10/02/2022\) ECB - ECB will not extend capital and leverage relief for banks](#)

In March 2020 the European Central Bank (ECB) allowed banks to operate below the level of capital defined by the Pillar 2 Guidance and the capital conservation buffer. In July 2020 the ECB committed to maintaining this full buffer flexibility until at least the end of 2022. Finally, ECB will not extend the relief for banks and banks once again are expected to operate above Pillar 2 Guidance from 1 January 2023.

### BASEL III MONITORING REPORT

[\(21/02/2022\) BCBS – Basel III Monitoring Report](#)

The Basel Committee on Banking Supervision (BCBS), has published a report presenting the results of the Committee's supervisory exercise based on June 30, 2021 data. Risk-based capital ratios remained broadly stable, but leverage ratios decreased from the previous period. The largest decline, of 1.1 percentage points, occurred in the Americas. This was due to a significant increase in the leverage ratio exposure measure.

### RESILIENCE AND BUSINESS CONTINUITY

[\(15/03/2022\) BoE – CP3/22 – Occasional Consultation Paper – March 2022](#)

The Bank of England (BoE) has published a consultation paper setting out the Prudential Regulation Authority's (PRA) proposals for minor amendments to the UK Technical Standards, PRA rules and various statements. The proposals and issues to be addressed address topics such as the Solvency II directive, the leverage ratio, the capital requirement rules, the removal of irrelevant material and Pillar 3.

### INSURANCE STRESS TEST

[\(21/03/2022\) EIOPA – EIOPA issues recommendations from EIOPA's 2021 Insurance Stress Test](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has issued its recommendations for supervisors and insurers, based on the learnings and experience of EIOPA's 2021 Insurance Stress Test. Having analysed the results of the stress test, EIOPA has now defined a series of actions that, once implemented, will result in a more resilient insurance sector in Europe. The recommendations fall into three categories: i) recommendations on identified vulnerabilities; ii) recommendations on availability of actions to manage adverse conditions; and iii) individual undertaking-specific recommendation.

# Other publications of interest

## Capital, liquidity and leverage

### ULTIMATE FORWARD RATE

[\(05/04/2022\) EIOPA - EIOPA publishes the Ultimate forward rate \(UFR\) for 2023](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published the Report on the calculation of the Ultimate Forward Rate (UFR) for 2023, where the calculation of the UFR for 2023 has been included. As of 1 January 2023, the applicable UFR for the euro will remain unchanged at 3.45%.

### SECURITISATION MARKET

[\(12/04/2022\) EBA - EBA publishes final draft technical standards on the risk retention requirements for securitisations](#)

The European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) specifying the requirements for originators, sponsors and original lenders related to risk retention as laid down in the Securitisation Regulation and as amended by the Capital Markets Recovery Package (CMRP). These RTS aim to provide clarity on the risk retention requirements ensuring a better alignment of interests and reducing the risk of moral hazard, thus contributing further to the development of a sound, safe and robust securitisation market in the EU.

### TECHNICAL PROVISIONS

[\(21/04/2022\) EIOPA - EIOPA finalises the revision of EIOPA's Guidelines on Contract Boundaries and Guidelines on the Valuation of Technical Provisions](#)

The European Insurance and Occupational Pension Authority (EIOPA) has published two Final Reports on the revision of its Guidelines on Contract Boundaries and Guidelines on the Valuation of Technical Provisions, in order to provide additional guidance and amending certain aspects in relation to: Modelling Biometric Factors, the Apportionment of Expenses, Changes in Expenses, Assumptions used to calculate Expected Profits in Future Premiums and the Unbundling of contracts.

### SOLVENCY II

[\(22/04/2022\) BoE - DP2/22 – Potential Reforms to Risk Margin and Matching Adjustment within Solvency II](#)

The Bank of England has published a Discussion Paper (DP) on potential reforms to risk margin, matching adjustments within Solvency II. The DP sets out the Prudential Regulation Authority's (PRA) current views on some key aspects of the potential reform package and the current assessment of overall reform outcomes arising from key aspects of HM Treasury's review of Solvency II, particularly reforms to the fundamental spread and risk margin. The content of this DP is primarily of relevance to the annuity sector, but it will also be of interest to other insurance and reinsurance undertakings and industry stakeholders.

[\(15/06/2022\) EIOPA - EIOPA consults on the advice on the review of the securitisation prudential framework in Solvency II](#)

The European Commission sent a Call for Advice (CfA) to the Joint Committee (JC) of the European Supervisory Authorities in 2021. In it, the Commission sought the assistance of the JC to assess the recent performance of the rules on capital and liquidity requirements relative to the framework's original objective of contributing to the sound revival of the EU securitisation market on a prudent basis. In this context, the European Insurance and Occupational Pensions Authority (EIOPA) has prepared a consultation paper in response to the CfA and would welcome comments on the policy options proposed, the feedback received from stakeholders will be considered before submitting the final proposal for adoption.

### PRUDENTIAL FRAMEWORK SIMPLIFICATION

[\(29/04/2022\) PRA - CP5/22 - The Strong and Simple Framework: a definition of a Simpler-regime Firm](#)

The Prudential Regulation Authority (PRA) has set out its proposals for introducing a definition of a Simpler-regime Firm in the PRA Rulebook that would seek to simplify the prudential framework for non-systemic domestic banks and building societies, while maintaining their resilience. The PRA's implementation of this proposed definition would be the first step in designing a strong and simple framework. On the other hand, this definition should not create significant additional costs because the criteria in the definition should be based on information that firms are already having to calculate or required to report. This consultation closes on Friday 22 July 2022.



# Other publications of interest

## Capital, liquidity and leverage

### STRESS TEST IN EUROPE

[\(04/05/2022\) ESMA - Guidelines on stress test scenarios under the Monetary Market Fund Regulation](#)

The European Securities and Market Authority (ESMA) has updated their Guidelines on stress test scenarios under the Monetary Market Fund (MMF) Regulation. In this regard, the table on shocks to government bond credit spreads, which compile the absolute change in basis points for the Government Bonds of different countries has been modified with new data. compiles the absolute change in basis points of government bonds of different countries

### INSURANCE STRESS TEST

[\(04/05/2022\) PRA - Insurance Stress Test](#)

The Prudential Regulation Authority (PRA) has launched its biennial insurance stress test (IST) which contains the scenario specifications, the technical instructions and the templates for recording the results. In addition, firms are requested to provide a supporting narrative in the "Results and basis of preparation" (RBP) report.

### INTERNAL APPROACHES BENCHMARKING

[\(05/05/2022\) EBA - EBA updates technical standards in view of its 2023 benchmarking of internal approaches](#)

The European Banking Authority (EBA) has published an update to its Implementing Technical Standards (ITS) which specify the data collection for the supervisory benchmarking exercise of 2023 in relation to the internal approaches used in market and credit risk and IFRS9 accounting. The updated ITS include all benchmarking portfolios and metrics that will be used for the 2023 exercise. For market risk the collection of new instruments and portfolios have been included, in particular those recently applied by the industry. For credit risk minor changes were made to the benchmark portfolios and no changes to the data fields for reporting purposes. No changes have been made to the IFRS 9 templates.

### NON PERFORMING AND FORBORNE EXPOSURES

[\(06/05/2022\) PRA - Statement on EBA Guidelines relating to the management of non-performing and forborne exposures](#)

The Prudential Regulation Authority (PRA) has set out a statement on the European Banking Authority (EBA) Guidelines relating to the management of non-performing exposures (NPEs) and forborne exposures (FBEs). The PRA notes that these Guidelines are not applicable to or in the UK. In particular because the GLs apply detailed requirements for firms with a gross NPE ratio of at least 5% and they require competent authorities to define a common threshold for the individual valuation and revaluation of the collaterals used for NPEs.

### CCPs

[\(19/05/2022\) ESMA - Final Report \(FR\) on highly liquid financial instruments for CCP investment policies](#)

The European Securities and Markets Authority (ESMA) has published its Final Report on highly liquid financial instruments for central counterparty (CCP) investment policies. The Report, which has been sent to the European Commission (EC) concludes that further work is to be done regarding the extension of the list of eligible financial instruments to certain public entities and potentially to covered bonds pending further research.

### CONNECTED CLIENTS

[\(08/06/2022\) EBA - EBA consults on technical standards on the identification of a group of connected clients](#)

The European Banking Authority (EBA) has published a consultation paper on technical standards on the identification of a group of connected clients. The sections IV, VI and VII of the 2017 Guidelines on connected clients are replaced by new articles of these RTS that contain several clarifications to the Guidelines without substantial changes. Comments to this document can be sent before 8 September 2022.

### CAPITAL ADJUSTMENT

[\(13/06/2022\) PRA - PRA statement on removing the PRA buffer adjustment in PS15/20](#)

The Prudential Regulation Authority (PRA) has published a public statement in which it is announced that the PRA buffer adjustment that was set in light of COVID-19 under the Policy Statement 15/20 it is not necessary given the current situation. It has therefore been decided to remove it and it will no longer apply from end-December 2022.

# Other publications of interest

## Capital, liquidity and leverage

### INSURANCE CAPITAL STANDARD

[\(15/06/2022\) IAIS - IAIS issues public consultation on the draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard](#)

The International Association of Insurance Supervisors (IAIS) has launched a public consultation on the draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard (ICS). The IAIS seeks input on the high-level principles that were developed to assess this aggregation method. Comments can be sent before 15 August 2022.

### ASSET ENCUMBRANCE

[\(28/06/2022\) EBA - EBA observed an increasing encumbrance ratio in 2021 albeit with some signs of stabilization](#)

The European Banking Authority (EBA) published its annual Asset Encumbrance Report. The Report highlights that banks continued to make extensive use of central bank funding in 2021. As a result, the overall encumbrance ratio rose by 2.2 percentage points in 2021 to 29.1%. and more than 50% of the eligible-assets and collateral are now encumbered. According to EBA increasing encumbrance ratios might lead to adverse feedback loops of higher encumbrance and higher funding costs.

### INVEST FIRMS

[\(29/07/2022\) EBA – EBA publishes its final guidelines on the criteria for the exemption of investment firms from liquidity requirements in accordance with Investment Firms Regulation](#)

The European Banking Authority (EBA) has published its final guidelines on the criteria for the exemption of small and non-interconnected investment firms from the liquidity requirements in accordance with the Investment Firms Regulation (IFR). These Guidelines ensure that all competent authorities granting this exemption follow the same harmonised approach, while preserving the IFR general objective of maintaining the prudential requirements proportional to the size and complexity of the smaller investment firms.

### DEPOSIT GUARANTEE SCHEMES

[\(29/07/2022\) EBA – EBA consults on revised Guidelines on methods for calculating contributions to deposit guarantee schemes](#)

The European Banking Authority (EBA) has launched a public consultation on its draft revised Guidelines on deposit guarantee schemes (DGS) contributions. The revised Guidelines aim at enhancing the proportionality between the risk of a credit institution and its contributions to the DGS and at streamlining and simplifying the original Guidelines. The consultation runs until 31 October 2022.

### IFRS 17

[\(08/09/2022\) EC - Reglamento de la Comisión por el que se modifica el Reglamento \(CE\) n.o 1126/2008 en lo que respecta a la Norma Internacional de la IFRS 17](#)

The European Commission (EC) has adopted a Regulation amending the Regulation on the application of international accounting standards, in particular the IFRS 17 on Insurance Contracts. The reason for this amendment is the need to adopt the new updates introduced to the standard in 2021 by the International Accounting Standards Board (IASB), which allows companies to overcome one-time classification differences of comparative information of the previous reporting period upon initial application of IFRS 17 and IFRS 9 on Financial Instruments. This Regulation enters into force on 29 September and is directly applicable in all Member States.

### TECHNICAL PROVISIONS

[\(16/09/2022\) DGSP – Resolución de 6 de septiembre de 2022, de la Dirección General de Seguros y Fondos de Pensiones, por la que se publican las Directrices revisadas de la Autoridad Europea de Seguros y Pensiones de Jubilación sobre la valoración de las provisiones técnicas](#)

The Directorate General for Insurance and Pension Funds has published a Resolution endorsing the revised Guidelines on the valuation of technical provisions developed by EIOPA and applicable from 1 January 2023. These Guidelines were developed to enhance consistency and convergence between Member States in the valuation of technical provisions by insurance and reinsurance undertakings of all types and sizes and to support them in the calculation of technical provisions under Solvency II.

# Other publications of interest

## Capital, liquidity and leverage

### CAPITAL BUFFERS

[\(05/10/2022\) BCBS - Buffer usability and cyclicity in the Basel framework / Newsletter on positive cycle-neutral countercyclical capital buffer rates](#)

The Basel Committee on Banking Supervision (BCBS) has published a second evaluation report assessing the impact of the implemented Basel reforms regarding buffers usability and cyclicity. The report found some indications of a positive relationship between lending and the capital headroom of banks. Given the evaluation findings, the longer-term impacts of the pandemic, ongoing geopolitical events and the potential for new risks to emerge, the Committee wishes to stress the importance of the prudent build-up and use of buffers at banks to smooth the impact of internal and external shocks. To facilitate this, some jurisdictions have chosen to implement positive cycle-neutral countercyclical capital buffer (CCyB) rates.

### CCPs

[\(17/10/2022\) ESMA – ESMA temporarily amends CCP collateral requirements to provide liquidity relief on energy derivatives markets](#)

The European Securities and Markets Authority (ESMA) has published a report which contains Regulatory Technical Standards (RTS) to amend Delegated Regulation 153/2013 on requirements for central counterparties (CCPs) in order to temporarily expand the pool of eligible collateral to uncollateralised bank guarantees for Non-Financial Counterparty (NFCs) acting as clearing members and to public guarantees for all types of counterparties.

### GOVERNMENT BOND MARKETS

[\(20/10/2022\) FSB – FSB analyses liquidity in core government bond markets](#)

The Financial Stability Board (FSB) has published a report on liquidity in core government bond markets. The report forms part of the FSB's work programme to enhance the resilience of non-bank financial intermediation (NBFi) and it outlines measures to: i) mitigate unexpected and significant spikes in liquidity demand by non-bank investors; ii) enhance the resilience of liquidity supply in stress; iii) enhance market oversight, risk monitoring and the preparedness of authorities and market participants.

### IRRBB

[\(20/10/2022\) EBA – Final Draft for IRRBB SOT / Final Draft for IRRBB SA / Final Guidelines on IRRBB and CSRBB](#)

The European Banking Authority (EBA) has published two final documents for its regulatory technical standards (RTS) on the Interest Rate Risk in the Banking Book (IRRBB) supervisory outlier test (SOT), the IRRBB and credit spread risk arising from non-trading book activities (CSRBB) and the guidelines on IRRBB and CSRBB. With respect to the previous drafts the following changes stand out: for the Final draft RTS on IRRBB SOT it is added in Article 2 that the calibration of the specified sizes for the disturbances must be performed at least every five years. For the IRRBB SA there are also changes in the nomenclature and formulation of certain sections, standing out the changes in the calculation of the economic value of own funds. Regarding the Guidelines on IRRBB and CSRBB the entry into force has been changed, in general, to June 30 2023.

### IFRS9

[\(24/10/2022\) IFRS – IASB adds narrow-scope project to work plan on possible amendments to financial instruments Accounting Standard](#)

The International Accounting Standards Board (IASB) has expanded the scope of its maintenance project on the work plan for proposed narrow-scope amendments to IFRS 9. The aim of the proposed amendments is to respond to stakeholders' feedback on the Request for Information published in September 2021 as part of the Post-implementation Review of IFRS 9. The proposed amendments will cover three areas: i) contractual cash flow characteristics, ii) electronic cash transfers and iii) equity instruments and other comprehensive income. The next milestone is the publication of the Exposure Draft on these proposals.

### MORTGAGE INSURANCE SCHEMES

[\(26/10/2022\) BoE – Regulatory treatment of retail residential mortgages provided under private mortgage insurance schemes with similar contractual features to MGS](#)

The Prudential Regulation Authority (PRA) has published a Statement on the regulatory treatment of retail residential mortgage loans under private mortgage insurance schemes with similar contractual features to the Mortgage Guarantee Scheme. This statement does not provide an exhaustive commentary of the regulatory requirements for these loans, firms should review the relevant legislation and, if necessary, seek independent advice to satisfy themselves that they meet all applicable requirements. In particular, the UK Capital Requirements Regulation (CRR) requires firms to obtain a legal opinion on the effectiveness and enforceability of credit protection afforded by a guarantee.

# Other publications of interest

## Capital, liquidity and leverage

### OPEN-END FUNDS

[\(02/11/2022\) SEC – SEC Proposes Enhancements to Open-End Fund Liquidity Framework](#)

The Securities and Exchange Commission (SEC) has voted to propose amendments to better prepare open-end funds for stressed conditions and to mitigate dilution of shareholders' interests. The rule and form amendments are expected to enhance how funds manage their liquidity risks, by requiring the implementation of liquidity management tools, and by revising the frequency and introducing greater detail in the information reported by funds.

### CRR

[\(03/11/2022\) EBA – EBA publishes assessment on the application of the supporting factor to infrastructure lending](#)

The European Banking Authority (EBA) has published a Report, which analyses some qualitative as well as quantitative aspects of the lending trends and riskiness of infrastructure loans which have benefitted from a capital reduction due to the introduction of the so-called infrastructure supporting factor (ISF) under the Capital Requirements Regulation (CRR). Conclusions of the Report show that the findings, based on the quantitative data and the qualitative survey, do not allow to conclude on the impact of ISF on lending. On the other hand, the expected higher risk-sensitivity of the standardised approach to credit risk when CRR III comes into force would support the questioning of the application of the ISF going forward. In any case, the EBA warns of the voluntary nature of the survey and the consequent sample selection bias that should be taken into account when interpreting these results.

### SOLVENCY II

[\(07/11/2022\) EIOPA – Monthly update of the symmetric adjustment of the equity capital charge for Solvency II – end-October 2022](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of October 2022. This publication includes an attached document with the Value of EIOPA Equity Index and the calculations of Symmetric Adjustment through the years.

### NBFI

[\(10/11/2022\) FSB – FSB sets out policy proposals to address systemic risk in non-bank financial intermediation](#)

The Financial Stability Board (FSB) has published a progress report to the G20 on enhancing the resilience of non-bank financial intermediation (NBFI), including a set of policy proposals to address systemic risk in NBFI and programme of further work. The report describes the main findings to date and next steps in assessing and addressing vulnerabilities in money market funds, open-ended funds, margining practices, bond market liquidity, and cross-border USD funding in emerging market economies (EMEs).

### LIQUIDITY REQUIREMENTS

[\(14/11/2022\) EBA – Final technical standards on the measurement of liquidity risks for investment firms](#)

The European Banking Authority (EBA) has published its final Regulatory Technical Standards (RTS) on specific liquidity measurement for investment firms under the Investment Firms Directive (IFD). These RTS will ensure that all competent authorities follow the same harmonised approach when adopting the decision to impose further liquidity requirements to an investment firm. In particular, competent authorities will have to assess: i) all elements specific to each service provided by the investment firm under the Markets in Financial Instruments Directive (MiFID); and ii) other elements that could have a material impact, such as external factors, group structure, operational or reputational risks.

### LIQUIDITY RISK MANAGEMENT

[\(16/11/2022\) IOSCO – Thematic Review on Liquidity Risk Management Recommendations](#)

The Board of the International Organization of Securities Commissions (IOSCO) has published a thematic review assessing the implementation of selected recommendations issued in 2018 to strengthen the liquidity risk management practices for collective investment schemes (CIS) globally. The Review found that larger jurisdictions show a high degree of implementation of regulatory requirements consistent with the objectives of the Recommendations. For the CIS design process, the Review identified some challenges with respect to dealing frequency, dealing arrangements and disclosure practices. Additionally, the Review found that responsible entities (i.e., asset managers) have a high degree of implementation of the Recommendations at the level of policies and practices

# Other publications of interest

## Capital, liquidity and leverage

### LIQUIDITY METRICS

[\(18/11/2022\) IAIS - Liquidity metrics as an ancillary indicator](#)

The International Association of Insurance Supervisors (IAIS) has published a document on Liquidity metrics as an ancillary indicator. The liquidity metrics serve as a tool to facilitate the IAIS' monitoring of the global insurance industry's liquidity risk and for the IAIS to assess insurers' liquidity exposure from a macroprudential perspective, which may be critical as insurers have been exposed to liquidity shortfalls in previous crises. The liquidity metrics highlight potential vulnerabilities and risk drivers. They are not intended to be a binding regulatory requirement. Rather, they are used as a monitoring tool that is part of the Global Monitoring Exercise (GME) to gather information that will help identify trends in insurer and insurance-sector liquidity.

### MONEY MARKET FUNDS

[\(30/11/2022\) ESMA - ESMA updates guidelines on stress tests for money market funds](#)

The European Securities and Markets Authority (ESMA), has published the Final Report on the 2022 update of guidelines on Money Market Funds (MMF) stress tests under the Money Market Funds Regulation (MMFR). The 2022 update of the Guidelines on MMFs stress tests is published in the context of the resurgence of the COVID-19 pandemic, compounded with zero-COVID policies in some regions, uncertainty about the economic consequences of the Russian invasion of Ukraine and geopolitical tensions. The new 2022 parameters set out in the updated Guidelines will have to be used for the purpose of the first reporting period following the start of the application of the updated Guidelines.

### SOLVENCY II

[\(05/12/2022\) EIOPA - EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures – end-November 2022](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of November 2022. With this information, EIOPA ensures consistent calculation of technical provisions across Europe.

### BENCHMARKING EXERCISE 2024

[\(08/12/2022\) EBA - EBA launches consultation to amend the data collection for the benchmarking exercise in 2024](#)

The European Banking Authority (EBA) has published a consultation paper to amend the Implementing Regulation on the benchmarking of credit risk, market risk and IFRS9 models for the 2024 exercise. The most significant change is the roll out of the data collection for the benchmarking of accounting metrics (IFRS9) to high default portfolios (HDP). For market risk it is proposed to add new templates for the collection of additional information, notably the Default Risk Charge (DRC) and the Residual Risk Add-On (RRAO). For credit risk, only minor changes are proposed. The deadline for the submission of comments is 28 February 2023.

### RISK PERSPECTIVE FALL 2022

[\(08/12/2022\) OCC - OCC Reports on Key Risks Facing Federal Banking System](#)

The Office of the Comptroller of the Currency (OCC) has reported the key issues facing the federal banking system in its Semiannual Risk Perspective for Fall 2022. Economic growth slowed sharply in 2022, while high employment rates supported consumer spending and overall bank performance. Banks, in aggregate, remain well capitalized and with ample liquidity and sound credit quality, although macroeconomic headwinds are a concern. The OCC highlighted interest rate, operational, compliance and credit risks, among the key risk themes in the report. The report also highlights the OCC's initiative on climate-related financial risks to the federal banking system and the OCC's careful and cautious approach to crypto assets

### SECURITISATION FRAMEWORK

[\(12/12/2022\) EBA - ESAs publish joint advice to the EU Commission on the review of the securitisation prudential framework/ Joint Committee advice on the review of the securitisation prudential framework - Insurance/ Joint Committee advice on the review of the securitisation prudential framework - Banking](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) has published a joint advice in response to the European Commission's October 2021 call for advice on the review of the securitisation prudential framework. The targeted proposals in the advice aim at improving the consistency and risk sensitivity of the capital framework for banks whereas the liquidity framework for banks and the prudential framework for (re)insurers should be maintained as it currently stands. However, the ESAs believe that re-calibrating the securitisation prudential framework would not be a solution that in itself would ensure the revival of the securitisation market.

# Other publications of interest

## Capital, liquidity and leverage

### CAPITAL REQUIREMENTS

[\(21/12/2022\) EBA - EBA updates list of diversified indices](#)

The European Banking Authority (EBA) has updated the list of diversified indices, originally published in 2013 and previously updated in 2019. The list is part of the implementing technical standards (ITS) drafted to calculate the capital requirements for position risk in equities according to the standardised rules. The list has been updated according to the procedure and methodology laid down in the ITS and submitted to the European Commission for endorsement.

