2024
Regulation Outlook

R&D

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

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

Executive Summary

The first quarter of 2024 has been notable for technological advancements with the approval of the AI Act by the EP and the Instant Payments Regulation by the Council. In the realm of Capital, the publication of the ECB's Internal Models Guide and the stress test scenarios for 2024 on the capitalization of large banks in the US stand out. In Chile, the regulation establishing a standardized methodology for calculating expected losses for consumer loans is noteworthy

European Region

- **[EU] Consultation Paper of Draft Guidelines on the management of ESG risks.** The EBA has published a Consultation Paper of Draft Guidelines on the management of ESG risks. The guidelines set requirements for the internal processes and ESG risks management arrangements that institutions should have in place, to ensure the resilience of the business model and risk profile of institutions in the short (3 years), medium (3-5 years) and long term (at least 10 years). (EBA, January 2024).

- **[EU] Final version of the guide to internal models.** The ECB has published the final version of the guide to internal models. In line with the revised version submitted for consultation, the revised Guidance clarifies how banks should include material climate and environmental risks in their models and provides clarifications for banks wishing to revert to the standardised approach for calculating their risk-weighted assets. The final version does not incorporate major changes with respect to the draft version. (ECB. February 2024).

- **[EU] Regulation on instant payments.** The Council has adopted the Regulation on making instant euro payments more accessible. This regulation amends existing ones regarding instant transfers in euros. The new rules require payment service providers (PSPs) offering transfer services to ensure that their service is instant. Security measures are established to protect against fraud and errors in transfers. (Council, March 2024).

- **[EU] the Artificial Intelligence (AI) Act.** The main objective of the AI Act is to improve the functioning of the internal market by establishing a uniform legal framework for the development, marketing, use and servicing of AI systems in the EU. This is done with the intention of promoting the adoption of human-centered and reliable AI, while ensuring a high level of protection against the harmful effects of AI systems and supporting innovation. (EP, March 2024).

American Region

- **2024 Stress test scenarios on the capitalization of large banks**. The objective of these stress tests is to assess the resilience of large banks by estimating losses, net income and capital levels, which provide a cushion against losses, under hypothetical recession scenarios extending two years into the future. The results of the tests will be used to set capital requirements for large banks. The Board will publish the aggregate results along with the annual stress test results in June 2024. (Fed, February 2024).

- **[US] Enhancement and Standardization of Climate-Related Disclosures for Investors.** The new rules follow TCFD and FSB recommendations but tailored to the needs of investors. The compliance dates for the final rules, which are staggered and vary by company size, range from the fiscal year beginning (FYB) on January 1, 2025, to the FYB of January 1, 2028. (SEC, February 2024).

- **[CH] Regulation that establishes the standardized methodology for calculating provisions for consumer loans.** CMF has published the final text of the regulations of the Standard Model of Provisions for Consumer Loans of Banking Institutions. Important players in the financial sector, such as the Association of Banks and Financial Institutions (ABIF) and the Retail Financial Association (ARF), participated in the preparation of these regulations in order to ensure the adequacy and relevance of the proposed provisions. The publication of these regulations represents a significant advance in credit risk management in the Chilean financial sector. (CMF, March 2024).

Executive Summary

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

Global

- **IFRS 18. Presentation and Disclosure in Financial Statements.** The new standard will provide investors with more transparent and comparable information about the financial performance of companies, helping them to make better investment decisions. This standard will affect all companies using IFRS. IFRS 18 introduces three sets of new requirements to improve how companies report their financial performance and provide investors with a better basis for analyzing and comparing companies. (IASB, April 2024).

- **IFRS 19. Subsidiaries without Public Accountability: Disclosures.** The IASB issued IFRS 19 on Disclosures by Subsidiaries without Public Accountability. This new Standard aims to simplify and reduce the cost of financial reporting by subsidiaries while maintaining the usefulness of their financial statements. (IASB, May 2024).

European Region

- **[EU] Corporate Sustainability Due Diligence Directive**[1]. In addition to establishing a global framework for large companies to respect human rights and environmental standards throughout their operations and value chain, the CSDDD requires the adoption of a climate transition plan aligned with the Paris Agreement. (Council, May 2024).

- **[EU] Insurance Stress Test 2024.** EIOPA launched its 2024 stress test for insurers, focusing on the economic consequences of a re-intensification or prolongation of geopolitical tensions. This test assesses the impact of such a scenario on the capital and liquidity position of European insurance companies. (EIOPA, April 2024).

- **[EU] Voluntary testing exercise for the next phase of DORA implementation**. The European Supervisory Authorities (ESAs) announced that in May 2024 they would launch a voluntary dry run exercise ahead of the next phase of DORA implementation, with the aim of helping financial institutions to fine-tune their data register on their contractual arrangements with third party ICT providers. (ESAs, April 2024).

- **[EU] Final version of Guide on effective risk data aggregation and risk reporting.** The guide outlines the requirements for effective risk data aggregation and risk reporting (RDARR) to help banks strengthen their capabilities, building on existing practices and addressing key shortcomings identified in the industry. (ECB, May 2024).

- **[EU] Final Publication of the Banking Package (CRR III and CRD VI).** These amendments introduced the final Basel III reforms in Europe, as well as new requirements linked to ESG risk exposures, crypto-assets and shadow banking. (OJEU, June 2024).

- **[EU] New EU AML/CFT rules adopted.** The aim of this legislative package is to improve the detection of suspicious transactions and activities and to close loopholes that allow the laundering of illicit proceeds or the financing of terrorist activities through the financial system. (Council, June 2024).

