

# Annual Regulation Outlook 2023



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# Table of contents

The purpose of this report is to compile the main publications with implications for the financial industry issued during 2023 by global, European and local standards providers, regulators and supervisors in the main geographies where Management Solutions operates. The purpose of this report is to present a consolidated retrospective view of the most relevant regulatory developments of the period, generated from the quarterly regulatory reports.

For the purposes of this report, the term "regulator" can be used broadly to refer also to standard setters and supervisors.

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# Executive summary

***In the capital and provisions block, the publication of the Proposed Rulemaking to strengthen capital requirements for large banks, known as the Basel III Endgame, was of particular importance in the United States. There were regulatory developments in capital and liquidity in Brazil, Colombia, Peru and Chile***

## Capital & provisions

- **[Global] Report with the progress in adopting the principles for effective risk data aggregation and risk reporting (RDA&RR).** Update on the progress made by the 31 global systemically important banks, and it is based on a common assessment template that supervisors of the individual jurisdictions completed based on data as of June 2022. (BCBS, November 2023).
- **[Global] Consultation Document on the recalibration of shocks for interest rate risk in the banking book (IRRBB).** It also proposes to make specific adjustments to the current methodology used to calculate the shocks. The consultation will be open until 28 March 2024. (BCBS, December 2023).
- **[EU] Consultation Paper (CP) on Draft ITS amending the IRRBB reporting Regulation.** The CP includes simplified reporting templates for small and non-complex institutions (SNCI) and requests specific comments on proportionality for medium-sized institutions. (EBA, February 2023).
- **[EU] Consultation on the revised Guide to internal models,** which clarifies how banks should go about including material climate-related and environmental risks in their models. It also provides clarifications for banks that wish to revert to the standardised approach for calculating their risk-weighted assets. (ECB, June 2023).
- **[EU] Public consultation on its Guide on effective risk data aggregation and risk reporting (RDA&RR).** The Guide outlines prerequisites for effective risk data aggregation and risk reporting (RDA&RR) to assist banks in strengthening their capabilities, building on good practices observed in the industry. (ECB, July 2023).
- **[EU] Second monitoring report on the implementation of IFRS 9 by EU financial institutions.** Compared to the previous one, published in November 2021, this report focuses on HDP portfolios and aims to promote further improvements in ECL model practices among EU institutions. (EBA, November 2023).
- **[ES] Draft Law on Securities Markets and Investment Services.** It incorporates the necessary improvements to facilitate the development of the Spanish securities markets in the current competitive environment in line with the new European regulations. (Congreso de los Diputados, January 2023)
- **[US] Proposed rules to Strengthen Capital Requirements for Large Banks (Basel III Endgame).** Building on the initial set of reforms to respond to the 2007-09 financial crisis it introduces higher capital requirements on a larger number of large banks (total assets of \$100 billion or more).(Fed, July 2023).
- **[BR] Resolution about the concepts and accounting criteria applicable to financial instruments.** The document amends CMN Resolution No. 4,966 which provides for the concepts and accounting criteria applicable to financial instruments, as well as for the designation and recognition of protection relationships (hedge accounting) by financial institutions and other institutions authorized to operate by the Central Bank of Brazil. (BCB, September 2023)
- **[BR] Resolution on the procedures for the calculation of the part of RWA related to the calculation of the capital requirement for the RWAOPAD approach.** The Resolution is addressed to financial institutions and other institutions authorised to operate by the BCB and enters into force on 1 January 2025. (BCB, December 2023).

# Executive summary

**2023 saw important regulatory developments linked to sustainability, with a focus on disclosure, such as the final TNFD recommendations and the Basel Pillar 3 Climate. In the United States, there were also important regulatory developments in the area of sustainability, such as the principles for managing climate-related financial risks for large financial institutions.**

## Capital & provisions (cont.)

- **[CL] Public consultation on adjustments to chapter 21-13 of the updated set of standards for banks.** The objective of the consultation is to generate new guidance in line with the post-development review of the standard, as well as to facilitate the supervisory process and clarify certain aspects of the capital assessment process. (CMF, December 2023).
- **[CO] External Circular issuing instructions on the stress testing scheme (EPR) and the implementation of the capital (PAC) and liquidity (PAL) self-assessment programmes.** The objective of the Circular is to adopt the BCBS recommendations, so that supervised entities implement an adequate EPR, PAC and PAL testing scheme. (SFC, November 2023).
- **[PE] New Regulation for Liquidity Risk Management.** It regulates aspects of the internal environment of liquidity risk management, including the identification, measurement, evaluation, and treatment of liquidity risk. (SBS, December 2023).
- **[EU] Draft Delegated Regulation setting the first set of ESRS.** This draft includes modifications to the standards presented by EFRAG, relating sustainability-related impacts, risks and opportunities in the CSRD framework. (EC, June 2023)
- **[EU] Report on the role of environmental and social risks in the prudential framework,** on specific recommendations to accelerate the integration of environmental and social risks into Pillar 1 (EBA, October 2023).
- **[EU] Template Guidelines for collecting climate-related data from EU banks as part of the Fit-for-55 single climate risk scenario analysis.** The objective of the document is to provide both definitions and technical guidance to participating banks for completing the set of templates for the Fit-for-55 one-off climate risk scenario analysis exercise. (EBA, November 2023).
- **[ES] The Draft Royal Decree regulating the content of the reports on the financial impact of the risks associated with climate change, included in the Art.32 of the Climate change Law,** establishing the criteria for the preparation and publication of the information on the level of exposure to climate and carbon risks, as well as the strategies and targets for their mitigation. (MINECO, April 2023)

## Sustainability

- **[Global] Final TNFD recommendations,** with slight modifications on the last draft in the chapters on governance and risk and impact management. The recommendations have been designed to be consistent with TCFD and ISSB. (TNFD, September 2023).
- **[Global] Consultation paper of disclosure of climate-related financial risks (Pillar 3 Climate).** This is the first standard for qualitative and quantitative disclosure of physical and transitional risks by the Basel Committee. Comments should be submitted by 29 February 2024. (BCBS, December 2023).
- **[ES] Preliminary Draft Bill regulating the corporate reporting framework on environmental, social and governance issues,** which introduces to the Spanish regulation the CSRD novelties that had not been previously introduced in Law 11/2018. (MINECO, May 2023)
- **[UK] New code of conduct for ESG data and ratings providers,** which aims to foster a trusted, efficient and transparent market, by introducing clear standards for ESG ratings and data products providers and clarifying how such providers can interact with wider market participants. By signing up to this voluntary code of conduct, providers agree to make available publicly, and to review at least annually a statement explaining their approach to the implementation of the CoC. (FCA, July 2023).

# Executive summary

***Publications in the field of technology and artificial intelligence were also of particular relevance this year. At the European level, cryptoasset and payment services regulations and a proposal for a Regulation on the establishment of the digital euro were published...***

## Sustainability

- **[US] Pilot Climate Scenario Analysis (CSA) Exercise: participant instructions.** The FED has included in this exercise two separate and independent modules: a physical risk module and a transitional risk module, as well as supporting documentation and answers to qualitative questions on governance, risk management practices and measurement methodologies. (FED, January 2023)
- **[US] Principles for climate-related financial risk management for large financial institution.** The principles are substantially similar to the draft and address the physical and transitional risks associated with climate change (Fed, October 2023).
- **[BR] Resolution on the preparation and disclosure of financial information reports related to sustainability,** based on the international standard issued by the ISSB. The voluntary disclosure of financial information is regulated in it, covering aspects of the report such as periodicity, preparation, and the requirement for independent verification. (CVM, December 2023).
- **[EU] Public consultation of RTS and ITS** which aim to ensure a consistent and harmonised legal framework in the areas of ICT risk management, major ICT-related incident reporting and ICT third-party risk management. (ESAS, June 2023).
- **[EU] Regulation on payment services and framework for financial data access.** The package aims to ensure that consumers can continue to safely and securely make electronic payments and transactions in the EU, domestically or cross-border, in euro and non-euro. (EC, June 2023)
- **[EU] Proposal for a Regulation on the establishment of the digital euro.** Establishes and regulates its essential aspects to ensure the use of the euro as a single currency across the euro-area. Additionally, the EC has published a second proposal for a regulation in order to lay down the specific obligations that payment services providers (PSPs) shall respect when distributing the digital euro. (EC, July 2023)
- **[EU] Detailed regulatory technical standards (RTS) and guidelines on Asset-Related Tokens (ART) and Issuers of Electronic Money Tokens (EMT).** These publications develop standards for the issuance and services associated with tokens, ensuring their proper functioning and the mitigation of associated risks. (EBA, November 2023).

## Technology & Artificial Intelligence

- **[Global] Consultative Document on Disclosure of Cryptoasset Exposures.** The publication of this document is intended to reduce the information asymmetry between banks and market participants on banks' exposures to cryptoassets. (BCBS, October 2023).
- **[EU] Regulation on markets in crypto-assets,** which for the first time, sets an European Union level legal framework for this sector. This Regulation lays down uniform requirements for the offer to the public and admission to trading on a trading platform of crypto-assets: i) other than asset-referenced tokens and e-money tokens; ii) of asset-referenced tokens; and iii) of e-money tokens, as well as requirements or crypto-asset service providers. (EP/ Council, May 2023).
- **[UK] Set of papers on the proposed approach to the regulation of stablecoins.** A first discussion paper on phase 1 of the regulation of cryptoassets; a discussion paper on the regulatory regime for systemic payment systems using stablecoins and related service providers; and a joint roadmap on payment innovation. (BoE, November 2023).
- **[US] Artificial Intelligence Risk Management Framework (AI RMF)** which aims to offer a resource to the organizations designing, developing, deploying, or using AI systems to help manage the many risks of AI and promote trustworthy and responsible development and use these systems. The Framework, unlike the European one, is intended to be voluntary. On the other hand, is risk-based, rights-preserving, non-sector-specific, and use-case agnostic, providing flexibility to organizations of all sizes and in all sectors. (NIST, February 2023).

# Executive summary

**... and in the field of artificial intelligence, the White House issued an Executive Order on the development and safe and reliable use of Artificial Intelligence. In Peru, the Law promoting the use of artificial intelligence was published.**

## Technology & Artificial Intelligence (cont.)

- **[US] Proposed amendments to cybersecurity-related rules.** These amendments would introduce a requirement to adopt written policies and procedures for incident response programmes to address unauthorised access to or use of customer information, also incorporating cybersecurity risks. In addition, it is proposed to include a broader range of key participants in the US securities market infrastructure under Regulation Compliance and Systems Integrity (Regulation SCI). (SEC, March 2023).
- **[US] Final joint guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology companies.** According to this guide, sound third-party risk management takes into account the level of risk, complexity, and size of the banking organization and the nature of the third-party relationship. Furthermore, it describes principles and considerations for banking organizations' risk management of third-party relationships and covers risk management practices for the stages of the life cycle of these relationships. (Fed/FDIC/OCC, June 2023)
- **[US] Executive Order on the Safe, Secure, and Trustworthy Development and Use of AI** in order to navigate AI's impact across sectors and to help agencies and consumers harness the benefits of AI while mitigating risks. (WH, October 2023).
- **[PE] Law that promotes the use of artificial intelligence (AI)** in the framework of the national process of digital transformation privileging the individual and respect for human rights in order to promote the economic and social development of the country, in a safe environment that guarantees its ethical, sustainable, transparent, replicable and responsible use.

# Regulatory outlook

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

## Featured regulatory projections

### 1. Next quarter

- **(Global) Q1 2024:**
  - IAIS: i) Consultation on changes to certain ICP guidance with relation to climate risk, as well as supporting material; ii) final recommendations for the regulation of Decentralised Finance (DeFi).
  - IOSCO: Consultation paper on voluntary carbon markets.
- **(Europe) Q1 2024:**
  - EP/Council: Regulation laying down the requirements for artificial intelligence (AI Act).
  - ESAs: First set of rules under DORA for ICT and third-party risk management and incident classification<sup>1</sup>.
  - EBA: i) 2023 benchmarking report on IRB models; ii) Monitoring report on capital treatment of STS synthetics; iii) Monitoring report on collateralisation practices; iv) Final guidelines on ESG risk management<sup>2</sup>; v) ITS uniform disclosure formats on market risk<sup>3</sup>.
  - EIOPA: Review of the digital transformation strategy, integrating it with the data and IT strategy, the SupTech Strategy and partially also the cyber underwriting strategy.
- **(UK) Q1 2024:**
  - UK.gov: Consultation on the introduction of requirements for the UK's largest companies to disclose their transition plan to net zero, if they have them.
- **(US) Q1 2024:**
  - Fed: Conclusions obtained from the Pilot Climate Scenario Analysis Exercise (CSA).

### 2. Next year

- **(Global) Q4 2024:**
  - BCBS: i) Assess the materiality of gaps in the existing Basel framework; ii) final proposal for the document on disclosure of climate-related financial risks.
- **(Europe) 2024:**
  - EBA: i) Third revision of the SREP guidelines; ii) CP on GL for climate stress testing; iii) greenwashing report; iv) ITS on ESG reporting; v) RTS on assessment of ESG risks; vi) RTS on ESG disclosures for STS securitization; vii) review of RTS on sustainability disclosures PAI indicators; viii) Final report on prudential treatment exposures; ix) Guides on cryptoassets classification; x) RTS on off-balance sheet items.
  - EBA/ESMA: report on minimum haircut floor.
  - ECB: Final guide on effective risk data aggregation and risk reporting (RDARR).
  - EIOPA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Bench marks Regulation; ii) Amending RTS on the PAI framework and certain product disclosures under SFDR; iii) RTS; ITS; and GL as required under MiCA; iv) RTS and ITS under DORA<sup>4</sup> including as relates to ICT risk management and third party risk management under DORA; v) RTS on the notifications for cross-border marketing and management of AIFs and UCITS; vi) revision of ITS on external credit assessment institution (ECAI) mapping for corporate ratings under the Capital Requirements Regulation (CCR) and Solvency II; vii) RTS on the minimum elements that should be included in a business reorganisation plan; viii) Revision of RTS on securitisation disclosure requirement (CP); ix) Initiate one-off climate change stress test in cooperation with ESRB, ECB, EBA, ESMA.

<sup>1</sup> Published on 17/01/2024

<sup>2</sup> Published on 18/01/2024

<sup>3</sup> Published on 11/01/2024

<sup>4</sup> Draft RTS and ITS published on 19/06/2023



- **(Europe) Q2 2024:**
  - EBA: RTS on extraordinary circumstances for being permitted to continue using the IMA.
  - EBA: GL stress testing (MiCAR).
  - EC: Final version CRR III and CRD VI.
- **(Europe) Q3 2024:**
  - EBA: CRR II / CRD V and CRR III / CRD VI / Basel III monitoring report (annual report).
- **(Europe) Q4 2024:**
  - EBA: i) ITS on mapping Business Indicator components (BIC) to FINREP; ii) RTS establishing a risk taxonomy of OpRisk loss events; iii) Pillar 1 follow-up report (pending CRR III mandate and deadline)..
- **(Europe) December 2024:**
  - EC: Sustainability Due Diligence Directive.
- **(UK) 2024:**
  - UK.Gov: Consult on the UK Green Taxonomy.
- **(UK) H1 2024:**
  - FCA: Consultation on updating its TCFD-aligned disclosure rules to refer to anticipated UK-endorsed ISSB Sustainability Disclosure Standards.
- **(UK) December 2024:**
  - BoE: Report with the final results of the BoE's Exploratory Scenario Exercise (SWES).

### 3. More than a year

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

## Application dates

### 1. Next quarter

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

## 2. Next year

- **(Europe) Q2 2024-Q3 2024:**
  - Implementation of ESMA stress test exercise for central counterparties (CCPs).
- **(Europe) May 2024:**
  - Entry into force of the rule against greenwashing.
- **(Europe) June 2024:**
  - First date of reference for disclosure of additional (vs GAR) BTAR information.
  - First reference date for the implementation of the EBA Draft ITS amending Commission Implementing Regulation (EU) 2021/451 as regards reporting on IRRBB.
- **(Europe) December 2024:**
  - ECB: Be fully in line with all supervisory expectations, including a robust integration of C&E risks in the institutions' stress testing framework and in the ICAAP.
  - EBA Risk Based Supervision Guidelines.
  - Implementation of the European Green Bond Regulation.
- **(UK) May 2024:**
  - Entry into force of the PRA Policy Statement (PS 6/23) providing responses to comments to CP6/22 on MRM principles for banks.
- **(UK) June 2024:**
  - Labelling, naming and marketing requirements and initial disclosure of PS on sustainability disclosure requirements (SDR) and investment labelling.
- **(UK) July 2024:**
  - Rules and guidance introduced by the Consumer Duty in relation for closed products or services.
- **(Chile) April 2024:**
  - Entry into force of the changes introduced as a result of the public consultation on adjustments to chapter 21-13 of the Updated Compendium of Banking Standards.

## 3. More than a year

- **(Europe) 2025:**
  - General application of the provisions amending the CRR which introduce revisions to the Basel III framework in Europe (Basel IV).
  - Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD IV amendments.
- **(Europe) January 2025:**
  - DORA application
  - CSRD: application for large companies not currently subject to the NFRD.
  - Implementation of the BCBS requirements on the Disclosure of Cryptoasset Exposures.
  - Entry into force of BCB Regulatory Instruction N° 426-433 on 1/12/2023.
- **(Europe) September 2025:**
  - Regulation on harmonised rules for fair Access and use of data.
- **(Europe) January 2026:**
  - CSRD: implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(Europe) Q3 2026**
  - End of the validity of Royal Decree 817/2023 on the controlled environment for Artificial Intelligence testing.
- **(UK) June 2025:**
  - FCA: i) first disclosures related to sustainable performance; ii) entity-level disclosures in the sustainability report (large entities).
- **(UK) 3Q 2025:**
  - PRA: Implementation of the changes resulting from the CP on Solvent exit planning for non-systemic banks and building societies.
- **(Brazil) January 2025:**
  - Regulatory instruction defining the accounting elements of the Realisable Assets group of the list of accounts of the Accounting Standard for Institutions Regulated by the BCB.
  - Resolution on the establishment of the procedures for the calculation of the portion of risk-weighted assets (RWA) related to the calculation of the capital required for operational risk using a standardised approach (RWAOPAD).
- **(Colombia) January 2025:**
  - First, second, third and fourth instructions of the External Circular on EPR scheme instructions.

# Relevant publications

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

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

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

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

## Index of this quarter's most important publications

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	EU	EIOPA	<b>S</b>	Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices	09/02/2023	20
	EU	ECB	<b>E</b>	Results of 2022 SREP	09/02/2023	21
	EU	EBA	<b>CL</b> <b>D</b>	CP on Draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to IRRBB reporting	10/02/2023	22
	EU	EBA	<b>CL</b>	2022 Credit and Market Risk Benchmarking Report	17/03/2023	23
	ES	Congreso de los Diputados	<b>C</b>	Approval of the Draft Law on Securities Markets and Investment Services	16/01/2023	25
	ES	BdE	<b>O</b>	Information to be sent to the BoS on covered bonds and other loan mobilization instruments	15/03/2023	27
	ES	CNMV	<b>S</b> <b>E</b>	Report on the CNMV's supervision of non-financial information for fiscal year 2021 and main areas of review for the following fiscal year	28/03/2023	28
	UK	FCA	<b>C</b>	Results of the review of the Consumer Duty application plans	31/01/2023	30
	EU	BoE/HM Treasury	<b>T</b>	Consultation Paper (CP) assessing the desirability of creating a retail CBDC, the digital pound	14/02/2023	32

# Relevant publications

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US	FED	O	Artificial Intelligence Risk Management Framework (AI RMF)	27/03/2023	37
US	NIST	T	Consultation on the revised Guide to internal models	06/02/2023	38
US	SEC	C	Proposed rule on Safeguarding Advisory Client Assets	24/02/2023	40
US	SEC	T	Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer; Cybersecurity Risk Management Rule for Market Entities; y Regulation Systems Compliance and Integrity	28/03/2023	42
Q2 Global	ISSB	S D	General sustainability-related and climate -related disclosure requirements	30/06/2023	45
EU	EBA	CL	Draft RTS on the assessment methodology under which competent authorities verify an institution's compliance with the internal model	03/04/2023	47
EU	EBA	CL	Guidelines on ML/TF risk factors and Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services.	18/04/2023	49
EU	EBA	CL	Report on the impact and calibration of the Standardised Approach to Counterparty Credit Risk (SA-CCR)).	06/06/2023	51
EU	EBA	T	Guidelines on ML FT risk factors to extend the scope of these Guidelines to crypto-asset service providers (CASPs)	07/06/2023	52
EU	EBA	D	Technical package for phase 1 of version 3.3 of its reporting framework	13/06/2023	53
EU	EC	S	Draft Environmental Delegated Act	13/04/2023	54
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EU	ESAs	E	Discussion paper on the criteria for assessing the criticality of ICT third-party service providers (TPPs) and the applicable supervisory fees.	13/06/2023	63
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EU	ECB	CL	Consultation on the revised Guide to internal models	29/06/2023	67
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UK	PRA	T	CP10/23 – Solvent exit planning for non-systemic banks and building societies	28/06/2023	77
ES	MITECO	CL	Preliminary Draft Bill regulating the corporate reporting framework on environmental, social and governance issues	10/05/2023	78
ES	MINECO	CL	The Draft Royal Decree regulating the content of the reports on the estimation of the financial impact of the risks associated with climate change	20/04/2023	79
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US	Fed	T	Final joint guidance designed to help banking organizations manage risks associated with third-party relationships, including relationships with financial technology companies	19/06/2023	82
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	EU	EBA	S D	Draft templates and template guidance to prepare the one-off Fit-for-55 climate risk scenario analysis	25/07/2023	88
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	EU	EC	T	Single Currency Package: new proposals to support the use of cash and to propose a framework for a digital euro	10/07/2023	92
	EU	ECB	CL D E	Guide on effective risk data aggregation and risk reporting (RDA&RR)	31/07/2023	93
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	US	Fed	CL	Proposed Rules to Strengthen Capital Requirements for Large Banks	12/09/2023	99
	BR	BCB	P	CMN Resolution 5,100 on the accounting concepts and criteria applicable to financial instruments	13/09/2023	100
	PE	SBS	CL	Resolution approving the new liquidity risk management regulation	10/07/2023	101
	PE	Diario Oficial El Peruano	T	Law N° 31814 that promotes the use of Artificial Intelligence in favour of the economic and social development of the country	17/07/2023	104

# Relevant publications

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CO	SFC	O	Amendments to Annexes 9 and 12 of the Comprehensive Risk Management System (CRMS)	18/09/2023	105
Q4 Global	BCBS	CL	Report on the 2023 banking turmoil	16/10/2023	106
Global	BCBS	D T	Consultative Document on Disclosure of Cryptoasset Exposures	24/10/2023	108
Global	BCBS	E S	Newsletter on the implementation of the Principles for the effective management and supervision of climate-related financial risks	23/11/2023	109
Global	BCBS	D	Progress in adopting the Principles for effective risk data aggregation and risk reporting (RDA&RR)	30/11/2023	110
Global	BCBS	CL	Supervisory newsletter on the adoption of the Principles for Operational Resilience (POR) and the Principles for the Sound Management of Operational Risk (PSMOR)	30/11/2023	111
Global	BCBS	D S	Consultative document of disclosure of climate-related financial risks	01/12/2023	112
Global	BCBS	CL	Consultative document on the recalibration of shocks for interest rate risk in the banking book	19/12/2023	113
Global	BCBS/EBA	CL	Basel III Monitoring Reports	03/10/2023	115
Global	FSB	CL	2023 list of global systemically important banks (G-SIB)	29/11/2023	118
Global	FSB	CL E	Enhancing Third-Party Risk Management and Oversight: a toolkit for financial institutions and financial authorities	11/12/2023	119
Global	IAIS	CL	2023 Global Insurance Market Report	14/12/2023	120
Global	TNFD	S D	Recommendations of the Taskforce on Nature-related Financial Disclosures	02/10/2023	121
Global	NGFS	S	Recommendations toward the development of scenarios for assessing nature-related economic and financial risk	19/12/2023	122
EU	EBA	S CL	Report on the role of environmental and social risks in the prudential framework	16/10/2023	124
EU	EBA	E	European Supervisory Examination Programme (ESEP)	23/10/2023	126

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EU	EBA	T	Guidelines and RTS on the Cryptoasset Market	26/10/2023	127
EU	EBA	T	RTS on Asset-Related Tokens and Issuers of Electronic Money Tokens	13/11/2023	128
EU	EBA	SE	Template Guidelines for collecting climate-related data from EU banks as part of the Fit-for-55 single climate risk scenario analysis	21/11/2023	129
EU	EBA	P	Monitoring report on the implementation of IFRS 9 by EU institutions	22/11/2023	130
EU	EBA	CL	Draft RTS on the assessment methodology under which competent authorities verify an institution's compliance with the internal model	28/11/2023	132
EU	EBA	E	Final report on guidelines amending the Risk Based Supervision Guidelines	30/11/2023	133
EU	EBA	O	Annual Risk Assessment Report (RAR) and results of the EU-wide 2023 transparency exercise	15/12/2023	134
EU	EBA	D	Implementing Technical Standards (ITS) amending the regulatory reporting regulation	18/12/2023	135
EU	EC	T	Recommendation on critical technology areas for the EU's economic security	09/10/2023	136
EU	ECB	G	Sound practices in counterparty credit governance and management	26/10/2023	137
EU	ECB	S	An examination of net-zero commitments by the world's largest banks	01/12/2023	138
EU	ECB	E	SSM supervisory priorities for 2024-2026	21/12/2023	139
EU	EIOPA	E	Supervisory Convergence plan for 2024	27/12/2023	140
EU	EP/Council	S	Regulation on European green bonds	30/10/2023	141
EU	EP/Council	T	Regulation on harmonised rules on fair access to and use of data	01/12/2023	142
EU	EP/Council	T	Regulation on harmonised rules on fair access to and use of data	27/12/2023	143
EU	ESAs	T	Report on the landscape of ICT third-party providers in the EU	05/10/2023	144
EU	ESAs	T	ESAs put forward amendments to sustainability disclosures for the financial sector	07/12/2023	145
EU	ESAs	S	Public consultation on the second batch of policy mandates under the Digital Operational Resilience Act (DORA)	14/12/2023	146
ES	MINECO	T	Royal Decree establishing a controlled test environment for testing compliance with the proposed IA Regulation.	15/11/2023	151



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UK	BoE	T	Feedback Statement (FS) that provides a summary of the responses to the Document of Debate on Artificial Intelligence and Machine Learning.	02/11/2023	152
UK	BoE	T	Regulating cryptoassets phase 1: Stablecoins	10/11/2023	153
UK	BoE	T	Report that initiates the Exploratory Scenario Exercise (SWES) phase	16/11/2023	154
UK	FCA	S C	Consultation on diversity and inclusion in PRA-regulated firms	02/10/2023	155
UK	FCA	S C	PS23/16- SDR and investment labels and Guidance consultation on the Anti-Greenwashing rule	05/12/2023	156
US	Fed	CL	Capital Requirements for insurers supervised by the Fed	23/10/2023	158
US	Fed	S	Principles for climate-related financial risk management	30/10/2023	159
US	WH	T	Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence	03/11/2023	160
BR	BCB	P O	Resolution on the concepts and accounting criteria applicable to financial instruments	23/11/2023	161
BR	BCB	CL	Resolution on the procedures for calculating the portion of Risk-Weighted Assets (RWA) related to the calculation of capital requirements for the RWA opad approach.	13/12/2023	162
BR	BCB	O	Regulatory Instruction on accounting items for regulated institutions	18/12/2023	163
BR	CVM	S D	Resolution on the preparation and disclosure of financial information reports related to sustainability	31/10/2023	164
CL	CMF	CL	Public consultation on adjustments to the MSI Table 106 and to the updated compilation of standards for banks related to the identification of systemic banks	13/11/2023	165
CL	CMF	E	Public consultation on adjustments to Chapter 21-13 of the Updated Compendium of Banking Standards regarding the capital adequacy self-assessment	22/12/2023	166
CO	SFC	E	External Circular issuing instructions on the stress testing scheme (EPR) and the implementation of the capital (PAC) and liquidity (PAL) self-assessment programmes	15/11/2023	167

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PE	SMV	CL	Resolution which approves the Credit Risk Management Regulations	10/10/2023	168
PE	SBS	CL	New Regulation for Liquidity Risk Management	29/12/2023	169

# Q1 Relevant publications

## European region

E

08/02/2023

### EIOPA - Supervisory Convergence Plan for 2023

#### 1. Context

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

In this context EIOPA has published the **Supervisory Convergence Plan for 2023**, which starts with 2022 priorities and also takes into account the Union-wide strategic priorities and strategic objectives as well as the Peer review work plan 2023-2024.

#### 2. Main points

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

- **Practical implementation of the common supervisory culture and the further development of supervisory tools.**
  - Risk assessment **framework** and application of **proportionality**. EIOPA has paused preparatory work on the new Solvency II Directive until the process on the review is over and intends to review the Supervisory Review Process (SRP) guidelines and possibly the Supervisory Handbook risk assessment framework.
  - Common benchmarks for the supervision of **internal models**; (p.e. Supervisory Handbook Chapter on Calibration in Internal Models).
  - Supervisory assessment of **conduct risks**. The EIOPA will: i) implement follow-up measures on findings of thematic review on credit protection products to be taken by National Competent Authorities (NCAs); ii) expand the type of work to be carried out in relation to conduct risk assessment; iii) continue to work on issues with exclusions and lack of clarity in insurance contracts; iv) continue monitoring value for money risks; v) carry out a Peer review on the Product Oversight Governance and conduct of business chapter for the Supervisory Handbook.
  - Supervisory approach to **environmental, social and governance (ESG) risks**. EIOPA will revise climate related risk chapter of Supervisory Handbook, start monitoring its Opinion on climate change risks, collect data on ESG products, monitoring greenwashing and analyse consumers understanding of natural catastrophe insurance coverage.
  - Further improvement of the Supervisory Handbook chapters on **group supervision**.
  - **Supervisory technology** (SupTech). Implementation of a SupTech solution and develop the second SupTech program.
  - **Supervision of captives**. EIOPA will publish a document with recommendation to NCAs on how to supervise some specificities of captives insurance and reinsurance.
  - **Supervisory tools** in cross-border contexts. Analysis of different tools and powers in cross border contexts in view of assessing their effectiveness and potential improvements.
- **Risk to the internal market and the level playing field which may lead to supervisory arbitrage**
  - Calculation of **technical provisions**. EIOPA will discuss how to raise awareness to the impact of increasing inflation.
  - **Internal model** outcomes, modelling **methodologies** and supervisory **practices**. EIOPA will finalise the comparative studies of Internal Models and will initiate them on modelling of Life Risk and over Operational Risk methodologies and supervisory practices.
  - **Authorisations, fitness and propriety**. EIOPA will continue working to set up a cross sectoral system for information exchanges.
  - **Pension issues**. EIOPA will further develop the Institutions for Occupational Retirement Provisions (IORP) Supervisory Handbook.
  - **Third country reinsurance** in the EU. EIOPA will work further on the establishment of a cooperation framework between EU and third countries supervisors
- **Supervision of emerging risks**
  - **IT security and governance-related risks**, including cyber risk. EIOPA will work together with the EBA and ESMA via the Joint Committee on fulfilling the policy mandates under DORA Regulation.
  - **Digital transformation**. EIOPA will: i) seek to develop further sectorial work; ii) work to address financial inclusion in the digital age; iii) collect harmonized data relating the use of technologies; and iv) continue with the analysis of the opportunities and challenges of an open insurance framework.
  - **Cyber underwriting**. EIOPA will conduct analysis aimed at understanding the level of access to cyber coverage for Small and Medium Enterprises (SMEs).
  - **Digital business model analysis**. EIOPA will develop supervisory convergence tools to support NCAs in the performance of the business model analysis in the context of the insurance digital market.

## S 09/02/2023 EIOPA - Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices

### 1. Context

Climate change is expected to materially increase the frequency and severity of climate and weather related events, thereby raising the physical risk exposures of the society and real economy. For this reason, risk-based premium levels are expected to increase as well over time. On this regard, climate-related adaptation measures reduce the policyholder's physical risk exposures and insured losses, and can be a key tool to maintain the future supply of these type of insurance products.

In this context EIOPA has published the **Report on the Implementation of Climate Related Adaptation Measures in Non-Life Underwriting Practices**, which provides an overview of main findings of the EIOPA's voluntary pilot exercise on this issue as well as the challenges mentioned by the participating insurance undertakings. The pilot exercise particularly aimed to better understand the industry's current underwriting practices regarding climate change adaptation and to assess their prudential treatment under Solvency II, and whether the prudential framework introduces any obstacles potentially hindering the incorporation of adaptation measures in insurance products.

### 2. Main points

- **Structure of the pilot exercise.** EIOPA has been particularly focusing in the pilot exercise on insurance products that:
  - Offer insurance coverage for climate-related hazards according to the EU Taxonomy.
  - Implement climate-related adaptation measures that lower the policyholders' physical risk exposures to climate-related hazards.
  - Set incentives for policyholders to take up adaptation measures.

The final sample consisted of thirty-one undertakings from fourteen different countries, who were asked a questionnaire containing twenty-four questions, related to four main areas:

  - Influence of climate change on non-life insurance lines of business.
  - Implementation of climate-related adaptation measures in non-life insurance products. The insurance lines considered are: i) motor vehicle liability; ii) other motor insurance; iii) marine, aviation and transport insurance; iv) fire and other damage to property insurance; v) general liability insurance; vi) credit and suretyship insurance; vii) legal expenses insurance; viii) assistance insurance; and ix) miscellaneous financial loss.
  - Underwriting effects of climate-related adaptation measures, particularly regarding the specific climate-related adaptation measures implemented in their non-life insurance products, corresponding costs and incentives for policyholders to take up the risk prevention measures.
  - Prudential treatment of climate-related adaptation measures, particularly regarding the best estimate calculation of technical provisions and the solvency capital requirements.
- **Non-life insurance and climate change.** Most participants mentioned not to have raised insurance premiums due to climate change, although many of them mentioned increases in premium levels in property insurance, in line with it being the insurance line of business most strongly exposed to climate change. Most participants mentioned not to have specific climate-related exclusions in their insurance products.
- **Underwriting practices.** Most participants considered climate-related adaptation measures to be an effective tool to maintain long-term availability and affordability of non-life insurance coverage in light of climate change. In the pilot exercise the following underwriting practices were the most provided by participants:
  - Dedicated Risk Assessments in Property Insurance.
  - Early warning alert systems against extreme weather events.
  - Nature-based solutions.
- **Challenges for climate change adaptation in non-life insurance.** Three particular challenges emerged from the pilot exercise that appear to hinder the large-scale provision of non-life insurance products implementing climate-related adaptation measures:
  - The lack of policyholders' awareness about climate change and related adaptation measures.
  - Difficulties in the risk-based recognition of adaptation measures in standardized insurance contracts.
  - Substantial costs of adaptation measures and lack of corresponding financial incentives for policyholders.

### 3. Next steps

EIOPA's next steps on sustainable finance include several working areas that will support overcoming these challenges:

- EIOPA aims to study possible tools to enhance climate-related risk awareness and understanding of related prevention measures among society and industry.
- EIOPA will focus on developing ways to improve the collection of insured loss data and on facilitating the use of open-source modelling of climate risks.
- EIOPA will assess the potential for a dedicated prudential treatment of climate-related adaptation measures in non-life insurance, and will initiate the reassessment of the capital charges for natural catastrophe risk in Solvency II's Standard Formula.



EUROPEAN CENTRAL BANK  
EUROSYSTEM

E

09/02/2023

## ECB - Results of 2022 SREP

### 1. Context

The ECB has published the outcome of its **2022 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 despite the outlook worsening throughout the year, rising interest rates led to improved profitability and capital generation. In fact, 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.** The business model scores have remained broadly the same in the 2022 SREP cycle, with supervisors focusing on the forward-looking view given the complex context. 5% of banks have seen their scores improve, associated with enhancements in strategic steering and a rebound in sustainable sources of revenue. Against the backdrop of the deteriorating economic situation triggered by Russia's war in Ukraine and inflationary pressures, bank profitability proved robust in 2022. In fact, aggregate return on equity (ROE) has continued to grow in 2022 and reached 7.6% in the third quarter. The improvement has largely been driven by increased net interest income supported by both volume and margin effects.
- **Internal governance.** Despite the progress made by significant institutions over the last few years, internal governance and risk management remains an area of elevated concern for ECB Banking Supervision (No bank had a score of 1 in 2022, whereas 73% of institutions had a score of 3). The 2022 SREP findings on this are can be grouped together in the following topics:
  - concerns regarding the effectiveness of management bodies in terms of their composition, collective suitability and oversight role.
  - issues related to the risk management framework, mainly regarding the risk appetite and the practices employed to manage climate-related and environmental (C&E) risks.
  - insufficient attention paid by of the management body to compliance and internal audit functions
  - persisting fragmented and non-harmonised IT landscapes.
- **Credit risk.** Positive credit quality developments, such as the continuing reduction of non-performing loans (NPLs), contributed to marginal improvements in average credit risk scores. However, the scores remained the same for more than half of the significant institutions due to the uncertain macroeconomic outlook and signs of latent credit risk
- **Capital adequacy.** Capital adequacy scores have remained broadly the same, with few changes in their distribution relative to 2021. 92% of significant institutions were assigned the same score as in the previous SREP assessment cycle, whereas for 4% the score deteriorated and 4% received an improved score.
- **Other risks.**
  - **Market risk and interest rate risk in the banking book.** In terms of credit spread risk, supervisors noted that market fluctuations only have a limited sensitivity on banks' capital and cautioned that this effect could be put to the test in stressed market conditions. In terms of interest rate risk, supervisors concluded that, while most banks have a balanced positioning to cope with monetary policy normalisation, modelling of expected impacts should be strengthened.
  - **Operational risk.** The main deficiencies in the operational resilience framework include: i) the management of risks related to IT outsourcing and reliance on third-party service providers for critical functions and services, and ii) IT security and cyber risk management, including cyber hygiene measures and cyber resilience.
  - **Climate-related risk.** More than 40 qualitative measures were issued to 30 significant institutions in the 2022 SREP cycle. The qualitative integration of C&E risks had an impact on the SREP scores of a small number of institutions, although this did not translate into higher overall capital requirements.
  - **Risk of excessive leverage.** For the first time, the ECB assessed the risk of excessive leverage in a SREP exercise. The aim was to identify banks that need to apply qualitative measures or P2R for the leverage ratio. The ECB issued qualitative measures for four banks as a result.



**CL** 10/02/2023

**D** **EBA - CP on Draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to IRRBB reporting**

### 1. Context

The EBA reporting framework (as reflected in the Commission Implementing Regulation (EU) 2021/451 - ITS on Supervisory Reporting) is uniformly and directly applicable to reporting institutions, ensuring a level playing field in the area of reporting and facilitating data comparability. On October 2022 the EBA published a policy package which included a final set of Guidelines and two final draft Regulatory Technical Standards (RTS) specifying technical aspects of the revised framework capturing interest rate risks for banking book (IRRBB) positions.