### IFRS 9

[\(21/12/2022\) IFRS - IASB publishes its review of classification and measurement requirements relating to financial instruments](#)

The International Accounting Standards Board (IASB) has published its project report and feedback statement concluding the Post-implementation Review (PIR) of the classification and measurement requirements in IFRS 9 Financial Instruments. Feedback from stakeholders and research undertaken as part of the PIR show that the requirements set out in IFRS 9 are working as intended and provide useful information to the users of financial statements.

- **SUSTAINABILITY**

### CLIMATE RISK STRESS TEST

[\(27/01/2022\) ECB - ECB Banking Supervision launches 2022 climate risk stress test](#)

The ECB has launched a supervisory climate risk stress test to assess how prepared banks are for dealing with financial and economic shocks stemming from climate risk. This is intended to identify vulnerabilities, best practices and challenges banks face when managing climate-related risk. Importantly, this is not a pass or fail exercise, nor does it have direct implications for banks' capital levels. It will be conducted in the first half of 2022 after which the ECB will publish aggregate results. These results, will feed into the Supervisory Review and Evaluation Process (SREP) from a qualitative point of view. From March 2022, banks will submit their templates to the ECB for assessment and the ECB will ensure fair and consistent outcomes.

[\(27/01/2022\) EIOPA - EIOPA publishes third paper on methodological principles of insurance stress testing climate risks](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its third paper in a series of papers on the methodological principles of insurance stress testing. The methodological paper focuses on the climate change component and is a further step in enhancing EIOPA's stress testing framework. In particular, the paper sets out methodological principles that can be used to design bottom-up stress test exercises that aim to assess the vulnerability of insurers to climate risks.

### FINANCIAL RISKS FROM CLIMATE CHANGE

[\(09/02/2022\) BoE - Bank of England launches a second round of the Biennial Exploratory Scenario \(BES\) exercise on financial risks from climate change](#)

The Bank of England (BoE) has launched the second round of the Biennial Exploratory Scenario (BES) on climate change, which objective is to explore the financial risks posed by climate change for the largest UK banks and insurers. This objective is in line with the one of the first round that was launched in June 2021. The deadline for participants' second round submissions will be the 31 March 2022 and the BoE expects to publish results from the Climate BES in May 2022.

### PILLAR I FRAMEWORK

[\(02/05/2022\) EBA - EBA launches discussion on the role of environmental risks in the prudential framework](#)

The European Banking Authority (EBA) has published a Discussion Paper (DP) on the role of environmental risks in the prudential framework for credit institutions and investment firms. The DP explores whether and how environmental risks are to be incorporated into the Pillar 1 prudential framework. It launches the discussion on the potential incorporation of a forward-looking perspective in the prudential framework. It also stresses the importance of collecting relevant and reliable information on environmental risks and their impact on institutions' financial losses. The consultation runs until 2 August 2022.

# Other publications of interest

## Capital, liquidity and leverage

### CLIMATE SUPERVISION APPROACH

[\(22/07/2022\) FSB - Public responses to consultation on Supervisory and Regulatory Approaches to Climate-related Risks: Interim Report](#)

Following the launch of the interim report on supervisory and regulatory approaches to climate-related risks for public consultation in April 2022, the Financial Stability Board (FSB) has published the comments received on the report and expects the final report to be available in October this year.

### CLIMATE RISKS

[\(08/12/2022\) BCBS - Frequently asked questions on climate-related financial risks](#)

The Basel Committee on Banking Supervision (BCBS) has issued responses to frequently asked questions (FAQs) to clarify how climate-related financial risks may be captured in the existing Basel Framework. These FAQs intend to facilitate a globally consistent interpretation of existing Pillar 1 standards given the unique features of climate-related financial risks and should not be interpreted as changes to the standards. Additionally, these responses are consistent with the Basel Committee's Principles for the effective management and supervision of climate-related financial risks





# Other publications of interest

## Supervision

### COLECTIVE INVESTMENT INSTITUTIONS

[\(27/01/2022\) CNMV – Guía técnica sobre la gestión y control de liquidez de las IIC](#)

The Comisión Nacional del Mercado de Valores (CNMV) has approved the Technical Guide on the management and control of the liquidity of Collective Investment Undertakings (CIUs). The aim of the initiative is to include and group together all the relevant supervisory criteria that the CNMV has been transmitting to institutions in recent years in relation to the management and control of the liquidity of CIUs.

### MIFID II

[\(02/02/2022\) ESMA - ESMA publishes supervisory briefing on the use of tied agents under MIFID II](#)

The European Securities and Markets Authority (ESMA) has published a Supervisory Briefing to ensure convergence across the EU in the supervision of firms using tied agents, in particular those based outside the EU. Furthermore, it provides indications to market participants of compliant implementation of the MiFID II provisions relating to tied agents.

### SUPERVISION HANDBOOK BOOKLET OF THE OCC

[\(08/03/2022\) OCC – Large Bank Supervision: Updated Comptroller’s Handbook Booklet and Rescission](#)

The Office of the Comptroller of the Currency (OCC) has published an update to the Large Bank Supervision Booklet, which is used by examiners in their supervision of federal branches and agencies of foreign banking organizations. The updated booklet: i) clarifies differences between the annual core assessment summary and quarterly supervision updates; ii) adds “focused review” as a supervisory activity type, consistent with the OCC’s current practices; iii) includes updates for consistency with other OCC issuances.

### CONVERGENCE PLAN

[\(09/02/2022\) EIOPA - EIOPA publishes its Supervisory Convergence Plan for 2022](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Supervisory Convergence Plan for 2022. The priorities of the plan revolve around three main areas: i) common supervisory culture and tools; ii) risks to the internal market and level playing field; and iii) supervision of emerging risks.

### PEER REVIEW REPORT

[\(10/03/2022\) ESMA - ESMA finds shortcomings in supervision of cross-border investment activities and issues specific recommendations to cysec](#)

The European Securities and Markets Authority (ESMA) has published its peer review report on the supervision of cross-border activities of investment firms. In the report, the ESMA identifies the need for home National Competent Authorities (NCAs) to significantly improve their approach in the authorisation, ongoing supervision and enforcement work, relating to investment firm’s cross border activities. This includes calibrating their supervisory work to the nature, scale and complexity of those firms’ activities.

### ASSESSMENT, SUPERVISION AND AML/CFT

[\(22/03/2022\) EBA – Anti-money laundering and countering the financing of terrorism supervision is improving but not always effective yet, finds the EBA](#)

The European Banking Authority (EBA) has published the findings from its assessment of competent authorities’ approaches to the anti-money laundering and countering the financing of terrorism (AML/CFT) supervision of banks. Since the EBA started those reviews in 2019 and strengthened its AML/CFT guidance, national supervisors have started to adopt meaningful reforms to improve their AML/CFT supervision. However, challenges remain in areas such as the identification and assessment of these risks.

### BANKING SUPERVISION

[\(28/03/2022\) ECB – ECB clarifies common approach to policy choices offered by European banking rules](#)

The European Central Bank (ECB) updated its policies outlining how it exercises options and discretions when supervising banks. This clarification on the recent changes to EU banking rules ensures consistent and transparent implementation of the rules applied to banks. Harmonising these policies throughout the banking union creates a level playing field and promotes a more integrated European banking market. The updated policies relate to many aspects of day-to-day supervision. They include how to calculate the net stable funding ratio, how the ECB assesses applications from banks seeking to reduce their capital or to exempt third-country intragroup exposures from the large exposure limits, and what documentation banks need for such applications.

# Other publications of interest

## Supervision

### CROSS-BORDER PAYMENTS

[\(06/07/2022\) FSB - FSB proposes key performance indicators for measuring progress toward the G20 cross-border payments targets](#)

The Financial Stability Board (FSB) has published for public feedback an interim report on the approach for monitoring progress toward meeting the targets for the G20 roadmap for enhancing cross-border payments. The report provides preliminary recommendations about key performance indicators (KPIs) that could be used to monitor progress over time and identifies existing and potential sources of data for calculating those KPIs.

### PROPORCIONALITY PRACTICES

[\(07/07/2022\) BCBS - High-level considerations on proportionality](#)

The Basel Committee on Banking Supervision (BCBS) has published high-level considerations on proportionality. The publication aims to provide practical support to supervisory authorities seeking to implement proportionality in their domestic regulatory and supervisory frameworks, in a way that does not undermine financial stability or the safety of financial institutions. The considerations are built on the Committee's prior work on proportionality, including its statement on proportionality and 2019 and 2021 surveys on proportionality practices.

### CRYPTOASSETS

[\(11/07/2022\) FSB - FSB issues statement on the international regulation and supervision of crypto-asset activities](#)

The Financial Stability Board (FSB) has made a statement establishing that crypto-assets and markets must be subject to effective regulation and oversight commensurate to the risks they pose, both at the domestic and international level. Furthermore, crypto-asset service providers must at all times ensure compliance with existing legal obligations in the jurisdictions in which they operate. Finally, it states that stablecoins should be captured by robust regulations and supervision of relevant authorities if they are to be adopted as a widely used means of payment or otherwise play an important role in the financial system.

### INSURANCE OUTSOURCING

[\(19/07/2022\) EIOPA - EIOPA publishes peer review on outsourcing](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a peer review on outsourcing. The peer review assessed the overall maturity of the framework implemented by national supervisory authorities (NSAs) to supervise the outsourced activities of insurance and reinsurance undertakings. The objective of the document is to identify gaps, areas of improvements and best practices to promote consistent and effective supervision in this regard.

### SREP

[\(21/07/2022\) EBA - EBA publishes final regulatory products to harmonise the supervisory review and evaluation process of investment firms](#)

The European Banking Authority (EBA) has published the final Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) for investment firms, which include the following elements: i) business model; ii) governance arrangements; iii) risks to capital; and iv) liquidity risk. The EBA published also the final draft Regulatory Technical Standards (RTS) on Pillar 2 add-ons for these firms. Both regulatory products are based on the Investment Firms Directive and aim to harmonise the supervisory practices of these firms.

### GOVERNANCE ARRANGEMENTS

[\(01/08/2022\) EIOPA - EIOPA consults on governance arrangements in third countries](#)

The European Insurance and Occupational Pensions Authority (EIOPA) is launching a public consultation relating to a draft supervisory statement on the use of governance arrangements in third countries with the aim of enhancing the supervision and monitoring of insurance undertakings' compliance with relevant EU legislation. Comments to the consultation can be sent before 31 October 2022.

# Other publications of interest

## Supervision

### MONEY LAUNDERING AND TERRORIST FINANCING

[\(30/03/2022\) MINECO – Proyecto de Real Decreto por el que se modifica el Real Decreto de desarrollo de la Ley 10/2010, de 28 de abril, de prevención de blanqueo de capitales y de la financiación del terrorismo](#)

The Ministry of Economic Affairs and Digital Transformation (MINECO) has published a consultation that aims to gather the opinion of persons and entities potentially affected by the Royal Decree implementing Law 10/2010, of 28 April, on the prevention of money laundering and terrorist financing. This amendment seeks to develop and update the current regulations due to the latest regulatory changes at national and EU level, highlighting: i) the modification of the list of obliged parties; ii) the extension of reporting obligations to certain products (e.g. safety deposit boxes, payment accounts); iv) the clarification of the interaction between recent data protection regulations and those on the prevention of money laundering and terrorist financing; and v) modifications relating to controls on the entry or exit of cash.

### RUN-OFF UNDERTAKINGS

[\(07/04/2022\) EIOPA - EIOPA issues supervisory statement on supervision of run-off undertakings](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published the supervisory statement on supervision of run-off undertakings. The aim of the statement is to ensure that a high-quality and convergent supervision is applied to run-off undertakings and portfolios while taking into account their specific nature and risks, the principle of proportionality and the prudent person principle. EIOPA had observed various issues and challenges in the supervision of run-off portfolios or undertakings related to the specific risk profile of these businesses, the difficulties of the process of authorisation of the change of ownership or portfolio transfer as well as the lack of specific provisions in the Solvency II framework.

### NON-PERFORMING EXPOSURES

[\(17/05/2022\) EBA - EBA publishes peer review on management of non-performing exposures](#)

The European Banking Authority (EBA) has published the conclusion of its peer review of how prudential and consumer protection authorities supervise the management of non-performing exposures (NPE) by institutions and have implemented the EBA Guidelines on the management of NPE. The analysis suggests that the competent authorities across the EU have applied a risk-based approach to the supervision of NPE management. The EBA has not identified any significant concerns regarding the supervision practices but makes some general recommendations for further improvements.

### SUPERVISION OPERATING

[\(06/10/2022\) OCC – OCC Releases Bank Supervision Operating Plan for Fiscal Year 2023](#)

The Office of the Comptroller of the Currency (OCC) has released its bank supervision operating plan for Fiscal Year 2023. The plan provides the foundation for policy initiatives and for supervisory strategies as applied to individual national banks, federal savings associations, federal branches, federal agencies, and technology service providers. The OCC staff uses this plan to guide its supervisory priorities, planning, and resource allocations.

### SUPERVISORY BANKING STATISTICS

[\(07/10/2022\) ECB - ECB publishes supervisory banking statistics for the second quarter of 2022](#)

The ECB has published the 2Q aggregated supervisory banking statistics of banks designated as significant institutions (SIs). Some data stand out, for example: i) aggregate Common Equity Tier 1 ratio stable at 14.96% in second quarter of 2022 (compared with 14.99% in previous quarter and 15.60% in the same quarter last year); ii) aggregated annualised return on equity up to 7.62% in second quarter of 2022 (compared with 6.04% in first quarter of 2022 and 6.92% in the same quarter last year) and iii) aggregate non-performing loans ratio fell further to 1.85% (or 2.35% excluding cash balances), down from 1.95% in previous quarter (2.51% respectively), while loans that show a significant increase in credit risk (stage 2 loans) continued to grow, standing at 9.72% (up from 9.28% in previous quarter).

# Other publications of interest

## Supervision

### INSURANCE SECTOR OPERATIONAL

[\(13/10/2022\) IAIS – Public Consultation on Issues Paper on Insurance Sector Operational Resilience](#)

The International Associations of Insurances Supervisors (IAIS) has published for consultation its Issues Paper on Insurance Sector Operational Resilience. The paper identifies issues impacting operational resilience in the insurance sector and provides examples of how supervisors are approaching these developments, with consideration of lessons learnt during the Covid-19 pandemic. Recognising that operational resilience is a broad and evolving area, the paper addresses three specific operational resilience sub-topics concerning areas the IAIS considers as matters of significant and increasing operational risk and, therefore, of immediate interest to supervisors: i) Cyber resilience, ii) Third-party outsourcing, and iii) Business continuity management. Feedback on the paper is invited by 6 January 2023.

### ENFORCEMENT PRIORITIES

[\(28/10/2022\) ESMA – European enforces focus on Russia’s invasion of Ukraine Economic outlook and climate-related disclosure](#)

The European Securities and Markets Authority (ESMA) has issued its annual Public Statement setting out the European common enforcement priorities (ECEP) for the 2022 annual financial reports of issuers admitted to trading on European Economic Area (EEA) regulated markets. This year’s priorities cover the impact of Russia’s invasion of Ukraine, the macroeconomic environment and climate-related matters in financial and non-financial information. The statement also highlights the importance of comprehensive disclosures pursuant to Article 8 of the Taxonomy Regulation.

### IPUS

[\(07/11/2022\) EBA – The EBA clarifies the operationalisation of intermediate EU parent undertakings of third country groups](#)

The European Banking Authority (EBA) has published an Opinion to clarify the framework applicable to the set-up and operationalisation of intermediate EU parent undertakings (IPUs) by third country groups (TCGs) operating in the EU. In particular, the opinion clarifies the process, as well as the information requirements and the assessment criteria, both from a supervisory and/or resolution perspective, for those cases where the TCG intends to have in place two IPUs and not a single one.

### CCPS

[\(09/12/2022\) EC - Derivatives clearing – Review of the European Market Infrastructure Regulation](#)

The European Commission (EC) has published its proposal for a Directive to modify the current framework that applies to EU central counterparties (CCPs) and market participants who use their services. The changes to the framework will aim to make the EU a more attractive clearing hub. They include measures to enhance EU CCPs’ liquidity and strengthen the EU’s CCP supervisory framework. This adopted act is open for feedback for a minimum period of 8 weeks.

### SYSTEMIC REVIEW IN THE INSURANCE SECTOR

[\(09/12/2022\) FSB/IAIS - FSB endorses an improved framework for the assessment and mitigation of systemic risk in the insurance sector and discontinues annual identification of global systemically important insurers \(G-SIIs\)/ FSB endorses the IAIS Holistic Framework and discontinues identification of Global Systemically Important Insurers \(G-SIIs\)](#)

The Financial Stability Board (FSB) has issued in consultation with the International Association of Insurance Supervisors (IAIS) reviewed whether to either discontinue or re-establish an annual identification of global systemically important insurers (G-SIIs). The FSB decided to discontinue the annual identification of G-SIIs. The FSB has also decided that will utilise assessments available through the Holistic Framework to inform its considerations of systemic risk in the insurance sector. The FSB will continue to receive from the IAIS an annual update of the outcomes of its Global Monitoring Exercise, including the IAIS assessment of systemic risk in the global insurance sector, possible concentration of systemic risks at an individual insurer level, and the supervisory response to identified risk. Additionally, the FSB will from 2023 onwards and every year publish in the FSB’s Annual Resolution Report a list of insurers that are subject to resolution planning and resolvability assessments consistent with the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions (KAs).

# Other publications of interest

## Supervision

### RISK CONTROL

[\(20/12/2022\) ECB - ECB reviews its risk control framework for credit operations](#)

The European Central Bank (ECB) has announced the results of the review of its risk control framework for collateralised credit operations. Following the review, the ECB decided on several measures to improve the overall consistency of the risk control framework which will take effect from 29 June 2023. The measures include the following: i) increase the valuation haircuts for marketable and non-marketable assets; ii) re-assign debt instruments issued by the European Union (EU bonds); iii) phase out the distinction between jumbo and other covered bonds.

### • SUSTAINABILITY

### SUPERVISORY PRACTICES FOR SUSTAINABILITY

[\(07/04/2022\) BCBS - Supervisory practices for assessing the sustainability of banks' business models](#)

The Basel Committee on Banking Supervision (BCBS) has published a paper on supervisory practices for assessing the sustainability of banks' business models (BMAs). In particular, it aims to identify practices that might be relevant to authorities seeking to explicitly introduce BMA in their supervisory review process (SRP). In order to do so, the paper emphasises practical aspects of BMA, including procedures for developing and conducting a BMA as well as for integrating its outcomes into the overall SRP.

### ESG RISKS

[\(27/04/2022\) ECB - Opinion on a proposal for a Directive of the European Parliament and of the Council amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, environmental, social and governance risks \(CON/2022/16\)](#)

The European Central Bank (ECB) published its opinion on a proposal for a Directive of the European Parliament and of the Council amending a Directive on supervisory powers, sanctions, third-country branches, environmental, social and governance risks. The ECB strongly supports the Commission's banking reform package, which implements important elements of the global regulatory reform agenda into Union legislation. This will reinforce the EU Single Rulebook and substantially strengthen the regulatory framework in areas where supervisory authorities have identified gaps that could potentially lead to risks being insufficiently monitored and covered.

### MANAGEMENT OF CLIMATE RISKS

[\(29/04/2022\) FSB - FSB launches consultation on supervisory and regulatory approaches to climate-related risks](#)

The Financial Stability Board (FSB) has published a report that aims to assist supervisory and regulatory authorities in developing their approaches to monitor, manage and mitigate cross-sectoral and system-wide risks arising from climate change and to promote consistent approaches across sectors and jurisdictions. Its recommendations focus on three areas: i) supervisory and regulatory reporting and collection of climate-related data from financial institutions; ii) system-wide supervisory and regulatory approaches to assessing climate-related risks; and iii) early consideration of other potential macroprudential policies and tools to address systemic risks. The public consultation period ends on Thursday 30 June 2022.

### SUPERVISION ON INVESTMENT FUNDS

[\(31/05/2022\) ESMA - ESMA provides supervisors with guidance on the integration of sustainability risks and disclosures in the area of asset management](#)

The European Securities and Markets Authority (ESMA) has published a supervisory report to ensure convergence across the European Union (EU) in the supervision of investment funds with sustainability features, and in combating greenwashing of investment funds by establishing common supervisory criteria for national competent authorities (NCAs) to effectively supervise funds with sustainability features. This document sets out some guidance for the supervision of fund documentation and marketing material, as well as guiding principles on the use of sustainability-related terms in fund names and convergent supervision of the integration of sustainability risks by Alternative Investment Fund Managers (AIFMs) and Undertakings for Collective Investment in Transferable Securities (UCITS) managers.

### CLIMATE SUPERVISION APPROACH

[\(22/07/2022\) FSB - Public responses to consultation on Supervisory and Regulatory Approaches to Climate-related Risks: Interim Report](#)

Following the launch of the interim report on supervisory and regulatory approaches to climate-related risks for public consultation in April 2022, the Financial Stability Board (FSB) has published the comments received on the report and expects the final report to be available in October this year.

# Other publications of interest

## Supervision

### ESG RISKS

[\(24/10/2022\) EBA – EBA publishes Report on the integration of ESG risks in the supervision of investment firms](#)

The European Banking Authority (EBA) published a Report on how to incorporate ESG risks in the supervision of investment firms. The Report also provides an initial assessment of how ESG factors and ESG risks could be included in the supervisory assessment of investment firms, covering the main elements of the SREP: i) business model analysis, ii) assessment of internal governance and risk management, and iii) assessment of risks (risk to capital and liquidity risk).

### SUSTAINABILITY RISKS

[\(05/12/2022\) EIOPA - EIOPA outlines approaches to assess the prudential treatment of insurers' sustainable assets and activities](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Discussion paper on the Prudential Treatment of Sustainability Risks. The paper focuses on three distinct areas of analysis: i) assets and transition risk exposures; ii) Underwriting risk and climate change adaptation; and iii) Social risks and objectives. Comments to this document can be sent until 5 March 2023.

# Other publications of interest

## Recovery and resolution

### AMENDMENTS TO SAREBS REGULATION

[\(19/01/2022\) Gobierno España – Real Decreto-ley 1/2022, de 18 de enero](#)

The Spanish Government has published a Royal Decree introducing some changes to laws and regulations on bank restructuring. The reason for the amendments is the need to adapt the legal regime of the Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), following its reclassification in the National Accounts as a unit belonging to the general government sector. Some of the main changes it introduces are: i) the removal of limitations on the State's shareholding in SAREB; ii) the updating of SAREB's tax and supervisory regime; and iii) the possibility of disposing of assets under the general principle of sustainability and respecting SAREB's corporate purpose.

### RESILIENCE AND BUSINESS CONTINUITY

[\(11/03/2022\) BoE – PS2/22 - Operational Resilience and Operational Continuity in Resolution: CRR firms, Solvency II firms, and Financial Holding Companies \(for Operational Resilience\)](#)

The Bank of England (BoE) has published a statement from the Prudential Regulation Authority (PRA) providing feedback on the responses to the consultation paper "Operational resilience and business continuity in resolution: CRR firms, Solvency II firms and financial holding companies (for operational resilience)". It also contains updates and amendments of the PRA regarding its rules on operational resilience and business continuity.

### RESOLUTION

[\(20/04/2022\) SRB - 2022 Resolution Planning Cycle Booklet](#)

The Single Resolution Board (SRB) has published the Resolution Planning Booklet, which informs stakeholders about the SRB's resolution planning activities and describes the main processes and phases of the current Resolution Planning Cycle. The milestones in 2022 are, among others: i) to update the SRB policies and operational guidance documents; ii) conducting close monitoring of resolvability and preparation of the substantive impediments procedure for those banks which show insufficient progress towards achieving resolvability; iii) to further develop deep-dive assessments, paving the way for conducting future on-site inspections.

### CCPs

[\(16/05/2022\) ESMA - ESMA publishes final reports on CCP resolution regime](#)

The European Securities and Markets Authority (ESMA) has published six Final Reports on the central counterparties (CCPs) resolution regime under the CCP Recovery and Resolution Regulation. The Final Reports set out proposals for Regulatory Technical Standards (RTSs) and cover guidelines on the circumstances under which a CCP is deemed to be failing or likely to fail as well as on the methodology to value each contract prior to termination. The overarching goal of ESMA's reports is to contribute to market preparedness generally and in the unlikely event of a CCP entering into resolution.

### BAIL-IN TOOL

[\(07/06/2022\) EBA - EBA consults on Guidelines to resolution authorities on the publication of their approach to implementing the bail-in tool](#)

The European Banking Authority (EBA) launched today a public consultation on its draft Guidelines addressed to resolution authorities for the publication of their approach to implementing the bail-in tool. The Guidelines aim to ensure that a minimum level of harmonised information is made public with regard to the mechanics underpinning the execution of the bail-in tool. The consultation runs until 7 September 2022.

### RESOLVABILITY ASSESSMENT

[\(10/06/2022\) BoE - Resolvability assessment of major UK banks: 2022](#)

The Bank of England (BoE) has published the findings from its first assessment of the resolvability of the eight major UK firms as part of the Resolvability Assessment Framework. These firms are Barclays, HSBC, Lloyds Banking Group, Nationwide, NatWest, Santander UK, Standard Chartered and Virgin Money UK. The findings show that a major bank could enter resolution safely, remaining open and continuing to provide banking services to the economy.

# Other publications of interest

## Recovery and resolution

### RESOLVABILITY ASSESSMENT

[\(13/07/2022\) SRB - SRB publishes Resolvability Assessment and Heat-map](#)

The Single Resolution Board (SRB) has published its assessment of bank resolvability, for the first time. The resolvability assessment for 2021 shows that banks have made significant progress in the SRB's priority areas. In particular, banks have significantly improved their ability to absorb losses and recapitalise in the case of failure by means of steady build-up of their Minimum Requirement for Own Funds and Eligible Liabilities (MREL) capacity, crucial to execute any bail-in strategy.

### BANKING RESOLUTION

[\(24/10/2022\) FDIC – Resolution-Related Resource Requirements for Large Banking Organizations](#)

The Board of Governors of the Federal Reserve System (Board) and Federal Deposit Insurance Corporation (FDIC) have published for public comment an advance notice of proposed rulemaking to solicit public input regarding whether an extra layer of loss-absorbing capacity could improve optionality in resolving a large banking organization or its insured depository institution, and the costs and benefits of such a requirement. This may, among other things, address financial stability by limiting contagion risk through the reduction in the likelihood of uninsured depositors suffering loss, and keep various resolution options open for the FDIC to resolve a firm in a way that minimizes the long term risk to financial stability and preserves optionality

### MREL

[\(04/11/2022\) SRB – Single Resolution Board publishes MREL dashboard Q2.2022](#)

The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard for Q2.2022. The dashboard provides more transparency by category of bank and resolution strategy. The first section of the dashboard focuses on the evolution of MREL targets for resolution entities and non-resolution entities, the level and the quality of stock of MREL instruments and shortfalls in Q2.2022. The second section highlights recent developments in the cost of funding and provides an overview of gross issuances of MREL instruments in Q2.2022.

### RESOLVABILITY TESTING

[\(15/11/2022\) EBA – EBA consults on Guidelines to institutions and resolution authorities on resolvability testing](#)

The European Banking Authority (EBA) has launched a public consultation on its draft Guidelines addressed to institutions and resolution authorities on resolvability testing. The Guidelines aim to set-out a framework to ensure that resolvability capabilities developed to comply with the resolvability and transferability Guidelines are fit for purpose and effectively maintained. Particularly, Guidelines are proposing that authorities develop multi-annual testing programme so as to gain assurance of firms' resolvability while providing sufficient visibility to banks. Additionally, for the most complex banks, the Guidelines are proposing to have them develop a master playbook to ensure a holistic approach to resolution planning. The consultation runs until 15 February 2023.

### CCPs

[\(17/11/2022\) ESMA - Guidelines on resolvability/ Guidelines on cooperation arrangements for central counterparties](#)

The European Securities and Markets Authority (ESMA) has published two Final Reports. The first report includes the Guidelines on the assessment of resolvability, which set out common aspects to be assessed by resolution authorities when evaluating the extent to which a central counterparties (CCP) may be resolved without relying on certain types of external financial support. On the other hand, ESMA published Guidelines on the CCPs Resolution Regime under the CCP Recovery and Resolution Regulation (CCPRRR). These guidelines specifies provisions to be included in cooperation arrangements that shall be entered into between competent or resolution authorities and third-country authorities.

### PROGRESS IN RESOLUTION AND RESOLVABILITY

[\(08/12/2022\) FSB - FSB calls for urgent work to address cross-border resolution challenges in the non-bank sector](#)

The Financial Stability Board (FSB) has published its 2022 Resolution Report. The report takes stock of progress made by FSB members in implementing resolution reforms and enhancing resolvability across the banking, financial market infrastructure, and insurance sectors. The report notes that while a lot of progress in resolvability has been made in the banking sector, multiple challenges ahead and sustained progress requires the continued commitment of authorities and firms. In particular, the largest cross-border resolution challenges that need to be addressed with some urgency remain in the non-bank sector (comprising investment funds, insurance companies, pension funds and other financial intermediaries).



# Other publications of interest

## Recovery and resolution

### RESOLUTION PLANS

[\(16/12/2022\) Fed/FDIC - Agencies announce results of resolution plan review for certain domestic and foreign banks](#)

The Federal Reserve Board (Fed) and the Federal Deposit Insurance Corporation (FDIC) have announced the results of their joint review of the resolution plans for 71 domestic and foreign banking organizations. Resolution plans must describe a financial company's strategy for rapid and orderly resolution in bankruptcy in the event of its material financial distress or failure. The agencies identified deficiencies in the 2021 plan submission of two financial institutions. However, as previously jointly announced in September, the agencies anticipate issuing guidance to help certain large banking organizations further develop their resolution plans.

# Other publications of interest

## Government

### CHANGE OF REPORT TEMPLATES IN SPAIN

(21/01/2022) EBA – [EBA consults on draft Guidelines on remuneration and gender pay gap benchmarking exercise for banks and investment firms](#)

The European Banking Authority (EBA) has launched a consultation to update its Guidelines on the remuneration benchmarking exercise under the Capital Requirements Directive (CRD), which was originally published in 2012 and updated for the last time in 2014. The review integrates additional requirements introduced by CRD V regarding the application of derogations to the requirement to pay out a part of variable remuneration in instruments and under deferral arrangements and the benchmarking of the gender pay gap. In addition, the review also includes guidance on how to harmonise the benchmarking of approvals granted by shareholders to use higher ratios than 100% between the variable and fixed remuneration. A separate and specific set of Guidelines is provided for investment firms under Investment Firms Directive (IFD). The consultation runs until 21 March 2022.

(21/01/2022) EBA – [EBA consults on updates to its Guidelines on data collection exercises regarding high earners](#)

The European Banking Authority (EBA) has launched a consultation on updates to its Guidelines on the data collection exercise on high earners, which were originally published in 2012 and revised for the last time in 2014. The review of the data collection exercises reflect the amended remuneration framework laid down in the Capital Requirements Directive (CRDV), including the introduction of derogations to pay out a part of the variable remuneration in instruments and under deferral arrangements. In addition, the need to update these Guidelines stems from the specific remuneration regime that has been introduced for investment firms and is laid down in the Investment Firms Directive (IFD) and Investment Firms Regulation (IFR). The consultation runs until 21 March 2022.

### INTERNAL CONTROL

(30/03/2022) BdE - [Circular 3/2022, de 30 de marzo, del Banco de España, por la que se modifican la Circular 2/2016, la Circular 2/2014 y la Circular 5/2012](#)

The Bank of Spain (BdE), following the publication of the Consultation Draft in November 2021, has approved Circular 3/2022, of 30 March, amending Circulars 2/2016 and 2/2014, on supervision and solvency and the exercise of regulatory options, and Circular 5/2012, on transparency and accountability in lending. Minor changes have been added with respect to the draft, which relate to Circular 2/2016. Specifically, the chapter on internal organisation has been modified. On the one hand, those responsible for internal control functions have been expressly included as a category of employees to which the fit and proper requirements apply, even though they are already considered as core staff. In addition, the standard on the assessment of the suitability of members of the board of directors, general managers and equivalent positions by the competent authority includes further clarifications necessary as a result of supervisory experience.

### DIVERSITY AND INCLUSION

(25/04/2022) FCA - [DP2/22 – Policy Statement \(PS\) 22/3 on Diversity and inclusion on company boards and executive management](#)

The Financial Conduct Authority (FCA) has published the Policy Statement (PS) 22/3 on Diversity and inclusion on company boards and executive management, which sets out the final policy decision for proposals set out in the Consultation Paper (CP) published in July. In-scope companies are required to make these disclosures in their annual reports for financial years starting on or after 1 April 2022.

### BALANCED GENDER REPRESENTATION

(07/06/2022) Council - [Council and European Parliament agree to improve gender balance on company boards](#)

The Council and the European Parliament (EP) has reached a provisional political deal on a new EU law promoting a more balanced gender representation on the boards of listed companies. The Council and EP therefore agreed that listed companies should aim to have at least 40% of their non-executive director positions held by members of the under-represented sex by 2026. If member states choose to apply the new rules to both executive and non-executive directors, the target would be 33% of all director positions by 2026.

# Other publications of interest

## Government

### HIGH EARNERS

[\(30/06/2022\) EBA - EBA publishes its final Guidelines on data collection exercises regarding high earners](#)

The European Banking Authority (EBA) has published its final updated Guidelines on the data collection exercise on high earners. The update of the data collection exercises reflects the amended remuneration framework laid down in the Capital Requirements Directive (CRD), as well as the specific remuneration regime that has been introduced for investment firms and is laid down in the Investment Firms Directive (IFD) and Investment Firms Regulation (IFR). The annual collection of data regarding high earners under the updated Guidelines should start in 2023 for the financial year that ends in 2022.

### PRODUCT GOVERNANCE

[\(08/07/2022\) ESMA - EMA reviews MiFID II product governance guidelines](#)

The European Securities and Markets Authority (ESMA) has published a consultation paper (CP) on reviewed guidelines on MiFID II product governance guidelines. The main proposals in the draft guidelines relate to: i) the specification of any sustainability-related objectives a product is compatible with; ii) the practice of identifying a target market per cluster of products instead of per individual product; and iii) the periodic review of products. Comments to this CP can be sent before 7 October 2022.

### INSURING AND REINSURING SUPERVISION

[\(12/10/2022\) EIOPA – EIOPA evaluates progress on supervising the propriety of \(re\)insurers' administrative, management and supervisory body members and qualifying shareholders](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a follow-up report to the 2019 peer review on the propriety assessment of administrative, management and supervisory body (AMSB) members and qualifying shareholders across the European Economic Area. The follow-up report assesses how national competent authorities (NCAs) have implemented the actions recommended in the original peer review. Sixteen out of seventeen NCAs have already fully implemented the measures recommended to them by EIOPA.

### REMUNERATION

[\(19/12/2022\) PRA/FCA – CP15/22 – Remuneration: Ratio between fixed and variable components of total remuneration \('bonus cap'\)](#)

The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) have published a Consultation Paper (CP) which sets out its proposed changes to the current requirements concerning the ratio between fixed and variable components of total remuneration (the 'bonus cap'). Particularly, it would remove the current limits on the ratio between fixed and variable components with the aim of strengthening the effectiveness of the remuneration regime by increasing the proportion of compensation at risk that can be subject to the incentive setting tools within the remuneration framework (including deferral, payments in instruments, and risk adjustment). The proposed changes resulting from this CP would come into force the next calendar day after the publication of the final policy – anticipated for Q2 2023 - and would apply to firms' performance year starting after that (so for most firms that is likely to be performance years starting 2024). This consultation closes on 31 March 2023



# Other publications of interest

## Reporting and disclosure

### RISK DASHBOARD

[\(10/01/2022\) EBA – Asset quality has further improved, but cyber risk remains a source of concern for EU banks](#)

The European Banking Authority (EBA) has published the third quarter Risk Dashboard of 2021. In this quarter, bank capital ratios remain well above regulatory requirements. Asset quality has further improved and Profitability has stabilised at levels above those seen before the pandemic. Furthermore, the majority of banks expect a rise in operational risks mainly due to elevated cyber risks.

[\(31/01/2022\) EIOPA - Risk Dashboard shows unchanged risk levels for European insurers](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its past Risk Dashboard based on Solvency II data for the third quarter of 2021. The results show that insurers' exposure to macro risks remains at a high level, while for the other risk categories, they remain at medium levels such as environmental, social and governance (ESG) related risks.

[\(01/02/2022\) SRB - SRB publishes MREL dashboard Q3 2021](#)

The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard covering the reporting period Q3 2021. The dashboard shows that, on the whole, banks continue to make progress in building up their level of MREL, and most banks either closed or reduced their shortfalls against the 2022 intermediate target in that quarter.

### PENSIÓN DASHBOARD

[\(16/02/2022\) FCA – CP 22/3 Pensions dashboards: proposed rules for pension providers](#)

The Financial Conduct Authority (FCA) has published consultation paper 22/3 which sets out proposals to implement the duty placed on us by the Pension Schemes Act 2021, to make rules requiring FCA regulated pension providers to provide and facilitate the provision of information about personal and stakeholder pensions to pensions dashboards.

### SHORT POSITIONS

[\(25/02/2022\) SEC –Short Position and Short Activity Reporting by Institutional Investment Managers](#)

The Securities and Exchange Commission (SEC) is proposing a new rule designed to provide greater transparency through the publication of short sale related data to investors and other market participants. Under the rule, institutional investment managers that meet or exceed a specified reporting threshold would be required to report on a monthly basis, using the proposed form, specified short position data and short activity data for equity securities.

### EQUITY INSTRUMENTS

[\(01/03/2022\) ESMA – ESMA makes available the results of the annual transparency calculations for equity and equity-like instruments](#)

The European Securities and Markets Authority (ESMA) has published the results of the annual transparency calculations for equity and equity-like instruments. The calculations made available include, among others: i) the liquidity assessment; ii) the determination of the most relevant market in terms of liquidity; iii) the determination of the average value of the transactions and the related the standard market size.

### DPM

[\(10/03/2022\) EBA – EBA releases phase 1 of its 3.2 reporting framework and updates on validation rules](#)

The European Banking Authority (EBA) has published phase 1 of its 3.2 reporting framework. which provides standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for version 3.2. The changes affect the following reporting areas: i) COREP; ii) asset encumbrance; iii) global systemically important institutions (G-SII); iv) Supervisory benchmark; v) remuneration; and vi) investment firms.

### PAYMENT STATISTICS

[\(17/03/2022\) BdE – Circular 2/2022, de 15 de marzo, del Banco de España, sobre normas para el envío al Banco de España de estadísticas de pagos por parte de proveedores de servicios de pago y operadores de sistemas de pago](#)

The Banco de España (BdE) has published the Circular on rules for sending payment statistics, which will be applicable to payment service providers and payment system operators. This Circular determines the scope, form and periodicity in which the statistical data on fraud related to different means of payment referred to in Royal Decree-Law 19/2018 on payment services and other urgent measures in financial matters must be provided to the BdE. This Circular came into force the day after its publication in the Official State Gazette (BOE).

# Other publications of interest

## Reporting and disclosure

### SECURITISATION TRANSACTIONS

[\(18/03/2022\) ECB – Guide on the notification of securitisation transactions](#)

The European Central Bank (ECB) has published on the notification of securitisation transactions. This non-binding Guide sets out the notification practices that significant institutions (SIs) acting as originators or sponsors of a securitisation transaction are advised to follow in order to provide the ECB with information needed for the supervision of compliance with the Securitisation Regulation (SECR). The ECB recommends that SIs follow this Guide with respect to all securitisation transactions originated after 1 April 2022.

### CORPORATE INFORMATION

[\(30/03/2022\) ESMA – ESMA issues its 2021 corporate reporting enforcement and regulatory report](#)

The European Securities and Markets Authority (ESMA) has published its 2021 Corporate Reporting Enforcement and Regulatory Report. ESMA makes recommendations to issuers and auditors to improve future financial and non-financial reports, by assessing how issuers comply with International Financial Reporting Standards (IFRS) and non-financial reporting obligations and adhere to ESMA's recommendations. The Report provides transparency and accountability to the market with an overview of the activities carried out by ESMA and enforcers on financial and non-financial information.

### DATA QUALITY EMIR Y SFTR

[\(01/04/2022\) ESMA - ESMA sees EMIR and SFTR data quality improve following coordinated actions](#)

The European Securities and Markets Authority (ESMA) has published its second edition of its Data Quality Report based on data gathered under the European Markets Infrastructure Regulation (EMIR) and the Securitised Financing Transactions Regulation (SFTR) reporting regimes. The Report finds that the coordinated supervisory actions by ESMA and the National Competent Authorities (NCAs) have significantly enhanced data quality in 2021. Despite these very positive results, certain aspects related to data reconciliation will require more efforts by reporting entities. In particular, data quality could be enhanced if counterparties also used the same data set and the same identifiers for the reported data in their internal risk management processes.

### EBA RISK DASHBOARD

[\(01/04/2022\) EBA - EBA Risk Dashboard indicates limited direct impact on EU banks from the Russian invasion of Ukraine but also points to clear medium-term risks](#)

The European Bank Authority (EBA) has published its Risk Dashboard for the fourth quarter of 2021 in which it is highlighted the potential impact of the Russian invasion of Ukraine on the European banking sector. The EBA's initial assessment is that the first-round risks to the European Union (EU) banking system are not a fundamental threat to financial stability, but the second-round effects are more worrying due to the current high level of uncertainty about the outcome of the war.

### OCCUPATIONAL PENSIONS

[\(25/04/2022\) EIOPA - EIOPA consults on IORPs reporting rules](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation regarding EIOPA's regular information requests to national competent authorities (NCAs) for occupational pension information. The aim of the public consultation is to improve institutions for occupational retirement provision (IORPs) reporting, focusing on emerging risks and new challenges and issues observed by NCAs and pensions industry since 2018.

### MREL

[\(22/04/2022\) EBA - EBA sees progress in MREL shortfall reduction by largest institutions while smaller institutions are lagging behind](#)

The European Banking Authority (EBA) published its annual Report on minimum requirements for own funds and eligible liabilities (MREL) showing progress in this area as of December 2020. The Report highlights that 110 resolution groups presented a shortfall of EUR 67.6bn against their end-state MREL targets, set for January 2024 for most of them. The shortfall for other banks and other systemically important institutions (OSIs) below EUR50bn is, however, largely stable at EUR30bn.

# Other publications of interest

## Reporting and disclosure

[\(28/04/2022\) SRB - Single Resolution Board publishes MREL dashboard Q4.2021](#)

The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard covering the fourth quarter of 2021. The key findings show that the average MREL shortfall to the final 2024 targets including the combined buffer requirement reached 0.45% total risk exposure amount. Furthermore, Banks' issuance increased by 42.1% over the quarter and amounted to EUR 60.9 bn.

[\(08/06/2022\) SRB - SRB publishes updated 2022 MREL policy](#)

The Single Resolution Board (SRB) has published its updated approach to setting a Minimum Requirement for Own Funds and Eligible Liabilities (MREL). The policy has been revised based on experience gained and stakeholder feedback and applies to the 2022 resolution planning cycle. The policy takes into account new regulatory developments, such as the end of the supervisory leverage relief measures of the European Central Bank, as well as changes to the Capital Requirement Regulation (CRR) and the MREL calibration for banks with a multiple point-of-entry resolution strategy.

### CROSS-BORDER MARKETING AND MANAGEMENT

[\(17/05/2022\) ESMA - ESMA consults on notifications for cross-border marketing and management of funds](#)

The European Securities and Markets Authority (ESMA) is consulting stakeholders on the information and templates to be provided, and used by firms, when they inform regulators of their cross-border marketing and management activities under the undertakings for collective investment in transferable securities (UCITS) Directive and the Alternative Investment Fund Managers (AIFMD). The purpose is to facilitate this process and it will be achieved by defining harmonised information to be notified to competent authorities, and developing common templates to be used by management companies, UCITS and AIFMs.

### REPORTING SUPERVISOR

[\(18/05/2022\) EBA - EBA adopts decision on supervisory reporting for intermediate EU parent undertaking threshold monitoring](#)

The European Banking Authority (EBA) has adopted a decision on supervisory reporting for EU parent undertaking (IPU) threshold monitoring for those entities belonging to third country groups, including third-country branches. Competent authorities shall report to the EBA information on the total value assets held by these entities within the scope of their jurisdiction in the format specified in the Annexes to the Decision. The EBA will provide feedback to the relevant competent authorities for each third country group in order to facilitate cooperation between them and support their IPU decision process.

### REPORTING AND DISCLOSURE

[\(24/05/2022\) EBA - EBA updates mapping between technical standards on Pillar 3 disclosures and technical standards on supervisory reporting \(v3.0\)](#)

The European Banking Authority (EBA) has published an updated mapping tool between quantitative disclosure data points and relevant supervisory reporting data points. The tool is part of the EBA's overall objective to make the reporting and disclosure process more efficient and less costly for banks. It aims at facilitating institutions' compliance with disclosure requirements and improving the consistency and quality of the information disclosed.

### EBA'S REPORTING FRAMEWORK

[\(03/06/2022\) EBA - EBA releases phase 2 of its 3.2 reporting framework](#)

The European Banking Authority (EBA) has published phase 2 of version 3.2 of its reporting framework. The technical package supports the implementation of the updated reporting framework by providing standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for version 3.2. The updated package supports the amendments to supervisory benchmarking and resolution reporting. It also includes some technical amendments on minimum requirement for own funds and eligible liabilities (MREL) and funding plans reporting.

### VALIDATION RULES

[\(13/06/2022\) EBA - EBA issues revised list of ITS validation rules](#)

The European Banking Authority (EBA) has issued a revised list of validation rules for its reporting standards (ITS, RTS, Guidelines), highlighting those which have been deactivated either for incorrectness or for triggering IT problems. Competent Authorities throughout the EU are informed that data submitted in accordance with these reporting standards should not be formally validated against the set of deactivated rules.

# Other publications of interest

## Reporting and disclosure

### CROSS-BORDER MARKETING AND MANAGEMENT

(17/05/2022) ESMA - [ESMA consults on notifications for cross-border marketing and management of funds](#)

The European Securities and Markets Authority (ESMA) is consulting stakeholders on the information and templates to be provided, and used by firms, when they inform regulators of their cross-border marketing and management activities under the undertakings for collective investment in transferable securities (UCITS) Directive and the Alternative Investment Fund Managers (AIFMD). The purpose is to facilitate this process and it will be achieved by defining harmonised information to be notified to competent authorities, and developing common templates to be used by management companies, UCITS and AIFMs.

### REPORTING SUPERVISOR

(18/05/2022) EBA - [EBA adopts decision on supervisory reporting for intermediate EU parent undertaking threshold monitoring](#)

The European Banking Authority (EBA) has adopted a decision on supervisory reporting for EU parent undertaking (IPU) threshold monitoring for those entities belonging to third country groups, including third-country branches. Competent authorities shall report to the EBA information on the total value assets held by these entities within the scope of their jurisdiction in the format specified in the Annexes to the Decision. The EBA will provide feedback to the relevant competent authorities for each third country group in order to facilitate cooperation between them and support their IPU decision process.