In this context, the EBA has launched a **Consultation Paper (CP) on Draft ITS amending Commission Implementing Regulation (EU) 2021/451 with regard to IRRBB reporting**. This new, harmonised reporting aims to bring the data quality required for assessing IRRBB risks, such as changes in policy rates and the identification of outliers, on an appropriate scale of institutions and to apply the policy package published by the EBA in October 2022. The CP includes simplified templates for the reporting by small and non-complex institutions (SNCIs) and asks for specific feedback on proportionality for medium institutions

### 2. Main points

The EBA has come up with five different templates for enhanced reporting of the IRRBB:

- **J 01.00: Evaluation of the IRRBB: economic value of equity (EVE) / Net Interest Income (NII) Supervisory Outlier Tests (SOT) and Market Value (MV) changes.**
  - Scope of application: this template is proposed to be reported by all institutions, regardless of their classification,
  - Frequency: on a quarterly basis.
  - Information gathered: i) the shock size; ii) the SOT EVE and SOT NII. The sensitivities for the baseline and each of the regulatory shock scenarios are to be reported as the variation of the absolute amount and the iii) market value changes for baseline and parallel up and down shock scenarios.
- **J 02.00 and J 05.00: Breakdown of sensitivity estimates.**
  - Scope of application: this template is to be reported separately by Small and Non-Complex Institutions (non-SNCI) (J 02.00) and SNCIs (J 05.00).
  - Frequency: on a quarterly basis.
  - Information gathered: the SOT NII and SOT EVE, specifically the contribution by each asset and liability item, including derivatives granularity, for every scenario reported in J 01.00.
- **J 03.00 and J 06.00: Repricing cash flows.**
  - Scope of application: this template is to be reported separately by non-SNCIs (J 03.00) and SNCIs (J 06.00).
  - Frequency: on a quarterly basis.
  - Information gathered: the same balance-sheet items as reported in J 02.00 (non-SNCIs) and some extra granularity compared to J 05.00 (SNCIs). These balance-sheet items are to be reported for: i) information on weighted average yield and weighted average contractual residual maturity; ii) information of the exposure amount (and carrying amount) with indication of how much (materiality) is behaviourally modelled and with automatic optionality and iii) information on 19 time buckets for the repricing schedule for all notional repricing cash flows
- **J 08.00: Qualitative information.**
  - Scope of application: this template is proposed to be reported by all institutions, regardless of their classification.
  - Frequency: on a quarterly basis.
  - Information gathered: further information which justifies the information reported in the previous templates, such as assumptions, yield curves and approaches used in the reporting of the other templates.

### 3. Next steps

- Comments to this consultation can be sent until **2 May 2023**.
- After a consultation period of 3 months the EBA will finalise the draft ITS and submit the amending final draft ITS to the EU Commission, which is expected to take place in **mid-2023**.
- The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft amending ITS.
- The first reference date for the application of these technical standards is foreseen to be **June 2024**. The expected implementation period for the proposed changes is approximately **1 year**.



**CL** 17/03/2023  
**EBA - Report on the 2022 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 its annual reports on the consistency of the Risk Weighted Assets (RWAs), across all EU institutions authorised to use internal approaches for the calculation of capital requirements: **Report on the results from the 2022 high and low default portfolios (HDPs and LDPs) credit risk benchmarking** and the **Report on the results from the 2022 market risk benchmarking exercise**. These exercises aim at monitoring the consistency of risk weighted assets (RWAs) across all EU institutions authorised to use internal approaches for the calculation of capital requirements. For market risk, the report presents the results of the 2022 supervisory benchmarking and summarises the conclusions drawn from a hypothetical portfolio exercise (HPE) conducted in 2021/22. Regarding credit risk, this year's Report continues to provide in-depth analysis of the observed and potential impact of the COVID-19 pandemic on the internal rating-based (IRB) parameters used to calculate own funds requirements.

## 2. Main points

### Report on the 2022 Credit Risk Benchmarking Exercise

- **Sample.** 101 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. However, given the individual business models not each participating institution provides data for each portfolio.
- **Changes in exposure at default (EAD) and risks weight (RWs)**
  - For non-defaulted exposures, the EAD covered by the IRB approaches of institutions in the sample has been increasing for all exposure classes, except for exposures to institutions, with more significant increases observed in the mortgage's exposure class (MORT) and the large corporates exposure class (LCOR).
  - The EAD may be lower than the original exposure e.g. in case of unfunded credit risk mitigation with an effect on the EAD. The exposure to SMEs in the corporate asset class (SMEC) and to retail SMEs which are not secured by immovable property (SMOT) which is benefitting from guarantees has nevertheless been increasing again in 2021, however not as significant as observed for 2020.
  - In addition, for defaulted exposures, the according EAD has been decreasing in all exposure classes.
  - The increase in non-defaulted exposure that has been observed during 2021 in some exposure classes, combined with COVID-19 support measures applied by member states, should give rise to vigilance regarding the appropriateness of own funds requirements arising from the IRB approach as the underlying exposure might be structurally different from the experience incorporated in the historical observation periods. Equally the significant decrease of defaulted exposure observed in parallel to the significant increase in non-defaulted exposure should trigger some supervisory vigilance.
- **Probability of default (PD) and default rate (DR) developments**
  - There is a slight decrease in the 1-year and 5-years DR as well as a slight decrease in the PD. Furthermore, for corporate exposure (CORP), there is a slightly lower dispersion of the PD values.
    - This trend is likely explained by the **Moratoria** and the **other national support measures** implemented in the response to the COVID-19 pandemic, but may as well be influenced by the implementation of new default identification processes in institutions.
    - This trend is **unlikely to have caused the equally decrease of median PDs**, given the clarification for the use of COVID-19-impacted data for internal credit risk models that EBA has published on the 21<sup>st</sup> of June 2022. Moreover, it is unlikely that institutions already recalibrated their rating systems with the most recent DR from the crisis years given the time they need for model recalibration and model change approval. Further, the EBA recommends that potential downward recalibrations be postponed at least until the effects of the crisis have fully materialised in the observed loss rates. Therefore, it is unlikely that there is a cause effect relation between the trend of decreasing DR and the trend of decreasing PDs both observed as of 31<sup>st</sup> December 2021 compared to 31<sup>st</sup> December 2020.
  - The average PDs for LDP exposure classes implies that for exposure to large corporates (LCOR) the support measures may have now been incorporated in the rating grade assignments. It should be noted that while for LCOR the average PDs seem to revert to pre-crisis levels, the average PDs for some HDP portfolios are significantly below the 2019 levels.

- **Portfolio composition and representativeness**
  - The most relevant asset class in terms of capital absorption is the LCOR, with a share in terms of RWA of 33% against a share of exposure of 19%. It should be noted that around 80% of the LCOR EAD relate to obligors for which only foundation internal ratings-based (FIRB) or standardised approach (SA) will be available following the full Basel III implementation.
  - The exposure class MORT is still the most relevant in terms of exposure, representing 29% of the total, in line with the core business of most European institutions.

#### Report on the 2022 Market Risk Benchmarking Exercise.

- **Sample.** 41 banks from 13 jurisdictions. The relevant institutions submitted data for 81 instruments recombined into 62 market portfolios and 4 correlation trading portfolios.
- **Overview of the results obtained.**
  - The primary considerations are that the 2022 results show a small reduction in the dispersion of the initial market valuation (IMV) versus the 2021 exercise with regard to the FX asset class; remained fairly stable versus the 2021 dispersion.
  - From a risk factor perspective, FX and commodities (CO) portfolios exhibit a lower level of dispersion than the interest rates (IR), equity (EQ) and credit spread asset classes.
  - Across all asset classes except for credit spread (CS) the overall variability for value at risk (VaR) is lower than the observed variability for stressed VaR (sVaR) (21% and 28% respectively, compared with 27% and 31% in 2021 and with 18% and 29% in 2020). More complex measures such as the incremental risk charge (IRC) show a higher level of dispersion (45%, compared with 43% in 2021, and 49% in 2020).
  - The variability of the empirical estimates of the expected shortfall (ES) at a 97.5% confidence level indicates that the dispersion in this metric across risk factors is similar to that found for VaR and profit and loss (P&L) VaR
- **Dispersion in the capital outcome.** The average variability across the sample as measured by the interquartile dispersion (IQD) is significant, around 20%.
- **Additional analysis of Risk measures.** The analysis has been extended to other drivers of variation, such as the size of the bank, the business model of the bank, the level of approval granted by the Competent Authorities (CAs) and the already mentioned stressed period applied in the sVaR calibration. From this analysis it is concluded that the bigger a bank is in terms of its trading book, the (slightly) smaller the dispersion on average.
- **Sensitivities Based Method (SBM) and Own Funds Requirements (OFR) analysis.** The 2022 benchmarking exercise see the intro of the SBM sensitivities and OFR data collection:
  - Overall, the OFR data submitted by the banks was quite complete and close to the Risk Measures data submission. The dispersion of the SBM OFR, as expected is generally lower than the dispersion for the standard Risk Measures (VaR and sVaR). On the one hand, this is reassuring result, since standardised measures are supposed to be the same for all, and so a low IQD is expected. On the other side, there are portfolios where the IDQ is higher for the SBM measures with respect to the VaR measures.
  - The level of detail in the SBM OFR submission, allow the supervisors to clearly define which are the asset class and risk class component of the OFR, and this allows to identify area of potential problem in the application of the standardised methodology.

### 3. Next steps

- **CAs' assessments based on supervisory benchmarks.** Overall, CAs planned some action in respect of 15 banks (i.e reviewing the banks' internal VaR and IRC models, extra supervisory charges or further internal model investigations at the peer level).





16/01/2023

C

## Congress of Deputies - Draft Law on Securities Markets and Investment Services.

### 1. Context

The Securities Market Law establishes the basic characteristics of the different financial markets and their agents, and sets out their essential obligations of conduct and information to guarantee the protection of financial customers. Since the last reform of this law in 2015, a large number of publications have been published amending European financial regulations, such as: i) the amendment of Solvency II; ii) the amendments to the Markets in Financial Instruments Directive; iii) the Directive on the prudential supervision of investment firms; iv) the proposal for a Directive accompanying the proposals for Regulations concerning crypto-asset markets, the temporary regime for market infrastructures based on distributed registry technology (TRD) and digital operational resilience and the v) Quick Fix Directive of MiFID II. As a result, in August 2022 the Preliminary Draft Bill transposing these European regulations into Spanish law and removing those precepts included in European regulations was approved, pending parliamentary processing.

In this context, the Congress of Deputies has approved the Securities Markets and Investment Services Bill, which incorporates the necessary improvements to facilitate the development of Spanish securities markets in the current competitive environment; to substantially improve the regulatory and systematic technique of this sector; and to adapt national regulations to recent developments in European law.

### 2. Main points

The main changes introduced by this Law in the framework of the securities markets affect different aspects of these markets:

- **Representation and registration of securities**
  - Those issued by means of decentralised or distributed registration technologies (DLTs) are recognised as financial instruments, in addition to securities or book entries. The regulations are also established for the accounting registration of negotiable securities admitted and not admitted to trading, represented by means of these technologies.
  - The obligation for the central securities depository to have an information system for the supervision of trading, clearing, settlement and registration of securities is eliminated, as this system is redundant with the provisions of European regulations.
- **Trading venues.** Multilateral trading facilities (MTFs) and organised trading systems (OTFs) shall also be considered trading venues. In this respect, they will be subject to the regulations of regulated markets on takeover bids and will also be subject to the rules on the opt-out from trading of a financial instrument that until now only applied to regulated markets.
- **Development of the Listed Companies with Acquisition Purposes (SPAC) regime.** The regime of SPAC is developed. The SPAC consists of the incorporation of a listed company that attracts investments and whose exclusive corporate purpose is the identification of a company -generally unlisted- with high growth potential. One of the main features of SPACs is that investors have a right of redemption of the capital invested in the SPAC at the time of incorporation. In addition, provision is made for the SPAC to reduce its capital by acquiring own shares as a redemption mechanism. Other specific provisions are also laid down for SPACs in relation to takeover bids, legal grounds for separation, the treasury stock regime and the requirements applicable to acquisitions for valuable consideration. It is also specified that the listed company with a takeover intention will have a period of 36 months to formulate a takeover proposal, which may be extended by a further 18 months if so approved by the General Meeting of shareholders.
- **Investment firms**
  - The separation of prudential requirements according to the size of investment firms and other requirements related to systemic risks and their economic importance is set out. Those institutions whose total value of their consolidated assets or the group of which they form part is equal to or greater than EUR 30 billion must obtain authorisation as a credit institution and be supervised by the Bank of Spain (BdE). On the other hand, those investment services firms that have consolidated assets whose value exceeds 15 billion euros or are part of a group that complies with this requirement will be investment services firms authorised and supervised by the CNMV. Thirdly, there will be another group of investment services firms also subject to the prudential regulation of credit institutions, when so determined by the CNMV (consolidated assets > EUR 5 billion meeting the conditions of size, nature, scale and complexity).
  - The CNMV's obligation to establish and apply position limits to the size of a net position in agricultural commodity derivatives and critical or significant commodity derivatives traded outside the trading venue is extended.
  - The national financial advisory firm (EAFN) is established which must join the Investment Guarantee Fund (FOGAIN). It comprises natural and legal persons other than credit institutions that may provide investment advice, without being considered as investment firms. These natural or legal persons will be referred to as national financial advisory firms and will be subject to the same requirements and sanctioning regime as financial advisory firms but with lower initial capital requirements and may not provide their services in other EU or non-EU Member States.

- **Advertising.** Obligations are established for internet search engines, social networks and the media to collect information indicating that advertisers of financial instruments or investment services to the general public who intend to advertise on their systems have the corresponding authorisation to provide investment services, before publishing their advertisements or highlighting such advertisers in search results, internet pages or social networks for remuneration. In addition, they shall verify that such advertisers are not included in the list of entities warned by the CNMV or by foreign supervisory bodies.
- **Cryptoassets market.** The necessary adaptations are introduced for the application of the Regulation on crypto-asset markets. Specifically, with regard to the designation of the CNMV as the competent authority for the supervision of the issue, offer and admission to trading of certain crypto-assets that are not financial instruments. The applicable infringement and sanctioning regime is also introduced.
- **Regime for credit cooperatives.** The Law on credit cooperatives is amended to incorporate regulations on the marketing of a credit cooperative's social contributions to members or potential members.

### 3. Next steps

- This law will enter into force in general terms twenty days after its publication in the Official State Gazette (BOE).
- A transitional period of **two years** from the entry into force of this law is introduced for **the elimination of the information system for the supervision** of trading, clearing, settlement and registration of securities.

15/03/2023

**BdE - Circular on the information and statements to be submitted to the BdE on covered bonds and other loan mobilization instruments.**

**1. Context**

Until the publication of Directive 2019/2162 on the issuance and public oversight of covered bonds, European legislation on covered bonds was scattered in different directives and did not provide a uniform definition of covered bonds. This meant that the same preferential treatment could be given to instruments which could differ in nature, risk and level of investor protection, which hindered the creation of a true single market for covered bonds and could also be detrimental to financial stability. This Directive was transposed in Spain through Royal Decree-Law 24/2021, which sets out the information credit institutions issuing covered bonds are required to report to the Bank of Spain.

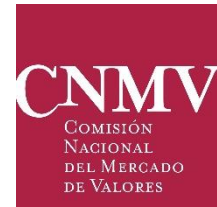
Against this backdrop, the Bank of Spain has published **Circular 1/2023 elaborating on the information to be submitted to the Bank of Spain on covered bonds and other debt mobilisation instruments**, and the requirements relating to mortgage securities and mortgage transfer certificates. In addition, some reporting requirements in Circular 4/2017 and Circular 4/2019 are repealed.

**2. Main points**

- **Scope of application.** The circular will be applicable to credit institutions, branches in Spain of credit institutions authorised in another EU Member State and financial credit institutions, depending on the type of information to be submitted.
- **Information and statements to be sent to the Bank of Spain, as well as the rules for completing and submitting them.** The information is structured in seven blocks and must be submitted within the stated deadlines after the end of the quarter to which the data refer:
  - 15<sup>th</sup> day of the following month: 1) Cover pool liquidity buffer requirement for the covered bond programme; 2) Cover pool liquidity buffer requirement for instruments mobilising credits or loans secured by first mortgages or first non-possessory pledge.
  - 25<sup>th</sup> day of the second month: 1) Cover pool asset eligibility and cover pool requirements for the covered bond programme; 2) Instruments for the mobilization of credit or loans secured by first mortgages or first non-possessory pledges; 3) Issues of mortgage securities and mortgage transfer certificates; Cover pool register organisation and management (if there have been changes since the previous submission); 4) Cover pool supervisory body (if there have been changes since the previous submission).
- **Amendments to Circular 4/2017.** Individual public statements PI 11 to PI 13 are removed, and the content of the notes to the individual annual accounts is modified. Likewise, the annex on special accounting records and any references to them in the internal accounting development and management control regulations are deleted.
- **Amendments to Circular 4/2019.** The requirement for credit financial institutions to publish certain information in accordance with statement templates PI 11 and PI 12 in Circular 4/2017 and to submit them to the Bank of Spain is eliminated.

**3. Next steps**

- The Circular comes into force on **31<sup>st</sup> March 2023**. The first supervisory statements required under this Circular will be those for the first quarter of 2023, but they will need to be submitted to the Bank of Spain together with those for the second quarter of 2023, on the date stipulated for the latter statements.



S 28/03/2023

E **CNMV - Report on the CNMV's supervision of non-financial statement for the financial year 2021 and main areas of review for the following financial year.****1. Context**

In 2017, Royal Decree-Law 18/2017 made it mandatory for companies 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 2020 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. In 2022, the CNMV published for the first time a Report on the supervision of EINF and main areas of review for the following year. The same year also saw the publication of Directive (EU) 2022/2464 on Corporate Sustainability Reporting (CSRD), which reinforces the existing rules on disclosure of non-financial information contained in the NFRD.

In this context, the CNMV has published the second **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 2021 NFIS of companies of securities traded on regulated markets in the EU under the supervision of the CNMV (hereinafter companies). It also includes certain priority areas for the purpose of the CNMV's supervision of 2022 NFIS.

**2. Main points**

- **Companies subject to NFIS publication.** Of the 136 companies that submitted individual annual accounts, and of the 128 companies that issued consolidated annual accounts for the financial year 2021, only 52 were required to include the NFIS in their individual management report.

The number of companies that have submitted the NFIS for the financial year 2021 has increased compared to the previous year, mainly due to: i) the lowering of the threshold for the number of employees to 250; and ii) the listing of non-financial entities on the stock market.

- Three Ibx companies were not required to prepare the 2021 NFIS because they did not exceed 250 employees on average per year: : Inmobiliaria Colonial, SOCIMI, S. A., Merlín Properties, SOCIMI, S. A. y Solaria Energía y Medioambiente, S. A.
- All companies obliged by Royal Decree Law 18/2017 submitted the corresponding NFIS verification report.

- **Supervision of non-financial information.**

- Formal review. Different recommendations were sent to 17 companies, and further information was requested from 9 companies on the following issues: i) the caveat in the verification report; ii) the frameworks used; iii) the tables of contents; and iv) Article 8 of the Taxonomy Regulation.
- Substantive review. There were recommendations to all supervised companies (20 companies), and further information was required from 13 companies, primarily in relation to the following aspects: i) the breakdowns of the carbon footprint and reduction targets; ii) the indicators in Article 8 of the Taxonomy Regulation; iii) the methodology and concepts considered for the calculation of the pay gap; iv) the perimeter considered and exclusions; v) the business model and third party participation in the issuer's value chain; vi) consistency between the information in the notes to the report regarding provisions and contingencies and that included in the human rights and corruption issues of the NFIS; vii) variable remuneration linked to sustainability indicators; and viii) the impacts of COVID-19.
- Climate related issues. The European Securities and Markets Authority (ESMA) again considered climate change-related disclosures as a priority, emphasising the importance of transparency in describing policies and their outcomes. It also stressed the importance of describing the impact of the entity's activities on climate, as well as the risks (physical and transitional) and opportunities with material impact for the entity arising from climate. In addition, ESMA insisted on including disclosures to understand the financial implications of climate-related issues.

In this regard, additional information was requested from 6 companies for climate change issues (3 in 2020), while recommendations were sent to 17 of the 20 companies for climate change issues (13 in 2020).

- Social and staff issues. In this area, requests were sent to two companies, and recommendations were sent to 16 entities.

In relation to equality, inclusion and diversity, of note was the information requested or recommended on the pay gap (hereinafter, gap) and average remuneration KPIs, in respect of which 2 companies (e.g. appropriate segmentation of the wage gap) were requested and recommendations were sent to 12 companies (5 and 6 in 2020, respectively).

In addition, it was recommended that they be more specific in the breakdown of the risks related to this issue considering the activity and the countries in which they operate, broadening their description and providing a short, medium and long-term perspective of these risks, as recommended by the EU Guidelines

- **Special analyses performed.** The following special actions were carried out during the review of the NFIS:
  - Breakdowns relating to Article 8 of the Taxonomy Regulation: companies of non-financial securities with more than 500 employees were required to provide in their NFIS for the financial year 2021 the proportion of eligible and non-eligible economic activities, for climate change mitigation and adaptation objectives in their total turnover, their CapEx and OpEx, together with certain qualitative information relevant to this disclosure.
  - Carbon footprint: ESMA emphasised the importance of providing Scope 1 and 2 emissions, as well as Scope 3 where reliable data is available, together with an explanation of the most relevant sources of these emissions, noting that these disclosures should not be limited to providing retrospective information, but also information on expected progress towards meeting targets.
- **Supervision Plan for 2022 NFIS.**
  - ESMA established in October 2022 the following priority topics to be included in the 2022 NFIS: i) climate-related issues; ii) breakdowns relating to article 8 of the Taxonomy Regulation; and iii) perimeter and data quality.
  - The CNMV adds other recommendations such as a more detailed analysis of the disclosures related to the Taxonomy Regulation.
  - Other issues will also be reviewed, such as the water footprint and the complaints channel, and any other specific aspects that are relevant for the purposes of each issuer of securities supervised by the CNMV.



31/01/2023

## C FCA - Results of the Consumer Duty implementation plans review

### 1. Context

In July 2022, the FCA set out the final rules and guidance for a new Consumer Duty. The Consumer Duty which 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. In order to embed the Duty effectively, the FCA introduced a implementation period depending on the type of product. By the end of October 2022, firms' boards were expected to have agreed their plans for implementing the Duty. After the end of this milestone, the FCA requested these plans from larger fixed firms (with the greatest potential impact on consumers and markets).

In this context, the FCA has published the Results of the Consumer Duty implementation plans review. Many of the plans reviewed showed that firms have understood and embraced the shift to focus on consumer outcomes but others suggested some firms may be further behind in their thinking and planning for the Duty. In this respect FCA has identified many examples of good practice, and also examples where firms may need to improve their implementation approach.

### 2. Main points

- **Key findings.** The review highlighted three key areas where firms should particularly focus their attention during the second half of the implementation period (to 31 July 2023):
  - Effective prioritisation: Some plans do not have clear basis for prioritising some implementation work ahead of other aspects:
    - Firms should make sure they are prioritising appropriately, focusing on reducing the risk of poor consumer outcomes and assessing where they are likely to be furthest away from the requirements of the Duty.
  - Embedding the substantive requirements: Some plans suggested that firms may have considered the requirements superficially or are over-confident that their existing policies and processes will be adequate:
    - FCA urges firms to carefully consider the substantive requirements of the Duty.
    - Firms should ensure that, when they are reviewing their products and services, communications and customer journeys, they identify and make the changes needed to meet the new standards.
  - Working with other firms: To implement the Duty on time, many firms need to work and share information with other firms in the distribution chain. However, FCA found some plans which gave little focus to this area:
    - This suggests some firms may need to accelerate their work on this important aspect of implementation.
- **Good practices and areas of improvement.**
  - Governance and oversight. Many firms have developed robust governance frameworks for their implementation work, with clear executive accountability for delivery and board oversight. On the other hand, in some cases, there was more limited evidence that firms' boards and committees had properly scrutinised and challenged plans.
  - Culture and people. Some plans set out a clear people and training approach to ensure all staff understand their responsibilities under the Duty. Different approaches were proposed to engage staff, including all-staff and role-tailored training. Other plans were lacking in detail in this area. In some cases they recognised the importance of a culture focused on delivering good customer outcomes but provided little explanation of tangible action the firm needs to take to ensure this is the case.
  - Deliverability. Most firms have effectively set out key workstreams, with some clearly mapping the milestones they need to meet to have a realistic prospect of meeting the implementation deadline. On the other hand, some firms' implementation work appears to be less progressed than others with gap analyses at an earlier stage and project requirements yet to be fully scoped.
  - Third parties. Some firms appeared to have a good understanding of implementation dependencies with third party providers and had allocated time in their plan. As an area for improvement, other firms' work appeared less developed in this area. Some recognised that they do work with third parties – and that they would need to consider this – but did not specifically identify key third party relationships or the nature of any dependency.
  - The four outcomes. Firms shall identify where they fall short, and make the changes necessary to their products, communications, systems and processes to meet the Duty standard. Some plans were clearer than others that firms had engaged with these substantive requirements of the Duty and considered what these mean for their businesses and the changes they will likely need to make. However, given the high-level nature of many plans at time of review, there was more limited evidence in some plans of how firms have engaged with the substantive requirements of the Duty.

- Data strategies. Firms that had considered the consumer outcomes they are aiming to deliver also tended to have considered the data they need to measure and monitor the delivery of these outcomes. Nevertheless, some plans offered more limited detail of firms' in-depth consideration of their data requirements under the Duty and how they will source, package, monitor, govern, and act upon these.

### 3. Next steps

- Firms should consider the findings from the review, and develop their implementation plans and approach in line with good practice where appropriate.
- FCA will continue working to support firms' embedding activities in the run-up to the July 2023 implementation deadline for new and existing products and services:
  - Continue to engage with fixed firms where there are questions about their plans or approach, and to monitor the progress they are making in embedding the Duty. FCA will also be working with and supporting board champions at some larger firms.
  - Sending a survey to a sample of firms to help it understand the progress they are making in implementing the Duty and will carry out targeted engagement with smaller firms.
  - Issuing letters to firms, highlighting the key expectations on implementing the Duty and some of the key risks and consumer harms FCA is concerned about in their sectors.



HM Treasury

14/02/2023

**T** BoE/HM Treasury - Digital Pound

## 1. Context

The way money is used in the United Kingdom is changing, bringing fresh opportunities and new considerations for public policy. Banknotes, issued by the BoE, are being used less frequently by households and businesses, while new technologies are allowing for the emergence of new forms of digital money, and new ways and devices to pay with it. International developments have the potential to affect the UK domestically and as a global leader in finance.

In this context, the joint BoE-HM Treasury central bank digital currency (CBDC) Taskforce, has published a **Consultation Paper (CP) that sets out an assessment of the case for a retail CBDC – a so-called digital pound.**

## 2. Main points

- **Main characteristics.**
  - The delivery of the digital pound would be a public-private partnership that reflects the comparative advantages of each sector.
  - Public digital money issued by a central platform operated by the BoE.
  - The BoE and the Government would not see any personal data.
  - The digital pound technology architecture would be flexible, adaptable and extensible.
  - Digital pass-through wallets would allow users to hold and use the digital pound, which would always be a direct liability of the Bank.
  - Accessible to UK and non-UK residents.
  - Used by households and businesses.
  - Seamlessly exchangeable with other forms of money, including cash and bank deposits. The digital pound would not replicate physical cash in every respect.
  - Accessed by users through smartphones or cards.
  - No interest would be paid.
  - Limited amount per user, at least initially.
  - For everyday payments online and in-store.
- **Reasons to create a digital pound.** The BoE and HM Treasury consider two main primary motivations for the digital pound:
  - To sustain access to UK central bank money – ensuring its role as an anchor for confidence and safety in our monetary system, and to underpin monetary and financial stability and sovereignty.
  - To promote innovation, choice, and efficiency in domestic payments as our lifestyles and economy become ever more digital.
  - Other motivations include enhancing financial inclusion, payments resilience and improving cross-border payments.
- **Monetary and financial stability risks.** If introduced, the digital pound would need to support the Bank's objectives for monetary and financial stability. The digital pound could also pose some risks, which would need to be managed before it could be introduced:
  - New forms of digital money, both the digital pound and stablecoins, could adversely impact banks' businesses models and affect the cost and availability of credit. As bank deposits flow to a newly introduced digital pound, commercial banks lose retail deposit funding and could pass on higher wholesale funding and could mean higher wholesale funding costs for customers.
  - The extent of bank disintermediation and impact on the cost of credit depends crucially on the speed and scale of adoption of the digital pound.
  - The digital pound would not fundamentally alter the traditional channels of money creation, but it might affect monetary stability: i) via the transmission mechanism of monetary policy; ii) via monetary policy implementation; iii) via the equilibrium interest rate and the effective lower bound (ELB); and iv) via productivity.
    - Bank disintermediation might affect the **transmission of monetary policy to the real economy**.
    - Keeping the digital pound retail-focused would help to ensure that **monetary policy is implemented effectively**. In addition, the Bank would intervene to change the supply of reserves more frequently or in larger size.
    - The digital pound could affect the **level of the equilibrium interest rate**, with implications for the conduct of monetary policy. However, it is considered that the impact of the digital pound on the equilibrium interest rate is small and probably slightly negative.
    - The digital pound could affect the level of productivity. The direct effect would be through enhanced payments efficiency as payments become faster and/or cheaper. On the other hand, the digital pound may result in bank disintermediation and tighter financial conditions, reflecting higher funding costs or bank lending rates.



- **Criteria of the proposed digital pound model.**
  - The model should be interoperable with other forms of money, in particular cash and bank deposits.
  - The model should ensure a standard of operational resilience necessary for major national infrastructure.
  - The model should support private sector innovation, safeguards data protection and privacy, and promotes accessibility.

### 3. Main points

- The Bank and HM Treasury have set a list of questions which respondents should provide answers by **7 June 2023**. After this, the Bank and HM Treasury will assess the responses and these will be evaluated and inform their future work and exploration of the digital pound.



21/03/2023

## T UK Parliament - Explanatory notes to the bill of the Data Protection and Digital Information (Nº 2).

### 1. Context

In 2018, the EU General Data Protection Regulations (GDPR) started to apply in the UK, as supplemented by the Data Protection Act (DPA) of the same year. However, in the government's view, some elements of these regulations created barriers, uncertainty and unnecessary burdens for businesses and consumers. For this reason in July 2022 it was first introduced the Data Protection and Digital Information Bill and was paused in September 2022 so ministers could engage in a participatory design process with business leaders and data experts, ensuring that the new regime was built on the UK's high standards for data protection and privacy. At the same time it sought a move away from the restrictive approach of the European GDPR.

In this context, the UK Parliament has introduced the **Data Protection and Digital Information (No. 2) Bill** with the aim of providing organisations with greater flexibility on how to comply with certain aspects of the data protection legislation; improving the clarity of the framework, particularly for research organisations; and providing more certainty and stability for cross-border flows of personal data. It also extends data sharing powers to include businesses, with a view to better enabling targeted government services to support business growth and to deliver joined-up public services and reduce legal barriers to data sharing.

### 2. Main points

- **Scope of application.** The Bill's data protection reforms extend to the whole of the UK, although with specifications depending on the type of modification.
- **General changes to the DPA and UK GDPR.**
  - Clarification of the language in the UK GDPR with a view to helping researchers in their use of personal data. It would allow for the re-use of personal data for the purpose of longer term research studies.
  - Streamline the requirements the current legislation places on organisations to demonstrate how they are complying with the legislation.
  - Changes to the Privacy and Electronic Communications Regulations 2003, relating to confidentiality of terminal equipment (e.g. cookie rules), unsolicited direct marketing communications (e.g. nuisance calls), and communications security (e.g. network traffic and location data).
  - Clarification of the rules on international transfers and cross-border flows of personal data, in order to facilitate international trade by providing a clearer and more stable framework for international transfers of personal data.
- **Changes to Part 3 of the DPA.**
  - Introducing a definition of consent that has the same meaning as in the other regimes in order to minimise differences across the regimes, as well as conferring the ability to create codes of conduct and introducing similar exemptions for legal professional privilege and by protecting national security.
  - Removing the requirement for competent authorities to inform the data subject that they have been subject to automated decision-making if certain conditions are met.
  - Amendment of the requirement for controllers to keep logs relating to processing, removing the requirement to record a justification in the logs of consultation and disclosure.
- **Other changes:**
  - Enabling swift implementation of new international alerting data sharing agreements.
  - Establish a regulatory framework for the provision of digital verification services in the UK and enable public authorities to disclose personal information to trusted digital verification services providers for the purpose of identity and eligibility verification.
  - Extending powers under the Digital Economy Act (DEA) 2017 to allow data sharing to deliver public services to businesses.
  - Improving data portability between suppliers, service providers, customers, and relevant third parties.

### 3. Next steps

The Bill was introduced to the House of Commons and given its First Reading on Wednesday 8<sup>th</sup> March. This stage is formal and takes place without any debate. Members of the Parliament will next consider the Bill at Second Reading. The date for second reading has not yet been announced.



# Q1 Relevant publications

## American region

### S 23/01/2023 Fed - Pilot Climate Scenario Analysis Exercise: participant instructions

#### 1. Context

Climate change poses significant challenges for the global economy and financial system, with implications for the structure of the economy, the safety and soundness of financial institutions, and the stability of the financial sector more broadly. Large banking organizations are increasingly focused on climate-related financial risks and are incorporating these risks into their risk-management frameworks but there are conceptual and practical challenges which make it difficult to understand fully how climate-related financial risks may impact the financial condition of large banking organizations (e.g. lack of relevant historical data). As a result, in September 2022 the Fed announced that a pilot climate scenario analysis exercise will be launched in early 2023 and it would conclude around the end of the year.

In this context, the Fed has published the **Pilot Climate Scenario Analysis (CSA) Exercise: participant instructions**. The Board has designed the pilot CSA exercise to learn about large banking organizations' climate risk-management practices and to enhance the ability of large banking organizations and supervisors to identify, measure, monitor, and manage these risks. The pilot CSA exercise comprises two separate and independent modules: a physical risk module and a transition risk module as well as supporting documentation and responses to qualitative questions describing their governance, risk-management practices, measurement methodologies of the large banking organizations.

#### 2. Main points

- **Exercise participants.** Six U.S. bank holding companies (BHCs) (referred to as "large banking organizations" or "participants") will participate in this pilot exercise: Bank of America; Citigroup; Goldman Sachs; JPMorgan; Morgan Stanley; and Wells Fargo Bank. These large banking organizations have material corporate and real estate portfolios and have made significant investments in their climate-related, risk-management capacity
- **Model risk management.** Many large banking organizations are in the early stages of model development for their climate-related financial risk model. For this reason participants may use models that have not been fully integrated into their model risk-management framework, including those that have not yet been subject to comprehensive model validation
- **Physical Risk Module.**
  - **Scenarios.** The pilot CSA exercise will focus on how acute physical risk drivers impact large banking organizations' residential real estate (RRE) and commercial real estate (CRE) loan portfolios over a one-year horizon in 2023. The physical risk scenarios consider physical impacts based on a distribution of potential future physical shocks of different levels of severity for both a common and an idiosyncratic hazard. The scenarios also consider different degrees of risk mitigation related to insurance coverage:
    - The **common shock** component of the physical risk module considers participants' vulnerability to a severe hurricane (or a series of hurricanes) resulting in both storm surge and precipitation-induced flooding in the Northeast region of the United States. Participants should estimate the impact of the common hazard for their residential and CRE exposures within the Northeast region across two different degrees of physical risk severity and with different insurance assumptions. For each of the iterations, participants should consider climate conditions broadly consistent with possible future climate conditions in 2050.
    - For the **idiosyncratic shock** component, participants should select a hazard event (or a series of events) and one of the 10 geographic regions pointed out in the document, based on materiality to their business models and exposures. Similar to the common shock, participants should document all material assumptions they make around the design of the idiosyncratic hazards across all scenarios and assumptions around the state of climate and the related chronic physical features in 2050.
  - **Direct and indirect impacts.** In addition to the direct impact of physical risks on credit risk, participants are encouraged, but not required, to incorporate indirect effects of the event where possible (e.g. impacts on the local economy, infrastructure, municipal debt, and supply chains).
  - **Balance Sheet Approach.** The physical risk module assumes an immediate physical shock to the December 31, 2022, balance sheet. Participants will report the impact on relevant credit metrics for each loan or facility on the balance sheet assuming the shock is realized on January 1, 2023. For purposes of this pilot exercise, participants will assume that balance sheets remain static over the relevant projection horizon.
  - **Projected Risk Parameters.** Participants should report best estimates of scenario-adjusted probability of default (PD) and loss given default (LGD) as of January 1, 2023, for each loan or facility in the portfolios in scope. In addition, participants should report best estimates of the scenario-adjusted internal risk rating grade (RRG), for CRE exposures across both hazards and scenarios. Participants should report six sets of estimates for each credit risk parameter: three iterations for the common shock and three iterations for the idiosyncratic shock.

- **Transition Risk Module.**
  - **Scenarios.** The transition risk module will focus on estimating the effect of specific scenarios on corporate loan and CRE loan portfolios over a 10-year horizon from 2023–32. The pilot CSA exercise will not include a review of the trading book. The Fed leverages scenario narratives from the most recent Network of Central Banks and Supervisors for Greening the Financial System (NGFS) climate scenarios released in October 2022. For the transition risk module, the Federal Reserve has selected two scenarios from the Phase III vintage of climate scenarios from NGFS: Current Policies and Net Zero 2050:
    - **Current Policies.** This scenario assumes that all countries or regional groups preserve currently implemented policies and adopt no new policies, including those already announced, to abate emissions. This scenario reports increases in greenhouse gases (GHG) emissions until 2080 and an overall warming of 3°C by 2100. Transition risks in the Current Policies scenario are minimal. For the pilot CSA exercise, participants should use the Current Policies scenario as the applicable baseline scenario.
    - **Net Zero 2050.** This scenario limits global warming to around 1.5°C through stringent climate policies and innovation, reaching net zero CO<sub>2</sub> emissions around 2050. The scenario assumes that stringent climate policies are introduced immediately, and carbon prices increase over the time horizon of the exercise. Transition risks are moderate in this scenario.

### 3. Next steps

- Participants will submit completed data templates, supporting documentation, and responses to qualitative questions to the Fed by **July 31, 2023**.
- The Board anticipates publishing insights gained from this pilot exercise around the **end of 2023** at an aggregate level, reflecting what has been learned about climate risk-management practices and how insights from scenario analysis will help identify potential risks and promote effective risk-management practices. Consistent with the objectives and design of the pilot exercise, the Board does not plan to disclose quantitative estimates of potential losses resulting from the scenarios included in the pilot exercise. No firm-specific information will be released.