### REPORTING AND DISCLOSURE

(24/05/2022) EBA - [EBA updates mapping between technical standards on Pillar 3 disclosures and technical standards on supervisory reporting \(v3.0\)](#)

The European Banking Authority (EBA) has published an updated mapping tool between quantitative disclosure data points and relevant supervisory reporting data points. The tool is part of the EBA's overall objective to make the reporting and disclosure process more efficient and less costly for banks. It aims at facilitating institutions' compliance with disclosure requirements and improving the consistency and quality of the information disclosed.

### EBA'S REPORTING FRAMEWORK

(03/06/2022) EBA - [EBA releases phase 2 of its 3.2 reporting framework](#)

The European Banking Authority (EBA) has published phase 2 of version 3.2 of its reporting framework. The technical package supports the implementation of the updated reporting framework by providing standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for version 3.2. The updated package supports the amendments to supervisory benchmarking and resolution reporting. It also includes some technical amendments on minimum requirement for own funds and eligible liabilities (MREL) and funding plans reporting.

### VALIDATION RULES

(13/06/2022) EBA - [EBA issues revised list of ITS validation rules](#)

The European Banking Authority (EBA) has issued a revised list of validation rules for its reporting standards (ITS, RTS, Guidelines), highlighting those which have been deactivated either for incorrectness or for triggering IT problems. Competent Authorities throughout the EU are informed that data submitted in accordance with these reporting standards should not be formally validated against the set of deactivated rules.

### CCPs STRESS TEST

(05/07/2022) ESMA - [ESMA stress test of central counterparties finds clearing system resilient](#)

The European Securities and Markets Authority (ESMA), has published the results of its fourth stress test exercise of Central Counterparties (CCPs). The results confirm the overall resilience of European Union (EU) CCPs, as well as third-country Tier 2 CCPs, to credit, concentration and operational risks under the tested scenarios and implemented framework. However, the stress test also identified areas where some CCPs may need to strengthen their risk management frameworks, or where further supervisory work should be prioritised, including on concentration and operational risks



# Other publications of interest

## Reporting and disclosure

### RISK DASHBOARD

[\(01/08/2022\) EIOPA – Risk Dashboard shows overall resilient insurance sector even as macro, market and cyber risks abound](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Risk Dashboard based on Solvency II data from the first quarter of 2022. The results show that insurers' exposures to macro, market and digitalisation risks are currently the main concern for the insurance sector. The other risk categories, such as insurance as well as profitability and solvency risks stay at medium levels. Furthermore, market risks are currently at a high level.

### SUPERVISORY REPORTING

[\(01/08/2022\) EBA - EBA updates version 5.2 of its filing rules for supervisory reporting](#)

The European Banking Authority (EBA) has published an updated version of its 5.2 filing rules document for supervisory reporting.

### BENCHMARK ADMINISTRATION

[\(08/09/2022\) FCA - Our supervision strategy for benchmark administrators](#)

La Financial Conduct Authority (FCA) ha publicado una carta en la que desarrolla su estrategia para los administradores de índices de referencia. En esta carta, la FCA describe una serie de cuestiones que espera sean tenidas en cuenta por parte de estos administradores, relativas a: i) la divulgación; ii) los datos de calidad y los controles de datos; iii) la resiliencia operativa; iv) la supervisión y la gobernanza y v) la competencia.

### EBA'S REPORTING FRAMEWORK

[\(03/10/2022\) EBA – EBA releases the technical package for phase 3 of its 3.2 reporting framework](#)

The European Banking Authority (EBA) has published the technical package for phase 3 of version 3.2 of its reporting framework. The technical package supports the implementation of the updated reporting framework by providing standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for version 3.2. In particular, COREP, Asset Encumbrance, G-SII, and Additional liquidity monitoring metrics (ALMM) is delayed to June 2023 with no content modifications. And as a novelty, there are new and amended reporting requirements for investment firms and credit institutions.

### CENTRAL CREDIT REGISTRY

[\(03/10/2022\) BdE – Proyecto de Circular del Banco de España, por la que se modifica la Circular 1/2013, de 24 de mayo, del Banco de España, sobre la Central de Información de Riesgos](#)

The Banco de España (BdE) has published the draft Circular amending the Circular on the Central Credit Register to adapt it to the changes introduced by Order EDT 600/2022. This Circular does not modify the content of the Order, but it does modify the dates on which it will enter into force. Thus, January 2023 is the date on which institutions must individually report the data of all holders, including those of their transactions, whose cumulative risk at the reporting institution is equal to or greater than 3,000 euros, and January 2027 is the date from which institutions must individually report the data of all holders, including those of their transactions, whose cumulative risk at the reporting institution is equal to or greater than 1,000 euros.

### RISK DASHBOARD

[\(06/10/2022\) EC – EBA risk dashboard decline slightly](#)

The European Banking Authority (EBA) has published its quarterly Risk Dashboard covering the main risks and vulnerabilities in the EU banking sector. Between the most relevant figures, the average CET1 fully loaded ratio remained unchanged at 15%. Overall, banks reported robust liquidity ratios with the average liquidity coverage ratio (LCR) reaching 164.9% and the net stable funding ratio (NSFR) standing at 126.9%. Furthermore, European banks' return on equity (RoE) stood at 7.9% (6.7% in Q1 2022).

# Other publications of interest

## Reporting and disclosure

### NON-COMPLIANCE WITH STATISTICAL REPORTING

(10/10/2022) ECB – [Regulation 2022/1917/ Decision \(EU\) 2022/1921](#)

The European Central Bank (ECB) has published a Regulation which establishes a harmonised framework in which sanctions may be imposed on reporting agents for non-compliance with statistical reporting requirements laid down by ECB regulations and decisions. In particular, it establishes the scope of monitoring of compliance by the reporting agents with those requirements and defines the following procedures to be applied by the competent Eurosystem central bank: i) monitoring and recording procedure; ii) reporting procedure; iii) notification procedure; iv) endorsement and implementation of a remedial plan ;v) infringement procedure. Along with this Regulation the ECB has published the Decision on the methodology for the calculation of sanctions for alleged infringements of statistical reporting requirements. Both documents shall apply generally on 30 April 2024.

### ACCOUNTING STANDARDS, ANNUAL ACCOUNTS AND FINANCIAL STANDARDS

(25/10/2022) CNMV – [Consulta pública relativa al proyecto de nueva circular sobre normas contables, cuentas anuales y estados financieros intermedios de las infraestructuras de mercado](#)

The Comisión Nacional del Mercado de Valores (CNMV) submits for public consultation the draft of the new Circular on accounting standards, annual accounts and interim financial statements of market infrastructures. This new circular includes certain new features with the aim of simplifying and updating the obligations, accounting rules and financial and activity statements, taking into account the applicable regulations in force, eliminating unnecessary redundancies and adapting them to the new reality of Spanish infrastructures.

### INVESTMENT REPORTING

(26/10/2022) SEC – [Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements](#)

The Securities and Exchange Commission (SEC) is adopting rule and form amendments that require open-end management investment companies to transmit concise and visually engaging annual and semi-annual reports to shareholders that highlight key information that is particularly important for retail investors to assess and monitor their fund investments. Certain information that may be more relevant to financial professionals and investors who desire more in-depth information will no longer appear in funds' shareholder reports but will be available online, delivered free of charge upon request, and filed on a semi-annual basis on Form N-CSR.

### PENSION PROVIDERS

(01/11/2022) FCA – [PS22/12: Pensions Dashboards rules for pension providers](#)

The Financial Conduct Authority (FCA) has set out final rules and guidance requiring FCA regulated pension providers to provide and enable information about personal and stakeholder pensions for pensions dashboards. This rules require that FCA regulated pension providers must: i) complete connection to the digital architecture operated by the pensions dashboard programme; ii) be ready to receive requests to find pensions, and search records for data matches; iii) be ready to return pensions information to the consumer's chosen pensions dashboard.

### EU-WIDE STRESS TEST

(04/11/2022) EBA – [EBA publishes methodology and draft templates for the 2023 EU-wide stress test](#)

The European Banking Authority (EBA) has published the final methodology, draft templates and template guidance for the 2023 EU-wide stress test along with the milestone dates for the exercise. The methodology and templates cover all relevant risk areas and have considered the feedback received from industry. The stress test exercise will be launched in January 2023 with the publication of the macroeconomic scenarios and the results will be published by the end of July 2023.

# Other publications of interest

## Reporting and disclosure

### SOLVENCY II

[\(07/11/2022\) BoE – CP14/22 - Review of Solvency II: Reporting phase 2](#)

The Bank of England (BoE) has released a Consultation Paper (CP) that sets out the Prudential Regulation Authority's (PRA) proposals to streamline significantly a number of current Solvency II reporting and disclosure requirements for insurers, and to improve the collection of data in a small number of areas where reporting is currently not tailored appropriately to the features of the UK insurance sector, or to the PRA's supervisory needs. The PRA considers that the proposals would allow it to continue to meet its statutory objectives while reducing ongoing reporting costs for firms, thereby improving competitiveness and proportionality.

[\(04/11/2022\) EIOPA – Risk Dashboard indicates overall resilience among insurers even amid high macro and market risks](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Risk Dashboard based on Solvency II data from the second quarter of 2022. The results show that insurers' exposures to macro and market risks are currently the main concern for the insurance sector. All other risk categories, such as profitability and solvency, climate as well as digitalisation and cyber risks stay at medium levels. On climate risks, insurers maintained their relative exposure to green bonds while the ratio of investments in green bonds over the total green bond outstanding slightly decreased.

### TRANSPARENCY

[\(14/11/2022\) IOSCO – IOSCO Statement on Financial Reporting and Disclosure during Economic Uncertainty](#)

The Board of the International Organization of Securities Commissions (IOSCO) has issued a public statement encouraging issuers, external auditors, as well as audit committees (or those charged with governance) to be particularly vigilant in times of economic uncertainty in their consideration of how risks and uncertainties that could affect or have affected an issuer's operations, financial condition, cash flows and prospects can be transparently communicated to investors.

### PRIIPs REGULATION

[\(09/12/2022\) UK Government - PRIIPs and UK Retail Disclosure](#)

The UK Government has published a consultation which sets out the government's plans to revoke the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation and seeks views on a proposed alternative framework for retail disclosure, as part of the implementation of the Future Regulatory Framework (FRF) Review. In line with the FRF, the Financial Conduct Authority (FCA) will be responsible for setting detailed disclosure rules. Within the document the Government sets out the key issues that the government has identified with the PRIIPs Regulation and outlines a new direction for retail disclosure, designed to address each of the issues.

### VALIDATION RULES

[\(12/12/2022\) EBA - EBA issues revised list of ITS validation rules](#)

The European Banking Authority (EBA) has issued a revised list of validation rules for its reporting standards (Implementing Technical Standards, Regulatory Technical Standards and Guidelines), highlighting those which have been deactivated either for incorrectness or for triggering IT problems. Competent Authorities throughout the EU are informed that data submitted in accordance with these reporting standards should not be formally validated against the set of deactivated rules.

### NPL

[\(16/12/2022\) EBA - EBA standardises information requirements to support sales and transfers of non-performing loans](#)

The European Banking Authority (EBA) has published its final draft Implementing Technical Standards (ITS) specifying the requirements for the information that credit institutions selling NPL shall provide to prospective buyers. The objective of the draft ITS is to provide a common data standard for the NPL sales or transfers across the EU enabling cross-country comparison and thus reducing information asymmetries between the sellers and buyers of NPL, thus improving the functioning of NPL secondary markets. These draft ITS have been submitted to the European Commission for adoption.

# Other publications of interest

## Reporting and disclosure

### EMIR

(20/12/2022) ESMA - [ESMA publishes guidelines and technical documentation on reporting under EMIR refit](#)

The European Securities and Markets Authority (ESMA) has published a report in which it clarifies the legal provisions on reporting and data management under the amended EMIR rules and providing practical guidance on their implementation. The Guidelines provide clarifications on: i) transition to reporting under the new rules; ii) the number of reportable derivatives; iii) intragroup derivatives exemption from reporting; iv) delegation of reporting and allocation of responsibility for reporting; v) reporting logic and the population of reporting fields.

### UCITS/AIMFD

(21/12/2022) ESMA – [ESMA publishes technical standards on cross-border activities under the UCITS directive and the AIMFD](#)

The European Securities and Markets Authority (ESMA) has published a final report specifying the information to be provided, and the templates to be used, to inform competent authorities of the cross-border marketing and management of investment funds and the cross-border provision of services by fund managers.

- **SUSTAINABILITY**

### CSRD

(25/02/2022) Council – [Council adopts its position on the corporate sustainability reporting directive \(CSRD\)](#)

The Council agreed its position on the European Commission proposal for a corporate sustainability reporting directive (CSRD). Among the main changes introduced by the Council, a definition of net turnover for credit institutions and insurance companies has been added in order to take their specific features into account. In addition, the presentation of information is provided for in a clearly identifiable section in the management report, in order to facilitate the readability and identification of sustainability reporting. This proposal is expected to be debated by the European Parliament (EP) by spring 2022.

### CLIMATE RISKS DISCLOSING

(14/03/2022) ECB – [Banks must get better at disclosing climate risks, ECB assessment shows](#)

The European Central Bank (ECB) has published an updated assessment of the progress made by European banks on climate and environmental disclosures, as set out in the guidance published by the ECB in November 2020. While there have been improvements since the ECB's first assessment at the end of 2020, no bank has fully met supervisory expectations. While the number of banks disclosing meaningful information on climate and environmental risks has increased significantly, many do not disclose whether these risks have a material impact on their risk profile, nor do they publish key performance or risk indicators.

### DISCLOSURE AND TAXONOMY REGULATION

(25/03/2022) ESAs – [ESAs issue updated supervisory statement on the application of the Sustainable Finance Disclosure Regulation](#)

The European supervisory authorities (ESAs) have updated their joint supervisory statement on the implementation of the disclosure regulation (SFDR) and articles 5 and 6 of the Taxonomy regulation. The main novelties correspond to the resolution of doubts regarding the dates of application of certain obligations derived from the aforementioned regulations, as well as the delay in the application of the RTS of the SFDR

### DISCLOSURE REQUIREMENTS ACCORDING THE ISSB

(01/04/2022) ISSB - [Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information / Exposure Draft IFRS S2 Climate-related Disclosures](#)

The International Sustainability Standards Board (ISSB) has published a draft on the general requirements for disclosure of sustainability-related financial information, about all its significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures. It has also published a draft on climate-related disclosures, which sets out the requirements for identifying, measuring and disclosing climate-related risks and opportunities. Both Drafts are based on the prototypes published on the IFRS Foundation website in November 2021 and only introduce minor amendments. Comments to these projects can be sent before 29 July 2022.

# Other publications of interest

## Reporting and disclosure

### ESG DISCLOSURE

[\(06/04/2022\) EC - Regulation on sustainability-related disclosure in the financial services sector](#)

The European Commission (EC) has published the Delegating Regulation supplementing Sustainable Finance Disclosure Regulation (SFDR). In this Delegated Act, the EC bundled the European Supervisory Authorities (ESAs) Draft Regulatory Technical Standards (RTS) in a single legal act that makes it easier to locate provisions on sustainability-related disclosures in the financial services sector. The EC has not change any substantive requirements.

### DISCLOSURE AND TAXONOMY REGULATION

[\(25/05/2022\) IFRS - Request for Feedback and comment letters: Staff Request for Feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy](#)

The IFRS foundation, has prepared the staff request for feedback on the IFRS Sustainability Disclosure Taxonomy. The purpose of this request is to support initial research by the IFRS Foundation staff to inform to the International Sustainability Standards Board (ISSB) on the development of proposals for the IFRS Sustainability Disclosure Taxonomy. This request is not an exposure draft or proposed taxonomy.

### DISCLOSURE AND TAXONOMY REGULATION

[\(25/05/2022\) IFRS - Request for Feedback and comment letters: Staff Request for Feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy](#)

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### SFDR

[\(06/05/2022\) EC - Mandate to the ESAs to develop SFDR regulatory technical standards on product exposures to gas and nuclear activities](#)

The European Commission (EC) has invited the European Supervisory Authorities (ESAs) to propose amendments to regulatory technical standards in relation to the information that should be provided in pre-contractual documents, on websites, and in periodic reports about the exposure of financial products to investments in fossil gas and nuclear energy activities. The reason for this appeal is the need to modify the Delegated Regulation to ensure that investors receive information reflecting the provisions set out in the Complementary Climate Delegated Regulation. If such amendments are not adopted, several areas in the SFDR Regulation might not appropriately reflect the new factual and regulatory situation.

[\(02/06/2022\) ESAs - ESAs provide clarifications on key areas of the RTS under SFDR](#)

The European Supervisory Authorities (EBA, EIOPA and ESMA, ESAs) have published a statement providing clarifications on the draft regulatory technical standards (RTS) issued under the Sustainable Finance Disclosure Regulation (SFDR), which include the financial product disclosures under the Taxonomy Regulation. The statement is part of the ESAs' on-going efforts to promote a better understanding of the disclosures required under the technical standards of the SFDR.

### SUSTAINABLE FINANCE DISCLOSURE

[\(26/07/2022\) EIOPA – Principal adverse impact and product templates for the Sustainable Finance Disclosure Regulation](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published some documents on principal adverse impact and product templates for the Sustainable Finance Disclosure Regulation (SFDR). This information has been published in the form of annexes to the regulation.

[\(28/07/2022\) ESAs – ESAs issue report on the extent of voluntary disclosure of principal adverse impact under the Sustainable Finance Disclosure Regulation](#)

The European Supervisory Authorities (ESAs) have published the first annual report on the extent of voluntary disclosure of principal adverse impact under the Sustainable Finance Disclosure Regulation (SFDR). The report highlights that: i) there is an overall low level of disclosure on the degree of alignment with the objective of the Paris Agreement; and ii) there is a low level of compliance with the details required for explaining why financial market participants do not take into account the adverse impact of their investment decisions

# Other publications of interest

## Reporting and disclosure

### EU TAXONOMY

[\(06/10/2022\) EC – Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets](#)

The European Commission (EC) has published a frequently asked questions document which seeks to clarify the content of the delegated act on disclosure of information under Article 8 of the EU Taxonomy Regulation in order to support its application by assisting financial and non-financial undertakings in applying the relevant legal provisions. The document only clarifies provisions already contained in existing legislation and does not introduce additional requirements for the operators concerned and the competent authorities.

[\(12/10/2022\) PSF – Platform Recommendations on Data and Usability](#)

The Platform on Sustainable Finance (PSF) has published a Report on data and usability of the EU Taxonomy. The report contains a detailed overview of the first implementation phase of the taxonomy by economic operators and across financial markets. It also includes specific recommendations for targeted adjustments to enhance the usability of the taxonomy and improve the coherence of the broader sustainable finance framework. The report does not constitute guidance for market participants or legal interpretation of the rules, but it provides input to the European Commission and the European Supervisory Authorities on the implementation issues of the EU taxonomy standards and disclosure requirements.

[\(13/10/2022\) PSF – Final report on minimum safeguards](#)

The Platform on Sustainable Finance (PSF) has published its Final Report on Minimum Safeguards relative to October 2022. This report advises on the application of minimum safeguards (MS) in relation to the Taxonomy Regulation (TR). It does so by i) embedding MS in existing EU regulation, ii) identifying substantive topics relating to the standards and norms referenced in TR and iii) presenting advice on compliance with MS. When exploring the links between MS and EU legislation, the report focuses on the existing Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD), and the upcoming Corporate Sustainability Due Diligence Directive (CSDDD).

### PILLAR 3 ESG

[\(17/10/2022\) EBA – EBA issues an Opinion in response to the European Commission's proposed amendments to the EBA final draft technical standards on Pillar 3 disclosures on ESG risks](#)

The European Banking Authority (EBA) has published an Opinion on the amendments proposed by the European Commission (EC) to the EBA final draft Implementing Technical Standards (ITS) on prudential disclosures of environmental, social and governance (ESG) information. The EC proposed changes to how the banking book taxonomy alignment ratio (BTAR) should be disclosed by institutions in order to enhance proportionality. The EBA recognizes the importance of proportionality and accepts the proposal of the EC, but it also insists that institutions should make every effort to collect and disclose the very relevant information reflected in the BTAR.

### CSRD

[\(10/11/2022\) EP – Sustainable economy: Parliament adopts new reporting rules for multinationals](#)

The European Parliament, following the established legislative process, has adopted the Corporate Sustainability Reporting Directive (CSRD) adding several modifications to the text proposed by the EC. After this, the Council is expected to adopt the proposal of the Parliament on 28 November, prior to its subsequent signature and publication in the EU Official Journal. The Directive will enter into force 20 days after publication and will start applying between 2024 and 2022.

# Other publications of interest

## Reporting and disclosure

### SFDR

[\(18/11/2022\) ESAs – Final Report on SFDR amendments for nuclear and gas activities](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) have published the Final draft RTS on the amendments to the Sustainable Finance Disclosure Regulation (SFDR) Delegated Regulation covering nuclear and fossil gas. ESAs were mandated to propose amendments in relation to the information that should be provided in pre-contractual documents, on website and in periodic reports about the exposure of financial products to investments in fossil gas and nuclear energy activities. The ESAs have left it to the Commission to include the expected application date in the SFDR Delegated Regulation.

### SUSTAINABILITY REPORTING STANDARDS

[\(23/11/2022\) EFRAG - EFRAG delivers the first set of draft ESRS to the European Commission](#)

The European Financial Reporting Advisory Group (EFRAG), after the editorial review conducted by the Sustainability Reporting Board (SRB), has submitted the first set of draft European Sustainability Reporting Standards (ESRS) to the European Commission. Some minor changes to the draft documents published earlier this month have been implemented. Additionally, the EFRAG has accompanied this publication with a Due process note setting out the process applied and the main differences between the exposure drafts and the draft ESRS, and an Explanatory note, including its Annex, of how draft ESRS take account of the initiatives and legislation of the CSRD. The European Commission will now consult EU bodies and Member States on the draft standards, before adopting the final standards as delegated acts in June 2023. This regulation will start to apply in general terms from 2025 with baseline data for the financial year 2024. Listed SMEs are obliged to report as from 2026, with a further possibility of voluntary opt-out until 2028, and will be able to report according to separate, proportionate standards that EFRAG will develop next year (sector specific standards).

### CLIMATE-RELATED INSURANCE

[\(05/12/2022\) EIOPA - EIOPA's dashboard identifies the European natural catastrophe insurance protection gap](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has released its dashboard, which depicts the insurance protection gap for natural catastrophes across Europe. This tool is the first dashboard which presents the drivers of a climate-related insurance protection gap to identify measures that will help in decreasing society's losses in the event of natural catastrophes in Europe. The dashboard brings together data on economic and insured losses, risk estimations as well as insurance coverage from 30 European countries. It presents the data in four different views: i) current view; ii) historical view; iii) country view; and iv) country insurance view.

### SUSTAINABILITY DISCLOSURE

[\(15/12/2022\) ISSB - ISSB announces guidance and reliefs to support Scope 3 GHG emission disclosures](#)

The International Sustainability Standards Board (ISSB) has agreed to set out a framework in S2 (Climate-related Disclosures) for the measurement of Scope 3 GHG emissions that will require the use of reasonable and supportable information that is available without undue cost or effort and incorporates the use of estimation. A company's use of this framework would be accompanied by disclosures to enable investors to understand the basis for measurement of Scope 3 GHG emissions. The ISSB also agreed to confirm and refine proposed requirements for financed emissions, intended to support preparers in the financial sector with the measurement and disclosure of emissions associated with their portfolios.

### ESG

[\(20/12/2022\) EC - Commission Implementing Regulation \(EU\) 2022/2453 of 30 November 2022 amending the implementing technical standards laid down in Implementing Regulation \(EU\) 2021/637 as regards the disclosure of environmental, social and governance risks \(Text with EEA relevance\)](#)

The European Commission (EC) has published its Implementing Regulation amending its previous regulation (Implementing Regulation (EU) 2021/637) regarding the disclosures required under CRR II, which requires large institutions that have issued securities that are admitted to trading on a regulated market of any Member State to disclose, as from 28 June 2022, information on ESG risks, including physical risks and transition risks. This amendment has been now also included in the EC Implementing Regulation (EU) 2021/637 through different amendments, which should set out, in addition to the existing uniform disclosure formats and associated instructions, additional uniform disclosure formats and associated instructions for the disclosures of ESG risks.

# Other publications of interest

## Compliance

### MIFID II

[\(03/01/2022\) ESMA – ESMA publishes guidance on appropriateness and execution-only requirements under MIFID II](#)

The European Securities and Markets Authority (ESMA) has published the final report on its Guidelines on certain aspects of the MiFID II appropriateness and execution-only requirements, which constitute an important element of investor protection in the provision of investment services other than investment advice or portfolio management. The purpose of the Guidelines is to enhance clarity and to foster convergence in the application of the appropriateness and execution-only requirements. In addition, the report contains comments from the public consultation conducted by ESMA in February 2021.

### MAR

[\(06/01/2022\) ESMA – ESMA published Guidelines on delayed disclosure under MAR](#)

The European Securities and Markets Authority (ESMA) has published its Final Report on the amendment of the Market Abuse Regulation (MAR) guidelines on delayed disclosure in relation to prudential supervision. The Guidelines are aimed at providing clarity, enhancing legal certainty and fostering supervisory convergence.

### MARKET INTEGRITY

[\(18/01/2022\) ESMA – ESMA issues 2021 report on accepted market practices under MAR](#)

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published the annual report on the application of accepted market practices (AMPs) in accordance with the Market Abuse Regulation (MAR). As a brief summary, the number of liquidity contracts and the volumes traded under the AMPs has decreased from June 2020 to June 2021 for the four national competent authorities (NCAs) that have them in place: Comisión Nacional del Mercado de Valores (CNMV), Comissão do Mercado de Valores Mobiliários (CMVM), Commissione Nazionale per le Società e la Borsa (CONSOB) and the French Autorité des Marchés Financiers (AMF). There has only been a marginal number of contracts operational under the Italian and Portuguese AMPs.

### EMIR

[\(27/01/2022\) ESMA - ESMA consults on CCP anti-procyclicality measures](#)

The European Securities and Markets Authority (ESMA) has launched a consultation paper to review the European Market Infrastructure Regulation's (EMIR) requirements on anti-procyclicality (APC) margin measures for central counterparties (CCPs). The ESMA is seeking input from stakeholders on a potential review of its Regulatory Technical Standards (RTS) with the aim of harmonising the existing APC margin measures for CCPs as well as specific anti-procyclicality tools. The deadline for responses to the consultation paper is 31 March 2022.

### TRANSPARENCY

[\(28/03/2022\) ESMA – ESMA Proposes amendments on the review of transparency requirements under MiFIR](#)

The European Securities and Markets Authority (ESMA) has proposed targeted amendments to some of its Regulatory Technical Standards (RTS 1 and RTS 2) which specify the Markets in Financial Instruments Regulation (MiFIR) transparency requirements for equity and non-equity respectively. These amendments aim to clarify, improve and simplify the transparency regime for these instruments. Regarding the RTS 1 the main amendments include the revision of: i) Large in scale (LIS) thresholds for exchange-traded funds (ETFs); ii) the legal provisions relating to non-price forming transactions; or iii) the list of trading systems and of the pre-trade transparency requirements attached to those, among others. Finally, the amendments on the RTS2 includes: i) the list of trading systems; ii) non-price forming transactions and the application dates of the transparency calculations. The majority of the proposals on commodity derivatives will only be finalised in a future review of RTS 2.

### PRIIPs

[\(24/06/2022\) ESAs - ESAs refer stakeholders to Commission statement on the application date of new PRIIPs rules / The Commission publishes a delegated regulation that postpones the application date of certain PRIIPs-related disclosures](#)

The European Supervisory Authorities (ESAs) has drawn the attention of National Competent Authorities to a Delegated Regulation published by the European Commission concerning the application date of new rules for the Key Information Document (KID) for packaged retail and insurance-based investment products (PRIIPs). In particular, this Regulation postpones the application date to 1 January 2023, instead of 1 July 2022 as initially foreseen in the amending act adopted on 6 September.



# Other publications of interest

## Compliance

### BEST INVESTMENT PRACTICES

[\(24/06/2022\) CNMV - La CNMV somete a consulta el código de buenas prácticas para inversores institucionales, gestores de activos y asesores de voto](#)

The Comisión Nacional del Mercado de Valores (CNMV) has submitted the Code of Best Practices for Institutional Investors, Asset Managers and Proxy Advisors for public consultation. The Code is aimed at institutional investors and asset managers based in Spain, although it may also be applied by investors or managers from other jurisdictions. It is voluntary and there will be a three-year adaptation period for entities that decide to adhere to it. Furthermore, its application will follow the criterion of proportionality according to the size, scale or complexity of the entity, as well as the nature of the investors and resources of the companies invested in.

### SECONDARY MARKETS

[\(05/07/2022\) PRA - CP22/12: Improving Equity Secondary Markets](#)

The Prudential Regulation Authority (PRA) has launched a consultation paper on rule changes to improve trade execution and post-trade transparency for investors, as well as seeking views on future guidance on outages and the structure of UK markets for retail orders. The aim is to improve how equity markets operate and to reduce harm by amending provisions that impose compliance and operational costs on firms but do not deliver demonstrable benefits to end users or to the functioning of equity markets

### SECURITIES MARKETS

[\(29/07/2022\) MINECO – Anteproyecto de ley de los mercados de valores y de los servicios de inversión](#)

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has published the draft bill on securities markets and investment services, the main objective of which is to modernise the securities markets and improve investor protection, as well as the capacity of the securities markets to finance Spanish companies. The draft includes a series of financial instruments that are subject to the Law, including, as a novelty, those that use distributed registry technology or other similar technologies.

### UNDERTAKINGS FOR COLLECTIVE INVESTMENTS

[\(04/08/2022\) CNMV - Circular 3/2022, de 21 de julio, de la Comisión Nacional del Mercado de Valores, sobre el folleto de las instituciones de inversión colectiva y el registro del documento con los datos fundamentales para el inversor](#)

The Official State Gazette (BOE) has published Circular 3/2022 of the National Securities Market Commission (CNMV) on the prospectus of undertakings for collective investment (UCIs) and the registration of the document with the key investor information. Its main changes with respect to the repealed regulation are: i) To align national UCI regulation with European regulations on key investor information documents for linked retail investment products and insurance-based investment products (PRIIPs); ii) To regulate, among other aspects, the form, content and presentation of the UCI prospectus, the causes and forms of its updating, as well as the way it is sent to the CNMV; and iii) To simplify the content of the UCI prospectus. The Circular will enter into force on 1 January 2023. However, a period of one month is established from that date for institutions to send the CNMV the document containing the key investor information.

### TREASURY SECURITIES

[\(14/09/2022\) SEC – Proposed rules on Standards for Covered Clearing Agencies for USA Treasury Securities and Application of the Broker-Dealer Customer Protection Rule With Respect to USA Treasury Securities](#)

The Securities and Exchange Commission (SEC) has proposed to amend the standards applicable to covered clearing agencies for U.S. Treasury securities to require that such covered clearing agencies have written policies and procedures reasonably designed to require that every direct participant of the covered clearing agency submit for clearance and settlement all eligible secondary market transactions in USA. Treasury securities to which it is a counterparty. In addition, the Commission proposes additional amendments to the Covered Clearing Agency Standards, with respect to risk management.

### FUNDS TRANSFERS REGULATION

[\(21/10/2022\) EBA – EBA launches call for interest for two expert groups and a call for input to advise on its work under the recast Funds Transfers Regulation](#)

The European Banking Authority (EBA) has issued a call for expression of interest to join two Technical Expert Groups – on crypto assets service providers and anti-money laundering and countering the financing of terrorism (TEG-CASPs/AML), and on restrictive measures regimes (TEG-RMRs) – and a call for input on the Joint Guidelines to prevent the abuse of fund transfers for ML/TF purposes issued in 2017 by the European Supervisory Authorities (ESAs). These will provide technical advice to the EBA on those aspects of the revised Regulation on information accompanying transfers of funds (TFR) that relate to the EBA's mandates.

# Other publications of interest

## Compliance

### MiFID II

[\(26/10/2022\) ESMA – SMSG advice in respect of the ESMA Consultation Paper on the Review of the Guidelines on MiFID II product governance requirements](#)

The Securities and Market Stakeholders Group (SMSG) has launched an advice in respect of the European Securities Markets Authority (ESMA) Consultation Paper on the Review of the Guidelines on MiFID II product governance requirements. In general, the SMSG is of the opinion that the revised guidelines are balanced, fairly reflect and elaborate on the changes in Level 1 and Level 2 texts, and adequately deal with the results of the 2021 Common Supervisory Action on MiFID II Product Governance Requirements.

### INVESTMENT ADVISERS

[\(27/10/2022\) SEC – Outsourcing by investment advisers](#)

The Securities and Exchange Commission (SEC) is proposing a new rule to prohibit registered investment advisers from outsourcing certain services or functions without first meeting minimum requirements. The proposed rule would require advisers to conduct due diligence prior to engaging a service provider to perform certain services or functions. It would further require advisers to periodically monitor the performance and reassess the retention of the service provider in accordance with due diligence requirements to reasonably determine that it is appropriate to continue to outsource those services or functions to that service provider.

### MIFID II

[\(17/11/2022\) ESMA - ESMA consults on rules for passporting for investment firms](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on the review of the technical standards under Article 34 of the Markets in Financial Instruments Directive (MiFID II), covering the provision of investment services across the EU. The main amendments proposed add the different items to the information that investment firms are required to provide at the passporting stage e.g the investment firm's internal organisation in relation to the cross-border activities of the firm. The consultation closes on 17 February 2023. ESMA will consider the feedback it receives to the consultation in Q2 2023 and expects to publish a final report by the end of 2023.

### CUSTOMER PROTECTION

[\(18/11/2022\) MINECO. Spain - El Gobierno crea la Autoridad de Defensa del Cliente Financiero para reforzar la protección de los clientes](#)

The Council of Ministers has approved the draft Law on the Financial Customer Protection Authority, which will be sent to Parliament. This bill will increase the protection of citizens as financial customers, who will be able to submit their complaints free of charge in the banking, insurance and financial investment fields to a single body, which will result in a better analysis of conflicts and a faster service.

### AML/CFT

[\(06/12/2022\) EBA - EBA consults on new Guidelines to tackle de-risking](#)

The European Banking Authority (EBA) has launched a public consultation on new Guidelines on the effective management of money laundering and terrorist financing (ML/TF) risks when providing access to financial services. Through these Guidelines, the EBA aims to ensure that customers, especially the most vulnerable ones, are not denied access to financial services without valid reason. This consultation runs until 6 February 2023.

### CONSUMER CREDIT ACT

[\(09/12/2022\) UK.Government - Reform of the Consumer Credit Act: consultation](#)

The UK Government has published a consultation on the reform of the Consumer Credit Act 1974 (CCA). This is the first phase of the reform of the CCA, which due to its scale and complexity the Government expects to take several years. The consultation seeks input on the strategic direction of reform, as well as on how the regulatory environment for consumer credit could be changed to ensure optimal functioning of regulation around customer communication, consumer protection and sanctions for non-compliance with regulatory standards. Other questions relate to how this reform should address credit accessibility and financial inclusion. The consultation period is open until 7 March 2023.

# Other publications of interest

## Compliance

### CONSUMER CREDIT ACT

(14/12/2022) ESMA - [ESMA provides guidance for supervision of cross-border activities of investment firms](#)

The European Securities and Markets Authority (ESMA) has published a Supervisory Briefing to ensure convergence across the EU in the supervision of the cross-border activities of investment firms. It covers the following areas: i) authorisation of firms with cross-border plans; ii) processing of passport notifications and their impact on the supervisory approach applied to firms; iii) arrangements in place to carry out ongoing supervisory activities; iv) carrying out of ongoing supervision; and v) carrying out of investigations and inspections.

### MARKET TRANSPARENCY

(20/12/2022) Council - [MIFIR revision/ MIFID II revision](#)

The Council has agreed on a mandate to start negotiations with the European Parliament concerning a review of the Markets in Financial Instruments Regulation (MIFIR) and of the second Markets in Financial Instruments Directive (MiFID II). The priorities for this review are to improve transparency and availability of market data, improve the level-playing field between execution venues and ensure that EU market infrastructures can remain competitive at international level. On the basis of this mandate, negotiations with the European Parliament can begin with a view to reaching a final agreement on the future legislation. This proposal will make EU market infrastructures more robust. Proposed amendments will also increase market liquidity, making it easier for companies to get funding from capital markets.

### • SUSTAINABILITY

#### MINIMUM SAFEGUARD

(11/07/2022) PSF - [Call for feedback on the draft report by the Platform on Sustainable finance on minimum safeguards](#)

The Platform on Sustainable Finance (PSF) has published the Draft Report on minimum safeguards. These safeguards set out in the Taxonomy Regulation require that companies implement procedures to comply with OECD Guidelines for multinational enterprises and the United Nations guiding principles on business and human rights. This report aims to provide advice on how to assess compliance with minimum safeguards and identifies four core topics for which compliance with these safeguards should be defined: i) human rights; ii) bribery/corruption; iii) taxation; iv) fair competition. Comments can be sent before 6 September 2022.

#### MINIMUM SAFEGUARD

(11/07/2022) PSF - [Call for feedback on the draft report by the Platform on Sustainable finance on minimum safeguards](#)

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#### GREENWASHING

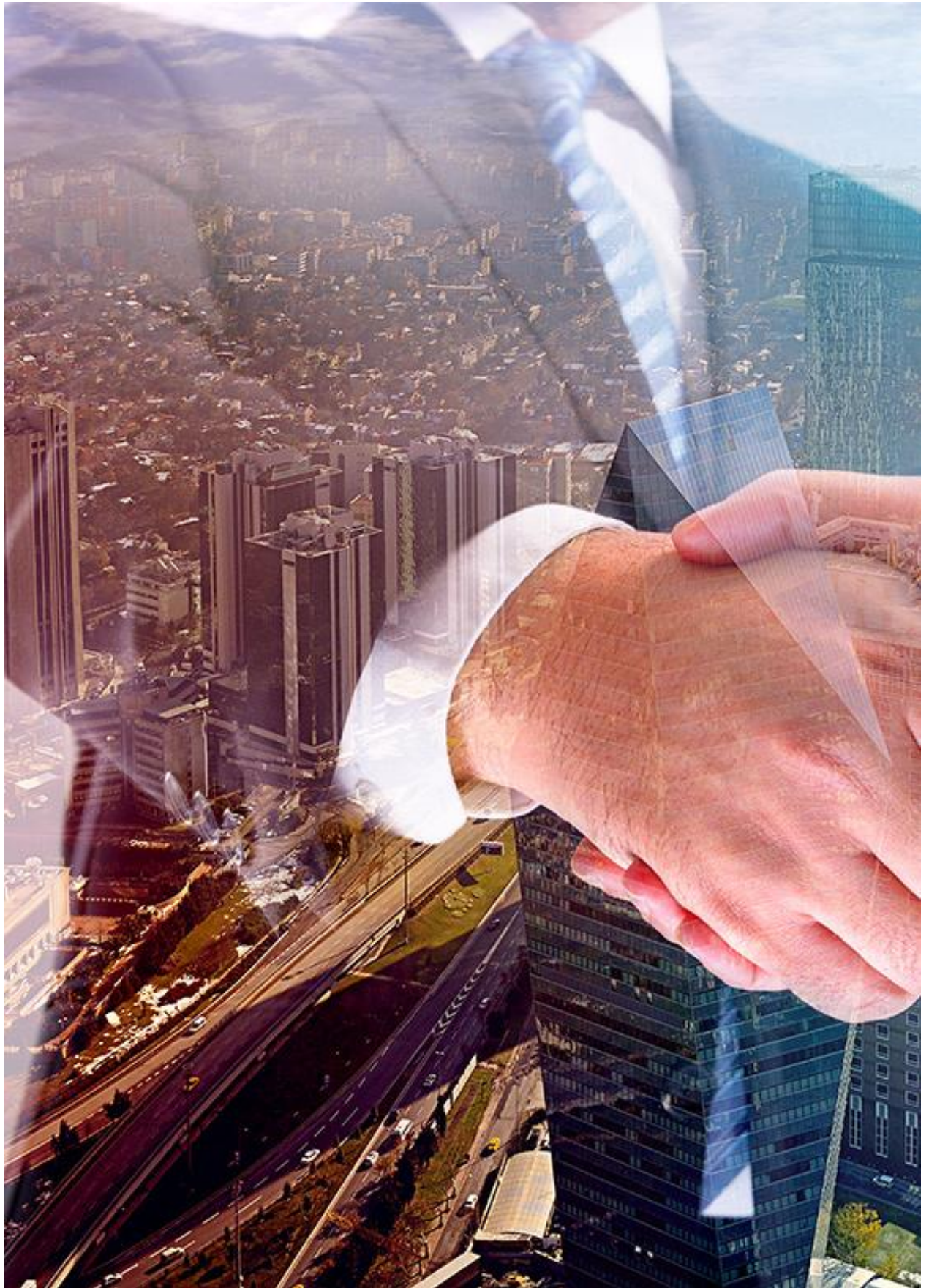
(15/11/2022) ESAs – [ESAs launch joint Call for Evidence on greenwashing](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) have published a Call for Evidence on greenwashing to gather input from stakeholders on how to understand the key features, drivers and risks associated with greenwashing and to collect examples of potential greenwashing practices. Respondents are invited to submit their responses by 10 January 2023. Contributions will feed into the ESAs' findings for their progress reports due in May 2023, and final reports due in May 2024.

#### CODE OF CONDUCT FOR ESG

(22/11/2022) FCA - [ESG Data and Ratings Code of Conduct Working Group \(DRWG\)](#)

The Financial Conduct Authority (FCA) has announced the formation of the ESG Data and Ratings Code of Conduct Working Group (DRWG), with a mandate to develop a voluntary Code of Conduct for ESG data and ratings providers. The DRWG shall focus on four key outcomes, based on IOSCO recommendations, which includes: i) transparency; ii) good governance; iii) management of conflicts of interest; and iv) robust systems of control. The DRWG should seek to publish a draft of the voluntary Code of Conduct for consultation approximately within 6 months of the first meeting, and the final version of the Code within approximately 4 months of the start of the consultation.



# Other publications of interest

## Technology

### DLT

[\(04/01/2022\) ESMA – Call for evidence on the Distributed Ledger Technology \(DLT\) Pilot regime](#)

The European Securities and Markets Authority (ESMA) has published a call for evidence on distributed ledger technology (DLT). This call seeks input from stakeholders on the use of DLT for trading and settlement and on the need for amending the regulatory technical standards (RTS) on regulatory reporting and transparency requirements. The aim is to ensure more efficient, secure, and cost-effective management of the data stored on DLTs while preserving its quality, usability and comparability.

### PAYMENT FRAUD DATA

[\(17/01/2022\) EBA – EBA publishes a Discussion Paper on its preliminary observations on selected payment fraud data under the Payment Services Directive](#)

The European Banking Authority (EBA) has published a Discussion Paper on its preliminary observations on selected payment fraud data under the Payment Services Directive (PSD2). This Paper presents the main findings related to three payment instruments: i) credit transfers; ii) card-based payments; and iii) cash withdrawals. Comments to this consultation can be sent before 19 April 2022.

### DIGITALISATION OF RETAIL MARKETING

[\(17/01/2022\) IOSCO – Report on Retail Distribution and Digitalisation](#)

The Board of the International Organization of Securities Commissions (IOSCO) has published a Consultation Report to assist its members in adapting their regulatory and enforcement approaches to meet the challenges posed by recent technological developments and the rapidly evolving digitalisation and online activities, that is changing the way financial services and products are marketed and distributed. The consultation report proposes useful guidance on enforcement measures that IOSCO members should consider to address fraudulent online activity around the world.

### CRYPTOASSETS

[\(17/01/2022\) CNMV – Circular 1/2022, de 10 de enero, de la Comisión Nacional del Mercado de Valores, relativa a la publicidad sobre criptoactivos presentados como objeto de inversión.](#)

The National Securities and Markets Commission (CNMV) has published a Circular on the advertising of crypto-assets presented as investment objects due to their increasing presence in the financial system. The purpose of this Circular is to develop the rules, principles and criteria to which advertising activity must be subject and, in particular, to define the objective and subjective scope of application, as well as the powers of the CNMV in terms of supervision and control of the advertising of crypto-assets.

### DIGITAL DOLLAR

[\(20/01/2022\) Fed – Federal Reserve Board releases discussion paper that examines pros and cons of a potential U.S. central bank digital currency \(CBDC\)](#)

The Federal Reserve Board (Fed) has released a discussion paper that examines the pros and cons of a potential U.S. central bank digital currency (CBDC). It invites comment from the public and is the first step in a discussion of whether and how a CBDC could improve the safe and effective domestic payments system. The paper summarizes the current state of the domestic payments system and discusses the different types of digital payment methods and assets that have emerged in recent years, including stablecoins and other cryptocurrencies.

### DIGITAL RIGHTS

[\(26/01/2022\) EC – La Comisión ha presentado una declaración de principios y derechos digitales para todos en la UE](#)

The European Commission (EC) has published the Draft Declaration of rights and principles which aims to give everyone a clear reference point about the kind of digital transformation Europe promotes and defends. It will also provide a guide for policy makers and companies when dealing with new technologies. The draft declaration covers key rights and principles for the digital transformation, such as placing people and their rights at its centre and promoting the sustainability of the digital future. The European Parliament and the Council are invited to discuss the draft declaration, and to endorse it at the highest level by this summer.

# Other publications of interest

## Technology

### CYBER RISK

[\(27/01/2022\) ESAs – ESAs welcome ESRB Recommendation to create a pan-European systemic cyber incident coordination framework](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) has published a statement welcoming the European Systemic Risk Board's (ESRB) Recommendation on systemic cyber risk, which calls on the ESAs to prepare for the gradual development of a Pan-European systemic cyber incident coordination framework (EU-SCICF). This will support an effective and coordinated response at EU-level in the event of a major cross-border cyber incident that could have a systemic impact on the Union's financial sector.

### FINANCIAL EDUCATION AND DIGITALIZATION

[\(31/01/2022\) ESAs - ESAs publish thematic repository on financial education and digitalisation initiatives of National Competent Authorities](#)

The three European Supervisory Authorities (EBA, ESMA and EIOPA) have published a Joint ESAs thematic repository on financial education and digitalisation initiatives of National Competent Authorities (NCAs), with a specific focus on cybersecurity, scams and fraud. The repository contains 127 national initiatives that provide consumers with helpful information on how to improve their financial literacy.

### DATA REPORTING SERVICE PROVIDERS

[\(07/02/2022\) ESMA – ESMA becomes supervisor of EU data reporting service providers](#)

The European Securities and Markets Authority (ESMA) on 1 January 2022 took on its new mandate as direct supervisor of the largest EU Data Reporting Service Providers (DRSPs). Its new role gives ESMA direct authorisation and supervisory powers over DRSPs, except for those entities that, due to more limited market impact, will continue to be supervised by their Member State authority.

### DIGITAL FINANCE

[\(07/02/2022\) ESAs - ESAs recommend actions to ensure the EU's regulatory and supervisory framework remains fit-for-purpose in the digital age](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA) have published a joint report in response to the EC's February 2021 Call for Advice on Digital Finance. The proposals that were put forward aim at maintaining a high level of consumer protection and addressing risks arising from the transformation of value chains, platformisation and the emergence of new mixed-activity groups, i.e. groups combining financial and non-financial activities.