27/03/2023

## Fed - Bank Term Funding Program

### 1. Context

The collapse of Silicon Valley Bank (SVB) meant its inability to continue to meet the repayment of its deposits due to its lack of liquidity, being then intervened by the Federal Deposit Insurance Corporation (FDIC). These circumstances have resulted in exigent stress to US banks and the financial system.

In this context, the Fed has created the **Bank Term Funding Program (BTFFP)** with the aim to support American businesses and households by making additional funding available to eligible depository institutions. The BTFFP offers loans of up to one year in length to eligible depository institutions pledging any collateral eligible for purchase by the Federal Reserve Banks in open market operations.

### 2. Main points

- **Eligible borrowers.** Any US federally insured depository institution (including a bank, savings association, or credit union) that is eligible for primary credit.
- **Eligible collateral.** Includes any collateral eligible for purchase by the Reserve Banks in open market operations, provided that such collateral was owned by the borrower as of March 12, 2023.
- **Advance size.** Limited to the value of eligible collateral pledged by the eligible borrower.
- **Advance term.** Available to eligible borrowers for a term of up to one year.
- **Rate.** Will be the one-year overnight index swap rate plus 10 basis points; the rate will be fixed for the term of the advance on the day the advance is made.
- **Fees.** There are no fees associated with the BTFFP.
- **Collateral valuation.** Will be par value. Margin will be 100% of par value.
- **Prepayment.** Borrowers may prepay advances (including for purposes of refinancing) at any time without penalty.
- **Recourse.** Advances are made with recourse beyond the pledged collateral to the eligible borrower.
- **Requirements imposed on recipients.** The BTFFP will not impose any new requirements on borrowers with respect to employee compensation, distribution of dividends, or any other corporate decision in exchange for accessing this facility.
- **Expected costs to taxpayers.** The BTFFP includes features that are intended to mitigate risk to the Fed and taxpayers.
  - Eligible collateral is limited to high-quality assets, and advances are made with recourse beyond the collateral pledged by the borrower depository institution.
  - The Department of the Treasury, using the Exchange Stabilization Fund (ESF), is providing \$25 billion as credit protection to the Reserve Banks in connection with the BTFFP.

### 3. Next steps

- Eligible borrowers can request advances under the BTFFP until **March 11, 2024**.
- No new advances will be made after that date, unless the BTFFP is extended by the Fed Board and the Secretary of the Treasury.

## T 06/02/2023 NIST - Artificial Intelligence Risk Management Framework



### 1. Context

Artificial intelligence (AI) technologies have significant potential to transform society, the environment and our planet. AI technologies can drive inclusive economic growth and support scientific advancements, however, also pose risks that can negatively impact individuals, groups, organizations, communities, society, the environment, and the planet. Like risks for other types of technology, AI risks can emerge in a variety of ways and can be characterized as long- or short-term, high or low-probability, systemic or localized, and high- or low-impact. Already in Europe, the Commission (EC) published in April 2021 the Proposal for a Regulation on a European approach to IA with the aim of implementing the development of a trust ecosystem by proposing a binding framework.

In this context, the National Institute of Standards and Technology (NIST) of US has published the **Artificial Intelligence Risk Management Framework (AI RMF)** which aims to offer a resource to the organizations designing, developing, deploying, or using AI systems to help manage the many risks of AI and promote trustworthy and responsible development and use these systems. The Framework, unlike the European one, is intended to be voluntary. On the other hand, is risk-based, rights-preserving, non-sector-specific, and use-case agnostic, providing flexibility to organizations of all sizes and in all sectors.

### 2. Main points

- **Foundational Information:**
  - AI challenges. This Framework offers approaches to minimize anticipated negative impacts of AI systems and identify opportunities to maximize positive impacts. It also describes the different challenges to be taken into account when managing risks in pursuit of AI trustworthiness, which are related to: i) risk measurement, ii) risk tolerance, iii) risk prioritization and iv) integration in the strategies and processes of the organization risk management strategies and processes.
  - AI Actors and Dimensions. The AI RMF is intended to be used by AI actors across the AI lifecycle dimensions which are classified into: i) Application Context; ii) Data and Input; iii) AI Model, and iv) Task and Output. AI actors involved in these dimensions who perform or manage the design, development, deployment, evaluation, and use of AI systems and drive AI risk management efforts. AI actors involved in these dimensions are perform or manage the design, development, deployment, evaluation, and use of AI systems and drive AI risk management efforts.
  - AI risks and trustworthiness. Creating a trustworthy AI requires balancing each of the following characteristics based on the AI system's context of use; i) valid and reliable, ii) safe, iii) secure and resilient, iv) accountable and transparent, v) explainable and interpretable, vi) privacy-enhanced, and vii) fair with harmful bias managed.
  - Effectiveness of the AI RMF. Organizations and other users of the Framework are encouraged to periodically evaluate whether the AI RMF has improved their ability to manage AI risks.
- **AI Core and Profiles**
  - AI RMF Core. The AI RMF Core provides outcomes and actions that enable dialogue, understanding, and activities to manage AI risks and responsibly develop trustworthy AI systems. The Core is composed of four functions, each of them broken down into categories and subcategories that are further subdivided into specific actions and outcomes. The four high-level functions are:
    - **Govern.** Cross-cutting function that is infused throughout AI risk management and enables the other functions of the process.
    - **Map.** This function helps organizations to; i) improve their capacity for understanding contexts, ii) check their assumptions about context of use, iii) enable recognition of when systems are not functional within or out of their intended context, iv) identify positive and beneficial uses of their existing AI systems, v) improve understanding of limitations in AI and ML processes, vi) identify constraints in real-world application that may lead to negative impacts, vii) identify known and foreseeable negative impacts related to intended use of AI systems, and viii) anticipate risks of use of AI systems beyond intended use.
    - **Measure.** Identifies risks are assessed, analyzed or tracked.
    - **Manage.** Risks are prioritized and acted upon based on a projected impact.
  - AI RMF Profiles.
    - AI RMF **use-case profiles** are implementations of the AI RMF functions, categories, and subcategories for a specific setting or application based on the requirements, risk tolerance, and resources of the Framework user. AI RMF profiles assist organizations in deciding how they might best manage AI risk that is well-aligned with their goals, considers legal/regulatory requirements and best practices, and reflects risk management priorities.
    - AI RMF **temporal profiles** are descriptions of either the current state or the desired, target state of specific AI risk management activities within a given sector, industry, organization, or application context. An AI RMF Current Profile indicates how AI is currently being managed and the related risks in terms of current outcomes. A Target Profile indicates the outcomes needed to achieve the desired or target AI risk management goals.

- AI RMF **cross-sectoral profiles** cover risks of models or applications that can be used across use cases or sectors. Cross-sectoral profiles can also cover how to govern, map, measure, and manage risks for activities or business processes common across sectors such as the use of large language models, cloud-based services or acquisition.

This Framework does not prescribe profile templates, allowing for flexibility in implementation.

### 3. Main points

- NIST intends to work collaboratively with other entities to develop metrics, methodologies, and goals for evaluating the AI RMF's effectiveness, and to broadly share results and supporting information.



## **C** 24/02/2023 SEC - Proposed rule on Safeguarding Advisory Client Assets

### 1. Context

The Investment Advisers Act of 1940 regulates the custodial practices of advisers. The Commission has amended the rule over time as custodial and advisory practices have changed, since its adoption it has been designed to safeguard client funds and securities from the financial reserves, including insolvency, of an investment adviser and to prevent client assets from being lost, misused, stolen, or otherwise misappropriated.

In this context of change, the SEC has proposed new rules on the **Safeguarding Advisory Client Assets** under the Investment Advisers Act of 1940 with the objective of recognizing the evolution of products and services offered for investing, as well as strengthening existing custody protections for investors. They also are proposing corresponding amendments to the recordkeeping rule and to Form ADV for investment adviser registration.

### 2. Main points

- **Scope of Rule.** The proposed rule would continue to apply to any adviser whose “related persons” have custody in connection with advisory services the adviser provides to the client. On the other hand, the proposed rule would change the current rule’s scope, in two ways; i) expand the types of investments covered by the rule (from client “funds and securities” to client “assets”), consequently, the proposed rule’s definition of assets would include as investments any type of cryptoassets even in the instances where such assets are neither funds nor securities, and ii) make explicit that the current rule’s defined term “custody” includes discretionary authority.
- **Qualified Custodian Protections.** The proposed rule provides changes that aim to provide investors with certain standard custodial protections that will improve the safeguarding of their assets in the current market as well as in the future as the market for financial products and advisory services continues to evolve. The following stand out:
  - Continue to allow banks or savings associations, registered broker-dealers, registered futures commission merchants, and certain foreign financial institutions to act as qualified custodians but only if they have “possession or control” of clients assets pursuant to a written agreement between the qualified custodian and the investment adviser.
  - In the case the qualified custodian is the adviser, the proposed rule would require a written agreement between the adviser and the client. The written agreement should contain two new contractual provisions; i) the qualified custodian should provide promptly, upon request, records relating to clients’ assets held in the account at the qualified custodian to the Commission or to an independent public accountant engaged for purposes of complying with the safeguarding rule and ii) specify the adviser’s agreed-upon level of authority to effect transactions in the account.
  - The proposed rule would require that an adviser obtain reasonable assurances from a qualified custodian relating to certain protections that the adviser will provide to the advised client (e.g. custodian diligence level).
- **Segregation of Client Assets.** The proposed rule would require advisers to segregate client assets from the adviser’s assets and its related persons’ assets in circumstances where the adviser has custody. Specifically, it would require for the client assets to:
  - Be titled or registered in the client’s name or otherwise held for the benefit of that client.
  - Not be commingled with the adviser’s assets or its related persons’ assets.
  - Not be subject to any right, charge, security interest, lien, or claim of any kind in favor of the adviser, its related persons, or its creditors, except to the extent agreed to or authorized in writing by the client.
- **Investment Adviser Delivery of Notice to Clients.** The proposed rule would require that an investment adviser to notify its client in writing promptly upon opening an account with qualified custodian on its behalf. It would also explicitly require that the notice include the custodial account number to improve the utility of the notice.
- **Surprise Examination requirement.**
  - Advisers with custody must undergo an annual surprise verification by an independent public accountant. Currently, the surprise examination requirement does not require the adviser explicitly to have a reasonable belief about the implementation of the written agreement between the adviser and the accountant. The proposed rule require the surprise examination to be amended to state that the advisers must reasonably believe that a written agreement has been implemented, which would become mandatory after the reform.
  - There are some exceptions to this requirement:
    - When the adviser’s sole reason for having custody is because it has discretionary authority or because the adviser is acting according to a standing letter of authorization.
    - An adviser that obtains an audit at least annually and upon an entity’s liquidations under the proposed rule would be deemed to have complied with the surprise examination requirement and would eliminate the need for an adviser to comply with the client notice requirement.



- **Amendments to the Investment Adviser Recordkeeping Rule.** Investment advisers that have custody of client assets are required to make and keep true, accurate, and current records of required client notifications and independent public accountant engagement, specific books and records, and standing letters of authorization. The proposed rule includes the following modifications to these registries:
  - More detailed and broader scope of records of trade and transaction activity is required.
  - New recordkeeping requirements are included: i) retaining copies of required client notices; ii) creating and retaining records documenting client account identifying information; iii) creating and retaining records of custodian identifying information; iv) creating and retaining a record that indicated the basis of the adviser's custody of client assets; v) retaining copies of all account statements; and vi) retaining copies of any standing letters of authorization.
  - Advisers are required to retain copies of documents relating to independent account engagements.

### 3. Next steps

- Comments to the proposed rules should be received before **60 days** after its date of publication in the Federal Register.



## T 28/03/2023 SEC - SEC proposes cybersecurity-related rules amendments

### 1. Context

The SEC has identified that the increased reliance on information systems by Market Entities has caused a corresponding increase in their need to: i) protect customer information; ii) address cybersecurity risks and adopt compliance; and iii) follow compliance and integrity standards. Given the interconnectedness of Market Entities' information systems, a significant cybersecurity incident at one Market Entity has the potential to spread to other Market Entities in a cascading process that could cause widespread disruptions threatening the US securities markets.

In this context, the SEC has published a proposal for the **Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer** including rule amendments that would require entities registered with the SEC to adopt written policies and procedures for incident response programs to address unauthorized access to or use of customer information. In addition, it has published a proposal for a **Cybersecurity Risk Management Rule for Market Entities** to address cybersecurity risks through policies and procedures, notifying the SEC of the occurrence of significant incidents. Finally, the SEC has also proposed a **Regulation Systems Compliance and Integrity** to include a broader range of key market participants in the US securities market infrastructure under the Regulation Systems Compliance and Integrity (Regulation SCI).

### 2. Main points

#### Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer

- **Covered institutions by Regulation S-P:** broker-dealers, registered funds and investment advisers.
- **Amendments to Regulation S-P's safeguards rule:** The proposed amendments would require to:
  - Develop, implement, and maintain written policies and procedures for an incident response program that is reasonably designed to detect, respond to, and recover from unauthorized access to or use of customer information.
  - The proposed response program procedures also would have to include notification to individuals whose sensitive customer information was, or is reasonably likely to have been, accessed or used without authorization. The notice must be clear and conspicuous and provided by a means designed to ensure that each affected individual can reasonably be expected to receive it. The deadline to provide the notice is 30 days.
- **Amendments to Regulation S-P to enhance the protection of customers' nonpublic personal information:** The proposed amendments would:
  - More closely align the information protected under the safeguards rule and the disposal rule by applying the protections of both rules to customer information.
  - Broaden the group of customers whose information is protected under both rules.

#### Cybersecurity Risk Management Rule for Market Entities

- **Scope of application.** The requirements would apply to "Market Entities": Covered and Non-Covered Entities.
  - Covered Entities. Proposed Rule 10 would include certain broker dealers, Municipal Securities Rulemaking Board (MSRB), clearing agencies, national securities associations, national securities exchanges, Security-Based Swap Data Repositories (SBSDRs) and Security-Based Swap (SBS Entities).
  - Non-Covered Entities (or "Non-Covered Broker-Dealers"). Would be all other categories of broker-dealers not considered Covered Entities under proposed Rule 10. They are smaller firms whose functions do not play as significant a role in promoting the operation of the U.S. securities markets, as compared to broker-dealers that would be Covered Entities.
- **Rule 10.** This rule would impose new cybersecurity requirements on all Market Entities.
  - Would require both Covered and Non-Covered Entities to establish, maintain, and enforce written policies and procedures that are reasonably designed to address their cybersecurity risks.
  - All would also be required, at least annually, to review and assess the design and effectiveness of their cybersecurity policies and procedures. They also would be required to prepare a report (in the case of Covered Entities) and a record (in the case of Non-Covered Entities) with respect to the annual review.
  - would need to give the SEC immediate written electronic notice of a significant cybersecurity incident upon having a reasonable basis to conclude that the incident has occurred or is occurring.
- **Form SCIR.** Parts I and II would be used by Covered Entities, respectively, to report and update information regarding cybersecurity risks.
  - Part I.
    - Information about the significant cybersecurity incident through check boxes, date fields, and narrative fields.
  - Part II.
    - Summary description of the cybersecurity risks that could materially affect its business and operations and how the entity assesses, prioritizes, and addresses those cybersecurity risks.
    - Summary description of each significant cybersecurity incident that occurred during the current or previous calendar year, if applicable.

- Report and update information about the significant cybersecurity incident by filing Part I of proposed Form SCIR, no later than 48 hours upon having a reasonable basis to conclude that a significant incident has occurred or is occurring.
- Disclose publicly summary descriptions of their cybersecurity risks and the significant cybersecurity incidents they experienced during the current or previous calendar year on Part II of proposed Form SCIR.
- **Additional requirements for Covered Entities.** Covered Entities shall also establish, maintain, and enforce in their written policies and procedures:
  - Periodic assessments of cybersecurity risks associated with the Covered Entity's information systems and written documentation of the risk assessments;
  - Controls designed to minimize user-related risks and prevent unauthorized access to the Covered Entity's information systems;
  - Measures designed to monitor the Covered Entity's information systems and protect the Covered Entity's information from unauthorized access or use, and oversee service providers that receive, maintain, or process information, or are otherwise permitted to access the Covered Entity's information systems;
  - Measures to detect, mitigate, and remediate any cybersecurity threats and vulnerabilities with respect to the Covered Entity's information system; and
  - Measures to detect, respond to, and recover from a cybersecurity incident and written documentation of any cybersecurity incident and the response to and recovery from the incident.
- **Non-Covered Broker-Dealers.** These would also be required to annually review and assess the design and effectiveness of its cybersecurity policies and procedures, and make a written record documenting the steps taken in performing the annual review. However, minimum elements to be included will not be defined.
- **Cross-Border application to SBS Entities.** The SEC is proposing to apply the requirements of proposed Rule 10 to an SBS Entity's entire security-based swap business without exception, including in connection with any security-based swap business it conducts with foreign counterparties.

#### Regulation Systems Compliance and Integrity

- **Expansion the definition of "SCI entity".** It is included a broader range of key market participants in the U.S. securities market infrastructure, such as registered SBSDRs, registered broker-dealers exceeding a size threshold ("SCI broker-dealers"), and additional clearing agencies exempt from registration.
- **Updating of certain provisions of Regulation SCI.** The objective is to take account of developments in the technology landscape of the markets and the Commission and its staff's oversight experience. For this reason the following amendments have been proposed:
  - Amendments to require that an SCI entity's policies and procedures for SCI systems address with specificity the following:
    - Systems classification and life cycle management.
    - Management of third-party providers, including cloud service providers and providers of critical SCI systems.
    - Access controls.
    - Identification of current SCI industry standards, if any.
  - Amendments to expand the definition of systems intrusion, including a wider range of cybersecurity events (e.g. any unauthorized entry into the SCI systems or indirect SCI systems of an SCI entity)
  - Amendments regarding notice of systems intrusions to the Commission and affected persons.
  - Amendments to the definition of SCI review and to specify in greater detail the contents of the SCI review and associated report, and to require annual penetration testing.
  - Amendments to require that SCI entities designate key third-party providers for participation in annual business continuity/disaster recovery testing.
  - Amendments to address how an SCI entity may avail itself of the safe harbor provision.
  - Amendments to address the maintenance of records by a former SCI entity.
  - Changes to Form SCI consistent with the proposed changes.

### 3. Next Steps

#### Regulation S-P: Privacy of Consumer Financial Information and Safeguarding Customer

- The proposed compliance date is **twelve months after the effective date** of any adoption of the proposed amendments in order to give covered institutions sufficient time to develop and adopt appropriate procedures.
- The deadline to receive comments is 60 days from publication in the Federal Register.

#### Cybersecurity Risk Management Rule for Market Entities

- The SEC seeks comment on a **potential compliance date** for disclosure requirements regarding cybersecurity risks, by which a Covered Entity would need to make its first public disclosure on proposed Form SCIR.
- Comments must be received **on or before 60 days** after the date of publication in the Federal Register.

#### Regulation Systems Compliance and Integrity

- No compliance date.
- Comments must be received **on or before 60 days** after the date of publication in the Federal Register

# Q2 Relevant publications

## Global

ISSB

S 30/06/2023

D ISSB – General sustainability-related and climate-related disclosure requirements

### 1. Context

In answer to the growing and urgent demand to improve the global consistency and comparability of companies' sustainability disclosures to meet the needs of investors and other capital market participants, the International Financial Reporting Standards (IFRS) Foundation began working towards the creation of an International Sustainability Standards Board (ISSB) in October 2019. In this context, the ISSB published in November 2021 a prototype of the standards for climate disclosure requirements (S1 General Requirements for Disclosure of Sustainability-related Financial Information y S2 Climate-related Disclosures) with the objective to provide a framework that ensure that companies provide sustainability-related information alongside financial statements.

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

### 2. Main points

#### IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

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

#### IFRS S2 Climate-related Disclosures

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

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

### 3. Next steps

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

# Q2 Relevant publications

## European region



### CL 03/04/2023 Draft RTS on the assessment methodology under which competent authorities verify an institution's compliance with the internal model

#### 1. Context

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

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

#### 2. Main points

- **Governance requirements.**
  - It sets out how CA are to check the requirements for the set-up of the trading desks in the scope of the IMA. In particular:
    - The distinctive nature of the trading desk.
    - Where there is more than one head dealer, they must have responsibilities and authorities that are clearly separated.
    - Where one dealer is allocated to more than one trading desk, the tasks performed for one trading desk will not create potential conflicts with those performed for the other trading desk.
    - Transactions among trading desks must be consistent with the business strategies of those trading desks; CA must ensure that these transactions are not performed with the objective of reducing the own funds requirements for market risk or meeting the profit and loss attribution and the back-testing requirements.
  - The CA must verify that, as part of the back-testing programmes, the institution also back-tests its expected shortfall directly.
  - Furthermore, the RTS propose that institutions also consider environmental risk scenarios and their potential effect on the institutions' portfolio in terms of losses. Given the novelty of this requirement, the draft RTS propose that this aspect is assessed by the CA only from 1st January 2025.
- **Internal risk-measurement model covering the expected shortfall and the stress scenario risk measure.**
  - **Risk factors.** The draft RTS specify that institutions should document whether there are risk factors that are included in the standardised approach but not in the internal risk-measurement model, and the rationale for the choice. They are also expected to monitor the impact of the exclusion, in terms of own funds requirements, as well as profit and loss attribution test results as set out in CRR.
  - **Proxies and data quality.**
    - In relation to proxies, the draft RTS aim at ensuring that the institution uses a proxy only where data are insufficient and when doing so, that the proxy is sufficiently conservative and keeps track of the actual position held (as required by CRR). The draft RTS require CAs to perform several assessments for which the there are provided concrete assessment techniques.
    - As regards data quality, it is specified what are the minimum checks that institutions should do on their time series, and they provide CAs with concrete techniques and relevant indicators to detect those times series that are affected by low data quality and require them to investigate what is the reason behind such low quality and assess the impact on the calculation of the own funds requirements.
  - **Treatment of Foreign-exchange (FX) and Commodity risk in the banking book.** Institution's internal policies must set out which are those FX and Commodity positions in the banking book that are included in the scope of the internal model and those that are not, as well as the rationale for the choice. It also requires institutions to document the choices made along with their rationale.
  - **Back-testing and profit and loss attribution requirements.** It is specified that institutions should have in place a daily report identifying the various elements making up the actual and hypothetical profit and losses.
  - **Calculation of the expected shortfall measure and the stress scenario risk measure.** These RTS include concrete assessment methods ensuring, among others:
    - A correct implementation of the **effective liquidity horizon** as well as of the various scaling that institutions are to perform.
    - **A sound identification** of the reduced set of risk factors.
    - Where the institution uses the **derogation** to compute the unconstrained expected shortfall measures and the partial expected shortfall measures for the broad risk factor categories at a reduced frequency, the RTS ensure there is no underestimation of risk.
    - Historical data backtesting the **multivariate joint distribution** of the risk factors as well as correlation parameters to reflect the joint movement of those risk factors.



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

### 3. Next steps

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





**CL** 18/04/2023  
**EBA - Guidelines on ML/TF risk factors and Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services.**

## 1. Context

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

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

## 2. Main points

### Guidelines on ML/TF risk factors

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



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

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

### 3. Next Steps

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



**CL 06/06/2023**  
**EBA - Report on the impact and calibration of the Standardised Approach to Counterparty Credit Risk (SA-CCR).**

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



07/06/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



**13/06/2023**

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

**1. Context**

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

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

**2. Main points**

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

**3. Next steps**

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



S

13/04/2023

## EC - Draft Environmental Delegated Act

### 1. Context

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

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

### 2. Main points

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

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

#### Text of the draft amending the Climate Delegated Act.

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



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

### 3. Next Steps

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



S

19/06/2023

## EC - Delegated Regulation setting the first set of ESRS

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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





S

23/06/2023

## EC – Legislative package on sustainable finance

### 1. Context

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

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

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

### 2. Main points

#### Environmental Delegated Act and amending the Disclosures Delegated Act

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

#### Text amending the Climate Delegated Act

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



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

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

#### Recommendation on facilitating finance for the transition

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

### 3. Next steps

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



## T 30/06/2023 EC – Regulation on payment services and framework for financial data access

### 1. Context

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

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

### 2. Main points

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

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

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

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



## T 26/05/2023 EP/COUNCIL -the Regulation on markets in crypto-assets

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

- This Regulation shall enter into force on the **twentieth day** following that of its publication in the Official Journal of the EU.
- It shall apply **18 months** after entry into force



02/06/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



S 30/05/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



13/06/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



## T 27/06/2023 ESAs - Public consultation of RTS and ITS

### 1. Context

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

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

### 2. Main points

#### RTS on ICT risk management framework

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

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



### RTS on criteria for the classification of ICT-related incidents

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

### ITS to establish the templates for the register of information

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

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

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

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

### 3. Next steps

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



**CL** 29/06/2023  
**ECB – Consultation on the revised Guide to internal models**

## 1. Context

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

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

## 2. Main points

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

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

### 3. Next steps

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

**C** 02/05/2023  
**BoS - Revolving Credit Transparency Project Guide for institutions subject to its supervision**

## 1. Context

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

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

## 2. Main points

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

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

### 3. Next steps

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



S 10/05/2023

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

## 1. Context

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

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

## 2. Main points

- **Obligated parties**
  - The scope of the sustainability reporting obligation is extended to all companies and groups of companies that meet the definition of large company, regardless of whether they are listed or not. This obligation is also extended to small and medium-sized enterprises (SMEs), but only if they have issued securities admitted to trading on a regulated secondary market in the European Union (EU), excluding in any case micro-enterprises. However, obliged SMEs will have a number of facilities at their disposal, such as: a reduced content, specific rules with which to present such information and an additional period to prepare for this new requirement.
  - Companies not subject to the law of a Member State or belonging to the European Economic Area that have relevant activity in the EU territory will have to provide sustainability information. Subsidiaries or branches established in the EU territory will be responsible for the publication of the sustainability report of the third country company. In order to ensure the quality and reliability of the information, sustainability reports of third country companies must be published together with a verification report.
- **Content of the information on sustainability**
  - The information now required corresponds almost entirely to what is already provided for in the statement of non-financial information regulated in Law 11/2018 of 28 December. However, it is worth highlighting as new feature the mandatory application of the dual materiality approach, which implies the presentation of information regarding the impact generated by the company on sustainability issues, as well as information on how these issues affect the evolution, results and situation of the company. The information shall cover the entire value chain of the company, shall be both forward-looking and backward-looking, and shall consider short, medium and long-term time horizons. Additionally, the obligation to include the information required by Article 8 of the Regulation (EU) 2020/852 on sustainability (Taxonomy Regulation) is introduced.
  - Additionally, obliged companies must include in their management report information on key intangible resources, with a particular focus on internally generated intangibles. However, some information on intangibles may be intrinsic to sustainability issues, in which case it should be part of the sustainability reporting.
- **Standards on which the information should be prepared**
  - Companies will prepare this information on environmental, social, human rights and governance issues in accordance with sustainability reporting standards that will be adopted by the European Commission (EC) through delegated acts. And SMEs will have specific standards adopted by the EC according to their capacity and characteristics.
- **Reporting format**
  - Sustainability information should be part of the management report, and should be placed in a specific section of the report. As a new feature, all obliged companies will be required to produce their management report in the electronic reporting format, as well as to label sustainability information.

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

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

### 3. Next steps

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





S

20/04/2023

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

### 1. Context

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

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

### 2. Main points

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

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

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

### 3. Next steps

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



23/05/2023

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

### 1. Context

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

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

### 2. Main points

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

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

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

### 3. Next steps

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

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

#### Proposal for a Regulation on a framework for financial data access

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

### 3. Next steps

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



T

18/04/2023

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

### 1. Context

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

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

### 2. Main points

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

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

### 3. Next steps

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



## CL 19/05/2023 PRA – Policy statement (PS5/23) on Risks from contingent leverage

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



CL

22/05/2023

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

### 1. Context

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

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

### 2. Main points

The PS introduces the following changes:

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

### 3. Next steps

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



28/06/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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





# Q2 Relevant publications

## American region

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14/06/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



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19/06/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



## E 30/06/2023 Fed - 2023 stress test results

### 1. Context

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

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

### 2. Main points

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

# Q3 Relevant publications

## Global



17/07/2023

### S UNEP FI - Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean

#### 1. Context

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

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

#### 2. Main points

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

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



19/09/2023

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

### 1. Context

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

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

### 2. Main points

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

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

# Q3 Relevant publications

## European region

25/07/2023


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


### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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

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25/07/2023

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



### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



24/07/2023

## EBA/ESMA - Regulation on Crypto-assets



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## 1. Context

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

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

## 2. Main points

### Draft technical standards on EU market access of issuers of asset-referenced tokens under MiCAR

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

### Draft technical standards on complaints handling procedures under MiCAR

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

### Statement on timely preparatory steps towards the application of MiCAR to asset-referenced and e-money tokens

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

### Consultation Paper on the Technical Standards specifying certain requirements of MiCAR

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

## 3. Next steps

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



04/07/2023

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

### 1. Context

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

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

### 2. Main points

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

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

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

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

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

#### Proposal for a Regulation on a framework for financial data access

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

### 3. Next steps

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

10/07/2023

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



### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



31/07/2023

## E ECB - Guide on effective risk data aggregation and risk reporting

### 1. Context

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

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

### 2. Main points

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

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

### 3. Next steps

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

06/07/2023

R

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



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



19/07/2023

## CL BoE - Stress testing the UK banking system

### 1. Context

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

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

### 2. Main points

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



S 13/07/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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





S 25/09/2023

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

## 1. Context

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

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

## 2. Main points

### Proposal for firms of any size

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

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

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

## 3. Next steps

- Comments can be sent before **18<sup>th</sup> December 2023**.

# Q3 Relevant publications

## American region



E

05/07/2023

### Fed - 2023 Stress Test Results

#### 1. Context

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

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

#### 2. Main points

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



12/09/2023

## CL Fed - Proposed Rules to Strengthen Capital Requirements for Large Banks

### 1. Context

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

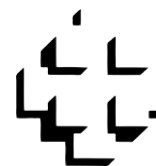
In this context, the Agencies have published for comment the **Proposed rules to Strengthen Capital Requirements for Large Banks**. The proposal would build on these initial reforms by making additional changes developed in response to the 2007-09 financial crisis in order to further strengthen the banking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

### 2. Main points

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

### 3. Next steps

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



13/09/2023

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

### 1. Context

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

### 2. Main points

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

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

### 3. Next steps

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



10/07/2023

**CL SBS - Resolution approving the new liquidity risk management regulation****1. Context**

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

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

**2. Main points**

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

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

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### 3. Next steps

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

17/07/2023

## T Diario Oficial El Peruano - Law Nº 31814 that promotes the use of Artificial Intelligence in favour of the economic and social development of the country.



### 1. Context

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

### 2. Main points

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

### 3. Next steps

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



18/09/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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

# Q4 Relevant publications

## Global



**CL** 16/10/2023  
**BCBS - Report on the 2023 banking turmoil**

### 1. Context

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

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

### 2. Main points

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

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



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

## 1. Context

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

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

## 2. Main points

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

## 3. Next steps

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

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S

23/11/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



CL

30/11/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next Steps

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



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01/12/2023

## BCBS - Consultative document of disclosure of climate-related financial risks

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### 1. Context

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

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

### 2. Main points

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

### 3. Next Steps

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





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

## 1. Context

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

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

## 2. Main points

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

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

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

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

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

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

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

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

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

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

## 3. Next Steps

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

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

### 3. Next Steps

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

CL

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



### 1. Context

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

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

### 2. Main points

#### BCBS - Basel III Monitoring Report

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

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

EBA - Basel III Monitoring Exercise

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

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

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

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

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

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

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

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

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

CL

29/11/2023

**FSB - 2023 list of global systemically important banks (G-SIB)**
**FINANCIAL  
STABILITY  
BOARD**
**1. Context**

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

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

**2. Main points**FSB-2023 list of G-SIBS

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

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

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

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

BCBS Additional Information

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

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

**3. Next steps**

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



11/12/2023

## FSB - Enhancing Third-Party Risk Management and Oversight: a toolkit for financial institutions and financial authorities



### 1. Context

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

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

### 2. Main points

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

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



### 1. Context

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

### 2. Main points

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





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02/10/2023

## TNFD - Recommendations of the Taskforce

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### 1. Context

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

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

### 2. Main points

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

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

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



## 1. Context

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

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

## 2. Main points

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

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

# Q4 Relevant publications

## European region



**S** 16/10/2023  
**CL** EBA - Report on the role of environmental and social risks in the prudential framework

### 1. Context

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

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

### 2. Main points

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

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

23/10/2023

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

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

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

**2. Main points**

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

T

26/10/2023

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

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

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

**2. Main points**

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

**3. Next steps**

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

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



### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



**E** 21/11/2023  
**S** **EBA - Template Guidelines for collecting climate-related data from EU banks as part of the Fit-for-55 single climate risk scenario analysis**



## 1. Context

On 6 July 2021, the European Commission (EC) announced its strategy for Financing the Transition to a Sustainable Economy. In this strategy, the EC set out its plans to ensure the resilience of the financial sector to climate risks and an orderly transition towards the European Union's (EU) climate goals of achieving climate neutrality by 2050 and reducing greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. As part of the strategy, the EC announced that the EBA would work on developing climate stress tests, including a one-off Fit-for-55 climate risk scenario. On 8 March 2023, the EBA, the European Central Bank (ECB) and the other European Supervisory Authorities (ESAs) received a letter from the EC detailing the terms of reference for the one-off exercise, which aims to assess the resilience of the financial sector to climate risks and obtain detailed information on the capacity of the financial system to support the transition to a low-carbon economy under stress scenarios. In July 2023, draft templates for the collection of climate-related data from EU banks were launched for public consultation as part of the one-off Fit-for-55 climate risk scenario. Finally, a public hearing was held on 28 September 2023 to provide the main developments and details on the timing, process and impact of the Fit-for-55 climate risk scenario.

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

## 2. Main points

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

## 3. Next steps

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

28/11/2023

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



### 1. Context

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

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

### 2. Main points

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

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

### 3. Next steps

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

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



## 1. Context

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

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

## 2. Main points

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

## 3. Next steps

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

30/11/2023

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

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

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

**2. Main points**

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

**3. Next steps**

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



15/12/2023

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



### 1. Context

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

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

### Main points

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

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



### 1. Context

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

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

### 2. Main points

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

### 3, Next Steps

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

T

09/10/2023

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



### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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





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

## 1. Context

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

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

## 2. Main points

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



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

### 1. Context

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

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

### 2. Main points

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



E

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

### 1. Context

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

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

### 2. Main points

#### Operating environment for supervised institutions

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

#### Supervisory priorities for 2024-2026

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

27/12/2023

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

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

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

**2. Main points**

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

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

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

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

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

**Supervision of emerging risks**

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

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



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30/10/2023

## EP/Council - Regulation on European green bonds

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



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01/12/2023

## EP/Council - Regulation on harmonised rules on fair access to and use of data

### 1. Context

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

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

### 2. Main points

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

### 3. Next Steps

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



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

## 1. Context

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

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

## 2. Main points

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

## 3. Next Steps

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



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

### 1. Context

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

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

### 2. Main points

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

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





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

### 1- Context

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

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

### 2. Main points

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

### 3. Next Steps

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



14/12/2023

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

### 1- Context

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

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

### 2. Main points

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

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

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

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

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

#### Guidelines on aggregated costs and losses from major incidents.

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

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

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

#### RTS on subcontracting of critical or important functions

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

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

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

#### RTS on oversight Harmonization

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

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

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

#### Guidelines on oversight cooperation between ESAs and CA

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

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

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

#### RTS on threat-led penetration testing (TLPT)

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

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

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

### 3. Next steps

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

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



## 1. Context

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

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

## 2. Main points

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

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

## 3. Next steps

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



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02/11/2023

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

### 1. Context

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

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

### 2. Main points

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





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10/11/2023

## BoE - Regulating cryptoassets phase 1: Stablecoins

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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



S

02/10/2023

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

### 1. Context

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

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

### 2. Main points

#### Proposal for firms of any size

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

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

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

### 3. Next steps

- Comments can be sent before **18<sup>th</sup> December 2023**.



S

05/12/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Nexts steps

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

# Q4 Relevant publications

## American region



CL

23/10/2023

### Fed - Capital Requirements for insurers supervised by the Fed

#### 1. Context

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

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

#### 2. Main points

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

#### 3. Next steps

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



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

### 1. Context

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

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

### 2. Main points

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



T

03/11/2023

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

### 1. Context

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

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

### 2. Main points

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

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

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





P

23/11/2023

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

O

### 1. Context

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

### 2. Main points

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

### 3. Next steps

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



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

### 1. Context

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

### 2. Main points

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

### 3. Next steps

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



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

### 1. Contexto

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

### 2. Principales aspectos

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

### 3. Próximos pasos

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



D

13/09/2023

S

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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

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



### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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

E

22/12/2023

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



### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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

E

15/11/2023

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

### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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

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



### 1. Context

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

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

### 2. Main points

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

### 3. Next steps

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





SUPERINTENDENCIA  
DE BANCA, SEGUROS Y AFP

CL

29/12/2023

## SBS - New Regulation for Liquidity Risk Management

### 1. Context

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

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

### 2. Main points

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

## Other publications of interest

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

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

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

**CL** Capital, liquidity & leverage

**P** Provisions & NPL

**E** Supervisory Expectations

**G** Governance

**R** Recovery & resolution

**D** Reporting & Disclosure

**P** Compliance

**S** Sustainability

**T** Technology y AI

**O** Others

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# Q1 Other publications of interest

## Global

### IAIS WORK-PLAN



[\(12/01/2023\) IAIS - IAIS 2023-2024 Roadmap outlines two-year workplan addressing key risks and trends in the insurance sector](#)

The International Association of Insurance Supervisors (IAIS) has published a roadmap that provides a two-year workplan, outlining the projects and activities that the IAIS will progress in support of the objectives of the 2020-2024 Strategic Plan. In particular, it will focus on: i) assessing trends and risks in the global insurance sector; ii) finalising the development of global standards; iii) promoting effective supervisory practices in particular the Insurance Capital Standard; iv) supporting the implementation of agreed global standards and assessing their comprehensive and consistent implementation; and v) enhancing efficient and effective operations and transparent communication with stakeholders.

### NBFI



[\(19/01/2023\) FSB - Implementation of G20 Non-Bank Financial Intermediation Reforms: Progress report](#)

The Financial Stability Board (FSB) has published a report on the G20 Non-Bank Financial Intermediation Reforms (NBFI). It describes progress in implementing systemic risks associated with NBFI and it finds, among others, that: i) Jurisdictions have made progress in implementing Basel III reforms to mitigate spillovers between banks and non-bank financial entities, but implementation is not yet complete; ii) Implementation of FSB recommendations for dampening procyclicality and other financial stability risks associated with securities financing transactions (SFTs) is incomplete and continues to face significant delays in most jurisdictions.

### REPORTING FRAMEWORK



[\(26/01/2023\) PRI - Release of the 2023 Reporting Framework and updates on Accountability](#)

The Responsible investment organization has announced the release of its new Reporting Framework, setting out the updated reporting process for the organization's investor and asset owner signatories. Changes include improvements in clarity, with updated terminology and minimized ambiguity, as well as improvements in consistency and applicability, as well as restructuring of some sections for better alignment with other sustainability reporting frameworks such as Task Force on Climate-Related Financial Disclosures (TCFD), and Taskforce on Nature-related Financial Disclosures (TNFD).

### POLICYHOLDER PROTECTION



[\(13/02/2023\) IAIS - Issues Paper on roles and functioning of Policyholder Protection Schemes \(PPSs\)](#)

The International Association of Insurance Supervisors (IAIS) has published an Issues Paper on the roles of Policyholder Protection Schemes (PPSs) that provides an updated overview of global practices around PPSs and their roles in insurance resolution. This Paper describes current practices for PPSs and is intended to serve as a guide for jurisdictions considering establishing a PPS or modifying an existing PPS.

### REGULATOR'S STANDARDS



[\(15/02/2023\) IOSCO - IOSCO members report high level of implementation for Regulator's Principles](#)

The International Organization of Securities Commissions (IOSCO) has published a report which sets out the findings of the second review of the IOSCO Principles Relating to the Regulator (Principles 1-5). These five Principles are part of IOSCO's 38 Objectives and Principles of Securities Regulation, which provide core elements of an essential regulatory framework for securities regulations, particularly the desirable attributes of a regulator. Based on the information reported by the participating jurisdictions, the Review found that the implementation of Principles 1-5 is generally high. The review noted that a variety of different approaches to implementation have been observed and several good practices and examples have been provided in the report. While the status of implementation varies across jurisdictions, the gaps in implementation have been observed mostly in nascent and emerging market jurisdictions.

### RISKS OF DECENTRALIZED FINANCE



[\(16/02/2023\) FSB – FSB assesses financial stability risks of decentralised finance](#)

The Financial Stability Board (FSB) has published a report on the financial stability risks of Decentralised Finance (DeFi). The report concludes that DeFis do not differ substantially from traditional finances in the functions they perform. However, DeFi's specific features may result in some vulnerabilities such as operational fragilities, liquidity and maturity mismatches, leverage, and interconnectedness. Based on these findings, the FSB will carry out additional work to: i) analyze the growth and implications of the tokenization of assets; ii) explore approaches to fill data gaps to measure and monitor interconnectedness of DeFi; iii) examine the extent to which the FSB's proposed policy recommendations for the international regulation of crypto-asset activities may need to be enhanced.

# Q1 Other publications of interest

## Global

### PRIVACY **T**

[\(16/02/2023\) IAPP – Australian privacy reform moves forward with new government report](#)

The Australian Government has published the Privacy Act Review Report which proposes to reform the Privacy Act 1988 with the aim of strengthening the protection of personal information and the control individuals have over their information. In particular the proposal would: i) clarify what information should be protected under the Privacy Act; ii) recognise the public interest to society of protecting individuals' privacy; iii) ensure de-identified information is protected from misuse. The public can comment on the proposed reforms until March 31.

### PERSONAL DATA **T**

[\(27/02/2023\) IAPP - A look at what's in China's new SCCs](#)

The Cyberspace Administration of China (CAC) has released the standard contractual clauses (SCC) and Regulation, which will have significant implications for multinational corporations which transfer employee data, customer data and other personal data outside China during their business operations. Compared to other data export mechanisms under the Personal Information Protection Law (PIPL), the SCCs regime is expected to have apparent advantages because of more foreseeability of contract terms and time/cost efficiency. Where it is possible to rely on the Chinese SCCs for transferring data outside China, organizations should take necessary compliance actions as soon as possible. The Regulation will come into force on 1 June 2023.

### ASSISTANCE TO EMERGING MARKETS REGULATORS **T**

[\(08/03/2023\) IOSCO – IOSCO and Cambridge Judge Business School collaborate on a machine-learning pilot to assist emerging markets regulators](#)

The International Organization of Securities Commissions (IOSCO) and Cambridge Judge Business School have announced a pilot project for the development of a Machine Assisted Capacity Building for Standards Implementation (MASI). The aim is to provide a capacity building tool for emerging markets jurisdictions to assist self-assessments against the IOSCO core principles and to facilitate comparisons with other regulatory frameworks from more developed jurisdictions.

### CLIMATE CHANGE WITHIN THE INSURANCE SECTOR **S**

[\(15/03/2023\) IAIS - Public Consultation on Climate risk. Supervisory guidance – part one](#)

The International Association of Insurance Supervisors (IAIS) has published a consultation document, which provides an update on the overall work programme of the IAIS in promoting a globally consistent supervisory response to climate change within the insurance sector. The current consultation also outlines proposed changes to the Insurance Core Principles (ICP) Introduction, which positions climate risk within the global framework for insurance supervision. Finally, the consultation includes questions seeking stakeholder feedback on the overall climate-related work as it relates to supervisory guidance.

### DIGITAL REGULATION **T**

[\(17/03/2023\) ITU – Global Digital Regulatory Outlook 2023 – Policy and regulation to spur digital transformation](#)

The International Telecommunication Union (ITU) has published its Global Digital Regulatory Outlook 2023, which benchmarks regulatory progress across 193 countries. This new analysis is the go-to reference for regulators and policy-makers seeking to understand a fast-moving landscape – and shape regulatory change that will benefit all in the quest for digital transformation

### IFRS 9 **D**

[\(21/03/2023\) IFRS – IASB proposes narrow-scope amendments to classification and measurement requirements for financial instruments](#)

The International Accounting Standards Board (IASB) has published an exposure draft proposing amendments to the classification and measurement requirements in the International Financial Reporting Standard (IFRS 9). The proposed amendments respond to comments received from a post-implementation review of the classification and measurement requirements in IFRS 9, which was completed in December 2022. The proposed amendments include: i) Clarifying the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as ESG-linked features in loans could affect whether loans are measured at amortized cost or fair value; ii) Clarifying how to account for the settlement of liabilities through electronic payment systems. Comments to the consultation can be submitted by 19 July 2023.

# Q1 Other publications of interest

## Global

### BANKING SYSTEM



[\(23/03/2023\) BIS - Basel Committee to review recent market developments, advances work on climate-related financial risks, and reviews Basel Core Principles](#)

The Basel Committee on Banking Supervision (BCBS) has met to take stock of recent market developments and risks to the global banking system and related vulnerabilities, and to discuss a range of policy and supervisory initiatives. The BCBS is reviewing its Core principles for effective banking supervision ("Basel Core Principles"), agreeing to consult on revisions of it by mid-2023. The BCBS will also continue to monitor banks' cryptoasset activities and exposures, including their role as potential issuers of stablecoins and tokenised deposits. By the end of 2023, the committee will issue a consultation paper on Pillar 3 disclosure framework for climate-related financial risks.

### CLIMATE-RELATED RISKS



[\(23/03/2023\) IFRS - Connectivity in practice: the IASB's new project on Climate-related Risks in the Financial Statements](#)

The International Accounting Standards Board (IASB) has started a project to explore whether and how companies' financial statements can provide better information about climate-related risks. The objective is to give investors better qualitative and quantitative information about the effect of climate-related risks on the carrying amounts of assets and liabilities reported in the financial statements. In this sense, the IASB will revise: i) unclear or insufficient requirements in IASB Standards; ii) lack of compliance with current requirements by companies; iii) investor information needs that go beyond the objective of financial statements.

### AUDITING AND ETHICAL STANDARDS



[\(27/03/2023\) IOSCO - Monitoring Group Welcomes Important Step in Implementing its Recommendations with the Establishment of the International Foundation for Ethics and Audit](#)

The Monitoring Group of the International Organization of Securities Commissions (IOSCO) has created the International Foundation on Ethics and Auditing. This foundation is an important step in the implementation of the recommendations for Strengthening the International Auditing and Ethics Standard Setting System, issued by the IOSCO in July 2022. In this regard, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), collectively, the Standards Boards, will now be housed in a separate and independent legal entity.

### ANNUAL INSURANCE REVIEW



[\(27/03/2023\) IAIS - IAIS releases Year in Review 2022, sharing highlights from the past year](#)

The International Association of Insurance Supervisors (IAIS) has published its Review 2022 report highlighting the progress made by this association over the past year in: i) assessing and responding to global market trends; ii) standard setting; iii) supervisory practices and information exchange; iv) assessing and promoting observance of IAIS supervisory material; and v) social responsibility. Finally, the report outlines the 2023-2024 projects and activities that form the work program for IAIS to keep responding to global issues and trends facing the insurance sector.

### RESOLUTION OF INSURERS



[\(27/03/2023\) FSB - Summary of FSB Technical Workshop: Resolution planning for insurers](#)

The Financial Stability Board (FSB) has published a summary of the virtual workshop held in July 2022, which aimed to gather industry views and discuss issues concerning the resolution of insurers. At the workshop, participants discussed the different sources of funding in resolution, as well as industry approaches and challenges associated with mapping and assessing internal financial and operational interconnectedness and its impact on business continuity in resolution

### GLOBAL ASSURANCE FRAMEWORK



[\(28/03/2023\) IOSCO - IOSCO sets out key considerations to promote an effective global assurance framework for sustainability-related corporate reporting](#)

The International Organization of Securities Commissions (IOSCO) has today published a Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting. The report elaborates on IOSCO's support for the on-going work of the international standard setters: the International Auditing and Assurance Standards Board and the International Ethics Standards Board, for Accountants develop profession-agnostic assurance and ethics standards over sustainability-related information.

# Q1 Other publications of interest

## European Region

### Europe

#### SOLVENCY II **CL**

(05/01/2023) EIOPA – [Capital charge/ Free Interest Rate Term Structures](#)

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 December 2022. On the other hand the EIOPA has published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of December 2022. With this publication, EIOPA ensures consistent calculation of technical provisions across Europe.

#### PSD2 **T**

(11/01/2023) EBA - [EBA publishes peer review on authorisation under the Payment Services Directive](#)

The European Banking Authority (EBA) has published its peer review on authorisation of payment institutions and e-money institutions under the revised Payment Services Directive (PSD2). The review generally found increased transparency and consistency of the information required in the authorisation process. However, it also identified significant divergences in competent authorities' assessment and the degree of scrutiny of applications. The review, therefore, sets out a series of measures to address such divergencies, to level out the supervisory playing field and to mitigate against 'forum shopping'.

#### BANKING STATISTICS **O**

(11/01/2023) ECB - [ECB publishes supervisory banking statistics for the third quarter of 2022](#)

The European Central banks (ECB) has published its supervisory banking statistics for the third quarter of 2022. The main findings include a decrease in the following aggregate ratios: i) the capital ratios; ii) the non-performing loans (NPL) ratio excluding cash balances at central banks and other demand deposits and iii) the aggregate liquidity coverage ratio. On the other hand the aggregated annualised return on equity was stable. Higher net interest income was a key profitability driver. Finally, loans and advances subject to COVID-19-related measures have also decreased further.

#### DIGITALISATION **T**

(12/01/2023) ESAs - [Joint thematic Report on national financial education initiatives on digitalisation](#)

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have published a joint thematic Report on national financial education initiatives on digitalisation, with a focus on cybersecurity, scams, and fraud. The Report identifies good practices that national competent authorities and other public entities can follow when designing and implementing their financial education initiatives.

#### LIQUIDITY COVERAGE RATIO **CL**

(13/01/2023) EBA - [The liquidity coverage ratio of EU banks declined in the first half of 2022 but is still well above the minimum requirement 13 January 2023](#)

The European Banking Authority (EBA) has published its Report on liquidity measures, which monitors and evaluates the liquidity coverage requirements currently in place in the EU. The liquidity coverage ratio (LCR) declined to 166% in June 2022 with respect to the 170% of the previous quarter. The fall was due to an increase in outflows driven by higher interest rates and volatility which led to a decline in asset prices during the first half of the year.

#### DIGITAL EURO **T**

(16/01/2023) Council - [Eurogroup statement on the digital euro project](#)

The European Council has published a statement on the project of the digital euro addressing desirable features such as complementarity with cash, accessibility for euro area users, privacy and the safeguarding of the financial system. The Council also welcomed the Commission's intention to table in the first half of 2023 a legislative proposal that would establish the digital euro and regulate its main features, subject to the decision of the co-legislators. The ECB Governing Council will review the outcome of the investigation phase in autumn 2023 and decide on this basis whether to move to a realisation phase. The possible issuance of a digital euro would only come at a later stage and would necessarily depend on the EU legislative developments.

# Q1 Other publications of interest

## European Region

### MARKETING COMMUNICATIONS E

[\(16/01/2023\) ESMA - ESMA and NCAS to look at marketing of financial products](#)

The European Securities and Markets Authority (ESMA) has announced that is launching a common supervisory action (CSA) with national competent authorities (NCAs) on the application of MiFID II disclosure rules with regard to marketing communications across the European Union (EU). The CSA will be conducted over the course of 2023. As part of the CSA, NCAs will review whether marketing communications (including advertisements) are fair, clear and non-misleading and how firms select the target audience for the marketing communications, especially in the case of riskier and more complex investment products. Finally, the 2023 CSA will also be an opportunity collect information about possible 'greenwashing practices' observed in marketing communications and advertisements.

### MREL CL

[\(16/01/2023\) EBA - EBA publishes its annual quantitative monitoring report on minimum requirement for own funds and eligible liabilities complemented by a related impact assessment](#)

The European Banking Authority (EBA) has published its annual quantitative Report on minimum requirement for own funds and eligible liabilities (MREL) with data as of December 2021. The Report is complemented by an analysis looking into the impact of the MREL framework on a number of relevant dimensions. As of 31 December 2021, the EBA estimated that 70 banks reported an MREL shortfall of EUR 33bn out of a sample of 245. This is down by 42% compared to last years' quantitative report on MREL on banks profitability.. The Report shows progress in closing MREL shortfalls, albeit at a lower rate for smaller banks, and concludes that the impact of MREL on banks' profitability is manageable, although heterogeneous across types of banks and Member States.

### RETAIL INVESTMENT PRODUCTS O

[\(17/01/2023\) ESMA - Costs of retail investment products continue slow decline](#)

The European Securities and Markets Authority (ESMA) has published its fifth annual report on the costs and performance of European Union (EU) retail investment products. In the report, ESMA looks at the market between 2012 and 2021 and finds that the costs of investing in the most important retail financial products continued to decline, albeit at a very slow pace. It also shows that the recent rise in price levels has started to weigh on investor returns.

### INSURANCE BASED PRODUCTS O

[\(17/01/2023\) EIOPA - Insurance and pension products rode the market rebound and offered high returns in 2021](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Costs and Past Performance Report, which provides an overview of the returns and costs of insurance and pensions products in 2021. The analysis has shown that insurance-based investment products (IBIPs) benefitted from the post-pandemic market recovery and offered positive returns to investors in 2021. Unit-linked products delivered an average net return of 9.4% on the back of a strong rebound in financial markets, while hybrid and profit participation products garnered 4.0% and 1.3%, respectively.

### CONSUMER TRENDS O

[\(18/01/2023\) EIOPA - Consumer trends report sees progress on consumer-centric products with room for further improvement/ heat map of the key findings of the 2022 consumer trends report](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published its Consumer Trends Report 2022 in which it examines the financial health of consumers and small businesses through their use of insurance and pension savings products. The Report reveals that access to affordable insurance and pension products aligned with consumers' needs remains low. Also, the report reveals a strong increase in the sale of products with sustainability features in recent years, which makes it important to ensure that sustainability-related claims are not misleading or unsubstantiated.

### TRANSPARENCY D

[\(19/01/2023\) ESMA - ESMA consults on post-trade transparency](#)

The European Securities and Markets Authority (ESMA) has published a Consultation Paper (CP) to seek feedback on certain technical issues to provide further guidance in its future manual that will be publish on post-trade transparency. This Manual is meant to provide further clarifications on: i) issues related to post-trade transparency to improve the consistency and usability of the information published; and ii) the reporting to ESMA's Financial Instruments Reference Data System – FITRS. Stakeholders are invited to provide comments by 31 March 2023.

# Q1 Other publications of interest

## European Region

### CLIMATE-RELATED STATISTICAL INDICATORS

S

(24/01/2023) ECB - [Towards climate-related statistical indicators](#)

The European Central Bank (ECB), as part of its action plan to include climate change considerations in its monetary policy strategy, has published a first set of climate-related statistical indicators to better assess the impact of climate-related risks on the financial sector and to monitor the development of sustainable and green finance, fulfilling another of the commitments of its climate action plan. The new indicators are either experimental or analytical: i) experimental indicators on sustainable finance provide an overview of debt instruments labelled as “green”, “social”, “sustainability” or “sustainability-linked” by the issuer that are issued or held in the euro area; ii) analytical indicators on carbon emissions financed by financial institutions which provide information on the carbon intensity of the securities and loan portfolios of financial institutions; iii) analytical indicators on climate-related physical risks which analyse the impact of natural hazards.

### EU CHIPS INDUSTRY

T

(24/01/2023) EP - [Semiconductors: MEPs adopt legislation to boost EU chips industry](#)

The European Parliament (EP) backed plans to secure the EU supply of chips by boosting production and innovation, and setting up emergency measures against shortages. In their amendments to the Chips Act, MEPs have focussed more on next-generation semiconductor and quantum chips.

### BENCHMARK ADMINISTRATORS

E

(25/01/2023) ESMA - [ESMA and the UK FCA agree MOU on the recognition of UK benchmark administrators in the EU](#)

The European Securities and Markets Authority (ESMA), and the UK Financial Conduct Authority (FCA) have agreed a new Memorandum of Understanding (MoU) regarding cooperation and the exchange of information with respect to benchmark administrators based in the UK. The new MoU with the UK FCA enables ESMA to start recognizing benchmarks administrators from the UK.

### CSRD/ESRS

S

(26/01/2023) ESMA/EBA/EIOPA - [ESMA issues its first opinion on the draft European Sustainability Reporting Standards/Opinion of the European Banking Authority on the draft European Sustainability Reporting Standards \(ESRS\)/EIOPA's Opinion to the European Commission on EFRAG's technical advice on ESRS](#)

The European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA) have published an opinion on the first set of draft European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). The ESMA finds that ESRS broadly meets the objective of being conducive to investor protection and of not undermining financial stability. The EIOPA Opinion identifies potential areas for the European Commission (EC) to consider in the adoption of the first set of standards. Finally, the EBA acknowledges that, overall, the draft ESRS are consistent with international standards and any other relevant EU Regulation. The EBA also highlights a few aspects that should deserve further consideration by the EC. These opinions will be taken into account by the EC in adopting the ESRS Delegated Act by 30 June 2023.



# Q1 Other publications of interest

## European Region

### STRESS TEST **CL**

[\(31/01/2023\) EBA/ECB - EBA launches 2023 EU-wide stress test/ ECB to stress test 99 euro area banks in 2023](#)

The European Banking Authority (EBA) has launched the 2023 EU-wide stress test and released the macroeconomic scenarios. This year's EU-wide stress test is designed to provide valuable input for assessing the resilience of the European banking sector in the current uncertain and changing macroeconomic environment. Through this exercise, The European Central Bank (ECB) will stress test a total of 99 directly supervised banks in 2023. The EBA will coordinate the EU-wide stress test in cooperation with the ECB and national supervisory authorities. It is expected that the results are published the results of the exercise at the end of July 2023.

### GREEN DEAL INDUSTRIAL PLAN **S**

[\(01/02/2023\) EC - The Green Deal Industrial Plan: putting Europe's net-zero industry in the lead](#)

The European Commission (EC) has presented a Green Deal Industrial Plan to enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality. The Plan aims to provide a more supportive environment for the scaling up of the EU's manufacturing capacity for the net-zero technologies and products required to meet Europe's ambitious climate targets. The Plan builds on previous initiatives and relies on the strengths of the EU Single Market, complementing ongoing efforts under the European Green Deal and REPowerEU. It is based on four pillars: a predictable and simplified regulatory environment, speeding up access to finance, enhancing skills, and open trade for resilient supply chains.

### CLEARING AND DERIVATIVES TRADING OBLIGATIONS **T**

[\(01/02/2023\) ESMA - ESMA reviews the scope of clearing and derivatives trading obligations](#)

The European Securities and Markets Authority (ESMA) has published its final report on the clearing (CO) and derivative trading obligations (DTO) to accompany the benchmark transition. The report sets out proposed draft Regulatory Technical Standards (RTS) amending the scope of the CO and DTO for over-the-counter (OTC) interest rate derivatives (IRD) denominated in EUR, GBP, JPY, and USD

### SUPERVISORY ARRANGEMENTS WITH THIRD COUNTRIES **O**

[\(03/02/2023\) EIOPA - EIOPA aims to strengthen oversight of third country governance arrangements with supervisory statement](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a Supervisory Statement to strengthen the supervision and monitoring of insurance undertakings' and intermediaries' activities when using governance arrangements in third countries. In particular, EIOPA and National Competent Authorities expect, among others, that undertakings and intermediaries using third country branches retain to perform disproportionately functions or activities, an appropriate level of corporate substance within the European Economic Area (EEA) and that they are not disproportionately dependent on their third-country arrangements for activities in the EEA.

### SUPERVISION AGREEMENTS WITH THIRD COUNTRIES **E**

[\(03/02/2023\) EIOPA - EIOPA aims to strengthen oversight of third country governance arrangements with supervisory statement](#)

La Autoridad Europea de Seguros y Pensiones de Jubilación (EIOPA) ha publicado una Declaración de Supervisión para reforzar la supervisión y el control de las actividades de las aseguradoras y de los intermediarios cuando utilizan acuerdos de gobernanza en terceros países. En particular, la EIOPA y las autoridades nacionales competentes esperan, entre otras cosas, que las entidades y los intermediarios que utilicen sucursales de terceros países para desarrollar funciones o actividades de forma desproporcionada, conserven un nivel adecuado de solidez corporativa dentro del Espacio Económico Europeo (EEE) y que no dependan de forma desproporcionada de sus acuerdos en terceros países para realizar actividades en el EEE.

# Q1 Other publications of interest

## European Region

### RISK DASHBOARD D

[\(07/02/2023\) EIOPA - Risk Dashboard points to overall resilience in insurance despite 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 third 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 digitalization and cyber risks stay at medium levels.

### SUPERVISORY DISCLOSURE D

[\(08/02/2023\) EBA - EBA consults on the amending ITS on supervisory disclosures](#)

The European Banking Authority (EBA) has launched a public consultation on its draft Implementing Technical Standards (ITS) on supervisory disclosures. The amended draft ITS incorporate the changes to the EU legal framework, in particular those related to supervisory reporting and investment firms. The ITS aim at specifying the format, structure, contents list and annual publication date of the supervisory information to be disclosed by competent authorities. Comments can be sent before 28 February 2023.

### MONEY MARKET FUNDS O

[\(08/02/2023\) ESMA - ESMA report finds EU MMF industry at close to €1.5tn](#)

The European Securities and Markets Authority (ESMA) has published its market report on European Union (EU) Money Market Funds (MMF). With this report ESMA provides for the first time a comprehensive market-level view of EU MMFs, based on supervisory information collected by National Competent Authorities (NCAs) and ESMA.

### INSURANCE COVERAGE O

[\(09/02/2023\) EIOPA - EIOPA consults on changes to the minimum amount of professional indemnity insurance cover and financial capacity intermediaries need under IDD](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation on its draft amendments to the Regulatory Technical Standards (RTS) adapting the base euro amounts for the professional indemnity insurance (PII) cover and financial capacity of insurance intermediaries under the Insurance Distribution Directive (IDD). The IDD prescribes that changes to the minimum amounts shall be based on the rate of inflation. Stakeholders are invited to provide feedback to this consultation paper by 6 May 2023.

### RISK MONITORING O

[\(09/02/2023\) ESMA - ESMA sees high risks amid fragile markets](#)

The European Securities and Markets Authority (ESMA) has published the first Trends, Risks and Vulnerabilities Report (TRV) for 2023. The main findings indicate that, in general: i) contagion and operational risks are considered to be elevated, as are liquidity and market risks; ii) shocks to markets could be amplified by liquidity supply and demand imbalances, iii) tighter global financial conditions have weighed on economic activity, while inflation remains strong; iv) investor sentiment remains weak against the backdrop of economic uncertainty; and v) capital market financing decreased sharply in 2022, turning negative for the first time since the COVID-19 related market stress in early 2020.

### BANK RESOLUTION R

[\(13/02/2023\) EBA - EBA asks authorities to increase transparency on their approach to bail-in in case of banking failure](#)

The European Banking Authority (EBA) has published its final Guidelines to resolution addressed to resolution authorities for the publication of their approach to the bail-in tool implementation. These Guidelines aim at ensuring that a minimum level of harmonized information on how authorities would effectively execute the write-down and conversion of capital instruments and the use of the bail-in ("exchange facility") is made public. The EBA is asking authorities that have not yet done so to start publishing, as of January 2024, a high-level document setting out the key aspects of their preferred approach. In particular, they are asked to specify if they intend to make use of interim instruments and to set out a timeline of the bail-in process. Those authorities that have already published information are expected to check if that publication complies with these Guidelines.

# Q1 Other publications of interest

## European Region

### SECURITISATION **CL**

[\(14/02/2023\) EBA – EBA publishes final draft technical standards defining the homogeneity of the underlying exposures in STS securitisation](#)

The European Banking Authority (EBA) has published its final draft Regulatory Technical Standards (RTS), setting out the conditions for the assessment of the homogeneity of the underlying exposures in a set of simple, transparent and standardized (STS) on-balance sheet securitizations. In particular, these technical standards clarify that, in the case of on-balance sheet securitizations, homogenous exposures must be underwritten according to similar underwriting standards and managed according to similar management procedures.

### CYBER RESILIENCE **T**

[\(14/02/2023\) ESRB - ESRB publishes report on advancing macroprudential tools for cyber resilience](#)

The European Systemic Risk Board (ESRB) has published its report aimed at boosting macroprudential tools for cyber resilience. The report, prepared against a geopolitical backdrop of heightened cyber risk, underlines the need to strengthen cyber resilience. To this end, European Union authorities are encouraged to make progress on: i) system-wide pilot testing of cyber resilience scenarios; ii) implementation of systemic impact tolerance targets to identify and measure the impacts of cyber incidents on the financial system; iii) and financial crisis management tools.

### CYBERCRIME **T**

[\(15/02/2023\) EU Council - Access to e-evidence: Council authorises member states to ratify international agreement](#)

The Council has adopted a decision authorizing member states to ratify, in the interest of the EU, the Second Additional Protocol to the Convention on Cybercrime (Budapest Convention). The protocol will improve cross-border access to electronic evidence to be used in criminal proceedings. It will contribute to the fight against cybercrime and other forms of crime at global level by simplifying cooperation between member states and third countries, while ensuring a high level of protection for individuals and compliance with EU data protection standards.

### GREENHOUSE GAS REDUCTION **S**

[\(15/02/2023\) EPA - EPA Announces Initial Program Design of Greenhouse Gas Reduction Fund](#)

The Environmental Protection Agency (EPA) has announced initial guidance on the design of the Greenhouse Gas Reduction Fund (GGRF) program, created by the Inflation Reduction Act. The EPA published two Federal Assistance Listings outlining key parameters of the grant competitions that will ultimately award nearly \$27 billion to leverage private capital for clean energy and clean air investments across the country. These listings comprise a \$20 billion General and Low-Income Assistance Competition and a \$7 billion Zero-Emissions Technology Fund Competition.

### MREL **CL**

[\(27/02/2023\) SRB - Single Resolution Board publishes MREL dashboard Q3.2022](#)

The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard for Q3 in 2022. The key findings expose that: i) SRB banks issued EUR 75 bn of MREL-eligible instruments, a higher level compared to the previous quarter as well as year-on-year; ii) around 39% of the stock was made of instruments with residual maturities between 2 and 10 years, while the share of short-term MREL debt (maturing between 1 and 2 years) remained low, equal to about 7% of the total; and iii) in the final months of 2022, market conditions improved significantly and investors' demand in unsecured primary markets was strong. For resolution entities, the average MREL final target, including additional capital requirements (CBR), to be respected by 1 January 2024, was equal to 26.4% of the Total Risk Exposure Amount (TREA), remaining broadly stable compared to Q2 in 2022.

# Q1 Other publications of interest

## European Region

### TRADING BOOK AND BANKING BOOK **E**

[\(27/02/2023\) EBA - EBA publishes a no-action letter on the boundary between the banking book and the trading book provisions](#)

The European Banking Authority (EBA) has published a no-action letter stating that competent authorities should not prioritize any supervisory or enforcement action in relation to the new banking book – trading book boundary provisions established in CRR II. The front-loaded application of the boundary provisions compared to the rest of the Fundamental Review of the Trading Book framework (CRR III proposal) creates several significant operational issues: i) institutions would be subject to an operationally complex and fragmented two-step implementation of the boundary framework; ii) they would be subject to an operationally burdensome and costly fragmented application of the rules for the reclassification of positions and internal-risk transfer between the trading and non-trading books; and iii) there are no jurisdictions at global level that envisaged such a two-step implementation of the boundary and internal-risk transfer frameworks.

### TRANSPARENCY IN EQUITY INSTRUMENTS **CL**

[\(01/03/2023\) ESMA - ESMA publishes 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 include: i) the liquidity assessment; ii) the determination of the most relevant market in terms of liquidity; iii) the determination of the average daily turnover relevant for the determination of the pre-trade and post-trade large in scale thresholds; iv) the determination of the average value of the transactions and the related the standard market size; and v) the determination of the average daily number of transactions on the most relevant market in terms of liquidity relevant for the determination of the tick-size regime. The transparency requirements will apply from 1 April 2023 until 31 March 2024. From 1 April 2024 the next annual transparency calculations for equity and equity-like instruments, to be published by 1 March 2024, will become applicable.

### INNOVATION IN FINANCIAL SECTOR **T**

[\(01/03/2023\) EC - Call for proposals: A new Data Hub on the EU Digital Finance Platform](#)

The European Commission (EC) has announced the creation of a new Data Hub to foster innovation in Europe's financial sector. It is meant to be a space where firms could access data for testing purposes in close contact with supervisory authorities. This project will complement national innovation hubs and regulatory sandboxes, as well as private-sector initiatives. In a first step, the EC is planning to host synthetic datasets in the Data hub that have been created by participating supervisory authorities based on real data they hold, and they want to receive feedback from firms on what the most promising use cases are for which such datasets could be made available – and which ones which you would like to access for testing. The deadline to join the project is 12h00 CET on 12 April 2023.

### GREEN BONDS **S**

[\(01/03/2023\) EP/Council - Legislators strike deal on a new standard to fight greenwashing in the bond markets](#)

La Comisión Europea (EC) ha alcanzado un acuerdo provisional sobre la creación de Bonos Verdes Europeos (EuGB) The European Commission (EC) has reached a provisional agreement on the creation of European Green Bonds (EuGB), establishing that at least 85% of the proceeds from EuGB must be invested in economic activities that align with the EU taxonomy, provided that the affected sectors are already covered by it. Thus, for sectors not yet covered by the EU taxonomy and for certain specific activities, there will be a flexibility margin to invest 15%. As for supervision, competent national authorities of the originating Member State will oversee that issuers fulfill their obligations according to the new standard. On the other hand, all companies opting to use the standard when marketing a green bond will have to disclose a large amount of information on how the bond proceeds will be used, but they are also required to demonstrate how those investments integrate into the company's overall transition plans. The agreement is provisional, as it still needs to be confirmed by the Council and the European Parliament, and adopted by both institutions before becoming definitive. It will begin to apply 12 months after its entry into force.

# Q1 Other publications of interest

## European Region

### MARKET STANDARDS O

[\(01/03/2023\) EP - MEPs back better access to market data and more robust EU market infrastructures](#)

The Economic and Monetary Affairs Committee of the European Parliament (EP) has approved changes to the rules on transparency applicable under the Markets in Financial Instruments Regulation (MiFIR), simplifying the limitations on trading without pre-trade transparency (dark trading). The decision supports an EU-wide consolidated tape (CT) through an electronic system which combines sales volume and price data from different exchanges and consolidates these into a continuous live feed, providing a single reference price for each asset class (shares, exchange traded funds, bonds and derivatives) across markets. Trading venues (except smaller markets and SME growth markets) would have to provide pre- and post-trade information to a consolidated tape provider (CTP) as close to real time as it is technically possible. The EP also asks the European Securities and Markets Authority (ESMA) to define the size of financial transactions in equities that could benefit from a waiver from the MiFIR transparency obligations. Approval by the Parliament as a whole would be pending and it would then be taken to the Council.

### MARKET CORRECTION MECHANISM (MCM) O

[\(01/03/2023\) ESMA - ESMA finds that MCM had no measurable impact on financial markets under current market conditions](#)

The European Securities and Markets Authority (ESMA) has published its Effects Assessment of the introduction of the market correction mechanism (MCM) on gas derivative markets. In the report, ESMA explores whether there has been any change in trading or in the Central Counterparties (CCPs') capacity to conduct their risk management activities, as a consequence of the MCM. The results confirm that no noticeable impact can be identified. However, it should not be understood as the MCM not having any impact because it could be different as the market environment changes and the activation of the MCM is anticipated by market participants.

### SOLVENCY II CL

[\(03/03/2023\) EIOPA - EIOPA publishes monthly technical information for Solvency II Relevant Risk Free Interest Rate Term Structures – end-February 2023/ Monthly update of the symmetric adjustment of the equity capital charge for Solvency II – end-February 2023](#)

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 February 2023. On the other hand, the EIOPA has also published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of February 2023.

### IORP II DIRECTIVE O

[\(03/03/2023\) EIOPA - EIOPA consults on technical advice for the review of the IORP II Directive](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation on draft technical advice for the review of the IORP II Directive in response to a request from the European Commission. The EIOPA will provide its final advice in October 2023. The consultation covers the following areas: i) governance and prudential standards; ii) cross-border activities and transfers; iii) information to members and beneficiaries and other business conduct requirements; iv) shift from defined benefit to defined contributions and v) sustainability, diversity and inclusion.

### ECOLOGICAL TRANSITION S

[\(08/03/2023\) EC – Assessment of the financial system's resilience to stress in the transition to the EU's 2030 goals for the reduction of greenhouse gas emissions](#)

The European Commission (EC) has published a letter inviting the European Supervisory Authorities (ESAs) to carry out a comprehensive analysis of the entire financial system in relation to the resilience of the financial system in the transition towards the target of reducing greenhouse gas emissions by at least 55% by 2030. The Commission requested that the results of the assessment should ideally be presented by the end of 2024, and at the latest by the first quarter of 2025.

# Q1 Other publications of interest

## European Region

### STRUCTURED FINANCING D

(13/03/2023) EBA - [ECB and the ESAs call for enhanced climate-related disclosure for structured finance products](#)

The European Supervisory Authorities (ESAs), together with the European Central Bank (ECB), have published a Joint Statement on climate-related disclosure for structured finance products. The Statement encourages the development of disclosure standards for securitised assets through harmonised climate-related data requirements. Currently, there is a lack of climate-related data on the assets underlying structured finance products. Furthermore, it aims to facilitate access to climate-related data with a view to improving sustainability-related transparency in securitisations and to promote consistent and harmonised requirements for similar instruments.

### ELIMINATION OF PRICE-SETTING STRATEGIES C

(16/03/2023) EIOPA - [EIOPA supervisory statement takes aim at unfair 'price walking' practices](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a supervisory statement on differential pricing practices with the aim of eliminating price-setting strategies which lead to the unfair treatment of customers. The statement underlines that providers falling under the scope of the Insurance Distribution Directive (IDD) shall always act honestly, fairly and professionally in accordance with the best interests of their customers. The statement also underlines that product oversight and governance processes should cover pricing techniques and ensure that these techniques do not adversely affect customers. EIOPA will continue monitoring the market and may consider adopting further measures where it identifies consumer detriment.

### SUPERVISORY BENCHMARKING ON INTERNAL MODELS D

(16/03/2023) EBA – [EBA publishes Handbook on data submission for supervisory benchmarking](#)

The European Banking Authority (EBA) has published a Handbook on supervisory benchmarking of internal models. The Handbook is an online tool that provides guidance and links to relevant documents and information (e.g. Q&As) relevant to credit risk, market risk and IFRS9 benchmarking. The Handbook will be regularly updated.

### INSIDE INFORMATION O

(20/03/2023) ESMA – [ESMA raises concerns with the proposed changes to the insider list regimen](#)

The European Securities and Markets Authority (ESMA) has sent a letter to the European Parliament and Council raising concerns with proposed changes to the insider list regime in the Markets Abuse Regulation. The proposed changes, which were put forward by the European Commission in December 2022 as part of the Listings Act proposal, mean that insider lists would only include persons who have regular access to inside information, and not those who may have access to such information on a case by case basis. The letter outlines how the proposed changes may lead to detrimental effects for national supervisors and their ability to enforce against market abuse, as well as for issuers, who use insider lists to manage the flow and access to inside information.

### FRTB REPORTING D

(21/03/2023) EBA – [EBA consults on amendments to the reporting on the Fundamental Review of the Trading Book](#)

The European Banking Authority (EBA) has launched a public consultation on its draft Implementing Technical Standards (ITS) amending the ITS on specific reporting requirements on market risks (FRTB reporting). This consultation paper sets out proposals for the expansion of the FRTB reporting framework with the aim to support institutions' preparation for the full implementation of FRTB. The proposals complement the already existing reporting requirements with a comprehensive set of templates to capture details on the instruments and positions in scope of the A-SA, as well as templates to capture summary and detailed information on the instruments and positions in scope of the alternative internal model approach (A-IMA). Comments to the consultation can be sent before 20 June 2023.

# Q1 Other publications of interest

## European Region

### CLIMATE-RELATED DISCLOSURES

D

(23/03/2023) ECB - [ECB starts disclosing climate impact of portfolios on road to Paris-alignment](#)

The European Central Bank (ECB) has published its first climate-related financial disclosures, which provide information on its portfolios' carbon footprint and exposure to climate risks, as well as on climate-related governance, strategy and risk management. Presented in two reports, the disclosures cover the corporate security holdings under the corporate sector purchase program (CSPP) and the pandemic emergency purchase program (PEPP), as well as the ECB's euro-denominated non-monetary policy portfolios (NMPPs). The disclosures show that the corporate bonds held under the CSPP and PEPP are on a decarbonization path. Although the portfolios' absolute greenhouse gas emissions have increased in recent years because the Eurosystem has purchased more securities for monetary policy purposes, issuers' carbon intensity has gradually declined. From now on, the ECB will disclose climate-related information on these portfolios every year.