### CRYPTO-ASSETS

[\(09/02/2022\) ECB – Opinion on a proposal for a regulation to extend traceability requirements to transfers of crypto-assets](#)

The European Central Bank (ECB) has published an opinion at the request of the European Parliament (EP) and the Council on a proposal for a regulation to extend traceability requirements to transfers of crypto-assets. The ECB considers that transfers of crypto-assets are subject to similar money laundering and terrorist financing risks, and therefore supports the EC's initiative to extend these traceability requirements to crypto-assets.

### CYBERSECURITY

[\(14/02/2022\) ENISA – Boosting your Organisation's Cyber Resilience](#)

The European Union Agency for Cybersecurity (ENISA) has published a set of cybersecurity best practices for public and private organisations in the EU. ENISA, has reported a substantial increase in cybersecurity threats for both types of entities due to factors such as: i) ransomware attacks; ii) higher motivation of cybercriminals; or iii) increased attacks against critical infrastructure. In light of the above, ENISA encourages all organisations to adopt a minimum set of cybersecurity best practices.

### CRYPTO - ASSETS

[\(16/02/2022\) FSB - Assessment of Risks to Financial Stability from Crypto-assets](#)

The Financial Stability Board (FSB) has published a report which examines developments and associated vulnerabilities relating to three segments of the crypto-asset markets: i) unbacked crypto-assets (such as Bitcoin); ii) stablecoins; and iii) decentralised finance (DeFi) and other platforms on which crypto-assets trade that are closely interrelated in a complex and constantly evolving ecosystem and need to be considered holistically when assessing related financial stability risks.

# Other publications of interest

## Technology

### ARTIFICIAL INTELLIGENCE

(17/02/2022) BoE - [Artificial Intelligence Public-Private Forum](#)

The Bank of England (BoE) and the Financial Conduct Authority (FCA) have launched the Artificial Intelligence Public-Private Forum (AIPPF) Report which explores the various barriers to adoption of the forum, challenges and risks in relation to Data, Model Risk and Governance. It also analyses how to address such barriers and challenges, as well as how to mitigate potential risks.

### GUIDELINES ON THE PSD2

(24/02/2022) EBA - [EBA publishes final Guidelines on the limited network exclusion under the Payment Services Directive](#)

The European Banking Authority (EBA) has published its final Guidelines on the limited network exclusion under the Payment Services Directive (PSD2). These guidelines clarify how national competent authorities should assess whether a network of service providers or a range of goods and services are considered "limited" and therefore not subject to the Directive. Payment instruments that could benefit from this exclusion include: i) shop cards; ii) fuel cards; iii) public transport cards and iv) meal vouchers.

### DIGITAL AGE

(07/03/2022) EC – [Management plan 2022](#)

The Directorate-General for Communications Networks, Content and Technology from the EC has published the management plan for 2022 in order to pursue the objectives set in the EC work programme 2022 in relation to achieving the policy priority 'A Europe Fit for the Digital Age'. The plan includes several initiatives that will be delivered in 2022. For example, the Cyber Resilience Act will be published in the third quarter of 2022, and the proposal for Regulation laying down requirements for artificial intelligence (AI final Act) will be published in the fourth quarter of 2022.

### RESILIENCE AND BUSINESS CONTINUITY

(11/03/2022) BoE – [PS2/22 - PS2/22 - Operational Resilience and Operational Continuity in Resolution: CRR firms, Solvency II firms, and Financial Holding Companies \(for Operational Resilience\)](#)

The Bank of England (BoE) has published a statement from the Prudential Regulation Authority (PRA) providing feedback on the responses to the consultation paper "Operational resilience and business continuity in resolution: CRR firms, Solvency II firms and financial holding companies (for operational resilience)". It also contains updates and amendments to the PRA regarding its rules on operational resilience and business continuity.

### AI/ML

(16/03/2022) BCBS – [Newsletter on artificial intelligence and machine learning](#)

The Basel Committee on Banking Supervision (BCBS) has published a newsletter to provide detail on its internal discussions regarding artificial intelligence (AI) and machine learning (ML). The BCBS concludes that AI/ML technology is expected to increase banks' operational efficiency and also facilitate improvements in risk management. However, these techniques also pose a number of risks and challenges (e.g. the use of large data sets, interconnectivity with third parties, and the use of cloud technologies, can create multiple possible points of cyber risk). The BCBS will continue to discuss, among others, on the potential implications of broader usage of AI/ML models for the resilience of individual banks and more broadly, for financial stability.

### DIGITISATION OF FINANCIAL SERVICES

(21/03/2022) FSB – [FSB report finds that COVID-19 has accelerated the trend towards digitalisation of retail financial services](#)

The Financial Stability Board (FSB) has published a report on Fin Tech and market structure in the COVID-19 pandemic. The main findings of the report is that the pandemic has accelerated the trend toward digitisation of financial services and, in line with this growth, BigTechs and FinTechs have expanded their footprint financial services. Furthermore, the report notes that the expansion of BigTech and FinTech firms in financial services can bring benefits such as improved cost efficiency and wider financial inclusion for underserved groups. However, it also cautions about the potential for market dominance of some BigTech.

# Other publications of interest

## Technology

### CIBERSECURITY

[\(22/03/2022\) EC – Proposal for a Regulation of the European Parliament and of the Council laying down measures on a high level of cybersecurity at the institutions, bodies, offices and agencies of the Union / Proposal for a Regulation of the European Parliament and of the Council on information security in the institutions, bodies, offices and agencies of the Union](#)

The European Commission (EC) has proposed new rules to establish common cybersecurity and information security measures across the EU institutions, bodies, offices and agencies. The proposal aims to bolster the European Union (EU) resilience and response capacities against cyber threats and incidents. In particular, this rules consist of a proposed Cybersecurity Regulation will put in place a framework for governance, risk management and control in the cybersecurity area and will lead to the creation of a new inter-institutional Cybersecurity Board. Furthermore, the proposed Information Security Regulation will create a minimum set of information security rules and standards for all EU institutions, bodies, offices and agencies.

### DIGITAL MONEY AND CRYPTOASSETS

[\(24/03/2022\) BoE – Responses to the Bank of England's Discussion Paper on new forms of digital money](#)

The Bank of England's (BoE) has issued the responses to the discussion paper on new forms of digital money, released on June 2021. The Discussion Paper considered how new forms of digital money could affect the financial system and macro economy. It examined the potential monetary policy and financial stability implications of new forms of digital money, including a Central Bank Digital Currency (CBDC) and systemic stablecoins. Respondents to the Discussion Paper agreed that digital money would provide benefits but noted that any publicly provided digital money should not replace cash. The BoE further recognises that cash builds confidence by giving people a long-established way to hold their money in physical form.

### DIGITAL EURO

[\(30/03/2022\) ECB – ECB publishes report on payment preferences as part of digital euro investigation phase](#)

The European Central Bank (ECB) published the findings of its commissioned research on citizens' payment habits and their attitudes towards digital payments in order to gain a deeper understanding of user preferences as part of the digital euro project. The Report shows a strong preference for payment methods with pan-European reach and universal acceptance, as well as payment solutions that are convenient, fast and easy to use. They have shown their concern about safety and security, seeking safeguards against fraud and hacking, as well as secure and reliable payment authentication methods. Biometric methods of payment verification, such as those involving iris scan technology, were also widely supported by participants.

### PAYMENT SERVICES

[\(05/04/2022\) EBA - EBA publishes final Report on the amendment of its technical standards on the exemption to strong customer authentication for account access](#)

The European Banking Authority (EBA) published its final Report on the amendment of its Regulatory technical standards on strong customer authentication and secure communication (SCA&CSC) under the Payment Services Directive. The changes introduce a new mandatory exemption to SCA that will require account providers not to apply SCA when customers use an account information service provider (AISP) to access their account information, provided certain conditions are met. The amendment aims to reduce frictions for customers using such services and to mitigate the negative impacts that SCA and the current exemption have on AISPs' services.

### DIGITAL EURO

[\(05/04/2022\) EC - Targeted consultation on a digital euro](#)

The European Commission (EC) has published a targeted consultation for a digital euro to be used as the single currency, concurrently with euro banknotes and coins. An impact assessment will be prepared for the drafting of the Regulation governing the digital euro, building on this EC consultation and the one launched in October 2020 by the ECB. The consultation aims to collect further information on expected impacts on key industries, users, chambers of commerce and other stakeholders in international trade. Furthermore, it will gather further evidence on issues such as the impact on the financial sector and its stability or the privacy and data protection aspects. Comments can be sent before 14 June 2022.



# Other publications of interest

## Technology

### DATA GOVERNANCE ACT

[\(06/04/2022\) EC - Data governance: Parliament approves new rules boosting intra-EU data sharing](#)

The European Parliament (EP) backed new legislation that aims to complement The Data Governance Act (DGA), agreed with Council in November 2021. This was an informal agreement and it was required to be formally endorsed by Parliament and Council to come into force. Now the EP has formally adopted the Data Act and it will have to be formally adopted by Council. The text approved ensured there were no loopholes that would allow operators from non-EU countries to abuse the scheme, strengthening provisions on trust and fair access. Parliament also secured precise requirements on which services will fall under the new DGA and pushed to make the most of data made available voluntarily for objectives of general interest. Trusted data-sharing services will be more visible and use a common European logo certifying their compliance with the DGA.

### ENVIRONMENTAL AND CYBER RISKS

[\(13/04/2022\) ESAs - ESAs see recovery stalling amid existing and new risks](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) issued their first joint risk assessment report for 2022. The report highlights the increasing vulnerabilities across the financial sector as well as the rise of environmental and cyber risks. Some of the risks emerging during 2021 and highlighted in the report were amplified by Russia's invasion of Ukraine. In light of the risks and uncertainties, the ESAs advise national competent authorities, financial institutions and market participants to take certain actions to prevent impacts and threats.

### RISK MANAGEMENT

[\(14/04/2022\) BoE - Bank of England Consultation Papers: FMI outsourcing and third party risk management](#)

The Bank of England (BoE) has published Consultation Papers (CPs) where it sets out and invites comments on its proposals around outsourcing and third party risk management in Financial Market Infrastructures (FMIs). The aim of these CPs is to facilitate greater resilience and adoption of the cloud and other new technologies as set out in the Bank of England's response to the Future of Finance report, set out the Bank's requirements and expectations in relation to outsourcing and third party risk management in FMIs and complement the Bank's Supervisory Statements on FMI operational resilience.

### BLOCKCHAIN

[\(06/05/2022\) EIOPA - EIOPA reacts to stakeholders' views on blockchain in insurance](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a Feedback Statement on blockchain and smart contracts in insurance. The document provides a summary of the responses received from stakeholders during a public consultation on the topic as well as EIOPA's reactions to them. Insurers see potential in blockchain and are exploring possible use cases across the insurance value chain to streamline business and better serve customers. Stakeholders also agreed that there is potential for blockchain to be used in supervisory and regulatory processes and highlighted that efforts should focus on lowering costs and reducing procedural burdens for both the industry and supervisors.

### ONLINE FINANCIAL SERVICES

[\(11/05/2022\) EC - Consumer protection: Commission adopts stronger consumer rules for online financial services](#)

The European Commission (EC) has adopted a reform of the current EU rules on Distance Marketing of Consumer Financial Services, which govern financial services sold at a distance. The Proposal will strengthen consumer rights and foster the cross-border provision of financial services in the single market. The proposal introduces actions across several areas, among others: i) easier access to 14-day withdrawal; ii) clear rules on what, how and when pre-contractual information is to be provided; and iii) special rules to protect consumers when concluding financial services contracts online. The Commission's Proposal will now be discussed by the Council and the European Parliament.

### OUTSOURCING

[\(13/05/2022\) ESMA - ESMA working paper on Financial stability risks from cloud outsourcing](#)

The European Securities and Markets Authority (ESMA) has released a working paper on Financial stability risks from cloud outsourcing. Given the high concentration of Cloud Service Providers (CSPs), a single CSP outage could generate simultaneous firm-level outages, posing systemic risk. The model presented in this paper examines this possibility. ESMA calibrates the model with operational risk data to simulate outages among central counterparties (CCPs) clearing members and show that CSPs need to be significantly more resilient than firms to improve the safety of the financial system. Finally, ESMA shows that the use of an idealized back-up CSP successfully mitigates systemic risk from CSPs.

# Other publications of interest

## Technology

### DATA PROTECTION

(23/06/2022) Gov.UK - [Data: a new direction - government response to consultation](#)

The UK Government has published its conclusions to the consultation launched in September 2021 on reforming the UK's personal data protection regime. These conclusions focus primarily on: i) reducing barriers to responsible innovation; ii) reducing burdens on business; iii) boosting trade and reducing barriers to data flows; iv) delivering better public services through improved use of and access to personal data. Following the publication of these conclusions, the Government will prepare a draft reform of the data protection regime for submission to Parliament for approval.

### BANKING CRYPTOASSETS EXPOSURES

(30/06/2022) BCBS - [Second consultation on the prudential treatment of cryptoasset exposures](#)

The Basel Committee on Banking Supervision (BCBS) has published a second public consultation on the prudential treatment of banks' cryptoasset exposures. The consultation builds on the preliminary proposals set out in the Committee's June 2021 consultation and the responses received from stakeholders. The Committee invites submissions on the proposals by 30 September and aims to finalise the standard around the year-end.

### FINANCIAL SANDBOX

(27/07/2022) Tesoro público - [Cuarta convocatoria del sandbox / Informe anual del Sandbox financiero](#)

The Tesoro Público has published a resolution opening the fourth call for applications for access to the sandbox for the digital transformation of the financial system. The deadline for submitting applications for access to the sandbox by promoters to the Treasury will begin on 1 September 2022 and end on 13 October 2022. On the other hand, the Annual Report of the Financial Sandbox 2021 has also been published, summarising the functioning of the financial sandbox in Spain, as well as the results of the first year. It also highlights the technological profile of the technological projects and international trends in the implementation of a regulatory sandbox.

### CRYPTOASSETS

(03/10/2022) FSOC – [Report on digital asset financial stability risks and regulation](#)

The Financial Stability Oversight Council (FSOC) has published a report related to the different digital assets regulation and the potential risks that could have on financial stability. The report identifies gaps in the regulation of cryptoassets and makes a number of recommendations in this regard, including the consideration of regulatory principles and continued enforcement of the existing regulatory structure.

### CYBERSECURITY

(06/10/2022) FFIEC – [Cybersecurity: 2022 Cybersecurity Resource Guide for Financial Institutions](#)

The Federal Financial Institutions Examination Council (FFIEC) has issued an update to the cybersecurity resource guide for financial institutions. The guide lists voluntary programs and actionable initiatives that are designed for or are available to help financial institutions meet their security control objectives and prepare to respond to cyber incidents.

### AI AND MACHINE

(13/10/2022) BoE – [DP5/22 - Artificial Intelligence and Machine Learning](#)

The Bank of England (BoE) has released a Discussion Paper (DP) on Artificial Intelligence and Machine Learning. The BoE considers that Artificial intelligence (AI) and machine learning (ML) are rapidly developing technologies that have the potential to transform financial services, however AI can pose novel challenges, as well as create new regulatory risks, or amplify existing ones. Taking this into account, the DP aims to further the supervisory authorities understanding and to deepen dialogue on how AI may affect our respective objectives.

# Other publications of interest

## Technology

### CYBERSECURITY

[\(17/10/2022\) FSB – Competent authorities have applied a risk-based approach to the supervision of ICT risk management, the EBA analysis suggests](#)

The Financial Stability Board (FSB) has published a consultative document on Achieving Greater Convergence in Cyber Incident Reporting. The proposal include: i) recommendations to address the challenges to achieving greater convergence in cyber incident reporting; ii) further work on establishing common terminologies related to cyber incidents; iii) proposal to develop of a common format for incident reporting exchange (FIRE). Comments to this consultation document can be sent before 31 December.

### ICT RISK

[\(17/10/2022\) EBA – Competent authorities have applied a risk-based approach to the supervision of ICT risk management, the EBA analysis suggests](#)

The European Banking Authority (EBA) has published the conclusion of its peer review of how competent authorities supervise institutions' ICT risk management and have implemented the EBA Guidelines on ICT risk assessment under the supervisory review and evaluation process (SREP). Overall, the analysis suggests that EU competent authorities have largely implemented the EBA Guidelines and applied them in their supervisory practices. Furthermore, the EBA has not identified any significant concerns regarding the supervisory practices but makes some general recommendations to further strengthen supervisory practices.

### TARGET2

[\(20/10/2022\) ECB – Eurosystem reschedules start of renewed wholesale payment system](#)

The European Central Bank (ECB) has decided to reschedule the launch of the new real-time gross settlement (RTGS) system and its central liquidity management model, TARGET2, therefore it has been postponed by four months, from 21 November 2022 to 20 March 2023. The decision, was driven by the need to allow users more time to complete their testing in a stable environment.

### FINANCIAL TECHNOLOGY

[\(27/10/2022\) OCC – OCC Announces Office of Financial Technology](#)

The Office of the Comptroller of the Currency (OCC) has announced that it will establish an Office of Financial Technology early next year to bolster the agency's expertise and ability to adapt to a rapidly changing banking landscape. The Office of Financial Technology will be led by a Chief Financial Technology Officer, who will be a Deputy Comptroller reporting to the Senior Deputy Comptroller for Bank Supervision Policy. The office will provide strategic leadership, vision, and perspective for the OCC's financial technology activities and related supervision.

### BIG TECH FIRMS'

[\(25/10/2022\) FCA – The potential competition impacts of Big Tech entry and expansion in retail financial services](#)

The Financial Conduct Authority (FCA) has released a Discussion Paper (DP) on the potential benefits and harms that may arise from Big Tech firms' entry and expansion into retail financial services sectors. Big Tech firms' presence in UK financial services markets has been increasing and has the potential to grow quickly. Given the potential implications for consumers and competition, the FCA wants to better understand the emerging risks and opportunities to ensure that benefits to consumers are harnessed and important harms mitigated.

### CBDC

[\(26/10/2022\) BIS – BIS and four central banks complete successful pilot of real-value transactions on cross-border CBDC platform](#)

The Bank for International Settlements (BIS) and four central banks have completed a successful pilot of the use of central bank digital currencies (CBDCs) by commercial banks for real-value transactions across borders, as part of Project mBridge. Twenty banks in Hong Kong SAR, Thailand, mainland China and the United Arab Emirates used the mBridge platform to conduct 164 payment and foreign exchange transactions totalling over \$22 million. The pilot advances multi-CBDC experimentation by settling real value directly on the platform..

# Other publications of interest

## Technology

### INSTANT PAYMENTS

[\(26/10/2022\) EC – Payments: Commission proposes to accelerate the rollout of instant payments in euro](#)

The Commission has today adopted a legislative proposal to make instant payments in euro, available to all citizens and businesses holding a bank account in the EU and in European Economic Area (EEA) countries. Instant payments allow people to transfer money at any time of any day within ten seconds. Nevertheless, at the beginning of 2022, only 11% of all euro credit transfers in the EU were instant. The proposal aims to ensure that instant payments in euro are affordable, secure, and processed without hindrance across the EU. It also aims to remove the barriers that prevent instant payments and their benefits to become more widespread.

### CYBERSECURITY

[\(10/11/2022\) EP – Digital finance: Digital Operational Resilience Act \(DORA\) adoption/ NIS 2 adoption](#)

The European Parliament, following the established legislative process, has adopted two legislative proposals that strengthen EU cybersecurity in key sectors: the Regulation on digital operational resilience for the financial sector (DORA) and the Directive on measures to achieve a high common level of cybersecurity across the Union (NIS 2 Directive). Following the approval of both texts, the Council is expected to adopt them before their subsequent signature and publication in the Official Journal of the EU. Member States will have 21 months to implement the NIS 2 Directive from its adoption.

### CROSS-BORDER PAYMENTS

[\(17/11/2022\) FSB – Developing the Implementation Approach for the Cross-Border Payments Targets: Final report](#)

The Financial Stability Board (FSB) has published a final report providing an update on the FSB's framework for monitoring progress toward the targets for the G20 Roadmap for Enhancing Cross-border Payments. This analysis was initially set out in an interim report, published in July 2022. The final report provides a high-level overview of the main data sources; a more detailed discussion of each KPI and, when able, the data underlying its calculation, including material gaps; the approach to operationalising the monitoring exercise; and next steps. In developing the monitoring framework, the FSB has adopted adjustments to the definitions of the wholesale and retail market segments.

### CYBERSECURITY

[\(18/11/2022\) EIOPA - EIOPA consults on cyber component in its insurance stress testing framework](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a Discussion Paper which contains a set of theoretical and practical approaches to support the design phase of potential future insurance stress tests with a focus on cyber risk. EIOPA aims at laying the groundwork for an assessment of insurers' financial resilience under severe but plausible cyber incident scenarios. Comments to this paper can be sent before 28 February 2023.

### CYBERSECURITY

[\(18/11/2022\) Council of the EU - Cybersecurity at the EU institutions, bodies, offices and agencies: Council adopts its position on common rules](#)

The Council of the EU has adopted its position on a draft regulation aimed at ensuring a high common level of cybersecurity across the EU institutions, bodies, offices and agencies. The measures were proposed by the Commission in March 2022 and the Council has lent its general support to its key elements. At the same time, the Council has further aligned some elements of the draft regulation with the future directive on measures for a high common level of cybersecurity across the EU ('NIS 2' Directive).

[\(29/11/2022\) BIS/IOSCO - CPMI and IOSCO report on financial market infrastructures](#)

The Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have published an assessment of the state of cyber resilience (as of February 2021) at 37 financial market infrastructure (FMIs) from 29 jurisdictions that participated in this exercise in 2020–22. The report finds: i) reasonably high adoption of the Guidance on cyber resilience for financial market infrastructures (Cyber Guidance); ii) serious issue of concern relating to a small number of FMIs not fully meeting expectations regarding the development of cyber response; iii) lack of cyber resilience testing after major system changes; and iv) lack of comprehensive scenario-based testing; and v) inadequate involvement of relevant stakeholders in testing.