### GUIDELINES ON MiFID II

C

(27/03/2023) ESMA - [ESMA updates its guidance on product governance](#)

The European Securities and Markets Authority (ESMA) has published its Final Report on Guidelines on MiFID II product governance guidelines. The main amendments introduced to the guidelines concern: 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 ("clustering approach"); iii) the determination of a compatible distribution strategy where a distributor considers that a more complex product can be distributed under non-advised sales; and iv) the periodic review of products, including the application of the proportionality principle. The Guidelines will be translated into the official languages of the EU and published on ESMA's website, applying two months after the date of the publication.

### POSITION CALCULATION

C

(28/03/2023) ESMA - [ESMA consults on position calculations for Trade Repositories](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on amendments to its Guidelines for Trade Repositories (TRs) on position calculation under EMIR. The objective is to improve consistency of position calculation across TRs regarding: i) the scope of data to be used; ii) the time of calculation; and iii) the calculation methodologies. The Guidelines aim to ensure TR calculate positions in derivatives in a harmonized manner and in line with the revised technical standards under EMIR Refit. ESMA will consider the feedback it receives to this consultation with a view to publishing the final report together with the updated XML schemas by early Q4 2023.

### HARM TO CONSUMERS OF BANKING PRODUCTS

C

(28/03/2023) EBA - [EBA publishes new set of indicators to identify potential causes of consumer harm](#)

The European Banking Authority (EBA) has published, for the first time, a set of indicators, which aim at identifying detriment to consumers arising from the misconduct of financial institutions offering retail banking products in the European Union (EU). These indicators cover the banking products in the EBA's consumer protection scope, and include mortgage credit, consumer credit, deposits, payment accounts and payment services.

# Q1 Other publications of interest

## European Region

### Spain

#### CONSUMER PROTECTION C

[\(13/02/2023\) CNMV - Consulta pública de la Guía Técnica sobre refuerzo de la transparencia de IIC con objetivo concreto de rentabilidad y de IIC de renta fija con estrategia de comprar y mantener](#)

The Comisión Nacional del Mercado de Valores (CNMV) has launched for public consultation a proposal for a Technical Guide on reinforcing the transparency of collective investment institutions (CIIs) with a specific return objective and fixed income CIIs with a buy-and-hold strategy. The main objectives of the Technical Guide are to establish criteria on: i) the information provided to investors on the estimated return; ii) the warnings to be given to investors on the risk derived from not valuing part of their operations during the marketing period; iii) to reinforce the warning on the cost of liquidity; and iv) to extend the warnings established on the term risk and on the cost of the fund's liquidity to fixed-income CIS with a buy-and-hold strategy. The public consultation will be open until March 31, 2023.

#### CSR D TRANSPOSITION S

[\(01/03/2023\) MINECO - Consulta pública previa sobre el anteproyecto de ley de información sobre sostenibilidad](#)

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) opened a public consultation on the preliminary draft law on sustainability information. The main objective of this regulatory development is to adapt to the Spanish legal system the provisions introduced by Directive (EU) 2022/2464 (CSRD) to improve the quality, comparability and reliability of the sustainability information published by companies, specifying the following aspects: i) extend the scope of application; ii) regulate in a more exhaustive manner the content of the sustainability report; iii) elaborate the management report including the sustainability report in electronic format; iv) regulate the aspects related to the verification of the sustainability information. Interested parties could make observations and comments until March 4, 2023.

#### SECURITIES MARKETS AND INVESTMENT O

[\(09/03/2023\) Congreso de los Diputados – El Congreso aprueba la Ley Orgánica del Sistema Universitario y la Ley de los Mercados de Valores y de los Servicios de Inversión](#)

The Spanish Congress of Deputies has approved the Securities Markets and Investment Services Act, after incorporating the Senate's amendments, which involved minor modifications to provide homogeneity and clarity to the legal text without entailing substantial changes to the content. After concluding its parliamentary processing, the law is ready for publication in the Official State Gazette (BOE) and subsequent entry into force.

#### FINANCIAL STATEMENT SUPERVISION E

[\(16/03/2023\) CNMV - La CNMV publica el informe anual de supervisión de las cuentas anuales de las empresas emisoras](#)

The Comisión Nacional del Mercado de Valores (CNMV) has published its annual report on the supervision of the annual accounts of issuing companies, which describes the supervisory work carried out by the CNMV during 2022 in relation to the annual accounts for the financial year 2021. The Report also includes certain supervisory priority areas envisaged by the CNMV for the 2022 annual accounts. These priorities are: i) climate-related issues; ii) the Russian invasion of Ukraine; iii) analysis of the breakdowns on material assumptions, judgements and uncertainties to which issuers are exposed in the current macroeconomic scenario; and iv) how inflation and rising interest rates have been taken into consideration in determining the discount rates applied in the impairment tests of non-financial assets.

#### CYBERSECURITY T

[\(22/03/2023\) MINECO – Abierto el plazo para solicitar las ayudas del programa UNICO I+D 6G 2023, dotado con 62 millones de euros de fondos Next Generation](#)

The Ministerio de Asuntos Económicos y Transformación Digital (MINECO) has announced the presentation of the CyberCamp UMU project, promoted by the Instituto Nacional de Ciberseguridad (INCIBE) to improve the culture and training in cybersecurity in Spain. In the field of digital infrastructures, it was noted the opening of the deadline for submitting applications for grants for research and development of 6G technology of the UNICO I+D program to strengthen an ecosystem of research and development around 5G+ and 6G in Spain. Designed with the premise of fostering public-private collaboration, these grants include subsidies amounting to 49.6 million euros for companies.



# Q1 Other publications of interest

## European Region

### UK

#### CLAIMS MANAGEMENT COMPANIES **E**

[\(05/01/2023\) FCA - Portfolio Strategy: Claims Management Companies \("CMCs"\)](#)

The Financial Conduct Authority (FCA) has published a letter to Set out its updated view of the drivers of harm and risks that Claims Management Companies (CMCs) pose to their consumers or the markets in which they operate. Additionally, FCA outlines its expectation of CMCs, including how firms should be mitigating these key risks and describes its supervisory strategy and programme of work to ensure that firms are meeting the FCA's expectations, and harms are being remedied and/or mitigated. The FCA expects that CMCs consider whether they can make any changes to reduce any harm or potential harm to consumers.

#### 2023 PRIORITIES FOR THE FINANCIAL SECTOR **E**

[\(10/01/2023\) PRA - UK Deposit Takers Supervision: 2023 priorities/ Banks active in the UK: 2023 priorities/ Insurance supervision: 2023 priorities](#)

The Prudential Regulation Authority (PRA) has published three letters on its 2023 priorities for: i) UK deposit takers; ii) banks active in UK and; iii) insurance sector. These cover different supervisory areas. For UK deposit takers, the PRA mainly sets out expectations regarding: i) credit and operational risk; ii) financial resilience; iii) model risk; iv) data and v) Financial risks arising from climate change. Generally, the PRA expects that firms to comply with the latest or future regulation on these topics (e.g. Model risk management (MRM) principles) as well as supervisory expectations (e.g. climate risk management supervisory expectations). For banks active in UK the PRA focuses in similar areas, but it does not include priorities regarding credit risk and MRM. The PRA will among others: i) maintain focus on financial resilience through ongoing assessments of individual firms' capital and liquidity position; ii) review the onboarding and due diligence practices, as well as counterparty pricing and margining frameworks; iii) expects the compliance with supervisory expectations (risks from outsourcing and climate risk management supervisory expectations). Finally, the main focus for 2023 regarding the insurance sector will be on: i) financial resilience; ii) MRM; iii) implementing financial reforms; iv) reinsurance risk; v) operational resilience; and vi) ease of exit for insurers.

#### CUSTOMER PROTECTION **C**

[\(11/01/2023\) FCA – CP23/1: Insurance guidance for the support of customers in financial difficulty](#)

The Financial Conduct Authority (FCA) have published a Consultation Paper (CP) which sets out its proposals to help protect customers of non-investment insurance policies in financial difficulty and to provide clearer expectations of firms in supporting their customers. With this reforms the FCA will replace the insurance aspects of the previous guidance for insurance and premium finance for customers in financial difficulty due to coronavirus (Covid-19), with insurance guidance that applies to all customers in financial difficulty. The consultation closes on 11 March 2023.

#### DIGITAL REPORTING **T**

[\(12/01/2023\) FCA - CP23/2: Streamlining our rules on structured digital reporting of financial statements](#)

The Financial Conduct Authority (FCA) has published a Consultation Paper (CP) to collect feedback on changes to streamline our transparency rules for certain companies with securities admitted to UK regulated markets to prepare their annual financial report in a specific web browser format (XHTML), and to present the financial statements in it in the structured digital format.

#### SIMPLIFIED REGIME ENTITIES **CL**

[\(27/02/2023\) BoE - CP4/23 - The Strong and Simple Framework: Liquidity and Disclosure requirements for Simpler-regime Firms](#)

The Bank of England (BoE) has issued a Consultation Paper (CP) to gather feedback on proposed simplifications by the Prudential Regulation Authority (PRA) to the prudential framework that would apply to simplified regime entities. The proposals include: i) new liquidity requirements for implementing the net stable funding ratio (NSFR); ii) revisions to the application of Pillar 2 liquidity supplements; iii) new Pillar 3 disclosure requirements for simplified regime firms; iv) a new template for the internal liquidity adequacy assessment process (ILAAP); and v) simplifications of certain proportionality approaches in the current PRA Rulebook. Responses must be submitted by May 30, 2023.

# Q1 Other publications of interest

## European Region

### REPORTING FRAMEWORK ESG



[\(30/01/2023\) FRC - UK Accounting Regulator to Ramp Focus on Key ESG Disclosure Areas](#)

The Financial Reporting Council (FRC) has published its ESG Statement of Intent outlining the priority areas that the FRC will address in 2023, including developing guidance and best practices on ESG data distribution and consumption, and examining companies' materiality processes to consider how improvements could be made. The paper outlines areas identified as key challenges in ESG reporting, suggested actions to address these areas, and a focus on how data is used and reported. The FRC also noted that it will update its guidance on climate risks for financial reporters and introduce requirements for actuaries to consider climate risks in reporting.

### PENSION SCHEMES



[\(30/01/2023\) UK Gov - Broadening the investment opportunities of defined contribution pension schemes](#)

The UK Government has responded to the consultation on 'broadening the investment opportunities of Defined Contribution (DC) pension schemes'. The consultation sought views on new draft regulations and guidance introducing disclosure and explain proposals, and on the exemption for performance-based fees from the charge cap calculations for schemes that choose to incur performance-based fees. Both these regulatory measures are intended to remove barriers and help stimulate investment in illiquid assets by occupational defined contribution (DC) pension schemes to achieve better outcomes for savers using this type of instrument.

### PROVISION OF PENSION SCHEMES



[\(30/01/2023\) UK Gov - Extending Opportunities for Collective Defined Contribution Pension Schemes](#)

UK Government has published a consultation that seeks views on policy proposals for broadening Collective Defined Contribution (CDC) provision beyond single or connected employer schemes to accommodate multi-employer schemes. References to multi-employer schemes in this document are also intended to cover Master Trust schemes. There are, however, some areas where different considerations will be appropriate for schemes established on a commercial basis.

### SUPERVISORY STRATEGY



[\(03/02/2023\) FCA - Our Asset Management Supervision Strategy](#)

The Financial Conduct Authority (FCA) of UK has published a letter outlining the potential harms to consumers or markets that may arise from asset managers' business models. The paper sets out what is the authorities vision, expectation and what they will do in relation to supervisory priorities on: i) product governance; ii) ESG investment; iii) product liquidity management; iv) operational and resilience investing; and v) financial resilience. It also indicates that a policy discussion will be conducted on whether the regulatory regime provides an effective and proportionate way to achieve good outcomes and can facilitate innovation, taking into account evolving technology and global financial regulatory standards.

### THIRD PARTY RISK MANAGEMENT



[\(08/02/2023\) BoE - The Bank of England's policy on outsourcing and third party risk management for Financial Market Infrastructures \(FMIs\)/ Outsourcing and third party risk management Supervisory Statement: recognised payment system operators and specified service providers](#)

The Bank of England (BoE) has published its policy on outsourcing and third party risk management for financial market infrastructures (FMIs) in the UK. The BoE's policy aims to (i) facilitate greater resilience and adoption of cloud and other new technologies; (ii) set out the BoE's requirements and expectations in relation to outsourcing and third party risk management in FMIs; and (iii) complement the BoE's supervisory statements on the operational resilience of FMIs. In addition, the BoE has published its Supervisory Statement (SS) on Recognized Payment System Operators (RPSOs) and Specific Service Providers (SSPs), which sets out the BoE's supervisory approach to outsourcing and third-party risk management relevant to many areas of such players' operations. RPSOs and SSPs are expected to comply with the expectations of this SS by February 9, 2024.

# Q1 Other publications of interest

## European Region

### REMUNERATION O

(10/02/2023) BoE - [PS1/23 – Remuneration: Unvested pay, Material Risk Takers and public appointments](#)

The Prudential Regulation Authority (PRA) has published its Policy Statement (PS) providing feedback on responses to Consultation Paper (CP) 8/22 - "Remuneration: Unvested Remuneration, Material Risk Takers and Public Appointments". The CP sets out the PRA's proposed expectations regarding changes to the instruments or rights comprising the deferred unvested sums awarded to Material Risk Takers (MRTs) as part of their variable remuneration. The PS issued also contains the final PRA policy updated in Supervisory Statement (SS) 2/17 - "Remuneration".

### INSURERS IN FINANCIAL DIFFICULTIES O

(08/02/2023) PRA - [CP3/23 – 'Dealing with insurers in financial difficulties'](#)

The Prudential Regulation Authority (PRA) has published a Consultation Paper (CP) which sets out the PRA's proposed rules and policy in respect of the changes introduced by the Financial Service and Markets Bill 2022-23 (FSM Bill) to the Financial Service and Markets Act 2000 (FSMA) concerning insurers in financial difficulties. The proposals in this CP introduce: i) new PPP Rules concerning how the Financial Services Compensation Scheme (FSCS) should operate; ii) new rules concerning the notification of affected persons; and iii) a new Statement of Policy (SoP) setting out the PRA's approach and expectations in relation to write-down applications and the appointment of write down managers.

### SUPPORT TO MORTGAGE BORROWERS O

(10/03/2023) FCA – [FG23/2: Guidance for firms supporting existing mortgage borrowers impacted by rising living costs](#)

The Financial Conduct Authority (FCA) has published Final Guidance for firms supporting their mortgage borrowers affected by the rising cost of living. This document explains how firms can support their customers, including through automated processes and digital channels. It sets out the flexibility firms have to grant moratoriums to those who need them, as well as the scope that firms have to vary contract terms for other borrowers who want to reduce their monthly payments.

### CLIMATE RISK AND REGULATORY CAPITAL FRAMEWORK S

(13/03/2023) BoE - [Bank of England report on climate-related risks and the regulatory capital frameworks](#)

The Bank of England (BoE) has published a report on climate-related risks and regulatory capital frameworks. In 2021, the BoE published its Climate Change Adaptation Report (CCAR), which set out initial thoughts on climate change and regulatory capital frameworks for banks and insurers. The CCAR states that current frameworks already capture climate-related risks (climate risks) to some extent, including through capital models and credit ratings. However, risk capture may be incomplete due to difficulties in estimating climate risks (capacity gaps) and there may be problems capturing risks in existing capital regimes (regime gaps). The new report includes updates on: i) capacity and regime gaps; ii) capitalization schedules; and iii) areas for future research and analysis.

### NON-PERFORMING EXPOSURES CL

(14/03/2023) BoE - [CP6/23 - The non-performing exposures capital deduction](#)

The Bank of England (BoE) has published a Consultation Paper (CP) setting out the Prudential Regulation Authority's (PRA) proposal to remove the Common Equity Tier 1 (CET1) deduction requirement in the PRA Rulebook, regarding non-performing exposures (NPE) that are treated as insufficiently covered by firms' accounting provisions. The policy proposals included in this CP would: i) remove the CET1 deduction requirement for non-performing exposures ('NPE deduction') that are treated as insufficiently provided for by firms; and ii) remove the associated reporting requirements for the NPE deduction. This consultation closes on June 14, 2023.

# Q1 Other publications of interest

## American Region

### US

#### CRA BANKS PERFORMANCE EVALUATIONS

E

[\(11/01/2023\) OCC - OCC Releases CRA Evaluations for 22 National Banks and Federal Savings Associations](#)

The Office of the Comptroller of the Currency (OCC) has released a list of Community Reinvestment Act (CRA) performance evaluations that became public during the period of September 1, 2022, through November 30, 2022. The CRA requires each federal bank regulatory agency to assess each federally insured institution's record of helping to meet the credit needs of its entire community, consistent with safe and sound lending. The list contains only national banks, federal savings associations, and insured federal branches of foreign banks that have received ratings. The possible ratings are outstanding, satisfactory, needs to improve, and substantial noncompliance.

#### OCC FAIR LENDING HANDBOOK

E

[\(12/01/2023\) OCC - Fair Lending: Revised Comptroller's Handbook Booklet and Rescissions](#)

The Comptroller of the Currency (OCC) has issued version 1.0 of the "Fair Lending" booklet of the Comptroller's Handbook. This booklet provides information and examination procedures to assist OCC examiners in assessing fair lending risk and evaluating compliance with the Fair Housing Act, Equal Credit Opportunity Act, and the consumer protection regulation.

#### OCC BOOKLET

CL

[\(19/01/2023\) OCC - Branches and Relocations: Revised Comptroller's Licensing Manual Booklet](#)

The Office of the Comptroller of the Currency (OCC) has published a Booklet that contains the OCC's policies and procedures to guide a national bank or federal savings association (FSA) in submitting a request for prior approval to establish or relocate a branch, or relocate its main or home office.

#### BAKING SUPERVISION

E

[\(27/01/2023\) Fed - Federal Reserve Board issues policy statement to promote a level playing field for all banks with a federal supervisor, regardless of deposit insurance status](#)

The Federal Reserve Board has issued a policy statement to promote a level playing field for all banks with a federal supervisor, regardless of deposit insurance status. The statement makes clear that uninsured and insured banks supervised by the Board will be subject to the same limitations on activities, including novel banking activities, such as crypto-asset-related activities. The statement also makes clear that uninsured and insured banks supervised by the Board would be subject to the limitations on certain activities imposed on national banks, which are overseen by the Office of the Comptroller of the Currency (OCC). The equal treatment will promote a level playing field and limit regulatory arbitrage.

#### SUPERVISORY STRESS TEST

O

[\(09/02/2023\) OCC - OCC Releases Dodd-Frank Act Stress Test Scenarios for 2023](#)

The Office of the Comptroller of the Currency (OCC) of the US has published the economic and financial market scenarios that will be used in the upcoming stress tests of supervised entities (certain national banks and federal savings). Supervised entities are required to use the scenarios to conduct the stress tests, the results of which will provide the OCC with forward-looking information used in banking supervision and assist the agency in assessing the risk profile and capital adequacy of covered institutions. These will be required to publish a summary of the results of their stress tests in the period from June 15 to July 15.

#### CONFLICTS OF INTEREST

C

[\(26/01/2023\) SEC - Prohibition Against Conflicts of Interest in Certain Securitizations](#)

The Securities and Exchange Commission (SEC) is revising a rule prohibiting an underwriter, placement agent, initial purchaser, or sponsor of an asset-backed security (including a synthetic asset-backed security), or any affiliate or subsidiary of any such entity, from engaging in any transaction that would involve or result in certain material conflicts of interest.

#### NAIC 2023 PRIORITIES

O

[\(13/02/2023\) NAIC - NAIC Announces 2023 Regulatory Priorities](#)

The National Association of Insurance Commissioners (NAIC) has announced its strategic priorities and potential workplans for 2023. The NAIC provides expertise, data, and analysis for insurance commissioners to effectively regulate the industry and protect consumers in the U.S. The NAIC 2023 Priorities comprise: i) climate risk/natural catastrophes and resiliency; ii) data/artificial intelligence, cybersecurity, and innovation; iii) insurer financial oversight and transparency; iv) long-term care insurance (LTCL); v) marketing of insurance products; and vi) financial inclusion

# Q1 Other publications of interest

## American Region

### SAFEGUARDING OF BANK DEPOSITS



[\(12/03/2023\) FED - Federal Reserve Board announces it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors](#)

The Federal Reserve (FED) has announced it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. This action will bolster the capacity of the banking system to safeguard deposits and ensure the ongoing provision of money and credit to the economy. The additional funding will be made available through the creation of a new Bank Term Funding Program (BTFP), offering loans of up to one year in length to banks, savings associations, credit unions, and other eligible depository institutions pledging U.S. Treasuries, agency debt and mortgage-backed securities, and other qualifying assets as collateral.

# Q2 Other publications of interest

## Global

### SYSTEMIC RISK E

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

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

### CLIMATE-RELATED DISCLOSURES S

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

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

### BASEL FRAMEWORK CL

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

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

### CYBER INCIDENT REPORTING T

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

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

### CYBER RISKS IN THE INSURANCE SECTOR T

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

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

# Q2 Other publications of interest

## Global

### INSURANCE SECTOR AND NATURAL CATASTROPHE S

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

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

### SPAC REGULATION O

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

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

### OFFLINE CBD USE T

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

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

### GLOBAL CRYPTO REGULATION T

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

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

### COMMODITY MARKETS O

[\(24/05/2023\) BCBS - Margin dynamics in centrally cleared commodities markets in 2022](#)

The Basel Committee on Banking Supervision (BCBS), 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 the dynamics of margins in centrally cleared commodity markets during the 2022 high volatility episode following the Russian invasion of Ukraine. The report examines the dynamics of central counterparties' (CCPs) margin models, the use of discretion and its effect on margin procyclicality, as well as other ways in which CCPs adapted their risk management during this period.

# Q2 Other publications of interest

## Global

### TRANSPARENCY OF SUPPLIER FINANCE D

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

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

### HARMONISATION OF API PROTOCOLS O

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

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

### EXPECTED CREDIT LOSS REQUIREMENTS CL

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

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

### TRANSITION PLANS S

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

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

### QUANTUM-SAFE FINANCIAL SYSTEM T

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

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

### IAIS STRATEGIC PLAN O

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

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



# Q2 Other publications of interest

## Global

### NEW FINANCIAL INFRASTRUCTURE



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

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

### THIRD-PARTY RISK MANAGEMENT



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

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

### GOODWILL



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

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

### INSURANCE CAPITAL STANDARD



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

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

### GLOBAL MONITORING EXERCISE



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

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

# Q2 Other publications of interest

## European region

### Europe

#### RISK DASHBOARD D

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

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

#### SFDR AMENDMENTS S

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

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

#### ENVIRONMENTAL TAXONOMY OBJECTIVES S

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

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

#### ALGORITHMIC TRANSPARENCY T

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

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

#### CYBERSECURITY T

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

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

# Q2 Other publications of interest

## European region

### RESUBMISSION OF HISTORICAL DATA D

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

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

### AMENDMENTS TO THE BANKING CRISIS MANAGEMENT FRAMEWORK R

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

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

### AMENDMENTS TO THE BANKING CRISIS MANAGEMENT FRAMEWORK R

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

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

### MANAGEMENT ORGAN OF CREDIT SERVICERS G

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

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

### DATA QUALITY O

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

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

### TRANSFERS OF CRYPTOASSETS T

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

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

# Q2 Other publications of interest

## European region

### STS CRITERIA



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

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

### SUPERVISORY BENCHMARKING EXERCISE



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

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

### DIGITAL EURO AND DIGITAL WALLETS



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

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

### DIVERSITY PRACTICES



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

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

### INSURANCE SECTOR AND NATURAL CATASTROPHE



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

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

### CONSUMER PROTECTION



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

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

# Q2 Other publications of interest

## European region

### ISYNTHETIC SECURITISATIONS



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

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

### FINANCIAL RISKS



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

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

### INTEREST RATE RISK



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

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

### TAXONOMY ARCHITECTURE



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

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

### DEPOSIT GUARANTEE SCHEMES



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

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

### ANNUAL TRANSPARENCY CALCULATIONS



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

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

# Q2 Other publications of interest

## European region

### AUSE OF ARTIFICIAL INTELLIGENCE



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

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

### SUPERVISORY PRACTICES



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

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

### AMENDMENT OF THE ESEF RTS



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

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

### RISKS FOR THE INSURANCE SECTOR



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

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

### MREL POLICY



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

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

### RESOLUTION PLANNING



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

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

# Q2 Other publications of interest

## European region

### ALONG TERM INVESTMENT FUNDS O

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

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

### CRYPTO-ASSETS T

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

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

### SSET VALUATION RULES O

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

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

### ESG FOR STS SECURITIZATIONS S

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

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

### CREDIT ASSESSMENT O

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

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

### RETAIL INVESTMENT O

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

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

# Q2 Other publications of interest

## European region

### MEASURES TO STRENGTHEN SUPERVISION

E

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

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

### SUPERVISORY COLLEGES

E

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

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

### TRANSPARENCY CALCULATIONS

D

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

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

### DUE DILIGENCE

S

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

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

### STRESS TEST

CL

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

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

### COUNTERPARTY CREDIT RISK GOVERNANCE

G

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

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



# Q2 Other publications of interest

## European region

### COUNTERPARTY CREDIT RISK **CL**

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

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

### MONEY MARKET FUNDS STRESS TESTS **D**

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

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

### ML/TF Risk **T**

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

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

### THIRD-PARTY SERVICE PROVIDERS **T**

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

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

# Q2 Other publications of interest

## European region

### BENCHMARKING EXERCISE D

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

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

### REPORTING FRAMEWORK D

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

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

### LABOUR RIGHTS AND AI T

[\(12/06/2023\) Consejo - Derechos de los trabajadores de plataformas: el Consejo acuerda su posición](#)

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

### O-SIIs O

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

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

### REPORTING SUPERVISOR D

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

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

### RESOLVABILITY R

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

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

### RISK ASSESSMENT O

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

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

# Q2 Other publications of interest

## European region

### LCR AND NSFR CL

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

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

### AI RULES T

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

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

### ML/TF O

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

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

### SUSTAINABILITY S

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

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

### GUIDELINES ON CCPs R

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

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

# Q2 Other publications of interest

## European region

### MYSTERY SHOPPING EXERCISE O

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

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

### CAPITAL MARKETS C

[\(29/06/2023\) Consejo - Unión de los mercados de capitales: el Consejo y el Parlamento llegan a un acuerdo sobre una propuesta para reforzar la transparencia de los datos de mercado](#)

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

## Spain

### ESIS OPERATIONS THROUGH AGENTS E

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

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

### GUÍA DE TRANSPARENCIA DEL CRÉDITO REVOLVING O

[\(25/04/2023\) BdE - Proyecto de Guía de transparencia del crédito revolving para entidades sujetas a la supervisión del Banco de España](#)

En este proyecto de guía el Banco de España (BdE) identifica las mejores prácticas en el ámbito del diseño, comercialización y contratación del crédito revolving de las entidades de crédito, establecimientos financieros de crédito, entidades de dinero electrónico y entidades de pago. En este proyecto toma como referencia las directrices y opiniones de la Autoridad Bancaria Europea (EBA) relacionadas, así como las orientaciones para supervisores sobre digitalización del crédito al consumo a corto plazo y de alto coste, publicada por la Organización Internacional de Protección al Consumidor Financiero (FinCoNet). Los comentarios a este proyecto deberán enviarse antes del 31 de mayo de 2023.

### CORPORATE REPORTING FRAMEWORK ON ESG ISSUES S

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

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

# Q2 Other publications of interest

## European region

### RISKS ASSOCIATED WITH CLIMATE CHANGE

S

[\(05/05/2023\) MINECO - Proyecto de Real Decreto por el que se regula el contenido de los informes sobre la estimación del impacto financiero de los riesgos asociados al cambio climático](#)

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

### DRAFT CIRCULAR

CL

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

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

### ACCESSIBILITY IN THE USE ON PRODUCTS AND SERVICES

O

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

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

### AI REGULATION

T

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

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

### ELEGIBILITY REQUIREMENTS

C

[\(05/06/2023\) CNMV - La CNMV adopta las directrices de ESMA sobre requisitos de idoneidad de MiFID II](#)

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

### SUPERVISORY PROPERTIES

E

[\(13/06/2023\) DSG - Prioridades-de-supervision](#)

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

# Q2 Other publications of interest

## European region

### UK

#### CONSEQUENCES FOR DEPOSITORS IN THE EVENT OF A BANK INSOLVENCY R

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

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

#### ARTIFICIAL INTELLIGENCE CL

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

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

#### EXTERNAL MRELS T

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

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

#### COMPETITION AND CONSUMER PROTECTION C

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

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

#### SECONDARY EQUITY MARKETS O

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

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

# Q2 Other publications of interest

## European region

### UK SHARE PRICE O

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

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

### FAIR VALUE FRAMEWORKS C

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

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

### RISKS FROM CONTINGENT LEVERAGE CL

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

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

### MRM PRINCIPLES FOR BANKS O

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

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

### NON-FINANCIAL REPORTING REQUIREMENTS D

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

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

### CONSUMER CREDIT AND MORTGAGES O

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

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

# Q2 Other publications of interest

## European region

### DECISIONS ON US DOLLAR LIBOR



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

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

### RULES FOR CRYPTOASSETS



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

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

### SYSTEM-WIDE EXPLANATORY SCENARIO



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

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

### CONSUMER DUTY



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

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

### REVIEW OF SOLVENCY II



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

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

### SUSTAINABILITY-LINKED LOAN



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

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



# Q2 Other publications of interest

## European region

### DEPOSITOR PROTECTION



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

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

### MORTGAGE CHARTER



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

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

# Q2 Other publications of interest

## American region

### US

#### TRANSITION TO LIBOR O

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

The Office of the Comptroller of the Currency (OCC), along with other federal agencies that regulate financial institutions and state bank and credit union regulators, have issued a joint statement to remind banks that US dollar (USD) LIBOR panels will end on 30 June 2023, and to emphasise that it is important for banks with USD LIBOR exposure to complete their transition of remaining LIBOR contracts as soon as possible.

#### OVERDRAFT PROTECTION PROGRAMS O

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

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

#### RESPONSIBLE INNOVATION S

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

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

#### VOICE AUTHENTICATION SERVICES T

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

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

#### PROTECTION OF UNINSURED DEPOSITORS C

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

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

# Q2 Other publications of interest

## American region

### CLEARING AGENCIES O

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

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

### SYSTEMATIC RISK DETERMINATION O

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

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

### POLICIES AND PROCEDURES MANUAL C

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

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

### CONTROLLER'S HANDBOOK CL

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

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

### REAL ESTATE VALUATIONS O

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

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

### KEY RISKS FACING FEDERAL BANKING SYSTEM O

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

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

# Q2 Other publications of interest

## American region

### CYBERSECURITY SUPERVISION WORK PROGRAM



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

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

### COMMERCIAL REAL ESTATE LOANS



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

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

# Q3 Other publications of interest

## Global

### CORE PRINCIPLES FOR SUPERVISION **E**

[\(06/07/2023\) BCBS - Core principles for effective banking supervision](#)

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

### CRYPTO-ASSETS **T**

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

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

### GLOBAL MONITORING EXERCISE **E**

[\(13/07/2023\) IAIS - Global Insurance Market Report](#)

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

### COMPLIANCE CARBON MARKETS **C**

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

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

### CRYPTO-ASSETS **T**

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

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

# Q3 Other publications of interest

## Global

### DIGITAL TAXONOMY S

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

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

### STANDARD ON SUSTAINABILITY S

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

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

### MANAGEMENT OF NON-DEFAULTING LOSSES IN CCPs O

[\(23/08/2023\) IOSCO - Report on current central counterparty](#)

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

### IMPROVEMENTS ON IFRS O

[\(12/09/2023\) IASB - IASB proposes annual improvements to IFRS Accounting Standards](#)

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

### CENTRAL COUNTERPARTIES R

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

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

# Q3 Other publications of interest

## European region

### Europe

#### INITIAL MARGIN MODELS E

[\(06/07/2023\) EBA - EBA publishes validation requirements on initial margin models](#)

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

#### DISSEMINATION OF SUSTAINABILITY INFORMATION S

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

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

#### MREL/TLAC D

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

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

#### DATA PRIVACY FRAMEWORK T

[\(10/07/2023\) EC - EU-US Data Privacy Framework](#)

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

#### SUSTAINABILITY DISCLOSURE S

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

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

# Q3 Other publications of interest

## European region

### ML/TF O

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

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

### PRE-HEDGING O

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

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

### COLLEGES OF SUPERVISORS E

[\(13/07/2023\) EIOPA - Report on Colleges Activities 2022](#)

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

### REPORTING FRAMEWORK D

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

The European Banking Authority (EBA) has published the technical package for phase 2 of version 3.3 of its reporting framework. The technical package provides standard specifications and includes the validation rules, the Data Point Model (DPM) and the XBRL taxonomies for this phase of version 3.3. Phase 2 of version 3.3 consists of the technical package supporting the supervisory benchmarking exercise 2024. The package includes the new market risk and IFRS9 templates, and other amendments to the Supervisory Benchmarking Portfolios framework.

### DATA COLLECTION ON ESG RISKS S

[\(18/07/2023\) EBA – The EBA is collecting institution's data on environmental, social and governance risks to set up a monitoring system](#)

The European Banking Authority (EBA) has published the Decision on data collection of institutions' environmental, social and governance (ESG) data. The Decision will provide competent authorities and the EBA with the necessary data and tools to fulfill monitoring functions and ESG-related mandates by collecting the information that is already available to institutions as part of their Pillar 3 disclosure obligations with respect to ESG risks.

### CYBER RESILIENCE T

[\(19/07/2023\) EP – Cyber Resilience Act: MEPs back plan to boost digital products security/Reglamento de Ciberresiliencia: los Estados miembros acuerdan una posición común sobre los requisitos de seguridad para los productos digitales](#)

The European Parliament (EP) has reached an agreement on the draft cyber resilience act which establishes a uniform set of cybersecurity requirements for all digital products in the European Union (EU). It aims to ensure that products with digital features are secure to use, resilient against cyber threats and provide enough information about their security properties.



# Q3 Other publications of interest

## European region

### INVESTMENT SERVICES CL

[\(19/07/2023\) ESMA – Analysis of the cross-border investment activity of firms](#)

The European Securities and Markets Authority (ESMA), and national competent authorities (NCAs) have completed an analysis of the cross-border provision of investment services during 2022. The data collected and analysed across 29 jurisdictions allows ESMA and NCAs to shed light on various aspects of the market for retail investors that receive investment services by credit institutions and investment firms established in other Member States. Key findings of the analysis include that: i) a total of around 380 firms provided services to retail clients on a cross-border basis in 2022. The majority of them (59%) are investment firms, while 41% are credit institutions; ii) approximately 7.6 million clients in the European Union (EU)/ European Economic Area (EEA) received investment services from firms located in other EU/EEA Member States in 2022.

### ANTI-PROCYCLICALITY MARGIN MEASURES O

[\(19/07/2023\) ESMA – Revised technical standards on anti-procyclicality margin measures](#)

The European Securities and Markets Authority (ESMA) has published a Final Report reviewing the regulatory technical standards RTS to further harmonize Central Counterparty (CCP) policies and procedures for selecting, assessing and reviewing anti-procyclicality (APC) margin measures.

### CAPITAL MARKETS CL

[\(20/07/2023\) EC – Provisional agreement on alternative investment fund managers directive and plain-vanilla EU investment funds](#)

Council and European Parliament (EP) negotiators have reached a tentative agreement on new rules to improve the functioning of European capital markets and strengthen investor protection in the European Union (EU). The provisional agreement reviews the alternative investment fund managers directive, which governs managers of hedge funds, private equity funds, private debt funds, real estate funds and other alternative investment funds in the EU.

### PRODUCT OVERSIGHT AND GOVERNANCE E

[\(20/07/2023\) EIOPA – Supervisors across Europe continue to strengthen POG supervision](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a peer review report on product oversight and governance (POG). This is the first peer review in the area of conduct of business supervision to assess how national supervisors in the European Economic Area (EEA) are supervising the application of POG requirements by insurance manufacturers. Most national competent authorities (NCAs) have adapted their supervisory approaches and processes to the supervision of POG requirements in line with the provisions introduced by the Insurance Distribution Directive (IDD).

### CAPITAL TEST CL

[\(25/07/2023\) EBA - The EBA consults on Guidelines on the application of the group capital test for investment firm groups](#)

The European Banking Authority (EBA) has launched a consultation on the draft Guidelines on the application of the group capital test for investment firm groups. These Guidelines aim at setting harmonised criteria to address the observed diversity in the application of the group capital test across the EU. In particular, the Guidelines identify criteria to assist Competent Authorities in their assessment of the simplicity of the group structure and the significance of the risk posed to clients and the market. The consultation runs until 25 October 2023.

### FUNDING REPORT ON FINANCIAL SECTOR O

[\(25/07/2023\) EBA - Banks plan to issue more debt instruments to counterbalance expected decline in central bank funding, the EBA funding plans Report shows](#)

The European Banking Authority (EBA) has published its annual funding plans Report, covering 159 banks that submitted their funding plans for a forecast period from 2023 to 2025. The plans show banks' intentions to increase market-based funding over the forecast period. As extraordinary long-term central bank funding matures, banks plan to shift to short-term and long-term debt securities instead. This changing funding composition is particularly relevant in 2023 and 2024 when high amounts of central bank funding mature (TLTRO) and MREL targets become applicable. The Report highlights a sizable increase in banks' interest margin, with interest rates for loans rising faster than for deposits. Central bank rate hikes and the rise in spreads for market-based funding instruments have contributed to higher funding costs.

# Q3 Other publications of interest

## European region

### CRITICAL ENTITIES O

[\(25/07/2023\) EC - Enhancing EU resilience: A step forward to identify critical entities for key sectors](#)

The European Commission (EC) has adopted a list of essential services in the eleven sectors covered by the Critical Entities Resilience Directive (CER), which entered into force on 16 January 2023. Critical entities provide essential services in upholding key societal functions, supporting the economy, ensuring public health and safety, and preserving the environment. Member States will have to identify the critical entities for the sectors set out in the CER Directive by 17 July 2026. They will use this list of essential services to carry out risk assessments and to then identify the critical entities. Once identified, the critical entities will have to take measures to enhance their resilience.

### DRAFT GUIDELINES ON REGISTERS OF CREDIT SERVICES C

[\(26/07/2023\) EBA - The EBA consults on Guidelines on the establishment of national lists or registers of credit services](#)

The European Banking Authority (EBA) has launched a public consultation on its draft Guidelines on the establishment and maintenance of national lists or registers of credit servicers under Directive 2021/2167 (the Credit Servicers Directive, CSD). The consultation runs until 26 October 2023.

### ASSESSMENT REPORT C

[\(27/07/2023\) ESMA - ESMA and the EBA assess the implementation of the revised Shareholder Rights Directive and identify areas for progress](#)

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, jointly with the European Banking Authority (EBA), have published a Report assessing the implementation of the Shareholder Rights Directive 2 (SRD2). This assessment, carried out in response to a European Commission's request, identifies areas for further progress and provides detailed suggestions for policy action in relation to the Directive's effectiveness, difficulties in practical application and the appropriateness of the scope of application.

### STRESS TEST RESULTS D

[\(31/07/2023\) EBA - EBA publishes the results of its 2023 EU-wide stress test](#)

The European Banking Authority (EBA) has published the results of its 2023 EU-wide stress test, which involved 70 banks from 16 EU and EEA countries, covering 75% of the EU banking sector assets. This year's stress test includes some important enhancements compared to past stress test exercises. These enhancements include an increased sample with 20 more banks, the introduction of top-down elements for net fees and commission income (NFCI), and a detailed analysis on banks' sectoral exposures. Among the main results it highlights that: i) A combination of regulatory reforms and bank efforts have resulted in clear improvements for EU banks in both capital positions and asset quality since the Global Financial Crisis; ii) EU banks on average finish the exercise with a fully loaded CET1 capital ratio above 10%. This shows that banks hold sufficient capital to continue to support the economy also in times of severe stress; iii) Loss rates are similar to the 2021 EU-wide stress test; iv) Losses on large corporates and SMEs account over half of total credit losses. The manufacturing sector accounts for around a fifth of the losses on corporates, with loss rates for energy intensive companies being notably higher; v) Market risk losses amount to EUR 136bn (-160 bps) in the first year of the adverse scenario; and vi) Market risk losses amount to EUR 136bn (-160 bps) in the first year of the adverse scenario.

### ESRS S

[\(31/07/2023\) EC - Sustainable Finance: Commission adopts the European Sustainability Reporting Standards/ Questions and Answers on the Adoption of European Sustainability Reporting Standards](#)

The European Commission (EC) has adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting Directive (CSRD). The final document has not changed the last amendments introduced by the EC in the ESRS proposal. As a result, the final document sets that all disclosure requirements, with the exception of a set of general disclosures, will be subject to materiality assessments. In this regard, the EC published a Q&A following the adoption of the ESRS, which points out that disclosure requirements subject to materiality are not voluntary. The information in question must be disclosed if it is material, and the undertaking's materiality assessment process is subject to external assurance in accordance with the provisions of the Accounting Directive. The EC Delegated Regulation is in force until it is published in the Official Journal.

# Q3 Other publications of interest

## European region

### FINANCIAL SOUNDNESS INDICATORS CL

[\(02/08/2023\) EBA - The EBA updates guidance on reporting of Financial Soundness Indicators to the International Monetary Fund](#)

The European Banking Authority (EBA) has published an updated guidance on how to compile and report to the International Monetary Fund (IMF) the Financial Soundness Indicators (FSI) based on EBA data. FSIs provide insight into the financial health and soundness of countries' financial institutions as well as corporate and household sectors, thus supporting the economic and financial stability analysis.

### MARKET RISK CL

[\(03/08/2023\) EBA - The EBA consults on technical standards to identify extraordinary circumstances to derogate from certain requirements in the area of market risk](#)

The European Banking Authority (EBA) has launched a public consultation on draft Regulatory Technical Standards (RTS) to identify extraordinary circumstances of market disruption, permitting to waive certain requirements for the calculation of own funds requirements for market risk on the basis of internal models. The consultation runs until 3 November 2023.

### RESOLUTION EXAMINATION PROGRAMME R

[\(03/08/2023\) EBA - The EBA publishes its first Report on the implementation of the European Resolution Examination Programme](#)

The European Banking Authority (EBA) has published for the first time a Report which monitors the progress made by resolution authorities in embedding the key topics identified in the EBA's 2022 European Resolution Examination Programme (EREP) into their respective priorities and resolution colleges in 2022. The Report observes that, overall, resolution authorities incorporated the work priorities set by the EBA, with MREL monitoring being a key focus. The EREP priorities set for 2024 mainly confirmed the areas of focus set for 2023 although with updated specific elements and extension of the operationalisation of the bail-in tool to cover the operationalisation of the resolution strategy more generally.

### MACHINE LEARNING T

[\(04/08/2023\) EBA - The EBA publishes follow-up Report on the use of machine learning for internal ratings-based models](#)

The European Banking Authority (EBA) has published a follow-up Report presenting the feedback received during the consultation on machine learning (ML) used in the context of internal ratings-based (IRB) models. This follow-up Report summarises the main conclusions from the consultation and provides an overview of the current use cases of ML techniques for IRB models. In this Report, the EBA reiterated its recommendations proposed in the discussion paper, which were broadly supported by the respondents, aiming at ensuring a prudent use of machine learning models in the context of the IRB framework. Additionally, this follow-up Report also discussed the interaction with two other legal frameworks, namely the General Data Protection Regulation (GDPR) and the Artificial Intelligence (AI) Act and called for some clarifications in order to reduce legal uncertainty and avoid unintended consequences of the AI Act.

### IRB RATING SYSTEMS CL

[\(07/08/2023\) EBA - EBA updates timeline for the implementation of the IRB roadmap and publishes its final supervisory handbook for the validation of IRB rating systems](#)

The European Banking Authority (EBA) has updated its roadmap for the implementation of internal ratings based (IRB) model requirements to limit compliance costs for institutions. The EBA also published its final supervisory handbook for the validation of IRB rating systems to clarify the role of the validation function as part of corporate governance. On the one hand, in light of the upcoming implementation of the Basel III standards in the European framework, the EBA considers that the implementation of the IRB repair requirements for loss given default (LGD) and credit conversion factor (CCF) models that cover portfolios no longer eligible for the revised advanced internal ratings based (AIRB) approach in accordance with the final Basel III framework (i.e. large corporates, institutions and financial sector entities portfolios) may be postponed to the date of entry into force of the future Capital Requirements Regulation (CRR 3). On the other hand, the IRB validation handbook provides an overview of the validation framework and describes the elements where the validation function is expected to form an opinion, without prescribing any specific methodology. The handbook also clarifies the relationship of the validation function with other functions related to corporate governance, such as the credit risk control unit and the internal audit.

# Q3 Other publications of interest

## European region

### IRRBB DATA E

[\(07/08/2023\) EBA - The EBA is collecting bank data on interest rate risk in the banking book](#)

The European Banking Authority (EBA) has published its Decision to run an ad-hoc data collection of institutions' interest rate risk in the banking book (IRRBB) data. This data collection will provide competent authorities and the EBA with timely and necessary data and tools to monitor risks arising from interest rate changes and the implementation of the IRRBB scrutiny plan. The ad-hoc collection follows a proportionate approach, as it will apply only to those institutions that are already providing IRRBB data in the context of the QIS exercise and include the same templates that these institutions will have to report once the final ITS on IRRBB reporting starts applying. The submission reference date for this ad-hoc collection is set as of 31 December 2023. Competent authorities will need to submit institutions' data to the EBA by March 2024.

### MYSTERY SHOPPING E

[\(08/08/2023\) EBA - The EBA's recent mystery shopping exercise shows the value this tool adds to the supervisory tasks of national authorities](#)

The European Banking Authority (EBA) has published a Report on its mystery shopping exercise into personal loans and payment accounts. The exercise confirmed that mystery shopping is a tool that adds immense value to the supervision of national competent authorities and is complementary to other more conventional tools or approaches. It delivers first-hand information about, and insight into, the conduct of financial Institutions towards consumers visiting a branch or using a digital channel

### G-SIIs O

[\(21/08/2023\) EBA - The EBA updates data used for the identification of global systemically important institutions \(G-SIIs\)](#)

The European Banking Authority (EBA) has updated the 13 systemic importance indicators and underlying data for the 32 largest institutions in the EU whose leverage ratio exposure measure exceeds EUR 200 bn. This disclosure includes updated data items specific to the recognition of the Banking Union and of institutions that are part of the Single Resolution Mechanism. Acting as a central data hub in the disclosure process, the EBA updates this data on a yearly basis and provides user-friendly tools to aggregate it across the EU.

### TRENDS, RISK AND VULNERABILITY O

[\(30/08/2023\) ESMA - Trends, Risks and Vulnerabilities \(TRV\) Report of 2023](#)

The European Securities and Markets Authority (ESMA) has published the second Trends, Risks and Vulnerabilities (TRV) Report of 2023. Financial markets rebounded in the first half of 2023 against the background of lower energy prices and expectations of a slower pace of monetary tightening. The EU market for ESG products and sustainable investments has continued to grow at a robust pace. The demand for funds with a sustainable investment objective remained strong.

### INSURANCE STATISTICS E

[\(04/09/2023\) EIOPA - Insurance statistics for Q1 2023](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has published a comprehensive statistics on (re)insurance undertakings and groups active in the European Economic Area (EEA). As of Q1 2023, EEA (re)insurers held €8.57 trillion in assets. Most of these assets are allocated to investment funds, government bonds, corporate bonds and equity. These four categories together make up 88% of all investments. The remaining 12% of the assets is held in cash or invested in mortgages and loans, property and structured notes. The statistics contain aggregated country level information about balance sheet, own funds, premiums, claims and expenses, asset exposures, use of transitional and LTG measures.

### ECONOMY-WIDE CLIMATE STRESS TEST S D

[\(06/09/2023\) ECB - Faster green transition would benefit firms, households and banks, ECB economy-wide climate stress test finds](#)

The European Central Bank (ECB) has published the results of its second economy-wide climate stress test. The results show that the best way to achieve a net-zero economy for firms, households and banks in the euro area is to accelerate the green transition to a rate that is faster than under current policies. The stress test analyses the resilience of firms, households and banks to three transition scenarios (accelerated, late-push and delayed transition), which differ in terms of timing and ambition. The results show that firms and households clearly benefit from a faster transition. While a speedier transition initially involves greater investment and higher energy costs, financial risks decrease significantly in the medium term.

# Q3 Other publications of interest

## European region

### UPDATED REPORTING MANUAL O

[\(06/09/2023\) ESMA - ESMA updates the europea single electronic format reporting manual](#)

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, have published the annual update of its Reporting Manual on the European Single Electronic Format (ESEF). ESMA updated the ESEF Reporting Manual to provide technical improvements, such as: clarifying the formats of images embedded in the xHTML document; updating Data Type Registry references; and fixing previously identified errors.

### ITS VALIDATION RULES E

[\(11/09/2023\) EBA - EBA issues revised list of ITS validation rules](#)

The European Banking Authority (EBA) has issued a revised list of validation rules in its Implementing Technical Standards (ITS) on supervisory reporting, highlighting those, which have been deactivated either for incorrectness or for triggering IT problems.

### ADJUSTING ACCOUNTING DIRECTIVE P

[\(13/09/2023\) EC - Adjusting SME size criteria for inflation Initiative](#)

The European Commission (EC) has announced the adjustment of the size criteria for small and medium-sized enterprises (SME) to account for the impact of inflation. This initiative will amend the thresholds of the Accounting Directive that have remained unchanged since 2013. By raising the thresholds, an increase will result in micro, SME enterprises not being made subject to many European Union (EU) financial and sustainability reporting provisions applicable to larger companies.

### SFDR REGULATION S

[\(15/09/2023\) EC - Report on the Sustainable Finance Disclosure Regulation](#)

The European Commission (EC) has launched to consultation a comprehensive assessment of the Sustainable Finance Disclosure Regulation (SFDR). The main topic covered in the report are : i) the current requirements of SFDR as it is today in order to explore how the regulation is working in practice, and ii) potential changes and evolution of the regulation by assessing possible options to address any potential shortcomings. Comments to the document can be sent before 15 December 2023.

### REPORT ON RISKS AND VULNERABILITIES O

[\(18/09/2023\) EBA - ESAs warn of risks resulting from a fragile economic outlook](#)

The European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authorities (ESMA) - ESAs issued their Autumn 2023 Joint Committee Report on risks and vulnerabilities in the EU financial system. The Report underlines the continued high economic uncertainty. The ESAs warn national supervisors of the financial stability risks stemming from the heightened uncertainty, and call for vigilance from all financial market participants.

### RESOLVABILITY ASSESSMENT R

[\(19/09/2023\) SRB - Assessment of banks' resolvability across the Banking Union](#)

The Single Resolution Board (SRB) has published the results of its annual resolvability assessment, covering the year 2022. The report takes stock of the progress made by banks in being considered resolvable, implementing the SRB Expectations for Banks and building up the minimum requirement for eligible liabilities and own funds (MREL).

### BEFIT INITIATIVE O

[\(19/09/2023\) EC - Framework for Income Taxation \(BEFIT\)](#)

The European Commission (EC) has announced the Framework for Income Taxation (BEFIT). The Framework will propose a comprehensive solution for business taxation in the European Union (EU). This initiative aims to introduce a common set of rules for EU companies to calculate their taxable base while ensuring a more effective allocation of profits between EU countries, based on a formula. It will also aim to reduce compliance costs and create a coherent approach to corporate taxation in the EU.

# Q3 Other publications of interest

## European region

### Spain

#### CYBERSECURITY **T** **C**

(13/07/2023) CNMV - [Nuevo Código de Buen Gobierno de la Ciberseguridad](#)

The National Securities Market Commission (CNMV) has published the Code of Good Governance in Cybersecurity, which has been drawn up by the National Cybersecurity Forum. This forum is a group of experts in this area that has analyzed the various existing regulations and standards from a practical and current perspective in order to improve good corporate governance in this area. This code provides recommendations organised into principles that can be used by any organisation seeking to implement appropriate cyber security governance.

#### ARTIFICIAL INTELLIGENCE SUPERVISORY AGENCY **T** **E**

(02/09/2023) Cortes - [Royal Decree 729/2023, of 22 August, approving the Statute of the Spanish Agency for Supervision of Artificial Intelligence](#)

The Spanish Government has approved the Statute of the Spanish Agency for the Supervision of Artificial Intelligence (AI) which stems from the requirements of the proposed Artificial Intelligence Regulation containing a series of obligations to be assumed by a designated national supervisory authority. The Agency will be responsible for the assumption of all those matters and competences that must be assumed by the Kingdom of Spain, as a Member State of the European Union (EU) in the field of AI, especially those related to supervision.

#### CLIMATE CHANGE REPORT **S**

(12/09/2023) BdE - [AMCESFI's first report on climate change risks for the Spanish financial system](#)

The Bank of Spain, the National Securities Market Commission and the Directorate General of Insurance and Pension Funds, within the framework of the Macroeprudential Authority Financial Stability Board (AMCESFI), have prepared the first biennial Climate Change Risk Report for the Financial System, thereby fulfilling the mandate established in Law 7/2021 of 20 May on Climate Change and Energy Transition. The analysis provides information on the channels through which the effects of climate change are transmitted to the financial system, and allows us to see the need to act in order to undertake a gradual and orderly ecological transition.

#### CORPORATE GOVERNANCE AND REMUNERATION **G**

(13/09/2023) CNMV - [The CNMV publishes the 2022 corporate governance and directors' remuneration report for listed companies](#)

The Comisión Nacional del Mercado de Valores (CNMV) publishes the annual reports corresponding to financial year 2022 regarding the Annual Corporate Governance Reports and the Annual Reports on Directors' Remuneration of listed companies. Both documents reflect, in aggregate and summarised form, the main conclusions of the information on both matters that the companies have sent to the CNMV. The main conclusions are that the presence of women on boards exceeded 30% (31.9%) for the first time. The number of female executive directors increased slightly to 6.7% and the average remuneration of directors decreased by 4.4%.

#### DIGITALISATION AND CYBERSECURITY **T**

(13/09/2023) MINECO - [Expression of Interest for the Digitisation and Cybersecurity of the Media, Print and Digital Sector](#)

The Ministry of Economic Affairs and Digital Transformation (MINECO) is launching this Expression of Interest in order to identify the needs and priorities of the media, print and digital media with regard to their digitisation, in each of their subsectors and activities, in order to articulate in the most efficient way a programme of support for activities and investments to extend digitisation in these media. This Expression of Interest is part of the actions promoted by the Strategic Project for Economic Recovery and Transformation (PERTE) New Language Economy. The expression of interest can be sent before 14 October 2023.

# Q3 Other publications of interest

## European region

### SECURITIES MARKETS ACT C

[\(19/09/2023\) MINECO – Draft Royal Decree on financial instruments, admission to trading, registration of negotiable securities and market infrastructures/Draft Royal Decree approving the implementing regulations of Law 35/2003 of 4 November on collective investment undertakings/Draft Royal Decree developing the administrative powers and faculties of the National Securities Market Commission/Draft Royal Decree on the legal regime for investment services companies and other entities providing investment services](#)

The Ministry of Economic Affairs and Digital Transformation (MINECO) has published four draft Royal Decrees that develop certain provisions of the Securities Markets and Investment Services Law (LMVSI), with the aim of aligning the Spanish regulatory framework with the European one. The first draft develops matters relating to the registration of negotiable securities and their admission to trading, as well as the regime governing central counterparties and central securities depositories. The second draft develops the new developments in collective investment incorporated in the Law on Business Creation and Growth and in the Law on Securities Markets and Investment Services. The third draft specifies and details the actions of the National Securities Market Commission (CNMV) in aspects such as administrative registers and the powers of cooperation and coordination with other supervisory authorities. The last one develops the authorisation regime, organisational measures, financial and solvency requirements and rules of conduct to be observed by national investment services firms and financial advisory firms.

## UK

### GUIDANCE ON TRADING VENUE C

[\(05/07/2023\) FCA - PS23/11: Guidance on the trading venue perimeter](#)

The Financial Conduct Authority (FCA) has issued a new guidance on the regulatory perimeter for trading venues. The guidance provides greater clarity on when firms may be operating a multilateral system and so require authorisation as a trading venue. The guidance clarifies the interpretation of the different elements of the definition of a multilateral system and how it applies to specific types of arrangements in financial markets. This guidance will come into force on 9 October 2023

### MARGIN REQUIREMENTS O

[\(18/07/2023\) PRA/FCA – CP13/23: Margin requirements for non-centrally cleared derivatives: Amendments to BTS 2016/2251 | Bank of England](#)

The Bank of England (BoE) has published a consultation paper (CP) which sets out the Prudential Regulation Authority's (PRA) and Financial Conduct Authority's (FCA) proposal to extend the temporary exemptions for single-stock equity options and index options from the UK bilateral margining requirements from 4 January 2024 until 4 January 2026. This CP also sets out the PRA's and the FCA's proposed approach to model pre-approval in relation to bilateral initial margin models.

### PILLAR 3 D

[\(19/07/2023\) BoE – CP14/23: Pillar 3 remuneration disclosure](#)

Bank of England (BoE) has published a consultation paper (CP) which sets out the Prudential Regulation Authority's (PRA) proposals to enhance proportionality of Pillar 3 remuneration disclosure requirements, by reducing the number of remuneration disclosures required for many smaller banks and building societies.

### EXPECTATIONS ON CREDIT UNIONS E

[\(26/07/2023\) PRA- SS2/23 – Supervising credit unions](#)

The Prudential Regulation Authority (PRA) have published a supervisory statement that sets out the PRA's expectations of credit unions with regards to the Credit Union rules, which apply to all UK credit unions as defined in the Credit Union Part of the PRA Rulebook.

### UPDATING THE UK STANDARDS G

[\(27/07/2023\) BoE - CP16/23 – Updating UK Technical Standards on the identification of global systemically important institutions \(G-SIIs\)](#)

The Bank of England (BoE) has published a consultation paper (CP) that sets out the Prudential Regulation Authority's (PRA) proposed updates to the UK methodology for the identification of, and setting of a capital buffer for, global systemically important institutions (G-SIIs), to be in line with the BCBS framework. The proposals in this Consultation Paper would result in changes to the UK Technical Standards (the UKTS) for the methodology used to identify G-SIIs in line with the BCBS framework.

# Q3 Other publications of interest

## European region

### SECURITISATION REGULATION O

[\(27/07/2023\) PRA - CP15/23 – Securitisation: General requirements](#)

The Prudential Regulation Authority (PRA) has published a Consultation Paper (CP) which sets out the PRA's proposed rules to replace EU Securitisation Regulation requirements on PRA-authorized persons in: i) provisions of the Securitisation Regulation for which the PRA has supervisory responsibility; the related Risk Retention Technical Standards; and the related Disclosure Technical Standards. This CP also covers adjustments to the scope of PRA supervisory statement (SS) 10/18 on General requirements and capital framework regarding Securitizations. Further, it explains the circumstances in which the PRA envisages using a new power for disapplying or modifying proposed rules on the use of resecuritisations. This consultation closes on Monday 30 October 2023.

### SUSTAINABILITY DISCLOSURE STANDARDS S D

[\(02/08/2023\) UK.gov - UK Sustainability Disclosure Standards](#)

The UK government has unveiled plans to create UK Sustainability Disclosure Standards (SDS) which will set out corporate disclosures on the sustainability-related risks and opportunities that companies face. They will form the basis of any future requirements in UK legislation or regulation for companies to report on risks and opportunities relating to sustainability matters, including risks and opportunities arising from climate change. UK SDS will be based on the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB). The UK government aims to make endorsement decisions on the first 2 standards by July 2024.

### POLICY STATEMENT ON FINANCIAL PROMOTIONS O

[\(12/09/2023\) FCA - PS23/13: Introducing a gateway for firms who approve financial promotions](#)

The Financial Conduct Authority (FCA) has published a policy statement on Introducing a gateway for firms who approve financial promotions. With the new gateway, where financial promotion is defined as an invitation or inducement to engage in an investment activity. This PS regulates how the FCA will assess applicants and on what basis it will grant or refuse applications, as well as the reporting requirements for firms authorised to approve financial promotions.



# Q3 Other publications of interest

## American region

### US

#### CAPITAL REQUIREMENTS CL

[\(27/07/2023\) FED - Federal Reserve Board announces the individual capital requirements for all large banks, effective on October 1](#)

The Federal Reserve Board (FRB), following its stress test earlier this year, have announced the individual capital requirements for all large banks, effective on October 1. The large bank capital requirements are in part determined by the Board's stress test results, which provide a risk-sensitive and forward-looking assessment of capital needs.

#### LIQUIDITY RISKS AND CONTINGENCY PLANNING CL

[\(28/07/2023\) Fed - Agencies update guidance on liquidity risks and contingency planning](#)

Federal financial institution regulatory agencies have updated their existing guidance on liquidity risks and contingency planning. The updated guidance highlights that depository institutions should regularly evaluate and update their contingency funding plans and encourages depository institutions to incorporate the discount window as part of their contingency funding plans

#### NOVEL ACTIVITIES SUPERVISIÓN T E

[\(08/08/2023\) Fed - Federal Reserve Board provides additional information on its program to supervise novel activities in the banks it oversees](#)

The Federal Reserve (Fed) Board has provided additional information on its program to supervise novel activities in the banks it oversees. Novel activities include complex, technology-driven partnerships with non-banks to provide banking services to customers; and activities that involve crypto-assets and distributed ledger or "blockchain" technology. Additionally, the Board has provided additional information on the process for a state bank supervised by the Federal Reserve to follow before engaging in certain dollar token or stablecoin activity, including demonstrating to its Federal Reserve supervisors that it has appropriate safeguards to conduct the activity safely and soundly.

#### NEW RULES UNDER THE ADVISERS ACT C

[\(23/08/2023\) SEC - Private Fund Advisers: Documentation of Registered Investment Adviser Compliance Reviews](#)

The US Securities and Exchange Commission (SEC) has adopted new rules that are designed to protect investors who directly or indirectly invest in private funds by increasing visibility into certain practices involving compensation schemes, sales practices, and conflicts of interest through disclosure; establishing requirements to address such practices that have the potential to lead to investor harm; and restricting practices that are contrary to the public interest and the protection of investors. The new rules require registered investment advisers to private funds to provide transparency to their investors regarding the fees and expenses and other terms of their relationship with private fund advisers and the performance of such private funds. The effective date is 60 days after its publication.

#### RESOLUTION PLANS R

[\(29/08/2023\) Fed - Agencies propose guidance to enhance resolution planning at large banks](#)

The Federal Deposit Insurance Corporation (FDIC) and Federal Reserve Board (Fed) invited public comment on proposed guidance to help certain large bank holding companies further develop their resolution plans. These resolution plans describe a bank holding company's strategy for rapid and orderly resolution under bankruptcy in the event of material financial distress or failure.

#### ELECTRONIC DATA T

[\(13/09/2023\) SEC - Proposed Rule EDGAR Next](#)

The Securities and Exchange Commission (SEC) is proposing rule and form amendments concerning access to and management of accounts on the Commission's Electronic Data Gathering, Analysis, and Retrieval system (EDGAR). The proposed amendments would require EDGAR filers to authorize identified individuals who would be responsible for managing filers' EDGAR accounts. In addition, individuals acting on behalf of filers on EDGAR would need individual account credentials to access those EDGAR accounts and make filings.

# Q3 Other publications of interest

## American region

### LONG-TERM DEBT CL

[\(19/09/2023\) FDIC - Long-Term Debt Requirements for Large Bank Holding Companies, Certain Intermediate Holding Companies of Foreign Banking Organizations, and Large Insured Depository Institutions](#)

The Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System (Fed), and Office of the Comptroller of the Currency (OCC) have proposed a rule that would require certain large banks to have outstanding a certain amount of long-term debt. This debt could make it easier to resolve these banks if they fail. Comments can be sent by 30 November 2023.

### RESOLUTION PLANS R

[\(19/09/2023\) FDIC - Resolution Plans Required for Insured Depository Institutions](#)

The Federal Deposit Insurance Corporation (FDIC) has proposed to amend 12 CFR 360.10, requiring banks with \$50 billion or more in total assets to submit resolution plans to the FDIC. The proposed rule would revise the content and timing of banks' submissions and require interim supplements. Banks with \$100 billion or more in total assets would submit resolution plans; banks with total assets between \$50 and \$100 billion would submit informational filings. The proposed rule would also amend requirements for resolution plan credibility assessments, expand engagement and capabilities testing, and clarify expectations regarding the review and enforcement of banks' compliance with the rule. Comments to this proposal can be sent by 30 November 2023.

## Mexico

### REGULATORY PROPOSAL TO FINANCIAL INSTITUTIONS AND INVESTMENT SERVICES IN MEXICO G

[\(03/08/2023\) CONAMER - Resolution modifying the general provisions applicable to financial institutions and other persons that provide investment services](#)

The National Commission for Regulatory Improvement (CONAMER) has published the preliminary draft of a Regulatory Proposal modifying the general provisions applicable to financial institutions and other persons providing investment services. The purpose of the regulation is to update the current regulatory framework in order to bring it into line and keep it consistent with the financial laws (Securities Market Law and Investment Funds Law) in force. Several articles are amended, including those relating to the letter of agreement that persons must sign in order to be considered Sophisticated Clients and those relating to the provision of Investment Services. Several annexes are replaced, such as those relating to the elements for determining both the client and the financial product profile. Two articles are added, one on the client and product profile and the other on the obligations of Investment Advisors.

## Brazil

### REGULATORY INSTRUCTION IN BRAZIL CL

[\(25/08/2023\) BCB- BCB Regulatory Instruction n° 408 of 25/8/2023](#)

The Central Bank of Brazil (BCB) has published BCB Regulatory Instruction n° 408 of 25 August 2023. The BCB amends the Regime and supplementary instructions on credit information for emergency programs of document 3040 - Credit Risk Data, of the Credit Information System (SCR), referred to in Circular 3,870 of 19 December 2017 and Circular 3,869 of 19 March 2018.

### CIRCULAR ON THE PROVISION OF CERTIFICATES IN BRAZIL P

[\(28/07/2023\) Susep- Susep publishes Circular on certificate provisioning](#)

The Superintendency of Private Insurance (Susep) published in the Official Gazette of Brazil Susep Circular no. 691, of 24 July 2023, on the provision of certificates by Operationally Independent Government Agencies (Autarkies). The rule, which increases the sector's transparency vis-à-vis society, in addition to having positive consequences for supervision, was approved by the Board of Directors at a meeting held on 19 July 2023.

# Q3 Other publications of interest

## American region

### Peru

#### DEBTOR ASSESSMENT IN PERU G

[\(19/07/2023\) SBS - Changes to Debtor Assessment Regulations](#)

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a Draft Resolution approving regulatory amendments to the Evaluation and Classification of the Debtor and the Provisions Requirement Regulation, the Effective Equity Requirement for Credit Risk Regulation, the Credit Risk Management Regulation, and the Internal Audit Regulation.

#### EFFECTIVE NET WORTH REQUIREMENT IN PERU C

[\(21/07/2023\) SBS - Changes to the Effective Net Worth Requirement Regulation](#)

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a Draft Resolution approving regulatory amendments to the Effective Equity Requirement for Market Risk Regulation; the Effective Equity Requirement for Operational Risk Regulation; the Effective Equity Requirement for Additional Risks Regulation, and the Accounting Manual for Companies in the Financial System.

#### APPROVAL OF REPORT N.36-A IN PERU D

[\(23/08/2023\) SBS - Draft Resolution approving Report No. 36-A entitled "Detail of interest rates for non-revolving consumer, microenterprise and small business loans"](#).

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a draft resolution approving Report No. 36-A entitled "Detail of the application of interest rates for non-revolving consumer, microenterprise and small business loans". The report must be submitted every six months by companies included in article 16 of the General Law, by Banco de la Nación and by Banco Agropecuario, through a secure channel implemented in the Portal del Supervisado. This report must be submitted within forty-five calendar days following the closing date of each period. The information submitted should only include operations relating to non-revolving consumer, microenterprise and small business loan disbursed as of the effective date of Circular No. 0008-2021-BCRP. This Resolution covers information for the six-month period from November 1, 2023 to April 30, 2024, which must be submitted by June 14, 2024 at the latest..

#### AMENDMENT TO SBS RESOLUTION N. 2368-2023 IN PERU R

[\(28/08/2023\) SBS - Amendment to SBS Resolution N° 2368-2023 specifying that this rule does not apply to Level 2 Coopacs with total assets greater than 32,200 UIT and Level 3 Coopacs](#).

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published an amendment to SBS Resolution No. 2368-2023, establishing that this Resolution will not apply to level 2 Savings and Credit Cooperatives Not Authorised to Capture Resources from the Public (Coopac) with total assets greater than 32,200 UIT or to level 3 Coopacs. This Resolution came into force the day after its publication in the official gazette El Peruano.

#### REGULATORY CHANGES IN PERU T

[\(29/08/2023\) SBS - Draft amending the Information Security Management and Cybersecurity Regulation](#)

The Superintendency of Banking, Insurance and Pension Fund Administrators (SBS) has published a Draft amending the country's Information Security and Cybersecurity Regulation. This Regulation modifies the Article on user registration for services provided through digital channels and the Circular on insurance products subject to the simplified KYC and CDD regime. This Resolution came into force on the day following its publication in the Official Gazette El Peruano.

# Q3 Other publications of interest

## American region

### Chile

#### POLICY GUIDELINES IN CHILE G

[\(03/07/2023\) CMF - Publishes policy document with guidelines on stress testing in banks](#)

The Financial Market Commission (CMF) has published for comments a document with guidelines on stress testing in banking institutions. The document provides guidelines on the processes and methodologies for conducting stress tests in banking in Chile, as part of the risk management and capital and liquidity adequacy self-assessment process. The CMF is available for comments and requests for clarification from interested parties until Friday 14 August 2023.

#### CREDIT INFORMATION IN CHILE CL

[\(07/07/2023\) CMF - New circular for banks and cooperatives on the submission of credit information](#)

The Financial Market Commission (CMF) has executed an agreement approving the circular for banks and cooperatives, which regulates the submission of information on credits covered by the Special Guarantee Fund created by Law No. 21.543, and which excludes the formalities provided for in the first paragraph of numeral 3 of article 20 of D.L. No. 3.538..

[\(07/07/2023\) CMF - Banks, Savings and Credit Cooperatives](#)

The Financial Market Commission (CMF) has updated the information requirements for financial institutions covered by the Special Guarantee Fund (FOGAES). Institutions will have to send monthly the C70 file with transactions subject to provisions for credit risk guaranteed by specific programmes. In addition, they will have to send the new file D62 with daily interest rates of guaranteed operations, as well as file E26 with details of financing requests backed by FOGAES.

# Q4 Other publications of interest

## Global

### BASEL FRAMEWORK **CL**

[\(03/10/2023\) BCBS - Basel Committee reports on Basel III implementation progress](#)

The Basel Committee on Banking Supervision (BCBS) has issued its progress update on the adoption of the Basel Framework. The update summary and monitoring dashboard set out the jurisdictional adoption status of the Basel III standards as of end-September 2023. They cover the Basel III post-crisis reforms published by the Committee in December 2017 and the finalised minimum capital requirements for market risk of January 2019.

### SHORT-TERM CLIMATE SCENARIOS **S**

[\(03/10/2023\) NGFS - Conceptual note on short-term climate scenarios](#)

Network for Greening the Financial System (NGFS), has published a Conceptual note on short-term climate scenarios. The purpose of this note is to inform the public on the conceptual framework reflecting the NGFS's thinking on short-term scenarios, ahead of their analytical implementation. It introduces the types of scenario narratives the NGFS intends to work through, followed by a brief commentary on modelling options. The final section contains a practical guide for central banks and supervisors on how to get from a short-term scenario to a climate stress test.

### PROGRESS ON G20 TARGETS IN CROSS-BORDER PAYMENTS **T**

[\(09/10/2023\) FSB - FSB assesses progress towards achieving G20 cross-border payments targets](#)

The Financial Stability Board (FSB) has published its first annual report on key performance indicators (KPIs) for cross-border payments, together with a consolidated report on progress on the Roadmap. The KPIs indicate the need for progress in meeting cross-border payments targets in different market segments. The Roadmap aims to achieve faster, cheaper and more transparent cross-border payments, which in some cases may require global public-private partnerships. Achieving the objectives requires commitment and coordination among G20 members. Finally, key actions have been identified to achieve the objectives, such as improving the interoperability of the payment system, and standardising messages and interchange standards.

### MODIFICATION OF THE SASB STANDARDS **S D**

[\(11/10/2023\) IFRS – International applicability of SASB standards / modifications of standards](#)

The International Sustainability Standards Board (ISSB) has published amendments to the Sustainability Accounting Standards Board (SASB) standards, in particular to the industry-based guidance equivalent to IFRS S2 on climate disclosures. Following the consolidation of the Value Reporting Foundation (VRF) with the IFRS Foundation, the ISSB is responsible for the maintenance and enhancement of the SASB standards. These revisions are intended to help preparers apply SASB standards regardless of the jurisdiction in which they operate without materially altering the underlying concepts of any specific disclosure topic or metric. The documents will be available online until 10 November for information purposes to allow stakeholders to familiarise themselves with the revisions. The revisions will not be final until ratified and issued by the ISSB, anticipated in December 2023.

### PHASE IV OF CLIMATE SCENARIOS **S**

[\(07/11/2023\) NGFS - NGFS Climate Scenarios for central banks and supervisors - Phase IV](#)

The Network for Greening the Financial System (NGFS) have published NGFS Scenarios for central banks and supervisors. In this fourth Phase, the set of climate scenarios has been updated to account for the latest Gross Domestic Product (GDP) and population pathways and the most recent country-level climate commitments as of March 2023. The NGFS Climate Scenarios have been developed to provide a common starting point for analyzing climate risks to the economy and financial system. While developed primarily for use by central banks and supervisors they may also be useful to the broader financial, academic, and corporate communities. This document provides an overview of the key transition risks, physical risks, and economic impact of climate change.

### TECHNICAL AMENDMENTS TO THE BASEL FRAMEWORK **CL**

[\(08/11/2023\) BIS - Finalisation of various technical amendments](#)

The Basel Committee on Banking Supervision (BIS) has published technical amendments similar to those set out in the consultative documents published in March 2023. The amendments include clarifications related to: i) the new standardised approach for operational risk; ii) the disclosure standards for credit valuation adjustment (CVA) risk; iii) the description of the calculation of indicator scores for global systemically important banks (G-SIBs); iv) the terminology used in the countercyclical capital buffer.

# Q4 Other publications of interest

## Global

### CONSULTA SOBRE FRAUDE DIGITAL **E T**

[\(15/11/2023\) BIS – Consulta pública de documento de debate sobre el fraude digital en la banca y sus implicaciones](#)

El Comité de Supervisión Bancaria de Basilea (BIS) ha publicado a consulta un documento de debate sobre el fraude digital en la banca y sus implicaciones para la supervisión y la estabilidad financiera. El documento aborda la digitalización de las finanzas y sus efectos en la economía y la estabilidad financiera, centrándose en el fenómeno del fraude digital en el sector bancario. Se destacan los beneficios de la digitalización, como mayor eficiencia y acceso a servicios bancarios, pero también se advierte sobre los riesgos asociados, especialmente sobre el aumento del fraude digital. El documento se estructura en torno a tres conjuntos de preguntas: i) la naturaleza del fraude digital; ii) sus implicaciones para la supervisión y la estabilidad financiera; y iii) las medidas para mitigar estos riesgos en el sector bancario. El plazo de consulta finaliza el 16 de febrero de 2024.

### RECOMENDACIONES POLITICAS PARA CRIPTOACTIVOS **T**

[\(16/11/2023\) IOSCO – Recomendaciones políticas para los mercados de criptoactivos y activos digitales](#)

La Organización Internacional de Comisiones de Valores (IOSCO) ha publicado un Informe que contiene 18 recomendaciones para la regulación de criptoactivos y activos digitales. El objetivo del Informe es promover una mayor coherencia con respecto a los marcos regulatorios y la supervisión en las jurisdicciones miembros de la IOSCO. Las 18 Recomendaciones abarcan seis ámbitos fundamentales: i) conflictos de interés derivados de la integración vertical de actividades y funciones; ii) manipulación del mercado, uso de información privilegiada y fraude, iii) riesgos transfronterizos; iv) custodia y protección de los activos de los clientes; v) riesgo operacional y tecnológico; vi) acceso, idoneidad y distribución minoristas.

### PRINCIPLES FOR RESPONSIBLE BANKING **S**

[\(22/11/2023\) UNEPFI – Principles for Responsible Banking: Guidance for Banks](#)

The United Nations Environment Programme Finance Initiative (UNEPFI) has published the new Guidance for Banks on Principles for Responsible Banking (PRB). The aim of the guide is to assist the banking sector in aligning with the policy objectives of the Global Biodiversity Framework (GBF). Through this guide, the GBF, signed by more than 190 countries, calls for a global commitment by governments and all actors in society to take urgent and meaningful action to halt and reverse biodiversity loss by 2030, encourage the sustainable and equitable use of nature and promote a way of life in harmony with nature. Banks have a key role to play in the pursuit of the 23 targets proposed by the GBF, in part because of their activities in sectors with high impact on nature, their high levels of financing in emerging markets, and their ability to direct financial flows towards activities that are more positive for nature and the environment.

### IASB PROPOSES REFORMS IN FINANCIAL REGULATIONS **O**

[\(29/11/2023\) IFRS - IASB Proposes Significant Amendments to Clarify the Classification of Financial Instruments and Improve Disclosures](#)

The International Accounting Standards Board (IASB) is proposing amendments to IAS 32 to clarify the classification of financial instruments, addressing issues such as the impact of laws, fixed-for-fixed status in derivatives, treasury share purchase obligations and shareholder discretion. It also proposes changes to IFRS 7 to improve information on claims, terms and conditions of instruments, share dilution and other aspects. In addition, amendments to IAS 1 are suggested to require more information on amounts attributable to ordinary shareholders. These proposals would affect financial statements, including balance sheet, income statement and statement of changes in equity.