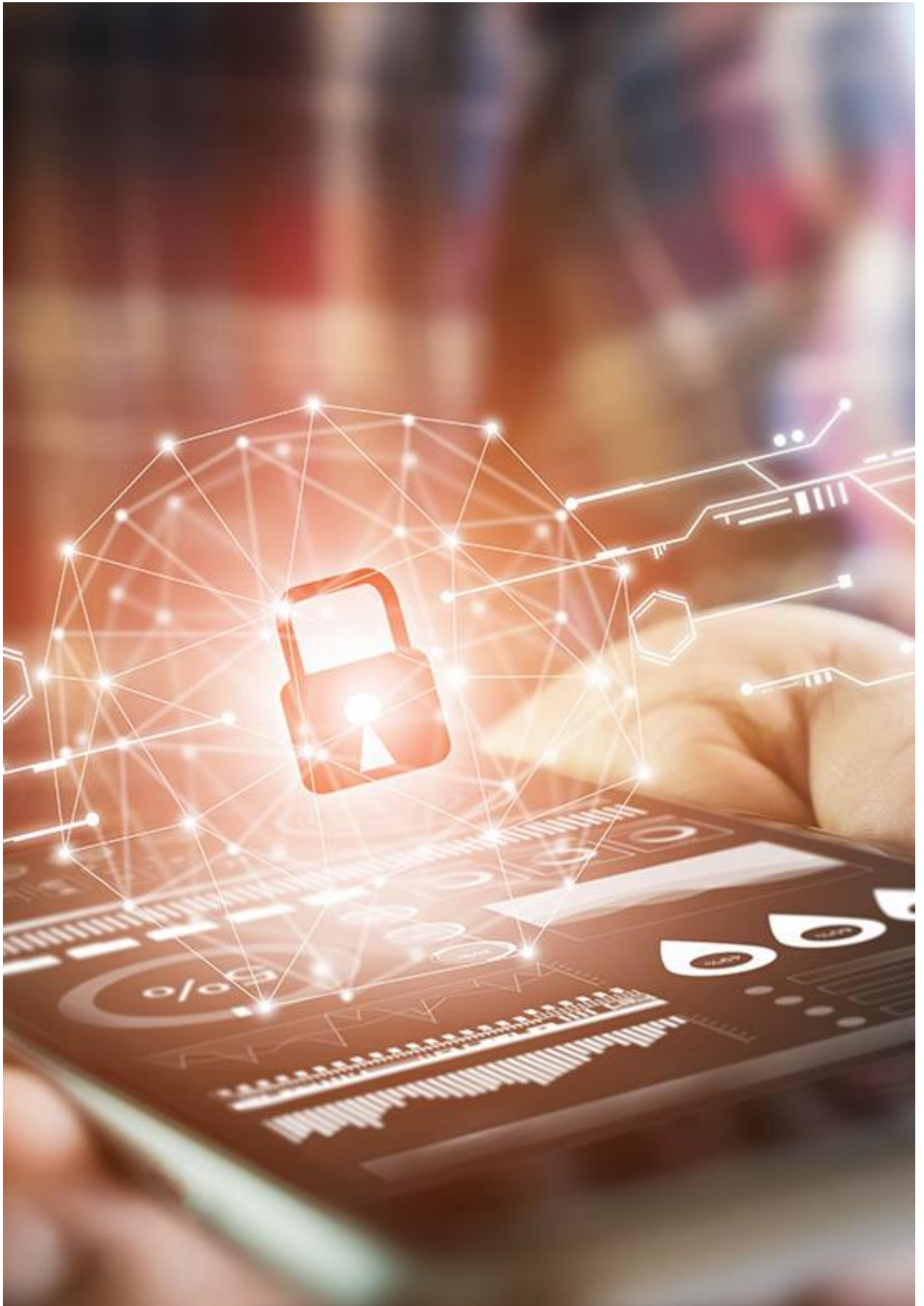
# Other publications of interest

## Technology

### CRYPTOASSETS

(19/12/2022) BCBS - [Prudential treatment of cryptoasset exposures](#)

The Basel Committee on Banking Supervision (BCBS) has published its final standard on the Prudential treatment of cryptoasset exposures, following two rounds of public consultation. The standard has been developed to provide a global baseline framework for banks' cryptoasset exposures that promotes responsible innovation while preserving financial stability. To determine the prudential classifications, cryptoassets will be categorised into two broad groups: i) Group 1 consist of qualifying tokenised assets and stablecoins. They will generally be subject to the risk-based capital requirements of the existing Basel capital framework. ii) Group 2 are cryptoassets that fail to meet all of the Group 1 classification conditions. These cryptoassets will be subject to a more conservative capital treatment.



# Other publications of interest

## Others

### INVESTMENT FUNDS

(04/01/2022) IOSCO – [IOSCO Investment Funds Statistics Report](#)

The Board of the International Organization of Securities Commissions (IOSCO) has published its Investment Funds Statistics Report, which provides new insights into the global investment funds industry and the potential systemic risks this industry may pose to the international financial system. The report will be an annual exercise that aims to facilitate the regular collection and analysis of investment fund data, enabling regulators to share information and observe trends regarding trading activities, leverage, liquidity management, markets and funding in this sector.

### IDD

(06/01/2022) EIOPA – [EIOPA publishes report on the application of the Insurance Distribution Directive](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its first report on the application of the Insurance Distribution Directive (IDD), which regulates how insurance products are designed and distributed in the EU. Amongst others, this report examines: i) any changes in the insurance intermediaries' market structure; ii) the improvement of quality of advice and selling methods and the impact of the IDD on insurance intermediaries which are small and medium-sized enterprises; and iii) whether competent authorities are sufficiently empowered and have adequate resources to carry out their tasks.

### FINANCIAL PROMOTION

(19/01/2022) FCA – [Strengthening our financial promotion rules for high risk investments, including cryptoassets](#)

The Financial Conduct Authority (FCA) has published a Consultation Paper (CP) on the strengthening of the financial promotion rules for high risk investments, including cryptoassets, which aims to ensure the financial promotion regime is robust and remains fit for purpose. To this end, changes are proposed to: i) the classification of high-risk investments; ii) the consumer journey into high-risk investments; iii) strengthen the role of firms approving and communicating financial promotions; iv) apply the financial promotion rules to qualifying cryptoassets.

### RETAIL BANKING

(20/01/2022) FCA – [Strategic Review of Retail Banking Business Models](#)

The Financial Conduct Authority (FCA) has published a final report on Strategic Review of Retail Banking Business Models, that updates their previous Strategic Review publication in 2018, allowing to explore developments from 2015 to 2021. It uses business model analysis based on detailed financial information, data and documents from many deposit-taking institutions. This includes the largest banks and building societies and a selection of smaller banks and specialist firms. This helps the FCA understand how firms currently make money, as well as the strategic factors they consider when making decisions, such as which products to offer, their price, which channels to use and which customer segments to serve.

### AML/CTF

(31/01/2022) EBA - [EBA launches today 'EuReCA', the EU's central database for anti-money laundering and counter-terrorism financing](#)

The European Banking Authority (EBA) has launched its central database for anti-money laundering and counter-terrorist financing (AML/CFT) database, known as EuReCa. This European reporting System will be central to coordinating efforts by competent authorities and the EBA to prevent and counter ML/TF risks in the Union.

### CAPITAL MARKETS

(08/02/2022) EC – [Prorroga de la equivalencia temporal para las entidades de contrapartida central del Reino Unido/ Consulta para ampliar las actividades de compensación central en la UE](#)

The European Commission (EC) has adopted a decision to extend equivalence for UK central counterparties (CCPs) from 30 June 2022 until 30 June 2025. In addition, the EC has also launched a targeted public consultation and a call for evidence on ways to expand central clearing activities in the EU. Comments to the consultation can be sent before 8 March 2022.

# Other publications of interest

## Others

### INVESTMENT FIRMS

[\(11/02/2022\) EBA - EBA issues an Opinion on the European Commission's proposed amendments to the EBA final draft technical standards on fixed overheads requirements](#)

The European Banking Authority (EBA) has published an Opinion on the amendments proposed by the European Commission (EC) as regards the EBA final draft Regulatory Technical Standards (RTS) specifying the methodology for calculating the fixed overheads requirements for investment firms in the context of the implementation of the Investment Firms Regulation (IFR).

### MMFs

[\(14/02/2022\) ESMA - ESMA proposes reforms to improve resilience of money market funds](#)

The European Securities and Markets Authority (ESMA) has issued an Opinion containing proposed reforms to the regulatory framework for EU Money Market Funds (MMFs) under the Money Market Funds Regulation (MMFR). The proposals will improve the resilience of MMFs by addressing in particular liquidity issues and the threshold effects for constant net asset value (CNAV) MMFs.

### ICC

[\(17/02/2022\) CNMV – CNMV publica el informe sobre las características de la IC españolas sostenibles en 2020](#)

The Comisión Nacional del Mercado de Valores (CNMV) has published a working paper on the characteristics of sustainable Spanish collective investment undertakings (CIIs) in 2020. This document performs a descriptive analysis showing that at the end of 2020 the average annual return of sustainable CIIs was higher than that of all investment funds and SICAVs registered with the CNMV.

### OVERHANGING DURING COVID-19

[\(22/02/2022\) FSB – FSB seeks views on policy approaches and market practices to support a smooth transition out of debt overhang issues](#)

The Financial Stability Board (FSB) has published a paper on the problems of non-financial corporate over-indebtedness in the context of COVID-19. According to the FSB, this situation could dampen jurisdictions' economic recovery and pose risks to financial stability. The paper seeks the public's views on the practical scope of over-indebtedness problems in a post-Covid-19 environment and to facilitate a dialogue between financial authorities and external stakeholders.

### ECONOMY AND FINANCIAL AFFAIRS

[\(08/03/2022\) EC – Management plan 2022 – Economic and Financial Affairs](#)

The Directorate-General for Economic and Financial Affairs from the EC has published the 2022 management plan with the aim to pursue the objectives set in the EC work programme 2022 in relation to achieving the following policies priorities: i) an Economy that Works for People, ii) a European Green Deal, iii) a Europe Fit for the Digital Age, and v) a Stronger Europe in the World. The plan includes several initiatives and reports from the EC (e.g. Report from the Commission to the European Parliament and the Council concerning authentication of euro coins and handling of euro coins unfit for circulation).

### CCPs

[\(10/03/2022\) FSB/CPMI/IOSCO – FSB, CPMI and IOSCO analysis highlights need to continue work on CCP financial resources](#)

The Financial Stability Board (FSB), the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements, and the International Organization of Securities Commissions (IOSCO) have published a report analysing existing financial resources and tools for central counterparty (CCPs) recovery and resolution, which confirmed the need for further work on CCP financial resources.

### INTERNAL MODELS

[\(10/03/2022\) EIOPA – EIOPA publishes the results from its yearly study on the modelling of market and credit risk in internal models](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published the results of its yearly study on the modelling of market and credit risk in internal models. The analysis covers close to 100% of the EUR investments of undertakings that have an approved internal model covering these risks in the European Economic Area (EEA).



# Other publications of interest

## Others

### SUSPICIOUS ACTIVITIES REPORTING

[\(16/03/2022\) OCC – OCC Issues Final Rule Addressing Authority for Exemptions to Suspicious Activity Report Requirements](#)

The Office of the Comptroller of the Currency (OCC) has issued a final rule amending the OCC's suspicious activity report (SAR) regulations. This rule clarifies the OCC's authority to issue exemptions from the requirements of those regulations based on a request from a national bank or federal savings association, including branches and agencies of foreign banks. The rule provides that, for any request for an exemption from SAR regulations, the OCC will consider the criteria specified in the final rule, including consistency with the purposes of the Bank Secrecy Act and the safety and soundness of banking. The final rule takes effect on May 1, 2022.

### DECENTRALISED FINANCE

[\(24/03/2022\) IOSCO – IOSCO explains how Decentralised Finance is cloning Financial Markets](#)

The International Organisation of Securities Commissions (IOSCO) has published a detailed report on decentralised finance (DeFi), which offers a comprehensive review of the fast-evolving DeFi market, its new products, services and principal participants. Furthermore, the report casts doubt on a key claim of DeFi innovators that it is a peer-to-peer marketplace with no centralised insiders in control. By looking in detail at how DeFi works, it identifies central actors who, it concludes, often retain control (e.g. through the distribution of governance tokens). It also highlights the important role played by centralised trading platforms who often face substantial conflicts of interest.

### COVID-19

[\(24/03/2022\) ECB – ECB announces timeline to gradually phase out temporary pandemic collateral easing measures](#)

The Governing Council of the European Central Bank (ECB) has decided to gradually phase out the package of pandemic collateral easing measures in place since April 2020. From 8 July 2022, the ECB will implement a set of decisions. First, it will halve the temporary reduction in collateral valuation haircuts across all assets from the current 20% adjustment to 10%. In June 2023, the ECB will implement a new valuation haircut schedule based on its pre-pandemic risk tolerance level for pre-pandemic credit operations, phasing out the remaining general 10% reduction in collateral valuation haircuts. Finally, in March 2024, the ECB will in principle phase out the remaining pandemic collateral easing measures.

### DRSP MANAGEMENT BODIES

[\(24/03/2022\) ESMA - ESMA makes recommendations for DRSP management bodies](#)

The European Securities and Markets Authority (ESMA) has published Draft Regulatory Technical Standards (RTS) setting out the criteria for sound and prudent management of Data Reporting Service Providers (DRSP), as well as for their operational effectiveness under MiFIR. The draft addresses the different roles and functions performed by the members of the management bodies of DRSPs, in order to avoid conflicts of interest between them and the users of their services. ESMA proposes to assess the suitability of members of DRSPs management bodies based on considerations such as good repute, honesty and integrity, sufficient time commitment, knowledge, skills and experience, independence, induction and training, diversity and record keeping.

### PRIIPs

[\(25/03/2022\) FCA – Scope Rules and amendments to Regulatory Technical Standards](#)

The Financial Conduct Authority (FCA) has set out its final policy position on the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation to address the areas of the Regulation that pose the most harm to consumers. This will directly affect all those manufacturing, selling, or advising on a PRIIPs. The main changes that the FCA presents include: i) the introduction of rules to clarify the scope of the PRIIPs Regulation for corporate bonds; ii) the establishment of interpretative guidance to clarify what it means for a PRIIP to be 'made available' to retail investors; iii) and the amendment of the PRIIPs Regulatory Technical Standards.

### RISK MANAGEMENT

[\(30/03/2022\) BCBS – Newsletter on third - and fourth-party risk management and concentration risk](#)

The Basel Committee on Banking Supervision (BCBS) has issued a Newsletter to provide greater detail on its internal discussions regarding third- and fourth-party risk management and concentration risk. According to the BIS Banks have successfully leveraged technology, including that provided by third parties, to withstand the COVID-19 pandemic. However, the pandemic has also exacerbated certain operational risks that banks face related to their use of technology-based services provided by third parties.

# Other publications of interest

## Others

### SHORT SELLING

[\(04/04/2022\) ESMA - Final Report on the review of the Short Selling Regulation](#)

The European Securities and Markets Authority (ESMA) has published its Final Report on the review of the short selling Regulation (SSR). The Final Report proposes targeted amendments to improve its operation, focused on clarifying the procedures for the issuance of short and long-term bans, ESMA's intervention powers, the prohibition of naked short selling and the calculation of net short positions (NSPs) and their publication.

### CORPORATE BOND MARKET

[\(06/04/2022\) IOSCO - IOSCO seeks feedback on market liquidity issues affecting corporate bond markets under stress and good practices concerning ETFs](#)

The International Organization of Securities Commissions (IOSCO) has published its report on corporate bond markets: drivers of liquidity during COVID-19 induced market stresses, and invites stakeholder feedback on the analysis. Furthermore, IOSCO has opened a consultation on good practices for IOSCO members, asset managers, and trading venues to consider in the operation and trading of Exchange Traded Funds (ETFs) and to supplement IOSCO's 2013 Principles for the Regulation of Exchange Traded Funds.

### WORK PROGRAMME

[\(07/04/2022\) FCA - Business Plan 2022/2023](#)

The Financial Conduct Authority (FCA) has published its Business Plan 2022/2023 which explains the key work that the FCA will do over the next 12 months. The focus is: i) on protecting consumers from the harm that firms can cause; ii) on the impact that firms' actions have on consumers and markets; and iii) preparing financial services for the future by promoting competition and positive change.

### BUSINESS PLAN

[\(20/04/2022\) PRA - Prudential Regulation Authority Business Plan 2022/23](#)

The Prudential Regulation Authority (PRA) has published its Business Plan for the 2022/23 period. The main objectives of the Plan are, among others: i) retain and build on the strength of the banking and insurance sectors delivered by the financial crisis reforms; ii) be at the forefront of identifying new and emerging risks, and developing international policy; iii) support competitive and dynamic markets in the sectors that it regulates; and iv) run an inclusive, efficient and modern regulator within the central bank.

### MARKET DATA IN SECONDARY EQUITY MARKETS

[\(28/04/2022\) IOSCO - IOSCO releases report on issues and considerations of market data in secondary equity markets](#)

The Board of the International Organization of Securities Commissions (IOSCO) published a report that sets out some issues and considerations for regulators when reviewing the regulation of market data provided by trading venues or OTC markets. The Report highlights that market data is an essential element of efficient price discovery and for maintaining fair and efficient markets.

### RETAIL INVESTMENT STRATEGY

[\(02/05/2022\) ESAs - ESAs recommend changes to make the PRIIPs key information document more consumer-friendly](#)

The European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have published a document which sets their technical advice to the European Commission (EC) on the review of the PRIIPs Regulation. The advice will serve as input for developing the Commission's Retail Investment Strategy. The document addresses all the issues requested by the Commission, including how to better adapt the key information document (KID) to the digital age and whether to extend the scope of the Regulation to other financial products. Additionally, it presents recommendations on a range of other issues where analysis has shown that changes are needed to achieve optimal outcomes for retail investors.

[\(02/05/2022\) EIOPA - EIOPA publishes advice on Retail Investor Protection](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Final Report with its advice to the European Commission (EC) on retail investor protection in relation to the sale of Insurance-Based Investment Products (IBIPs). EIOPA's main findings in the areas which the Commission asked EIOPA to address in its Call for Advice, are as follows: i) enhancing consumer engagement with disclosures, including digital disclosures; ii) assessing the risks and opportunities presented by new digital tools and channels; iii) tackling damaging conflicts of interest in the sales process; iv) promotion of an affordable and efficient sales process and v) assessing the impact of complexity in the retail investment product market.

# Other publications of interest

## Others

### NON-BANK LENDING

[\(04/05/2022\) EBA - EBA provides its advice to the EU Commission on non-bank lending](#)

The European Banking Authority (EBA) has published a Report on non-bank lending in response to the European Commission's February 2021 Call for Advice on this topic. The EBA's proposals aim at addressing risks arising from the provision of lending by non-bank entities in the areas of supervision, consumer protection, anti-money laundering and countering the financing of terrorism (AML/CFT), macro and micro prudential risks. In this Report, the EBA has identified the risks related to provisions of credit by non-bank lenders and put forward some proposals to address them.

### MONETARY POLICY

[\(05/05/2022\) ECB - ECB amends monetary policy implementation guidelines](#)

The European Central Bank (ECB) has published amendments to its guidelines on the implementation of monetary policy in the Eurosystem. The amended guidelines make the following changes: i) the first step in gradually phasing out the pandemic collateral easing measures; ii) clarification of the eligibility criteria for sustainability-linked bonds and asset-backed securities (ABSs); iii) provisions that apply in the event of the activation of the Enhanced Contingency Solution (ECONS) under the TARGET2 system; iv) alignment of the Eurosystem's collateral framework with the requirements set out in the Covered Bond Directive and v) phasing out the option to accept certain marketable assets issued by non-euro area G10 central governments in their national currency as collateral, as this option was never used.

### WAR IN UKRAINE

[\(13/05/2022\) ESMA - ESMA reminds fund managers of their obligations to investors amid the war in Ukraine](#)

The European Securities and Markets Authority (ESMA) has released a Public Statement on the implications of Russia's invasion of Ukraine on investment fund portfolios. The statement, with the aim of promoting investor protection and convergence, provides overarching messages to fund managers including high level guidance: i) on the appropriate action in case of exposures to Russian, Belarusian and Ukrainian assets, given valuation and liquidity uncertainties; ii) the process fund managers should follow when evaluating these assets; and iii) whether it may be considered to use side pockets or similar arrangements to segregate these assets.

[\(13/05/2022\) ESMA - ESMA reminds issuers of the main IFRS requirements amid the war in Ukraine](#)

The European Securities and Markets Authority (ESMA), has released a Public Statement on the implications of Russia's invasion of Ukraine on half-yearly financial reports. ESMA recognises the human cost of Russia's military aggression against Ukraine, and the significant challenges to business activities and effects on the global economic and financial system posed by the invasion. The statement, with the aim of promoting investor protection, provides overarching messages to issuers and auditors including: i) a reminder of the main IFRS requirements and obligations related to the Market Abuse Regulation and ii) the ESMA expectations regarding disclosures in financial statements and interim management reports.

### NON-PERFORMING LOANS

[\(16/05/2022\) EBA - EBA consults on standardised information requirements to support sales of non-performing loans](#)

The European Banking Authority (EBA) today launched a public consultation on the draft Implementing Technical Standards (ITS) specifying the requirements for the information that sellers of non-performing loans (NPL) shall provide to prospective buyers, seeking to improve the functioning of NPL secondary markets. The objective of the draft ITS is to provide a common standard for the NPL transactions across the EU enabling cross-country comparison and thus reducing information asymmetries between the sellers and buyers.

### CROWDFUNDING

[\(19/05/2022\) ESMA - ESMA encourages crowdfunding service providers to accelerate their transition to the new regime](#)

The European Securities and Markets Authority (ESMA) has published its final report on the relevance of extending the transitional period set out in the Crowdfunding Regulation (CR), which applies to Crowdfunding service providers (CSPs) that provide their services only on a national basis. This transitional period is set to expire on 10 November 2022. In the report, ESMA discusses the application of the CR to these CSPs as well as the relevance of extending the transitional period.

# Other publications of interest

## Others

### MONEY MARKET FUNDS

[\(23/05/2022\) FCA - DP22/1: Resilience of Money Market Funds](#)

The Financial Conduct Authority (FCA) has launched a joint Discussion Paper (DP) with the Bank of England, and with the endorsement of the Treasury, on reforming Money Market Funds (MMFs). The main aim of the DP is to contribute to the debate about how to reduce UK financial stability risks while also ensuring that the structure of the financial system and UK market support the needs of the real economy in a sustainable and robust way.

### SHADOW BANKING

[\(23/05/2022\) EBA - EBA publishes final technical standards to identify shadow banking entities](#)

The European Banking Authority (EBA) has published its final draft Regulatory Technical Standards (RTS) specifying the criteria to identify shadow banking entities for the purposes of reporting large exposures. The final draft RTS clarify that entities carrying out banking activities or services and which have been authorised and supervised in accordance with the EU prudential framework, shall not be considered as shadow banking entities.

### PENSIONS

[\(24/05/2022\) FCA - FS22/2: Driving Value for Money in Defined Contribution Pensions](#)

The Financial Conduct Authority (FCA) has set out the feedback received on the proposed framework to assess and promote Value for Money (VFM) in all FCA and TPR-regulated Defined Contribution pension schemes (workplace and non-workplace). The FCA states that it is necessary to have a consistent framework for assessing VFM across Defined Contribution pension schemes to help deliver good outcomes for savers.

### FINANCIAL STABILITY

[\(25/05/2022\) ECB - Russia-Ukraine war increases financial stability risks, ECB Financial Stability Review finds](#)

The European Central Bank (ECB) has released its May 2022 Financial Stability Review which argues about the worsening of the financial stability conditions in the euro area as the Russian invasion of Ukraine leads to higher energy and commodity prices and increases risks to euro area inflation and growth. The market reaction to invasion has been largely orderly. Furthermore, profitability prospects for European banks have weakened again, following a strong recovery in 2021.

### INVESTMENT COMPANIES

[\(30/05/2022\) SEC - Proposed rules on investment company name](#)

The Securities and Exchange Commission (SEC) has proposed to amend the rule under the Investment Company Act of 1940 that addresses certain broad categories of investment company names that are likely to mislead investors about an investment company's investments and risks. The proposed amendments to this rule are designed to increase investor protection by clarifying the requirement for certain funds to adopt a policy to invest at least 80% of their assets in accordance with the investment focus that the fund's name suggests. The SEC also is proposing enhanced prospectus disclosure requirements for terminology used in fund names.

### CLIMATE-RELATED FINANCIAL RISKS/CRYPTOASSETS/G-SIBS

[\(31/05/2022\) BIS - Basel Committee finalises principles on climate-related financial risks, progresses work on specifying cryptoassets' prudential treatment and agrees on way forward for the G-SIB assessment methodology review](#)

The Basel Committee (BIS) met on 27 May and approved a finalised set of principles for the effective management and supervision of climate-related financial risks. It also progressed its work on specifying a prudential treatment of cryptoassets and issuing a second consultation paper, and agreed on a way forward to reflect developments in the European banking union (EBU) on the assessment methodology for global systemically important banks (G-SIBs). In addition, the Committee is continuing to assess risks to and vulnerabilities of the global banking system, including those ensuing from the conflict in Ukraine. The Committee has not yet published revised versions of these documents, but we will send a notification when they are available.