### 2023 RESOLUTION REPORT **R**

[\(15/12/2023\) FSB - FSB outlines work to further increase the resolvability of banks, central counterparties and insurers](#)

The Financial Stability Board (FSB) has published its 2023 Resolution Report, summarizing past resolution-related work and outlining 2024 priorities for banks, central counterparties (CCPs), and insurers. The report emphasizes the need to maintain momentum in advancing bank resolvability, with a focus on bail-in tool implementation and addressing operational challenges. In 2024, the FSB will explore various aspects, including resolution strategies, cross-border bail-in operationalization, and response to bank runs. For CCPs, a toolbox approach for resolution is under consultation, with the final report expected in the first semester of 2024.

# Q4 Other publications of interest

## Global

### RECOMMENDATIONS FOR ENHANCED GOODWILL ACCOUNTING TRANSPARENCY O D

[\(15/12/2023\) IOSCO - IOSCO publishes its Recommendations on Accounting for Goodwill](#)

The International Organization of Securities Commissions (IOSCO) has published its Recommendations on Accounting for Goodwill, targeting issuers, audit committees, and external auditors to enhance reliability and transparency in recording and disclosing Goodwill in financial statements. The report addresses concerns about unrecognized impairment on accumulated goodwill, especially during economic uncertainty, and emphasizes the importance of fair and transparent financial presentations, urging issuers to avoid overstating goodwill and to recognize impairment losses promptly, with transparent disclosures of key assumptions related to recoverability. IOSCO believes that these recommendations will assist standard setters, including the International Accounting Standards Board (IASB), in improving business combination disclosures and Goodwill impairment testing. Finally, the report follows a 90-day public consultation and underscores IOSCO's commitment to consistent application of high-quality reporting standards.

### GLOBAL MONITORING REPORT ON NON-BANK FINANCIAL INTERMEDIATION O

[\(18/12/2023\) FSB - Global Monitoring Report on Non-Bank Financial Intermediation](#)

The Financial Stability Board (FSB) has published the Global Monitoring Report on Non-Bank Financial Intermediation (NBFI) 2023. The report presents the FSB's annual monitoring exercise assessing global trends and vulnerabilities in NBFI. In addition, it mainly covers developments in 2022, when most economies experienced a rising interest rate environment in response to inflationary pressures. It describes broad trends in financial intermediation across 29 jurisdictions that account for around 85% of global GDP, before narrowing its focus to the subset of NBFI activities that may be more likely to give rise to vulnerabilities. This year's exercise includes data enhancements on interconnectedness, sources of funding, and vulnerability metrics. The report also includes an overview of policy tools to address vulnerabilities associated with liquidity transformation and use of leverage by collective investment vehicles and a case study of private finance in the euro area, Hong Kong, the United Kingdom, and the United States.

### POLICY RECOMMENDATIONS FOR DECENTRALIZED FINANCE T

[\(19/12/2023\) IOSCO - Final Report with Policy Recommendations for Decentralized Finance \(DeFi\)](#)

The International Organization of Securities Commissions (IOSCO) has published its Final Report with Policy Recommendations for Decentralized Finance (DeFi) with nine Recommendations aiming to address market integrity and investor protection concerns arising from DeFi by supporting greater consistency of regulatory frameworks and oversight in member jurisdictions. The Recommendations cover six key areas: i) understanding DeFi arrangements and structures, ii) achieving common standards of regulatory outcomes, iii) identification and management of key risks; iv) clear, accurate and comprehensive disclosures; v) enforcement of applicable laws; and vi) cross-border cooperation.

### STRUCTURAL VULNERABILITIES FROM LIQUIDITY MISMATCH CL

[\(20/12/2023\) FSB - Revised Policy Recommendations to Address Structural Vulnerabilities from Liquidity Mismatch in Open-Ended Funds](#)

The Financial Stability Board (FSB) has published the revised policy recommendations to address structural vulnerabilities from liquidity mismatch in open-ended funds (OEFs) after the consultation report published by the FSB on July 2023. The new report provides an overview of the proposed changes to the 2017 FSB Recommendations and includes the full text of the Revised FSB Recommendations.

# Q4 Other publications of interest

## European region

### Europe

#### EBA WORK PROGRAMME CL S T

[\(03/10/2023\) EBA - EBA publishes its work programme for 2024](#)

The European Banking Authority (EBA) published its annual work programme for 2024, setting out the key strategic areas for the Authority to work on in the coming year, as well as related activities and tasks. The focus will be on i) implementing the EU banking package (Capital Requirements Regulation - CRR III / Capital Requirements Directive - CRD VI), ii) monitoring financial stability and sustainability against a backdrop of increased interest rates and uncertainty, iii) providing a data infrastructure at the service of stakeholders, and iv) developing oversight and supervisory capacity for the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets Regulation (MiCAR).

#### LIST OF THIRD COUNTRY GROUPS CL

[\(04/10/2023\) EBA - The EBA publishes 2023 list of third country groups and third country branches operating in the EU/EEA](#)

The European Banking Authority (EBA) published the updated list of all third country groups (TCGs) with intermediate European Union (EU) parent undertakings IPU(s), where applicable, and the list of all third country branches (TCBs) operating in the EU and European Economic Area (EU/EEA). This publication ensures that market participants have clarity on the direct ownership of the involved institutions. In the course of the 2023 exercise, 461 TCGs from 47 third countries have been identified as operational in the EU/EEA. Moreover, 65 TCGs have branches in the EU/EEA with a total of 105 third country branches of credit institutions operating in the EU/EEA.

#### JOINT WORK PROGRAMME CL S T C

[\(04/10/2023\) EBA - ESAs publish Joint Committee Work Programme for 2024](#)

The European Supervisory Authorities (ESAs), composed of the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA), have published its Work Programme for 2024, outlining the areas of work and planned deliverables in 2024. During the year 2024, the work will focus on the following areas: i) consumer and investor protection, ii) operational resilience, iii) financial conglomerates, and iv) securitisation.

#### RESOLUTION FOR LSIs R

[\(05/10/2023\) SRB - SRB publishes report on smaller banks in the Banking Union for the first time](#)

The Single Resolution Board (SRB) has published a report on resolution planning and crisis management for less significant institutions (LSIs) for the first time. The Report examines key developments in LSI sector, gives account of national resolution authorities (NRAs') resolution planning and crisis management activities in 2022 & 2023 and explains the SRB's role on LSIs in the Banking Union.

#### INFLATIONARY ENVIRONMENT IMPACTS CL

[\(05/10/2023\) EIOPA - EIOPA takes stock of inflation's impact on insurers and assesses potential future risks](#)

The European Insurance and Occupational Pensions Authority (EIOPA) published a report on how the current inflationary environment impacts insurers in Europe. The analysis considers the effects higher-than-expected inflation and interest rates have had on the insurance sector until now and looks ahead to assess potential future risks and vulnerabilities. The report considers that the swift transition from a long period of low inflation and ultra-low rates to a new macroeconomic environment carries implications for insurers' capital levels, profitability and liquidity positions, but also for consumers.

#### CRYPTO-ASSETS T

[\(05/10/2023\) ESMA - ESMA publishes second consultation on crypto market rules](#)

The European Securities and Markets Authority (ESMA) has published a second consultation package under the Markets in Crypto-Assets Regulation (MiCA) seeking input on: i) sustainability indicators for distributed ledgers; ii) disclosures of inside information; iii) technical requirements for white papers; iv) trade transparency measures; and v) record-keeping and business continuity requirements for crypto-asset service providers. Comments can be sent before 14 December 2023.



# Q4 Other publications of interest

## European region

### EIOPA STRATEGIC PRIORITIES CL S T C G

[\(06/10/2023\) EIOPA - EIOPA sets out its strategic priorities for 2024](#)

The European Insurance and Occupational Pensions Authority (EIOPA) has outlined its strategic priorities for the period 2024 – 2026. In a context of evolving challenges, risks and opportunities, EIOPA will focus on managing the uncertainty in times of transformation so that the insurance and pensions sectors can continue to deliver value to policyholders and beneficiaries, to business and the European Union economy. EIOPA has identified strategic priorities, on which to focus on, such as integrating sustainable finance considerations across all areas of work and supporting the consumers, the market and the supervisory community through digital transformation.

### ANALYSIS OF CHANGES IN THE EURIBOR METHODOLOGY O

[\(11/10/2023\) EMMI – Proposed Changes to Euribor Methodology](#)

The European Money Markets Institute (EMMI) has released a consultation paper proposing changes to the Euribor methodology. The proposed changes focus on reformulating Level 2.3, enlarging its starting point and redefining the Market Adjustment Factor (MAF) to better reflect interest rate and credit risk changes. Additionally, the paper suggests discontinuing Level 3, aiming to reduce operational and cost burdens for Euribor Panel Banks and potentially expand the Euribor Panel. EMMI invites feedback to ensure well-informed modifications in the best interest of the financial community, promoting transparency and collaboration. The consultation period ends on December 11, 2023, with feedback summaries made public by February 2024. EMMI will communicate the conclusions and implementation plans regarding the proposed enhancements.

### FIRST REPORT ON THE TAXONOMY'S ADOPTION S

[\(16/10/2023\) CNMV – CNMV analyzes the information provided by listed companies on the European sustainability taxonomy](#)

The Comisión Nacional de Mercados de Valores (CNMV) has published for the first time the Report on breakdowns relating to the European Taxonomy of Fiscal Year 2022 which describes the degree of eligibility and alignment with the climate change taxonomy of the economic activities of Spanish securities issuers, taking into account a sample of 25 non-financial entities. The data reported show that the proportion of eligibility tends to be significantly greater than that of alignment in all three indicators, being 78% for CapEx versus 56%, 72% for OpEx versus 44%, and 71% for turnover versus 51%. The greater proportion of alignment is informed for the key performance indicator related to investment in fixed assets (CapEx). This indicator is particularly important and suggests that companies are investing for their activities to be sustainable or to expand those that already are sustainable, while performing investments aimed at transforming their business model and reducing their carbon footprint.

### DEBATE IN THE USE OF CAPITAL BUFFERS CL R

[\(16/10/2023\) SRB – The SRB discusses the overlap between capital buffers and minimum requirements](#)

The Single Resolution Board (SRB) has published a blog post discussing how to enhance banks' capacity to utilize their capital buffers and reduce the overlap with minimum requirements in a challenging economic environment. Empirical evidence suggests that during recent economic downturns, banks did not fully utilize these capital buffers as permitted by macroprudential regulations, possibly due to fiscal, monetary, and prudential support provided to the real economy by European and national authorities. As a result, a debate has been initiated among regulators and other stakeholders on the extent to which buffers are used, seeking to promote their greater use to reduce the overlap between capital buffers and minimum requirements.

### DIGITAL EURO MOVES TO THE NEXT STAGE T

[\(18/10/2023\) ECB – The Eurosystem moves forward to the preparation phase in the digital euro project](#)

The Governing Council of the European Central Bank (ECB) has reported that the Eurosystem has decided to enter the preparation phase in the digital euro project. This decision marks the conclusion of the investigation phase initiated in October 2021, which explored potential design and distribution models for the digital euro. The new preparation phase will last for two years and will include the final publication of the Regulation for the regulation of the digital euro, as well as the selection of providers for the development of the necessary infrastructure. The design envisions the digital euro as a digital form of cash that could be used for all digital payments throughout the euro area. It would be widely accessible, free for basic use, available both online and offline, and offer a high level of privacy while enabling instant payments with central bank money. On the other hand, it could be used for person-to-person transactions, at point of sale, in e-commerce, and government transactions.

# Q4 Other publications of interest

## European region

### QUESTIONNAIRE ON TAXONOMY ACTIVITIES **S**

[\(25/10/2023\) EC - Launch of the EU taxonomy stakeholder request mechanism](#)

The European Commission (EC) has set up a questionnaire that allows stakeholders to submit suggestions based on scientific and/or technical evidence on new economic activities that could be added to the EU taxonomy or on potential revisions of technical screening criteria of existing activities. The Platform will analyse and consider relevant requests before 15 December 2023.

### REPORTING FRAMEWORK 3.3 **D**

[\(30/10/2023\) EBA – EBA releases the technical package for phase 3 of its 3.3 reporting framework](#)

The European Banking Authority (EBA) has published the technical package for the third phase of version 3.3 of its reporting framework. The package provides specifications related to validation standards, the EBA's Data Point Model (DPM) and XBRL (eXtensible Business Reporting Language) taxonomies, in order to support the new reporting requirements on Interest Rate Risk in the Banking Book (IRRBB). The technical package will be used for the first time in the ad hoc data collection for banks within the Quantitative Impact Study (QIS) framework with reference date 31 December 2023. In the future, it is also intended to be able to make use of this package for the Implementation Technical Standards (ITS) in supervisory reporting related to IRRBB.

### ARTICLE ON DEVELOPMENTS IN THE EUROPEAN EQUITY MARKET **C**

[\(30/10/2023\) ESMA – Article on developments in European equity market structure](#)

The European Securities and Markets Authority (ESMA) has published an article on the evolution of the European equity market structure from 2019 to 2022, following the implementation of the Market in Financial Instruments Directive (MiFID II). The article pays particular attention to the impact of the UK's withdrawal from the European Union (EU). In addition, it highlights the significant changes in European market structure during this period, with a significant decline in trading volumes after 2021. In turn, this decline has been accompanied by four main changes in the European market: i) the decline in the number of trading infrastructures; ii) the shift in the distribution of equity trading; iii) the concentration of trading in a few EU countries and trading venues, and iv) the relocation of national trading activities, as well as an increase in the specialisation of trading venues.

### INSTANT PAYMENTS **T**

[\(07/11/2023\) EC - Instant payments: Council and Parliament reach provisional agreement](#)

The Council of the European Union (EU) has announced a provisional political agreement between the Council of the EU and the European Parliament (EP) on the proposal for instant payments, which amends the 2012 Regulation on the Single Euro Payments Area. This proposal aims to improve instant euro payment options for consumers and businesses in the EU and the European Economic Area (EEA), and to reduce dependence on third-country financial institutions, enhancing the strategic autonomy of the European economic and financial sector. The new rules will oblige payment service providers to offer the service of sending and receiving instant payments in euro, in addition to standard credit transfers. They will also have to verify that the IBAN number and the name of the beneficiary match, in order to alert them to possible errors or fraud. The provisional agreement must be approved by the Economic and Monetary Affairs Committee and the Council before it enters into force.

### GUIDELINES ON THE HANDLING OF COMPLAINTS BY CREDIT MANAGERS **C**

[\(09/11/2023\) EBA - EBA consults on Guidelines on complaints handling by credit servicers](#)

The European Banking Authority (EBA) has launched a public consultation on its draft Guidelines on complaints handling by credit servicers under the Credit Servicers Directive (CSD). The proposed Guidelines suggest applying to credit servicers the requirements of the existing Joint Committee Guidelines on complaints-handling. Those requirements include complaints management policy, complaints management function, registration, reporting, internal follow-up, provision of information and procedures for responding to complaints. The consultation runs until 9 February 2024.

# Q4 Other publications of interest

## European region

### NEW EXTERNAL CREDIT ASSESSMENT INSTITUTION **CL**

[\(10/11/2023\) ECB - ECB accepts Scope Ratings within Eurosystem Credit Assessment Framework](#)

The European Central Bank (ECB) has announced that the Governing Council decided to accept the credit rating agency Scope Ratings GmbH (Scope Ratings) as a new external credit assessment institution (ECAI) for the purposes of the Eurosystem Credit Assessment Framework (ECAF). This decision follows a thorough Eurosystem assessment of the application submitted by Scope Ratings. In its assessment the Eurosystem considered all the acceptance criteria for ECAIs, which encompass quantitative and qualitative criteria, as well as any relevant supervisory feedback from the European Securities and Markets Authority (ESMA). The registration by ESMA is also a precondition for an agency's acceptance within the ECAF.

### EXTERNAL CREDIT ASSESSMENT INSTITUTIONS **CL**

[\(13/11/2023\) ESAs – ESAs publish amended technical standards on the mapping of External Credit Assessment Institutions](#)

The Joint Committee of the three European Supervisory Authorities, the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), have published two amended implementing technical standards (ITS) on the mapping of credit ratings of external credit assessment institutions (ECAIs). The amendments reflect the outcome of a monitoring exercise on the adequacy of existing mappings and the deregistration of three credit rating agencies (CRAs). The ESAs are proposing to change the assignment of the credit quality step (CQS) for four ECAIs, namely Creditreform Ratings AG, Ethifinance Ratings, S.L., ICAP CRIF S.A. and Nordic Credit Rating AS. It is also proposed to introduce new or amended credit rating scales for the following seven ECAIs: ARC Ratings S.A., Banque de France, Bulgarian Credit Rating Agency (BCRA), Ethifinance Ratings, S.L., Fitch Ratings Ireland Limited, Kroll Bond Rating Agency, Nordic Credit Rating AS and Scope Ratings GmbH.

### INTEROPERABLE EUROPE ACT **T**

[\(13/11/2023\) Consilium – Interoperable Europe act: Council and Parliament strike a deal for more efficient digital public services across the EU](#)

The Council presidency and the European Parliament (EP) negotiators have reached a provisional agreement on the proposed legislation, interoperable Europe act, regarding measures on a high level of public sector interoperability across the European Union (EU). The draft regulation aims to set up a new cooperation framework for EU public administrations to ensure the seamless delivery of public services across borders, and to provide for support measures promoting innovation and enhancing skills and knowledge exchange. The new regulation will establish an interoperability governance structure with a view to creating an ecosystem of shared interoperability solutions for the EU's public sector.

### COMMON POSITION DAISY CHAINS **R**

[\(17/11/2023\) Council – Common position on the Daisy Chains proposal](#)

The Council of the European Union (EU) has adopted a common position with the European Parliament (EP) on the Daisy Chains proposal. This proposal is a targeted amendment of the existing banking regulations, the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR) to address certain issues related to the treatment of internal minimum requirement for own funds and eligible liabilities (MREL) in bank resolution groups. The proposal also introduces changes to avoid disproportionate impacts on certain banking group structures by allowing resolution authorities to set internal MREL on a consolidated basis under certain conditions. In addition, a specific treatment for winding-up entities is introduced. Finally, the proposal is part of a broader overhaul of the EU crisis management and deposit insurance framework.

### GUIDELINES ON THE PREVENTION OF ABUSE OF FUNDS **T**

[\(24/11/2023\) EBA – The EBA consults on new Guidelines on preventing the abuse of funds and certain crypto-assets transfers for money laundering and terrorist financing purposes](#)

The European Banking Authority (EBA) has launched a public consultation on new Guidelines on preventing the abuse of funds and certain crypto-assets transfers for money laundering and terrorist financing purposes. These 'travel rule' Guidelines specify the steps that Payment Service Providers (PSPs), Intermediary PSPs (IPSPs), crypto-asset service providers (CASPs) and Intermediary CASPs (ICASPs) should take to detect missing or incomplete information that accompanies a transfer of funds or crypto-assets. They also detail the procedures all these providers should put in place to manage a transfer of funds or a transfer of crypto-assets that lacks the required information. These Guidelines aim at forging a common understanding to ensure the consistent application of EU law as well as a stronger anti-money laundering and countering the financing of terrorism (AML/CFT) regime. The consultation runs until 26 February 2024.

# Q4 Other publications of interest

## European region

### REPLACEMENT OF THE OTC DERIVATIVES IDENTIFIER IN THE EU C

(29/11/2023) EC - [Specific consultation on the OTC derivatives identifier for public transparency purposes](#)

The European Commission (EC) has published a consultation seeking views on the replacement of the public identifier for over the counter (OTC) derivatives in the European Union (EU). The target audience includes firms that use interest rate and credit derivatives, investment firms, asset managers, trading venues and Clearing and Settlement Houses (CCPs) involved in interest rate and credit derivatives. The consultation is in response to the upcoming revision of the Markets in Financial Instruments Regulation (MiFIR), which requires identifying reference data for public transparency reporting. Key issues include determining an appropriate unique product identifier and considering any additional identifying reference data for OTC derivatives compliance within the scope of the regulation.

### BIODIVERSITY IMPACT STUDY S

(01/12/2023) ECB – [Occasional Paper: The impact of the euro area economy and banks on biodiversity](#)

The European Central Bank (ECB) has issued an occasional paper about the impact on the euro area economy and banks biodiversity. This study builds on the previous work on exposure assessment and physical risk and extends it to investigate transition risk for non-financial corporations (NFCs) and banks in the euro area. By looking into the impact of NFCs and banks on nature degradation, this study completes the assessment of nature-related risk and complements previous work by focusing on two main aspects. First, this study quantifies how much the euro area economy and financial sector are contributing to nature degradation by estimating their biodiversity footprint, and then it investigates the integrated climate-nature risk assessment.

### TAXONOMY-ALIGNING BENCHMARKS S

(12/12/2023) Platform on Sustainable Finance - [Draft report & call for feedback on EU taxonomy-aligning benchmarks](#)

The Platform on Sustainable Finance has published for feedback a draft report including proposals for European Union (EU) taxonomy-aligning benchmarks (TABs). The report puts forward two proposals for voluntary benchmarks (TABex & TAB), with an aim to initiate a discourse on the pivotal role the taxonomy could assume in shaping climate and environmental benchmarks. The suggested benchmarks do not discard alternative approaches to leveraging the taxonomy in the development of benchmarks. The call for feedback will be open for three months, until 13 March 2024.

### EU'S ANTI-MONEY LAUNDERING AND FINANCING TERRORISM AUTHORITY C

(13/12/2023) Council / EP - [Anti-money laundering: Council and Parliament agree to create new authority](#)

The Council and the European Parliament (EP) have reached a provisional agreement on creating a new European authority for countering money laundering and financing of terrorism (AMLA), the centerpiece of the anti-money laundering package. AMLA will have direct and indirect supervisory powers over high-risk obliged entities in the financial sector. This agreement leaves out a decision on the location of the agency's seat, a matter that continues to be discussed on a separate track.

### CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE S

(14/12/2023) Council/EP - [Corporate sustainability due diligence: Council and Parliament strike deal to protect environment and human rights](#)

The Council and the European Parliament (EP) have reached a provisional agreement on the Corporate Sustainability Due Diligence Directive (CSDDD), which aims to improve environmental and human rights protection in the European Union (EU) and globally. The Due Diligence Directive will set out rules on the obligations of large companies with regard to actual and potential adverse impacts on human rights and the environment, both in their own operations and in those of their subsidiaries and those of their business partners.

# Q4 Other publications of interest

## European region

### CSDR PENALTY MECHANISM CHANGES D

[\(15/12/2023\) ESMA - ESMA consults on potential changes to the CSDR penalty mechanism](#)

The European Securities and Markets Authority (ESMA) has published a Consultation Paper on technical advice to the European Commission (EC) on the Central Securities Depository (CSDR) penalty mechanism. The aim of the consultation is to collect evidence and data from stakeholders on the effectiveness of the current penalty mechanism in discouraging settlement fails and incentivizing their rapid resolution. In addition, it seeks: i) feedback on ESMA's preliminary proposals regarding alternative parameters, when the official interest rate for overnight credit charged by the central bank issuing the settlement currency, is not available; ii) the treatment of historical reference data for the calculation of late matching fail penalties; and iii) alternative methods for calculating cash penalties, including progressive penalty rates. The consultation runs until 29 February 2024.

### EU BANK CRISIS MANAGEMENT REFORM PROPOSAL R

[\(15/12/2023\) SRB - The Commission proposal to reform the EU Bank Crisis Management Framework: A selected Analysis](#)

The Single Resolution Board (SRB) has published a Working paper where they analyse the Commission's (EC) proposal to reform the European Union (EU) Bank Crisis Management Framework. The paper uses data for both significant and less significant institutions and makes plausible assumptions. Overall, the working paper shows that the he Crisis Management and Deposit Insurance (CMDI) proposals present a good balance between ensuring that banks can be resolved without use of public money and limiting the additional burden for industry-funded means.

### BRIEFING ON EC'S SFDR IMPLEMENTATION CONSULTATION S

[\(17/12/2023\) Platform for Sustainable Finance - Briefing on EC targeted consultation regarding SFDR Implementation](#)

The European Union (EU) Platform on Sustainable Finance has published the briefing on European Commission (EC) targeted consultation regarding Sustainable Finance Disclosure Regulation (SFDR) implementation. This brief to address the main questions raised by the European Commission in the targeted consultation, in particular questions around: i) current requirements of the SFDR; ii) interaction with other sustainable finance legislation; iii) potential changes to the disclosure requirements for financial market participants and iv) potential establishment of a categorization system for financial products.

### MACROECONOMIC IMPACT ON EURO AREA AND POLICY ANALYSIS S

[\(17/12/2023\) ECB - NGFS climate scenarios for the euro area: role of fiscal and monetary policy conduct](#)

The European Central Bank (ECB) has published an Occasional Paper Series on the Network for Greening the Financial System's (NGFS) climate scenarios for the euro area. This document provides a common foundation for understanding the economic and financial impacts of transitioning to net-zero emissions. Focused on NGFS Phase III scenarios for the euro area, the paper analyzes the macroeconomic effects of climate-related shocks, including physical, transition, and fiscal influences. Furthermore, it highlights the dominance of physical and transition shocks in shaping GDP growth and inflation, while fiscal actions, especially carbon tax-related measures and influence financial variables. The study explores fiscal recycling options, demonstrating that full recycling through government investment has the least negative impact on GDP. It also examines the response of macroeconomic variables under different monetary policy rules. The paper acknowledges the limitations and uncertainties in climate and economic modeling, emphasizing the NGFS scenarios' role in macroeconomic policy analysis and ongoing efforts to enhance their accuracy and applicability.

### REDUCING CLIMATE-RELATED FINANCIAL RISKS S

[\(18/12/2023\) ESRB - Banks and insurance have key role to play in reducing climate-related financial stability risks. joint ECB/ESRB report finds](#)

The European Central Bank (ECB) and the European Systemic Risk Board (ESRB) have published a joint report on the impact of climate change on the European Union (EU) financial system. This report proposes three frameworks for relating climate risks to financial stability, addressing risk surveillance, macroprudential policy and broader risks to nature. The framework for financial stability risk surveillance takes stock of advances in measuring and modelling the impacts of climate risk, proposing a list of indicators for regular financial stability risk monitoring. The second framework, on macroprudential policy options, outlines both the features of a robust strategy as well as an initial operational design based on existing instruments, which can be scaled up as further information and more tailored policy options emerge. The third framework takes a first look at prospective financial stability impacts stemming from nature degradation, which could serve to exacerbate the financial stability impacts of climate change.

# Q4 Other publications of interest

## European region

### METHODOLOGY FOR CLIMATE RISK STRESS TESTING

S

[\(19/12/2023\) ESMA – ESMA presents methodology for climate risk stress testing and analysis of the financial impact of greenwashing controversies \(art 1\) / \(art 2\)](#)

The European Securities and Markets Authority (ESMA) has published two articles. The first one presents a methodological approach to modelling climate-related shocks in the fund sector, which includes dynamic impacts, such as inflows and outflows from investors and portfolio rebalancing by managers. The analysis focuses on the overall direction of these effects, concluding that investor outflows can worsen falls in fund values following an initial shock. The second, highlights how data on environmental, social and governance (ESG) controversies can be useful to monitor potential reputational risks around greenwashing. It also outlines the challenges involved in using such data.

### GUIDELINES ON STRESS TEST SCENARIOS

CL

[\(19/12/2023\) ESMA - ESMA updates the parameters and methodology for MMF stress testing](#)

The European Securities and Markets Authority (ESMA) has published the Final Report on the Guidelines on stress test scenarios under the Money Market Funds (MMF) Regulation. The Final Report includes the updated guidelines of the methodology to implement the scenario related to the hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF, together with the updated guidelines on specification on the type of the stress test and their calibration.

### BILATERAL MARGINING OF EQUITY OPTIONS

C

[\(20/12/2023\) ESAs - ESAs Final Report on bilateral margining of equity options](#)

The European Supervisory Authorities (ESAs) have published the joint draft Regulatory Technical Standards (RTS) under the European Market Infrastructure Regulation (EMIR) where they are proposing a two-year extension to the equity option exemption from bilateral margining, until 4 January 2026. The proposal arises in the context of a series of previous extensions, based on the need to avoid market fragmentation and ensure a level playing field for Union counterparties established in the Union on a global level.

### SECURITISATION DISCLOSURE TEMPLATES

CL

D

[\(21/12/2023\) ESMA – CP On the securitisation disclosure templates under Article 7 of the Securitisation Regulation](#)

The European Securities and Markets Authority (ESMA) has launched a consultation on the revision of the Disclosure Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS). These standards relate to the specific information and details of securitisation transactions that should be made available. The objective of this consultation is to gather stakeholders' views on four proposed options for the revision of the securitisation disclosure framework: i) putting the template review on hold until the next review of the Securitisation Regulation (SECR); ii) expanding the current framework with the introduction of few amendments to the currently used disclosure templates; iii) focusing on a targeted review for streamlining the information required and developing a new dedicated and simplified template for private securitisations only; or iv) undertaking a thorough review of the current disclosure framework proposing a significant simplification of the templates.

### DELEGATED REGULATION ON CORPORATE SUSTAINABILITY REPORTING

S

D

[\(22/12/2023\) EC – Delegated Regulation complementing the Corporate Sustainability Reporting \(CSRD\)](#)

The European Commission (EC) has adopted in the Official Journal of the European Union (OJEU) the Delegated Regulation 2023/2772 of 31 July 2023 complementing the Corporate Sustainability Reporting (CSRD) as regards the European Sustainability Reporting Standards (ESRS). In total, 12 standards have been published aligned with the version published in July 2023. Among them, 2 are cross-cutting, 5 are environmental, 4 are social and 1 is governance. This Regulation shall apply from 1 January 2024 for the financial years of companies starting on or after that date.

# Q4 Other publications of interest

## European region

### Spain

#### FIRST REPORT ON THE TAXONOMY'S ADOPTION

S

[\(16/10/2023\) CNMV – CNMV analyzes the information provided by listed companies on the European sustainability taxonomy](#)

The Comisión Nacional de Mercados de Valores (CNMV) has published for the first time the Report on breakdowns relating to the European Taxonomy of Fiscal Year 2022 which describes the degree of eligibility and alignment with the climate change taxonomy of the economic activities of Spanish securities issuers, taking into account a sample of 25 non-financial entities. The data reported show that the proportion of eligibility tends to be significantly greater than that of alignment in all three indicators, being 78% for CapEx versus 56%, 72% for OpEx versus 44%, and 71% for turnover versus 51%. The greater proportion of alignment is informed for the key performance indicator related to investment in fixed assets (CapEx). This indicator is particularly important and suggests that companies are investing for their activities to be sustainable or to expand those that already are sustainable, while performing investments aimed at transforming their business model and reducing their carbon footprint.

#### APPLICATION OF CRYPTO-ASSET MARKET REGULATION

T

[\(26/10/2023\) La Moncloa – Spain brings forward the implementation of the first crypto-assets market regulation](#)

The Spanish Government is bringing forward the implementation of the European Regulation on the Market for Cryptoassets (MiCA) by six months, with a view to its implementation in Spain in December 2025. The MiCA Regulation is the first global rule governing the cryptoassets market, and aims to create a stable regulatory and supervisory framework that provides legal certainty and protects investors in relation to the provision of this market. Following the publication of the Regulation, the Member States will decide on the period of application of the regulation, since if no decision is taken, it will apply from July 2026. Spain has taken the decision to bring forward the implementation period, and there will be a transitional period of 18 months from the publication in June this year, in which different regulatory bodies will be able to approve technical implementing rules, as well as grant authorisations to companies that want to provide crypto-asset services.

#### PUBLICACIÓN CONSULTA PÚBLICA EU

T

[\(01/11/2023\) MINECO – Public consultation for the elaboration of Spain's roadmap for the Digital Decade 2030](#)

The Spanish Ministry of Economic Affairs and Digital Transformation (MINECO) has published the Public Consultation of the European Union (EU) Decision 2022/2481, on the elaboration of the Spanish Roadmap for the Digital Decade 2030. Specifically, the EU Decision sets out the strategic agenda for the Digital Decade 2030, and precisely outlines the overall objectives and digital targets that the EU and the Member States aim to achieve by 2030. It also requires each Member State to submit to the Commission a Roadmap indicating the measures, policies and actions it intends to implement by 2030 to contribute to the achievement of the European digital goals and targets. The aim of the publication of the Consultation is to involve and gather the opinion of citizens and stakeholders in order to draw up Spain's Roadmap for the Digital Decade. The consultation closes on 15 November 2023.

#### COLLECTIVE INVESTMENT UNDERTAKINGS

O

[\(09/11/2023\) BOE - Royal Decree 816/2023, of 8 November, amending the Regulations for the implementation of Law 35/2003, of 4 November, on Collective Investment Undertakings, approved by Royal Decree 1082/2012, of 13 July](#)

The Official State Gazette (BOE) has published the Royal Decree amending the Regulations implementing Law 35/2003, of 4 November, on Collective Investment Undertakings, approved by Royal Decree 1082/2012, of 13 July. This royal decree introduces improvements to the legal regime for Spanish collective investment in order to boost its competitiveness and improve its functioning and to make adjustments to adapt Spanish regulations to European Union law.

#### SUPERVISORY POWERS AND FACULTIES OF CNMV

E

[\(09/11/2023\) BOE - Royal Decree 815/2023, of 8 November, implementing Law 6/2023, of 17 March, on Securities Markets and Investment Services, in relation to the official registers of the National Securities Market Commission, cooperation with other authorities and the supervision of investment services companies](#)

The Official State Gazette (BOE) has published the Royal Decree implementing Law 6/2023, of 17 March, on Securities Markets and Investment Services, in relation to the official registers of the National Securities Market Commission (CNMV), cooperation with other authorities and the supervision of investment services firms. This royal decree aims to develop in a unitary and coherent manner the administrative supervisory powers and faculties attributed to the CNMV by the Law. In addition, the regulation develops the CNMV's registration obligations and inter-administrative relations.

# Q4 Other publications of interest

## European region

### REORDERING OF DECREE O

[\(09/11/2023\) BOE - Royal Decree 814/2023, of 8 November, on financial instruments, admission to trading, registration of negotiable securities and market infrastructures.](#)

The Official State Gazette (BOE) has published the Royal Decree on financial instruments, admission to trading, registration of negotiable securities and market infrastructures. In order to simplify matters, the provisions previously in force have been summarised and rearranged with regard to the regulatory framework applicable to the registration of financial instruments and marketable securities, the admission to trading of marketable securities on regulated markets, public offers for sale or subscription and the prospectus required for such purposes, as well as those relating to trading venues and post-trade market infrastructures, maintaining the basic regime in the text of the Law and transferring their development to this Royal Decree. The distribution of matters between the Law and this regulation thus improves the knowledge and understanding of the regulation by those to whom it is addressed, facilitating its interpretation and application.

### LEGAL REGIME OF INVESTMENT FIRMS CL

[\(09/11/2023\) BOE - Royal Decree 813/2023, of 8 November, on the legal regime for investment services firms and other entities providing investment services.](#)

The Official State Gazette (BOE) has published the Royal Decree on the legal regime of investment firms and other entities providing investment services. The main objective of this Royal Decree is to finalise the transposition and complete the regulatory development of the regime applicable to entities that provide investment services following the changes introduced in Law 6/2023 of 17 March on Securities Markets and Investment Services, further developing the principles that already inspired the amendment of the aforementioned Law. One of the novelties of the new prudential regime is the modification of the initial capital requirements. Directive 2019/2034/EC thus establishes harmonised requirements between service companies in order to avoid fragmentation at European Union (EU) level and regulatory arbitrage between jurisdictions.

### INFORMATION TO BE COMMUNICATED BY PAYMENT SERVICE PROVIDERS T

[\(10/11/2023\) BdE - Consulta pública previa sobre un proyecto de Circular del Banco de España a proveedores de servicios de pago sobre información a comunicar al Banco de España y otras medidas aplicables a esos proveedores.](#)

The Bank of Spain (BdE) has published a Circular to payment service providers on information to be communicated to the BdE and other measures applicable to such providers. The purpose of this consultation is to seek, directly or through their representative associations, the opinion of persons and entities potentially affected by the proposed rule. Citizens, entities, organisations and associations that so wish may submit their opinions or comments on the aspects raised, up to and including 27 November 2023.

### AMENDMENTS TO THE CIRCULAR OF CREDIT INSTITUTIONS CL

[\(14/11/2023\) BOE – Bank of Spain Circular 3/2023 of 31 October](#)

Circular 3/2023 has been published in the Official State Gazette (BOE), which includes amendments to Circular 2/2016 and 1/2022 in relation to: i) the authorisation of the provision of branchless services by credit institutions headquartered in non-EU Member States; ii) the general periodic information to be submitted on remuneration; iii) the periodic information to be submitted on the gender pay gap; and iv) the information to be submitted on the highest authorised ratios between variable and fixed remuneration.

### NON-BANK FINANCIAL INTERMEDIATION IN SPAIN O

[\(20/12/2023\) CNMV – Non-bank financial intermediation in Spain](#)

The Spanish National Securities Market Commission (CNMV) has published its report on non-bank financial intermediation (NBFIs) in Spain for 2022. The document concludes that the total assets of these institutions, after discounting those that consolidate in banking groups, amount to EUR 300 billion, 8.6% less than in 2021. This figure represents 6% of the total financial system, a proportion that has remained fairly stable since 2014 and which is lower than that of the countries analysed annually by the Financial Stability Board (FSB) in its report on the NBFIs, close to 14% on average.



# Q4 Other publications of interest

## European region

### UK

#### INSURANCE BRANCHES



[\(04/10/2023\) PRA - CP21/23 – The PRA’s approach to the authorisation and supervision of insurance branches](#)

The Prudential Regulation Authority (PRA), has published a consultation paper (CP) on PRA’s approach to the authorisation and supervision of insurance branches. This CP sets out the PRA’s proposals to consolidate and formalise its existing policy on overseas insurers that write business in the UK through the establishment of a third-country branch, and to offer more clarity on the expectations of these third-country branches. Comments can be sent before 12 January 2024.

#### FINANCIAL STABILITY IN UK



[\(10/10/2023\) Bank of England - Financial stability: The FPC’s approach to assessing risks in market-based finance](#)

The Bank of England (BoE) has published the Financial Stability Report in which sets out the Financial Policy Committee’s (FPC) strategy and approach to assessing the risks inherent in market-based finance (MBF). The primary objective of the FPC is to ensure the preparedness and resilience of the UK financial system to cope with a range of risks and to continue to serve households and businesses. To achieve this, the FPC has established an approach that enables it to identify, assess, monitor and respond to financial stability risks related to the MBF.

#### G-SIIS IDENTIFICATION METHODOLOGY



[\(24/10/2023\) BoE - PS13/23 – Updating UK Technical Standards on the identification of global systemically important institutions \(G-SIIs\)](#)

The Bank of England (BoE) has published the policy statement (PS) which provides feedback to responses to consultation paper (CP) 16/23 on Updating UK Technical Standards on the identification of global systemically important institutions (G-SIIs). The Standards add trading volume as a new indicator under the substitutability/financial institution infrastructure category; update indicator weights for the substitutability/financial institution infrastructure category; and add insurance subsidiaries to data consolidation for several indicators. The Standards will take effect on 31 October 2023.

#### REMUNERATION POLICY



[\(24/10/2023\) BoE - PS9/23 – Remuneration: Ratio between fixed and variable components of total remuneration \('bonus cap'\)](#)

The Bank of England (BoE) has published a policy statement (PS) on Remuneration. The PS sets that a firm must set an appropriate ratio between the fixed and variable components of total remuneration and ensure that: i) fixed and variable components of total remuneration are appropriately balanced; and ii) the level of the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The PS will be effective from 31 October 2023.

#### AGREEMENT ON AI



[\(01/11/2023\) Gov.UK – Countries agree on safe and responsible AI development in landmark Bletchley Declaration](#)

The United Kingdom (UK) government has issued a press release, reporting that the world’s leading nations have reached an agreement on advanced Artificial Intelligence (AI). This agreement, called the Bletchley Declaration, has been endorsed by 28 countries, including the United States, European Union (EU) countries and China. The agreement highlights the importance of governments from different countries cooperating together internationally to address both the opportunities and risks related to AI in a global context. The UK has been at the forefront of this initiative and has taken responsibility for establishing an AI Security Institute. This institute will be tasked with examining the key risks involved in AI. The Bletchley Declaration has marked a milestone in global collaboration to address the challenges associated with advanced AI.

# Q4 Other publications of interest

## European region

### CLIMATE CHANGE SCENARIO ANALYSIS S

[\(01/11/2023\) Gov.UK – Analysis of climate change scenarios in PSPS valuations](#)

The Government Actuary's Department (GAD) has included an analysis of climate change scenarios in the valuations of Public Service Pension Schemes (PSPS), with the aim of illustrating possible implications of climate change on these pension schemes. Research indicates that human activity, including the burning of fossil fuels, has been a major contributor to climate change since 1800. Specifically, during this period global temperatures have risen by more than one degree Celsius. The GAD has also formulated three climate change scenarios, covering a range of climate outcomes for the year 2100, including an orderly, a disorderly and a failed transition. The analysis of these scenarios is used to assess the potential impact on future valuation assumptions and their effects on PSPS.

### SECOND SUPERVISORY STRESS TEST OF CENTRAL COUNTERPARTY E

[\(08/11/2023\) BoE - 2023 CCP Supervisory Stress Test: results report](#)

The Bank of England (BoE) has published its second public UK Central Counterparty (CCP) Supervisory Stress Test which marks another important step forward in the Bank's supervision and regulation of CCPs. These counterparties lie at the heart of the global financial system and are supervised by the BoE because of their importance to the smooth functioning of financial markets and the wider economy. As part of this supervision, the BoE conducts regular stress testing of UK CCPs. This report sets out the results of the Bank's public SST of UK CCPs. The 2023 CCP SST has four analytical components: i) the Credit Stress Test; ii) the Credit Reverse Stress Test; iii) the Liquidity Stress Test, and iv) the Clearing Member and Client Analysis. Overall, the exercise demonstrates that UK CCPs are resilient to the Baseline Market Stress Scenario and default of the Cover-2 population from both a credit and liquidity perspective.

### NON-PERFORMING EXPOSURES CAPITAL DEDUCTION CL

[\(13/11/2023\) BoE – PS14/23 – The non-performing exposures capital deduction](#)

The Bank of England (BoE) has published a policy statement (PS), which provides feedback to responses to consultation paper (CP) 6/23 on the non-performing exposures (NPE) capital deduction. In this regard, the NPE deduction requirement is removed and institutions will no longer be required to complete the associated reporting templates. This requirement will enter into force on 14 November 2023.

### RELATIONSHIP BETWEEN BUSINESS AND ADS CL C

[\(15/11/2023\) BoE – Charter on the relationship of companies with Deposit Aggregators](#)

The Bank of England (BoE) has issued a joint letter from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) regarding firms' engagement with Deposit Aggregators (DAs). The communication highlights measures that firms should take to mitigate the risks associated with DPs, with specific examples in key areas such as liquidity risk and third party risks.

### O-SII RATE SETTING CL

[\(20/11/2023\) BoE – PRA setting of the O-SII rate](#)

The Bank of England (BoE) has announced the setting of the 2023 additional capital or Other Systemically Important Institutions (O-SII) buffer rates for systemically important financial institutions operating in the United Kingdom (UK) by the Prudential Regulation Authority (PRA). These rates apply to ring-faced banks (RFBs) and large building societies, and are based on the framework set by the Financial Policy Committee (FPC). The rates are based on data from the UK leverage exposure measure until the end of 2022, and will apply from 1 January 2025.

### PRUDENTIAL ASSESSMENT OF ACQUISITIONS AND INCREASES IN CONTROL CL

[\(23/11/2023\) BoE – CP25/23 – Supervisory statement – Prudential assessment of acquisitions and increases in control](#)

The Bank of England (BoE) has published a consultation paper (CP) which sets out the Prudential Regulation Authority's (PRA) and the Financial Conduct Authority's (FCA) proposals to replace the European Union's (EU) guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector (3L3 Guidelines) with a new PRA supervisory statement (SS), prudential assessment of acquisitions and increases in control, and new FCA guidance. The PRA also proposes to delete the SS33/15 aggregation of holdings for the purpose of prudential assessment of controllers, the content of which is proposed to be transferred to the new SS, as well as to remove reference to the 3L3 Guidelines in its statement of policy (SoP) interpretation of EU Guidelines and Recommendations.

# Q4 Other publications of interest

## European region

### CAPITAL DEDUCTION FOR REDRESS FOR PIFs **CL**

(29/11/2023) FCA - [CP23/24: Capital deduction for redress: personal investment firms](#)

The Financial Conduct Authority (FCA) has published a Consultation Paper (CP) on Capital deduction for redress: personal investment firms (PIFs). This consultation sets out FCA's plans to require PIFs to be more prudent and set aside capital for potential redress liabilities at an early stage. The FCA intervention is specifically designed to be proportionate, build on existing obligations and target the firms that generate redress liabilities. This consultation also includes a Discussion Chapter to look at broader improvements to the prudential regime for PIFs.

### CONSULTATIVE DOCUMENT OF DISCLOSURE OF CLIMATE-RELATED FINANCIAL RISKS **O**

(08/12/2023) BoE - [CP27/23: The Prudential Regulation Authority's Approach to Policy](#)

The Prudential Regulation Authority (PRA) has released CP27/23, outlining its new approach to financial policy under the Financial Services and Markets Act of 2023. With notable changes in regulatory principles, a proactive focus on competitiveness, alignment with international standards, and increased transparency. The consultation invites feedback until April 8, 2024, signaling a significant shift in the UK's financial regulatory framework.

### IMPLEMENTATION OF BASEL 3.1 STANDARDS **CL**

(12/12/2023) PRA - [PS17/23 – Implementation of the Basel 3.1 standards near-final part 1](#)

The Prudential Regulation Authority (PRA) has published the near-final part 1 policy statement (PS) 17/23 which provides feedback to responses to some chapters of the consultation paper (CP) 16/22 on the implementation of the Basel 3.1 standards. This near-final PS also contains the PRA's near-final policy material relevant to the same chapters. In Q2 2024 the PRA intends to publish a second near-final PS to provide feedback to responses to the remaining chapter of CP 16/22. The second near-final PS will contain the near-final policy material relevant to those chapters as well as feedback to responses on Pillar 2 relating to the Pillar 2A credit risk methodology, use of internal ratings-based (IRB) benchmarks, and the interaction with the output floor.

### PAYMENTS TO DATA PROVIDERS AND FORMS FOR DATA REPORTING SERVICES PROVIDERS **T**

(20/12/2023) FCA – [Consultation on Payments to data providers and forms for Data Reporting Services Providers Including Policy Statement for the framework for UK consolidated tape \(CP23/15\)](#)

The Financial Conduct Authority (FCA) has launched a consultation paper (CP) on Payments to data providers and forms for Data Reporting Services Providers Including Policy Statement for the framework for UK consolidated tape (CT). This CP sets out our final policy on the UK CT framework for bonds and response to discussion paper questions on a CT for equities. Considering the responses received to CP23/15, it also includes a consultation on payments to data providers and authorisation and supervisory forms for Data Reporting Service Providers. The consultation runs until 9th February 2024.

# Q4 Other publications of interest

## American region

### US

#### CAPITAL REQUIREMENTS FOR INSURERS

**CL**

[\(06/10/2023\) FED – The Federal Reserve Board develops a rule establishing capital requirements for insurers supervised by the Board.](#)

The Federal Reserve Board (Fed) has ended a rulemaking setting capital requirements for insurers under its supervision. The final rule is very similar to the proposal submitted in September 2019. It introduces a so-called Building Block Approach that builds on existing state insurance requirements. In addition, it considers risks specific to the insurance industry and differs from the calculations used for bank capital requirements. Under this approach, a Board-supervised insurer is required to aggregate the capital requirements of its parent company with those of its subsidiaries to determine enterprise-wide requirements. All insurers supervised by the Board currently hold enough capital to comply with this rule, which takes effect as of January 1, 2024.

#### BASEL ENDGAME IMPACT DATA COLLECTION

**CL**

[\(20/10/2023\) FED - Federal Reserve Board launches data collection to gather more information from the banks affected by the large bank capital proposal it announced earlier this year / Agencies extend comment period on proposed rules to strengthen large bank capital requirements](#)

The Board of Governors of the Federal Reserve System (Fed) announced the launch of a data collection to gather more information from banks affected by the large bank capital proposal (Basel III Endgame). The additional data will further clarify the estimated effects of the proposal and will serve as the basis for any final rule, summaries of which will be made public at a later date. In addition, the deadline of 30 November 2023 has been extended to 16 January 2024 to ensure that stakeholders have sufficient time to analyse the issues and prepare comments on the large banks' capital proposal.

#### FINAL RULE ON SYSTEMIC RISK DETERMINATION

**CL**

[\(16/11/2023\) FDIC – FDIC Board of Directors Issues a Final Rule on Special Assessment Pursuant to Systemic Risk Determination](#)

The Federal Deposit Insurance Corporation (FDIC) approved a final rule to implement a special levy to recover the loss to the Deposit Insurance Fund (DIF) associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank. Under the final rule, the banks that benefited most from the assistance provided under the systemic risk determination will be charged a special levy to recover losses to the DIF resulting from the protection of uninsured depositors. The special levy will be levied at an annual rate of approximately 13.4 basis points for an anticipated total of eight quarterly levy periods.

# Q4 Other publications of interest

## American region

### Brazil

#### REGULATORY RESOLUTION ON RWA CALCULATION PROCEDURES

CL

[\(04/10/2023\) BCB - BCB Resolution n° 346 of 5/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Resolution No 346 of 5 October 2023, which introduces amendments to BCB Resolution No 229 of 12 May 2022, which regulates the procedures for the calculation of the Risk Weighted Assets Ratio (RWA), as well as credit risk exposures subject to mandatory capital calculation using a standardised approach. This Resolution will enter into force on 2 January 2024.

#### REGULATORY RESOLUTION AMENDING CIRCULAR NO 3.978

C

[\(04/10/2023\) BCB - BCB Resolution n° 344 of 4/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Regulatory Resolution No. 344 of 4/10/2023, which amends Circular No. 3.978. The Circular establishes the policy, procedures and internal controls to be adopted by the institutions authorised to operate by the BCB, with the objective of preventing the use of the financial system to commit crimes of money laundering or concealment of goods, rights and securities. Regulatory Instruction modifying BCB

#### REGULATORY INSTRUCTION MODIFYING BCB REGULATORY INSTRUCTION NO. 85

CL D

[\(05/10/2023\) BCB - BCB Regulation Instruction n° 413 of 5/10/2023](#)

El Banco Central de Brasil (BCB) publicó la Instrucción BCB n° 413, de 5 de octubre de 2023, que modifica la Instrucción BCB n° 85, de 10 de marzo de 2021. Esta instrucción contiene los procedimientos para la comunicación de información relacionada con el cálculo de los límites y estándares regulatorios. La instrucción entra en vigor en octubre de 2023 e incluye exenciones para instituciones financieras, instituciones de pago y agentes fiduciarios.

#### REGULATORY RESOLUTION AMENDING THE PROVISION AND INSTRUCTIONS FOR COMPLETING DOCUMENT.3040

CL D

[\(16/10/2023\) BCB - BCB Regulatory Instruction n° 414 of 16/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Normative Instruction no. 414 of 16 October 2023, which amends the layout and instructions for completing Document 3040 on Credit Risk Data and the Credit Reporting System (SCR), dealt with in Circular no. 3,870 of 19 December 2017 and Circular no. 3,869 of 19 March 2018. This Regulatory Instruction came into force on 1 November 2023.

#### REGULATORY RESOLUTION ON CAPITAL, OPERATIONS AND FOREIGN INVESTMENT

CL

[\(17/10/2023\) BCB – BCB Resolution n° 348 of 17/10/2023](#)

The Central Bank of Brazil (BCB) published BCB Regulatory Resolution no. 348 of 17 October 2023, which amends Resolution no. 278 of 31 December 2022. The latter Resolution regulates legislation on foreign capital in the country, foreign credit operations and foreign direct investment, as well as the provision of information to the BCB. It also amends BCB Resolution No. 281 of 31 December 2022, which regulates the transitional provisions to be observed in conjunction with BCB Resolution No. 278 of 2022, which regulates Law No. 286 of 2021, in relation to the implementation of Law No. 286 of 2021, in relation to foreign capital in Brazil, foreign credit operations and foreign direct investment, as well as the provision of information to the BCB, and amending Circular No. 3,689, of 16 December 2013, which regulates, within the scope of the BCB, the provisions on foreign capital in Brazil and Brazilian capital abroad.

#### REGULATORY RESOLUTION AMENDING THE DESIGN AND ADDITIONAL INSTRUCTIONS FOR THE REPORTING OF CREDIT TRANSACTIONS

S D

[\(13/11/2023\) BCB – BCB Regulatory Instruction n° 419 of 13/11/2023](#)

The Central Bank of Brazil (BCB) published BCB Regulatory Instruction No 419 of 13 November 2023, which amends the design and additional instructions relating to the reporting of credit operations for emergency programmes of document 3040 on credit risk data in the data reporting system (SCR), which in turn are contained in Circular No 3870 of 19 December 2017 and Circular No 3869 of 19 March 2018. This Regulatory Instruction enters into force on 1 December 2023.

# Q4 Other publications of interest

## American region

### RESOLUTION ON ACCOUNTING CONCEPTS AND METHODS RELATING TO FINANCIAL INSTRUMENTS



[\(23/11/2023\) BCB – BCB Resolution n° 352 of 23/11/2023](#)

The Central Bank of Brazil (BCB) published the BCB Regulatory Resolution of 23 November 2023, which establishes the accounting concepts and criteria applicable to financial instruments, as well as the designation and recognition of hedging accounting relationships by securities dealers, securities dealers, foreign exchange dealers, pool managers and payment institutions authorised by the BCB. It also addresses the accounting procedures for defining the cash flows of financial assets as principal and interest payments only, the application of the methodology for calculating the effective interest rate of financial instruments, the constitution of provisions for losses associated with credit risk and the disclosure of information related to financial instruments in explanatory notes, which must be followed by financial institutions and other institutions authorised by the BCB. This Resolution enters into force on 1 January 2024, in relation to Article 24, Articles 100 and 101; and points X and XI of Article 107; on 1 January 2027, in relation to Chapter IV of Title II; and on 1 January 2025, in relation to the other provisions.

### RESOLUTION ON THE DISSEMINATION OF THE GRSAC REPORT



[\(28/11/2023\) BCB – BCB Resolution n°354 of 28/11/2023](#)

The Central Bank of Brazil published Resolution 354 of 28 November 2023, which amends Resolution 139 of 15 September 2021 on the disclosure of the Report on Social, Environmental and Climate Risks and Opportunities (GRSAC Report). Specifically, the disclosure of the GRSAC Report in open data format will be mandatory as of the base date of December 2024. This Resolution enters into force on the date of its publication.

### RESOLUTION TEMPORARILY SUSPENDING THE OBLIGATION TO PROVIDE INFORMATION IN OPEN DATA FORMAT



[\(29/11/2023\) BCB – BCB Regulatory Instruction n° 425 of 29/11/2023](#)

The Central Bank of Brazil published Regulatory Instruction 425 of 29 November 2023, which amends BCB Regulatory Instruction 385 of 30 May 2023. The update temporarily suspends, as of 29 November 2023, the obligation to provide the information in open data format foreseen in the Pillar 3 Report, under the terms of art. 23 of Resolution no. 54 of 2020 of the BCB. New tables are added to the Pillar 3 Report, such as Table CRE, Table CR6, Table CR7, Table CR8 and Table CR9, and Table CR5 is adjusted, namely in the table Exposures and FCCs applied to off-balance sheet exposures. The Instruction becomes effective on the date of its publication.

### RESOLUTION AMENDING THE SUBMISSION OF THE PILLAR III REPORT DOCUMENT



[\(29/11/2023\) BCB – BCB Regulatory Instruction n° 424 of 29/11/2023](#)

The Central Bank of Brazil published Regulatory Instruction No 424 of 29 November 2023, which amends the provision of the Pillar III Report document referred to in Resolution No 54 of 16 December 2020 and Regulatory Instruction No 385 of 30 May 2023. In particular, changes have been made to the provision in Table GSIB 1 of the document, and to Table CCyB1. This Normative Instruction enters into force on 1 January 2024.

### RESOLUTION ON THE OPERATION OF SECURITIES DEALERS AND DISTRIBUTORS



[\(30/11/2023\) BCB - BCB Resolution n° 358 of 30/11/2023](#)

The Central Bank of Brazil (BCB) published Resolution No. 358 of 30 November 2023, which provides for brokers and dealers of transferable securities to act as counterparties in third-party portfolio transactions and for the segregation of the management of third-party funds in these institutions. It defines the activity of third-party fund management and lays down the conditions under which these institutions may act as counterparties to portfolio transactions. It also requires the separation of trustee and asset management activities from the other activities of these institutions. The resolution also provides for the appointment of a member of the Board of Directors or a trustee responsible for the management of securities portfolios and regulates the possibility of contracting asset management companies. The resolution enters into force on 2 January 2024.

# Q4 Other publications of interest

## American region

### RESOLUTION REGULATING THE OPERATION OF THE PIX PAYMENT ARRANGEMENT

T

[\(07/12/2023\) BCB - BCB Resolution n° 360 of 7/12/2023](#)

The Central Bank of Brazil (BCB) published Resolution No. 360, of 7 December 2023, which amends the Regulations attached to BCB Resolution No. 1, of 12 August 2020, which governs the operation of the Pix payment arrangement and approves its Regulations, to establish the rules for the operation of Automatic Pix and to make adjustments to the devices related to Programmed Pix. This Resolution comes into force on 1 October 2024.

### RESOLUTION DETAILING THE OPERATIONAL PROCEDURES RELATED TO AUTOMATIC PIX, SCHEDULED PIX AND PIX BILLING

T

[\(07/12/2023\) BCB - BCB Regulatory Instruction n° 436 of 7/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction no. 436 of 7 December 2023, which details the operating procedures related to Pix Automático, Pix Agendado and Pix Cobrança. The document details rules relating to the periodicity of operations, the authorisation of payments, the scheduling of automatic payments and the cancellation of scheduled withdrawals. It also covers the handling of authorisations granted, payment instructions, settlement of payment orders and processes for returning funds in specific cases. The Regulatory Instruction will come into force on 1 October 2024.

### RESOLUTION AMENDING THE PROCEDURES FOR CALCULATING RWAS

CL

[\(14/12/2023\) BCB - BCB Resolution n° 363 of 14/12/2023](#)

The Central Bank of Brazil (BCB) published Resolution 363 of 14 December 2023, which amends BCB circulars and resolutions on the procedures for calculating portions of the amount of risk-weighted assets (RWAs) for credit risk, operational risk and risks associated with payment services. This Resolution comes into force on 1st January 2024.

### RESOLUTION AMENDING THE PROCEDURES FOR THE PRESENTATION OF FINANCIAL STATEMENTS

O D

[\(14/12/2023\) BCB - BCB Regulatory Instruction n° 438 of 14/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction 438 of 14 December 2023, which amends Regulatory Instruction 236 of 17 February 2022. The Instruction in question amends the procedures for presenting individual and consolidated annual, half-yearly and interim financial statements, for the purposes of disclosure in the Central Balance Sheet of the National Financial System (CDSFN), referred to in BCB Resolution 2 of 12 August 2020. This Regulatory Instruction comes into force on 2 January 2024.

### CMN RESOLUTION

O

[\(21/12/2023\) BCB - CMN Resolution n° 5.112 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published the Resolution of the International Monetary Council (CMN) of 21 December 2023, which amends Resolution No. 4549 of 26 December 2017 on the financing of the outstanding balance of credit card bills and other post-paid instruments. It also amends CMN Resolution 5004 of 24 March 2022, which sets out the requirements to be observed when offering, contracting and providing services for credit and leasing operations. Finally, it also amends CMN Resolution 5057 of 15 December 2022, which provides for the portability of credit and leasing operations. The first article of this Resolution, which refers to the amendment of Resolution 4,549, comes into force as of its publication. The other articles come into force on 1 July 2024.

### JOINT RESOLUTION ON THE ADOPTION OF FINANCIAL EDUCATION MEASURES

O

[\(21/12/2023\) BCB - Joint Resolution n° 8 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published Joint Resolution no. 8 of 21 December 2023, which provides for the adoption of financial education measures by financial institutions, payment institutions and other entities authorised to operate by the BCB. These measures will be aimed at customers and private users and include the organisation and planning of personal and family budgets, training in savings and financial resilience, and the prevention of default and over-indebtedness. This Resolution comes into force on 1 July 2024.

# Q4 Other publications of interest

## American region

### RESOLUTION AMENDING THE CONDITIONS UNDER WHICH FINANCIAL INSTITUTIONS MUST MAINTAIN AN AMOUNT ALLOCATED TO FEDERAL GOVERNMENT BONDS **CL**

[\(21/12/2023\) BCB - Resolution CMN n° 5.114 of 21/12/2023](#)

The Central Bank of Brazil published CMN Resolution 5114 of 21 December 2023. The Resolution amends Resolution 4.222, of 23 May 2013, to establish the conditions under which financial institutions associated with the Credit Guarantee Fund (FGC) must maintain an amount allocated in federal government bonds and to modify the maximum limit for the issue of Specially Guaranteed Time Deposits. Specifically, the BCB will regulate how to calculate the adjusted net worth, the reference value and the reference funding for the purposes of the Resolution. Finally, this Resolution comes into force on 1st March 2024.

### RESOLUTION ON OPENING, MAINTAINING AND CLOSING PAYMENT ACCOUNTS **T**

[\(21/12/2023\) BCB - BCB Resolution n° 365 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published Resolution No. 365, of 21 December 2023, which amends Resolution No. 96, of 19 May 2021, on opening, maintaining and closing payment accounts. Some of the provisions included describe that, when contracting payment and post-payment instruments, the institution must provide the account holder with the option of at least three invoice due dates, with a minimum difference of seven days between them. In addition, the post-paid payment account invoice made available to the account holder by physical or electronic means must present the information in an orderly manner according to the following groups of information: i) highlighted area; ii) payment alternatives; and iii) additional information. This Resolution comes into force on 1 July 2024.

### RESOLUTION AMENDING THE PROCEDURES FOR SUBMITTING DOCUMENT 5050 **CL**

[\(21/12/2023\) BCB - BCB Regulatory Instruction n° 444 of 21/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction No. 444, of 21 December 2023, which amends BCB Regulatory Instruction No. 33, of 29 October 2020, which establishes the procedures for submitting Document 5050 or Operational Risk Statement (DRO) referred to in Circular No. 3,979, of 30 January 2020. This Regulatory Instruction comes into force on 1 January 2024.

### REGULATORY INSTRUCTION AMENDING THE FILLING INSTRUCTIONS AND LAYOUT OF DOCUMENT CODE 2061 **CL**

[\(22/12/2023\) BCB - BCB Regulatory Instruction n° 445 of 22/12/2023](#)

The Central Bank of Brazil (BCB) published Regulatory Instruction No. 445 of 22 December 2023, which amends the Instructions for Completion and the layout of the document code 2061 - Statement of Operational Limits (DLO), referred to in BCB Regulatory Instruction No. 81 of 23 February 2021. Specifically, the tables in Chapter V, Annex 010, referring to the Exposure Weighting Factor Code, and Annex 24, referring to the standard element, will be amended. This Instruction will come into force on 2 January 2024.



# Q4 Other publications of interest

## American region

### Chile

#### AMENDMENT OF GUIDELINES



(10/10/2023) Diario Oficial - [Agreement adopted by the Council of the Central Bank of Chile at its ordinary session No. 2586](#)

The Official Journal of the Republic of Chile has announced that the Council of the Central Bank of Chile has adopted the Agreement on Amendments to the Guidelines for Monitoring Compliance with Investment Limits in relation to the Economic and Social Stabilisation Fund (FEES), as well as new Guidelines on Custody and other matters of the FEES and the Pension Reserve Fund (FRP). It has also been adopted to empower the Manager of the Financial Markets Division to establish the internal procedures to regulate the implementation of the amendments and to state for the record that the requirements presented in the amendments to the Guidelines for Monitoring Compliance with Investment Limits in relation to the FEES and in the new Guidelines for Custody and other matters of the FEES and the FRP do not imply a modification to the remuneration to the Fiscal Agent accepted by Agreement No. 2511-02.

#### RESILIENCE OF THE FINANCIAL SYSTEM AND ITS INFRASTRUCTURE



(11/10/2023) Cámara de diputadas y diputados - [Bill promotes financial resilience and includes cooperatives](#)

The Chamber of Deputies has published amendments to the bill that aims to strengthen the resilience of the financial system and its infrastructures. The law aims to mitigate the economic and social effects on the system. To this end, they improve the market for sale and repurchase agreements (REPOs) and expand access to the Central Bank's payment systems, liquidity management services and other services for non-bank financial institutions and intermediaries, such as savings and credit cooperatives. They also strengthen the institutional framework for financial market infrastructures and incorporate a simplified procedure for obtaining a Single Tax Identification Number to facilitate the internationalisation of the Chilean peso.

#### FINTEC LAW



(16/10/2023) CMF - [CMF puts in public consultation the regulations on financial service providers of the Fintec Law](#)

The Financial Market Commission (CMF) has published for consultation the rules for the regulation of service providers incorporated in the Fintec Law (No. 21.521). The consultation will be open until 10 November 2023. The proposal regulates the registration and authorisation for the provision of services; risk management and corporate governance, capital and collateral requirements; and disclosure and reporting obligations. The regulations under consultation will apply to those engaged in the provision of financial services set out in the Fintec Law, which are: i) crowdfunding platforms; ii) alternative transaction systems; iii) intermediation of financial instruments; iv) order routing; v) credit advice; vi) investment advice; and vii) custody of financial instruments.

#### GREEN CREDIT PROGRAMME IN CHILE



(26/10/2023) BCN - [Modification of the rules of the "Green Credit Programme", approved by Resolution \(A\) No. 29 of 2020 and modified by Resolution \(A\) No. 86 of 2022](#)

The Library of the National Congress (BCN) of Chile has announced the modification to the rules of the "Green Credit Programme", approved by Resolution (A) No. 29 of 2020 and amended by Resolution (a) No. 86 of 2022, both of the Chilean Economic Development Agency (CORFO). Changes are incorporated to the points relating to the maximum amount per Intermediate Financial Institution (IFI) and to the form of distribution of resources, within the section Resources of the programme, as well as to the section Refinancing loans granted to financial intermediaries, in its points relating to Refinancing requests to the corporation and Disbursement requests.

#### FUTURE CONGRESS 2024



(14/11/2023) MinCiencia - [Celebration of the Future Congress 2024 with focus on the transformative capacity of AI](#)

The Ministry of Science, Technology, Knowledge and Innovation has informed about the celebration of the Congreso Futuro 2024, recognised as one of the most important science outreach events in Latin America. So far, its first exhibitors and the new format focused on artificial intelligence (AI) have been revealed. Under the slogan "What do we do now?", the event will take place from 15 to 20 January at the CEINA Cultural Centre in Santiago and in various regions of Chile. In addition to presentations by leading national and international figures on AI, the Congress will include interactive workshops, immersive experiences in the Metaverse, art exhibitions and a literary fair. The event, which is free and considered a positive ritual for Chile, seeks to address ethical issues and risks related to IA. The full programme will be available in December on the Congreso Futuro website, which will also broadcast the event with TV Senado.

# Q4 Other publications of interest

## American region

### CORPORATE GROUP DISCLOSURES O D

[\(27/11/2023\) CMF - Regulatory Report on Corporate Group Reporting](#)

The Financial Market Commission (CMF) has published for consultation a Regulatory Report on Corporate Group Reporting, repealing Circulars 1246 and 1664 on the same subject. The aim of this draft regulation is to improve the current rules on the reporting requirements for corporate groups. To this end, the audited entities previously defined by the CMF are required to select the corporate group to which they belong or, failing this, to create their group and enter the information on the entities that comprise it through the computer systems set up by the CMF itself. This information must be constantly updated by the institution. This Regulatory Report will enter into force on 1 May 2024.

### MODIFICATION OF FOGAPE REGULATIONS AND UPDATING OF INFORMATION REQUIREMENTS O D

[\(27/11/2023\) CMF - CMF launches a public consultation on the modification of the FOGAPE Regulation and updates the information requirements](#)

The Financial Market Commission (CMF) has published for consultation a circular introducing amendments to the Regulations of the Guarantee Fund for Small and Medium-sized Enterprises (FOGAPE), as well as two circulars formalising the information requirements for the Administrator, Banco del Estado de Chile, and for the Special Guarantee Fund (FOGAES). The purpose of these amendments is to adjust the leverage limit required by FOGAPE, taking into account the behaviour of the debtors in each programme, instead of the fixed limit currently required by the regulation. Likewise, in order to ensure the consistency of the debtors' payroll, it is proposed to exempt the State Bank from the requirement to report information on the debt related to subrogated credits, establishing that participating entities must report the entire credit, including both the subrogated and non-subrogated part. Comments on the draft regulations under consultation will be received until 26 December.

### PUBLIC CONSULTATION ON BASEL PILLAR 3 ADJUSTMENTS CL D

[\(27/11/2023\) CMF - CMF launches public consultation on adjustments to Basel Pillar 3 rules](#)

The Financial Market Commission (CMF) has announced the opening of a public consultation on three proposed refinements to the Updated Rulebook (RAN), related to market discipline and financial transparency. These clarifications aim to ensure consistency and make minor corrections to the regulatory framework introduced on 1 December 2020, which establishes the disclosure of relevant information under the Basel Committee on Banking Supervision (BCBS) Pillar 3 standard. The CMF has consolidated the links to banks' disclosure documents on its website, facilitating their review, and the consultation will be open until 18 December 2023.

# Q4 Other publications of interest

## American region

### Mexico

#### AMENDMENT TO GENERAL PROVISIONS **CL**

(15/09/2023) DOF - [Resolution amending the General Provisions applicable to credit institutions](#)

The Official Journal of the Federation (DOF) has published the Resolution amending the General Provisions applicable to credit institutions. The Article regarding the methodology for calculating the capital requirement for exposure to Operational Risk is reformed, and the variable "Other operating expenses" is added to Table 3. This Resolution shall enter into force the day following its publication in the Official Gazette of the Federation.

#### AMENDMENT TO GENERAL PROVISIONS **S D**

(27/09/2023) DOF - [Resolution amending the General Provisions applicable to credit institutions](#)

The Official Journal of the Federation (DOF) has published the Resolution amending the General Provisions applicable to credit institutions. This Resolution reforms the article regarding the information to be provided by institutions and the Annex "Regulatory Reports," and adds a section on portfolio rating methodology and the section on reporting and data entry format within the Annex "Regulatory Reports." Among the information that entities must provide to the Commission is the number of women serving on the Board of Directors and in Senior Management. This Resolution shall enter into force on July 1, 2024.

#### AMENDMENT TO THE CATASTROPHIC RISK RESERVE PROVISIONS **P**

(18/10/2023) DOF - [Circular modifying the reference parameters of the reserve balance of insurance institutions](#)

The Official Journal of the Federation (DOF) has issued an Amending Circular that updates the provisions of the Chapter on the valuation, constitution and increase of catastrophic risk reserves of insurance institutions and mutual societies of the Single Insurance and Surety Bonding Circular (CURSF). These provisions establish that the balance of the catastrophic risk reserve constituted in foreign currency must be increased monthly by the corresponding financial products determined on the basis of the arithmetic mean of the 30-day London InterBank Offered Rate (LIBOR), published by the Intercontinental Exchange Benchmark Administration. On the occasion of the disappearance of this institution, and following the suggestions of the Bank for International Settlements (BIS) of the Financial Stability Board (FSB), this Circular incorporates a new benchmark, the Secured Overnight Financing Rate (SOFR), published by the Federal Reserve Bank of New York. The Circular in question entered into force on 19 October 2023, one day after its publication in the DOF.

#### SPECIAL ACCOUNTING CRITERIA APPLICABLE TO VARIOUS REGULATED AND SUPERVISED ENTITIES BY THE CNBV **S D**

(30/10/2023) CNBV - [CNBV issues special accounting criteria applicable to various entities regulated and supervised by the CNBV](#)

Following the passage of Hurricane Otis over the coasts of Guerrero, the National Banking and Securities Commission (CNBV) has issued the special accounting criteria (CCE) applicable to various regulated and supervised entities, in relation to loans granted to individuals and companies that have their domicile or their sources of payment in the areas affected by the meteorological events of the hurricane, as well as housing loans in which the property is located in these areas. The purpose of these CCEs is to enable financial institutions to generate support programmes for their borrowers, should they need them.

#### MODIFICATION OF CYBERSECURITY AND INFORMATION TECHNOLOGY PROVISIONS **T**

(11/22/2023) DOF - [Amendment to Circular 4/2016 on strengthening cybersecurity and information technology provisions of the interbank dollar payment system](#)

The Official Journal of the Federation (DOF) has reported on the publication by the Bank of Mexico of Circular 13/2023, amending Circular 4/2016, updating the cybersecurity standards applicable to the Rules of the Interbank Dollar Payment System (SPID). The objective of the update is to promote the healthy development of the financial system and ensure the protection of the public's interests. This modification aims to provide greater clarity on the technological infrastructure subject to the standards, precisely define the obligations of participants regarding cybersecurity requirements, and establish responsibilities related to the designation of information security officers in the SPID. Additionally, additional elements have been included to strengthen the cybersecurity and cyber resilience framework of SPID participants. This Circular comes into force on December 19, 2023, except for transitional provisions that will enter into force on later dates.

# Q4 Other publications of interest

## American region

### Peru

#### MODIFICATION OF THE INFRACTIONS AND SANCTIONS REGULATION **C**

[\(02/10/2023\) SBS - Amendments to the Regulation of Infractions and Sanctions of the Superintendency of Banking, Insurance and Private Pension Fund Management Companies](#)

The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has published amendments to the SBS's Regulations on Infractions and Sanctions. These Regulations are applicable to companies in the financial system and the insurance system, to private pension fund administrators, to spillovers and benefit funds, and to natural and legal persons who, in accordance with the General Law of the Financial System and the Insurance System and the Organic Law of the SBS, are subject to the regulation and supervision of the Superintendency. Likewise, the specific infringements of the insurance system and of the private pension fund management system are modified. This Resolution enters into force on the day following its publication in the Official Gazette El Peruano.

#### MODIFICATION OF THE MODEL RISK MANAGEMENT REGULATION **CL**

[\(19/10/2023\) SBS - Modification of the Model Risk Management Regulation \(SBS Resolution No. 53-2023\)](#)

The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has published amendments to the Model Risk Management Regulations. This document establishes the guidelines and minimum requirements to address the main elements in the management of model risks, such as the development, validation, implementation, use, monitoring and contracting of model providers. It also incorporates the responsibilities of the Model Risk Committee and amends the articles related to market, liquidity, operational, money laundering and terrorist financing risk management. This Resolution enters into force on the day following its publication in the Official Gazette El Peruano.

#### MODIFICATION OF THE GENERAL REGULATIONS OF THE COOPAC **O**

[\(31/10/2023\) Gob.pe - Superintendency Resolution modifying the Accounting Manual for Financial System Companies](#)

The Superintendency of Banking, Insurance and Private Pension Fund Administrators (SBS) has announced that, by means of Resolution SBS N° 895-98 and its amendments, the Accounting Manual for Companies in the Financial System has been modified. As stated in the Resolution in question, the modification of the Manual was necessary to ensure the control and monitoring of credits related to the Guarantee Programme and the Myperu Promotion Programme. This Resolution enters into force the day after its publication in the Official Gazette El Peruano.

#### SUBORDINATED DEBT REGULATION **CL**

[\(31/10/2023\) Gob.pe - Draft resolution approving the regulation of subordinated debt applicable to insurance companies](#)

The Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones (SBS) has published the Draft Resolution approving the regulation of subordinated debt applicable to insurance companies. This Resolution modifies the characteristics, requirements, modalities and limits applicable to subordinated debt, so that it is considered an element of effective equity. The draft enters into force on the day following its publication in the official gazette El Peruano, from which date the Subordinated Debt Regulation applicable to insurance companies, approved by SBS Resolution No. 6599-2011, becomes null and void.

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## Alert System on Regulation

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For those publications which are more likely to give rise to significant effects upon MS clients, the R&D department has been sending out publication alerts since the beginning of 2013.

Alerts are published in Spanish and English within 48 hours since the publication by the regulatory body.

Moreover, quarterly MS publishes the Regulation Outlook, a report that collects the alerts of the period and anticipates the main upcoming regulatory changes.

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## Main organisms being monitored

### Global

FSB, BCBS, IASB, IOSCO, IAIS

### European region

Europe } EC, EP, Consejo, EBA, ESMA, EIOPA, ECB, SRB

UK } BoE, PRA, FCA

Spain } BdE, Gobierno, Cortes Generales, CNMV

### American region <sup>(1)</sup>

US } Fed, SEC, OCC, FDIC

Mexico } CONAMER, DOF, SHCP, CNBV, CNSF

Brazil } BCB, Susep, CVM

Argentina } BCRA

Peru } SBS, Diario Oficial, SMV

Colombia } SFC, Banrep

Chile } CMF, Diario Oficial, BCC

1) At the moment the publication of alerts in *FinRegAlerts* concerning the American region is limited to US publications.



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