# Other publications of interest

## Others

### IAIS 2021 REPORT

[\(31/05/2022\) IAIS - IAIS Year in Review 2021 highlights progress and key achievements of the past year](#)

The International Association of Insurance Supervisors (IAIS) has published its Year in Review 2021. The report provides an overview of the IAIS role, mission and strategy, then delves into the progress and key achievements of the IAIS in 2021. This year's edition has a special focus on IAIS work on climate with an overview of the IAIS' pioneering work and reporting on achievements against the IAIS' own Environmental Policy. Also included is the new graphical representation of the 2022-2023 Roadmap, to see what is coming up next for the IAIS.

### AML/CFT

[\(01/06/2022\) ESAs - ESAs publish the joint Report on the withdrawal of authorisation for serious breaches of AML/CFT rules](#)

The European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published a joint Report, which provides a comprehensive analysis on the completeness, adequacy and uniformity of the applicable laws and practices on the withdrawal of license for serious breaches of the rules on anti-money laundering and countering the financing of terrorism (AML/CFT). The joint Report highlights the importance of the appropriate integration of AML/CFT issues into prudential regulation and supervision, including in the proposal for the Markets in Crypto-Assets Regulation (MiCA), currently under negotiation.

### CSDR

[\(02/06/2022\) ESMA - ESMA publishes technical standards to suspend the CSDR buy-in regime](#)

The European Securities and Markets Authority (ESMA), has published a Final Report on amending the regulatory technical standards (RTS) on settlement discipline to postpone the application of the Central Securities Depositories Regulation (CSDR) mandatory buy-in regime for three years. The proposed amendment is based on the expected changes to the mentioned regime presented in the Commission's legislative proposal for the CSDR Review and on the amendment made to CSDR through the Regulation on a pilot regime for market infrastructures based on distributed ledger technology (DLT Pilot Regulation), which allows ESMA to propose a later start date for the CSDR buy-in regime.

### SIGNIFICANT HOLDINGS

[\(08/06/2022\) CNMV - Circular 2/2022, de 26 de mayo, de la Comisión Nacional del Mercado de Valores, por la que se aprueban los modelos de notificación de participaciones significativas, de operaciones del emisor sobre acciones propias, y creadores de mercado](#)

The Comisión Nacional del Mercado de Valores (CNMV) has published a circular approving the notification forms for significant shareholdings, issuer transactions in own shares, and market makers. It modifies the following features of the notification models: i) models II, III, and VI, which refer, respectively, to the notification of directors; to the notification of managers and their close links and other links to directors; and to the notification of remuneration systems granted by an issuer, are eliminated; and ii) model I on notification of significant shareholders is modified to inform, where applicable, of double votes for loyalty.

### FALLBACK RATE

[\(13/06/2022\) EMMI - Publication of Beta Efterm® Rates and consultation on fallback rates methodology](#)

The European Money Markets Institute (EMMI) has started to publish a beta version of its first EURIBOR fallback rate. This rate, EFTERM® (Euro Forward Looking Term Rate), is a forward-looking term rate, based on available market data on Overnight Indexed Swaps that reference the European Central Bank's Euro Short Term Rate. The beta rates are for information and illustration purposes only and under no circumstances should be used as a reference in a financial instrument or financial contract.

### EMIR

[\(13/06/2022\) ESAs - ESAs propose extending temporary exemptions regime for intragroup contracts during EMIR review](#)

The European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have published a final report with draft regulatory technical standards (RTS) proposing to amend the Commission Delegated Regulation on the risk mitigation techniques for over-the-counter (OTC) derivatives not cleared by a Central Clearing Counterparty (CCP) under the European Market Infrastructure Regulation (EMIR). The draft RTS propose extending the current temporary exemptions regime for intragroup contracts by three years.

# Other publications of interest

## Others

### CUSTOMER SERVICE

[\(14/06/2022\) FCA - Guidance consultation: Branch and ATM closures or conversions](#)

The Financial Conduct Authority (FCA) has published a Consultation Guidance on branch and ATM closures or conversions in order to update the original guidance from 2020 on this topic. The aim of this consultation is to address changes to the provision of in-person services as that is where the greatest change and risk of harm is focused. Firms are making decisions that might affect consumers and, in this context, the FCA considers that some have fallen short of the expectations outlined in its guidance so they aim to make sure that these guidelines are clear and that firms support customers through any transitions.

### FINANCIAL STABILITY

[\(22/06/2022\) EIOPA - EIOPA sees the European economy entering a phase of heightened uncertainty](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its June 2022 Financial Stability Report, in which it examines the main trends for the European (re)insurance and pensions sectors as well as the macroeconomic landscape with its implications. EIOPA notes that the European economy is in a phase of heightened uncertainty and Macroeconomic conditions have deteriorated as a result of Russia's invasion of Ukraine. Additionally, the Financial Stability Report analyses the risks related to climate change and cyber security.

### GLOBAL SYSTEMICALLY IMPORTANT BANKS

[\(27/06/2022\) ECB - Governing Council statement on the treatment of the European banking union in the assessment methodology for global systemically important banks](#)

The Governing Council of the European Central Bank (ECB) has released a compilation of statements after the meeting of its Macprudential Forum, which highlights the results of the BCBS targeted review of the implications of developments relating to the European Banking Union (EBU) in terms of the assessment methodology for global systemically important banks (G-SIBs) carried by the Basel Committee. Particularly, it has been recognized the progress that had been made in the development of the EBU and it has been agreed to give recognition in the G-SIB assessment framework to this progress through the existing methodology. Under this agreement, a parallel set of G-SIB scores will be calculated for EBU-headquartered G-SIBs and used to adjust their bucket allocations.

### FALLBACK RATE

[\(01/07/2022\) EMMI - Public consultation on the euro forward-looking term rate EFTERM ®](#)

The European Money Markets Institute (EMMI) has launched a public consultation on the euro forward-looking term rate (EFTERM). This consultation represents a major milestone in the development of this fallback rate. It's also a very good news for EURIBOR users as EFTERM will be an easily accessible option to comply with relevant legal requirements to have robust plans in place for the event that a benchmark ceases to exist. From 1 July to 31 August 2022, all interested parties will have the opportunity to respond to the questions of the consultation.

### O-SIIs

[\(04/07/2022\) EBA - EBA updates list of Other Systemically Important Institutions \(O-SIIs\)](#)

The European Banking Authority (EBA) has updated the list of Other Systemically Important Institutions (O-SIIs) in the EU, which, together with Global Systemically Important Institutions (G-SIIs), are identified as systemically important by the relevant authorities according to harmonised criteria laid down in the EBA Guidelines. This list is based on end-2020 data and also reflects the O-SII score and the capital buffers that the relevant authorities have set for the identified O-SIIs. This year's list is made up of 175 entities.

[\(22/07/2022\) BdE - El Banco de España actualiza la lista de Otras Entidades de Importancia Sistémica y establece sus colchones de capital macroprudenciales para 2023](#)

The Bank of Spain (BdE) has updated the list of Other Systemically Important Institutions (O-SIIs) and has decided to maintain the designation of Banco Santander, BBVA, Banco de Sabadell and CaixaBank as Other Systemically Important Institutions in Spain. The capital buffer associated with each O-SII for 2023 also remains stable, except for CaixaBank, whose requirement increases by 0.125 percentage points (pp) due to its greater systemic relevance following its merger by absorption with Bankia.

[\(22/07/2022\) BoE - CP13/22 - Amendments to the PRA's approach to identifying other systemically important institutions \(O-SIIs\)](#)

The Bank of England (BoE) has published a Consultation Paper which contains amendments to the PRA's approach to identifying O-SIIs. The proposed amendments involve the removal of the EBA's scoring methodology from the O-SII identification process, and deletion of the EBA Guidelines, such that O-SII identification is based solely on the PRA's scoring methodology; and updates to specific indicators and weights in the PRA's scoring methodology.

# Other publications of interest

## Others

### SOLVENCY II

[\(07/07/2022\) PRA - PS6/22 | CP17/21 - Solvency II: Definition of an insurance holding company](#)

The Prudential Regulation Authority (PRA) has released a Policy Statement that provides feedback to the responses to Consultation Paper (CP) 17/21 on the definition of an insurance holding company. In the Consultation, it was proposed to clarify the PRA's expectations on the information required from firms in order to distinguish an insurance holding company from a mixed-activity insurance holding company. The Policy Statement only made minor changes on the CP, that will now come into effect on 7 July 2023.

### EQUALITY OF TREATMENT

[\(12/07/2022\) CCGG - Ley 15/2022, de 12 de julio, integral para la igualdad de trato y la no discriminación](#)

The Spanish Parliament has approved the Law for equal treatment and non-discrimination, which is based on the European Commission's Recommendation No. 22 against Racism and Intolerance (ECRI). The Law applies to the public sector and to private individuals or legal entities residing, located or operating in Spanish territory. In particular, it regulates inter alia: i) the right to equal treatment and non-discrimination in employment; ii) the right to equal treatment and non-discrimination in the offer of goods and services to the public (public administrations, entities, companies or individuals offering goods and services to the public, in the framework of a commercial or professional activity, such as financial services).

### BILATERAL MARGIN

[\(12/07/2022\) PRA - CP11/22 - Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251](#)

The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) have published a Consultation Paper (CP) that sets out its proposals to update the list of instruments as eligible collateral for bilateral margin. The purposes of these proposal are to: i) specify the treatment of third-country funds as eligible collateral, including European Economic Area (EEA) Undertakings for Collective Investment in Transferable Securities (UCITS); and ii) update the criteria for a Central Counterparty (CCP) to be excluded from the bilateral margining requirements. Comments to this CP can be sent before 12 October 2022.

### STABLECOINS

[\(13/07/2022\) IOSCO - CPMI and IOSCO publish final guidance on stablecoin arrangements confirming application of Principles for Financial Market Infrastructure](#)

The Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) have published final guidance confirming that stablecoin arrangements should observe international standards for payment, clearing and settlement systems. This report provides guidance on the application of the Principles for financial market infrastructures (PFMI) to stablecoin arrangements (SAs) that are considered systemically important financial market infrastructures (FMIs), including the entities integral to such arrangements.

### LIBOR

[\(19/07/2022\) FED - Federal Reserve Board invites comment on proposal that provides default rules for certain contracts that use the LIBOR reference rate, which will be discontinued next year](#)

The Federal Reserve Board (FED) has invited comment on a proposal that provides default rules for certain contracts that use the LIBOR reference rate, which will be discontinued next year. The proposal implements the Adjustable Interest Rate (LIBOR) Act, which Congress enacted earlier this year and would replace references to LIBOR in certain contracts with the applicable Board-selected replacement rate after June 30, 2023.

### RETAIL RISK INDICATORS

[\(20/07/2022\) ESMA - ESMA proposes key risk indicators for retail investors](#)

The European Securities and Market Authority (ESMA) has published an article on the development of key retail risk indicators (RRIs) for the EU single market. The proposed RRIs highlight risks around: i) inexperienced investors; ii) use of digital tools by younger investors; and iii) spikes in overall trading during periods of market stress.

# Other publications of interest

## Others

### LARGE EXPOSURES REGIME

[\(22/07/2022\) EBA - EBA analyses the use of specific exemptions included in the large exposures regime](#)

The European Banking Authority (EBA) has published a Report on the use of some exemptions included in the large exposures regime. The Report analyses banks' use of the various exemptions from different perspectives and quantifies the impact of a potential removal of individual exemptions. Overall, the Report shows that some of the assessed exemptions are widely used across the EU and their removal would have a material impact.

### OTC DERIVATIVES

[\(26/07/2022\) ESMA - List of third-country markets considered as equivalent to a regulated market in the Union for the purposes of the definition of OTC derivatives](#)

The European Securities and Markets Authority (ESMA) has published a list of third-country markets considered as equivalent to a regulated market in the Union for the purposes of the definition of OTC derivatives. The markets established in a third country have been considered as equivalent to a regulated market in the Union in accordance with Article 2a of Regulation on OTC derivatives, central counterparties and trade repositories (EMIR).

### SECURITISATIONS

[\(28/07/2022\) EBA - EBA consults on its draft technical standards on homogeneity of underlying exposures in simple, transparent and standardised securitisations](#)

The European Banking Authority (EBA) has launched a public consultation on draft Regulatory Technical Standards (RTS) specifying the criteria for the underlying exposures in securitisation to be deemed homogeneous. Such specification is part of the requirements under the Securitisation Regulation and as amended by the Capital Markets Recovery Package (CMRP). The consultation runs until 28 October 2022.

### HIGH-RISK INVESTMENTS

[\(01/08/2022\) FCA - Strengthening our financial promotion rules for high-risk investments and firms approving financial promotions](#)

The Financial Conduct Authority (FCA) has published a Policy Statement (PS) that summarizes the feedback received on Consultation Paper 22/2 on strengthening the financial promotion rules for high risk investments, including cryptoassets. The PS also sets the final rules designed to strengthen the regime for how high-risk investments (HRIs) can be promoted.

### CONSUMER PROTECTION

[\(03/08/2022\) FCA - PS22/11: Improving the Appointed Representatives regime](#)

The Financial Conduct Authority (FCA) has set out the final rules for the Appointed Representative (AR) regime to enhance consumer protection and help protect markets. They also respond to feedback to the Consultation Paper (CP) 21/34. AR regime is set in primary legislation and allows self-employed representatives to engage in regulated activities without having to be authorised. Considering the feedback received, the FCA has made some changes in the final rules. Finally, the FCA is introducing a 4 month implementation period before the changes take effect, so these will come into force on 8 December 2022.

### BENCHMARKS REGULATION

[\(12/08/2022\) ECB - ESMA's response to the Commission's consultation on the BMR review](#)

The European Securities and Markets Authority (ESMA) has published its response to the Commission's Consultation on the Benchmarks Regulation (BMR) review. The Consultation covers the topics of the continued use by supervised entities of Third Country benchmarks and the potential shortcomings of the current framework. ESMA agreed somewhat or completely with the majority of questions raised in the Consultation Paper. However, ESMA disagrees somewhat with the affirmation on that EU benchmark labels should not be accessible to third country administrators, and only be accessible to administrators supervised in the EU and subject to the BMR. Similarly, does not believe that users should be required to be tasked with the responsibility of verifying that benchmarks are compliant with the BMR.

### RISK REPORT

[\(12/09/2022\) ESAs - ESAs warn of rising risks amid a deteriorating economic outlook](#)

The European Supervisory Authorities (ESAs) have issued their Autumn 2022 joint risk report. The report highlights that the deteriorating economic outlook, high inflation and rising energy prices have increased vulnerabilities across the financial sectors. The ESAs advises national competent authorities, financial institutions and market participants to take the following policy actions: i) continue to be prepared for a deterioration in asset quality in the financial sector; ii) closely monitor the impact of inflation risks; iii) continue to carefully manage environmental risks and cyber risks to address threats to information security and business continuity.



# Other publications of interest

## Others

- SUSTAINABILITY

### RATINGS ESG

[\(03/02/2022\) ESMA - ESMA launches call for evidence on ESG ratings](#)

The European Securities and Markets Authority (ESMA) has published a Call for Evidence on Environmental, Social and Governance (ESG) ratings. The Call for Evidence's purpose is to develop a picture of the size, structure, resourcing, revenues and product offerings of the different ESG rating providers operating in the EU. The call is mainly addressed to: i) ESG rating providers; ii) users of ESG ratings; and iii) entities subject to rating assessment of ESG rating providers. The call for comments is open until 11 March. Comments can be submitted to the call for proposals until 11 March.

### SUSTAINABLE FINANCE

[\(11/02/2022\) ESMA – ESMA prioritises the fight against greenwashing in its new sustainable finance roadmap](#)

The European Securities and Markets Authority (ESMA) has published its Sustainable Finance Roadmap 2022-2024 in which there are identified three priorities: i) tackling greenwashing and promoting transparency; ii) building National Competent Authorities' (NCAs) and ESMA's capacities in the sustainable finance field; and iii) monitoring, assessing and analysing ESG markets and risks.

### CLIMATE CHANGE

[\(27/02/2022\) IPCC – Climate Change 2022: Impacts, Adaptation and Vulnerability](#)

The Intergovernmental Panel on Climate Change (IPCC) has published the Climate Change 2022 which recognizes the interdependence of climate, ecosystems and biodiversity, and human societies and integrates knowledge more strongly across the natural, ecological, social and economic sciences than earlier IPCC assessments.

### GREEN BOND

[\(02/03/2022\) EBA – EBA recommends adjustments to the proposed EU Green Bond Standard as regards securitisation transactions](#)

The European Banking Authority (EBA) has published a Report which analyses the recent developments and challenges of introducing sustainability in the EU securitisation market. The Report explores: i) whether and how the EU regulations on sustainable finance, including the EU Green Bond Standard, the EU Taxonomy, and the Sustainable Finance Disclosure Regulations could be applied to securitization; ii) the relevance of a dedicated regulatory framework for sustainable securitisation and; iii) the nature and content of sustainability-related

### CLIMATE AND ENVIRONMENTAL ACTION

[\(08/03/2022\) EC – Management plan 2022 – Climate Action /Management plan 2022 – Environment](#)

The Directorate-General for Climate Action from the European Commission (EC) has published the management plan for 2022 which defines important outputs to be achieved by 2022. For example, in the second quarter of the year, the EC will publish the review of EU rules on fluorinated greenhouse gases. Furthermore, the Directorate-General for environment has also published the management plan which defines several outputs and initiatives that the EC will deliver. For example, in the second quarter it will be revised the Directive 2010/75/EU on industrial emissions.

### RISK MANAGEMENT

[\(30/03/2022\) FDIC - FDIC Issues Request for Comment on Statement of Principles for Climate-Related Financial Risk Management for Large Financial Institutions](#)

The Federal Deposit Insurance Corporation (FDIC) has requested public comments on draft principles that would provide a high-level framework for the safe and sound management of exposures to climate-related financial risks. These draft principles are intended for institutions with over \$100 billion in total consolidated assets. The draft principles will help financial institutions management make progress toward addressing key questions as they consider incorporating climate-related financial risks into their risk management frameworks. This draft is very similar to the one published by the Office of the Comptroller of the Currency (OCC) in December 2021.

# Other publications of interest

## Others

### ESG CREDIT RATINGS

[\(04/04/2022\) EC - Targeted consultation on the functioning of the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings](#)

The European Commission (EC) has launched its targeted consultation on the functioning of the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings. This consultation will help the Commission gain a better insight on the functioning of the market for ESG ratings, as well as better understand how credit rating agencies (CRAs) incorporate ESG risks in their creditworthiness assessment. Comments can be sent before 6 June 2022.

[\(27/06/2022\) ESMA - ESMA publishes results of its call for evidence on ESG ratings](#)

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published a letter to the European Commission (EC) providing its findings from the Call for Evidence to gather information on the market structure for ESG rating providers in the European Union (EU). Among the main findings it highlights that: i) the structure of the market among providers is split between a small number of very large non-EU entities on one hand, and a large number of significantly smaller EU entities on the other; ii) the majority of users of ESG ratings are typically contracting for these products from several providers simultaneously; and iii) entities covered by these products are required to dedicate at least some level of resourcing to their interactions with ESG rating providers, although the amount largely depends on the size of the rated entity itself.

### CUSTOMER'S SUSTAINABILITY PREFERENCES

[\(13/04/2022\) EIOPA - EIOPA consults on draft Guidelines on integrating the customer's sustainability preferences in the suitability assessment under the IDD](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation on draft Guidelines on integrating the customer's sustainability preferences in the suitability assessment under the Insurance Distribution Directive (IDD). The aims of this consultation are: i) the promotion of a coherent application of the Delegated Regulation (EU) 2021/1257 on integration of sustainability factors, risks and preferences into the product oversight and governance, by insurance undertakings and intermediaries across Member States and National Competent Authorities (NCAs); ii) the restriction in the potential for the mis-selling of insurance products and iii) the promotion of a more convergent approach by NCAs in the supervision of insurance undertakings and insurance intermediaries.

### NON-PERFORMING LOANS

[\(16/05/2022\) EBA - EBA consults on standardised information requirements to support sales of non-performing loans](#)

The European Banking Authority (EBA) today launched a public consultation on the draft Implementing Technical Standards (ITS) specifying the requirements for the information that sellers of non-performing loans (NPL) shall provide to prospective buyers, seeking to improve the functioning of NPL secondary markets. The objective of the draft ITS is to provide a common standard for the NPL transactions across the EU enabling cross-country comparison and thus reducing information asymmetries between the sellers and buyers.

### ESG FUNDS

[\(23/05/2022\) ESMA - ESMA study looks at funds for lower costs in ESG funds](#)

The European Securities and Markets Authority (ESMA) has published a study looking at the potential reasons behind the relatively lower ongoing costs, and better performance, of environmental, social and governance (ESG) funds compared to other funds, between April 2019 and September 2021. Some of the potential drivers of this outperformance could be that ESG funds are more oriented towards large cap stocks and towards developed economies.

### CLIMATE CHANGE

[\(04/07/2022\) ECB - ECB takes further steps to incorporate climate change into its monetary policy operations](#)

The Governing Council of the European Central Bank (ECB) has decided to take further steps to include climate change considerations in the Eurosystem's monetary policy framework. It decided to adjust corporate bond holdings in the Eurosystem's monetary policy portfolios and its collateral framework, to introduce climate-related disclosure requirements and to enhance its risk management practices, in order to take into account climate-related financial risks in the Eurosystem balance sheet and support the green transition of the economy in line with the EU's climate neutrality objectives.

# Other publications of interest

## Others

### CLIMATE RISKS

[\(14/07/2022\) FSB - FSB Roadmap for Addressing Financial Risks from Climate Change: 2022 progress report](#)

The report summaries the progress made so far and the key areas for future work in all four blocks of the roadmap defined in July 2021 to address the financial risks arising from climate change: i) firm-level disclosure; ii) data; iii) vulnerabilities analysis; iv) regulatory and supervisory practices and tools. This is the first report that the FSB will publish on an annual basis to facilitate the monitoring of progress in the implementation of the roadmap.

### CUSTOMER'S SUSTAINABILITY PREFERENCES

[\(20/07/2022\) EIOPA – EIOPA publishes guidance on integrating the customer's sustainability preferences in the suitability assessment under the IDD](#)

The European Insurance and Occupational Pensions Authority (EIOPA) published today its guidance on integrating the customer's sustainability preferences in the suitability assessment under the Insurance Distribution Directive (IDD). The Guidance is based on Commission Delegated Regulation (EU) 2021/1257 and aims at easing the implementation of this Regulation by national competent authorities (NCAs) as well as by insurance undertakings and insurance intermediaries providing advice on insurance-based investment products (IBIPs).

### CLIMATE RISKS REPORT

[\(26/07/2022\) ECB - Climate shocks can put financial stability at risk, ECB/ESRB report shows](#)

The European Central Bank (ECB) and the European Systemic Risk Board (ESRB) have published a joint report on how climate shocks can affect the European financial system. The findings show that climate risks can quickly spread and harm companies and banks alike. The report adds further evidence on the systemic nature of climate risks and provides a foundation for a macroprudential policy response. It also identifies several amplifiers of climate risk across the financial system.

### NGFS SCENARIOS

[\(12/09/2022\) EIOPA – NGFS Scenarios for central banks and supervisors](#)

The Network for Greening the Financial System (NGFS) has published the Phase III of its scenarios which bring up-to-date with new economic and climate data, as well as policy commitments. In particular, scenarios reflect the new country-level commitments to reach net-zero emissions made at COP26 in November 2021. The new scenarios also reflect the latest trends in renewable energy technologies (e.g. solar and wind), and key mitigation technologies. However, the current data do not yet account for the war in Ukraine as the situation and its long term consequences are still unclear and therefore difficult to model.



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<b>US</b>	 <p>SEC Fed OCC FDIC</p>
<b>UK</b>	 <p>BoE PRA FCA</p>
<b>Spain</b>	 <p>BdE Spanish Government Cortes Generales CNMV</p>





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