- **[EU] Guide on outsourcing cloud services to cloud service providers.** The ECB launched a public consultation on its new Guide on outsourcing cloud services to CSPs. The Guide aims to clarify both the ECB's understanding of related legal requirements and its expectations for the banks it supervises. The supervisory expectations set out in the Guide are addressed to institutions that are supervised directly by ECB Banking Supervision. (ECB, June 2024).

(1) Published in the DOUE in July 2024

Executive Summary

In Q3 2024, the Basel Committee introduced 12 new principles for managing third-party risk. The European Banking Authority (EBA) began consultations for the 2025 stress test, while the European Supervisory Authorities (ESAs) released new DORA mandates. The ECB published a draft guide on governance, and the UK's Prudential Regulation Authority (PRA) advanced Basel 3.1 regulations. In the US, final rules on anti-money laundering were issued

Global

- **[Global] Consultative document on the principles for the sound management of third-party risk.** The BCBS has published a consultative document on the principles for the sound management of third-party risk. This document replaces the 2005 Joint Forum document for the banking sector and introduces 12 new principles with a stronger focus on operational risk management and the operational resilience of banks. It aims to promote international engagement, greater collaboration and consistency, with a view to reducing regulatory fragmentation and strengthening the overall operational resilience of the global banking system. These new principles focus on comprehensive third-party risk management and are technology-agnostic to keep pace with technological developments. (BCBS, July 2024).

- **[EU] 2025 European Union (EU) stress test.** The EBA has released for informal consultation its draft methodology, templates, and guidance for the 2025 EU-wide stress test. This initiates dialogue with the banking industry, building on the 2023 methodology. This new draft includes integrating the Capital Requirements Regulation (CRR3) and takes into account the delayed implementation of the fundamental review of the trading book (FRTB). The stress test will include 68 banks from the EU and Norway, covering 75% of the banking sector in the euro area. This broader scope and the introduction of proportionality features aim to enhance efficiency, relevance, and transparency. (EBA, July 2024).

- **[EU] Second batch of policy mandates under DORA.** The ESAs have published final drafts on the second package of RTS and ITS which aim to ensure a consistent and harmonized regulatory framework in the areas of incident reporting, aggregated costs and losses from major incidents, supervisory harmonization, as well as composition of the joint examination team and oversight cooperation between ESAs and competent authorities (CA) and TLPT (ESAs, July 2024).

- **[EU] Draft Guide on Governance and Risk Culture.** The ECB has published the Draft of the new Guide on Governance and Risk Culture, aimed at enhancing the governance structures and risk cultures within banks operating in the European Union. The Guide replaces the 2016 SSM Statement on Governance and Risk Appetite and, in line with guidelines issued by the European Banking Authority (EBA) and other international standards, underlines the importance of a sound risk culture and effective governance for all banks, and aims to foster consistent supervisory practices across the euro area, while recognizing national specificities. (ECB, July 2024).

- **[UK] Regulation on prudential regime for UK banks.** The PRA has published two SS on the credit risk definition of default and the internal ratings-based approach, a PS on the implementation of the Basel 3.1 standards near-final part 2 and four consultation papers on the definition of capital, the updates to the UK policy framework for capital buffers, the simplified capital regime for SDDTs, the Pillar 2A capital framework and the capital communications process. (PRA, September 2024).

- **[US] Proposed amendments to the Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) Program Requirements.** The OCC, the Board of Governors of the Federal Reserve System, the FDIC and the NCUA have published a proposal for amendments to the AML and CFT Program Requirements. This document updates the four federal financial institutions´ requirement for supervised institutions to establish, implement, and maintain effective, risk-based, and reasonably designed AML/CFT programs. The amendments are intended to be consistent with changes being proposed simultaneously by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), most of which result from the AML Act of 2020. (OCC/Board/FDIC/NCUA, July 2024).

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In the fourth quarter of 2024, the Basel Committee issued final guidelines for managing counterparty credit risk. The EBA defined the methodology for the 2025 stress test, while the ESAs and ECB assessed climate risks under the Fit for 55 package. The SRB launched a consultation on resolvability self-assessment, and in the UK, HM Treasury opened a consultation on the Green Taxonomy. In Chile, the CMF proposed regulatory adjustments to strengthen capital requirements under Basel III.

Global

- **[Global] Final version of the guidelines for counterparty credit risk management.** The BCBS has published the final version of the Guidelines for CCR management. The guidelines include key practices critical to resolving long-standing industry weaknesses in counterparty credit risk management, including the need to: i) conduct comprehensive due diligence at both initial onboarding, as well as on an ongoing basis; ii) develop a comprehensive credit risk mitigation strategy to effectively manage counterparty exposures; iii) measure, control and limit CCR using a wide variety of complementary metrics; and iv) build a strong CCR governance framework. (BCBS, December 2024).

- **[EU] 2025 EU-wide Stress Test.** The EBA has published the final document on the methodology, templates and guidance for the 2025 EU-wide stress test. This initiates dialogue with the banking industry, building on the 2023 methodology. Key updates include integrating the Capital Requirements Regulation (CRR) 3 and considering the delayed implementation of the fundamental review of the trading book (FRTB). The stress test will include 68 banks from the EU and Norway, covering 75% of the banking sector in the euro area. This broader scope and the introduction of proportionality features aim to enhance efficiency, relevance, and transparency. (EBA, November 2024).

- **[EU] Results on the Fit for 55 climate scenario analysis.** the ESAs and the ECB have published the results of the Fit for 55 climate scenario analysis. The aim of these results is to assess the impact on the banking, investment fund, occupational pension fund, and insurance sectors of the EU under three transition scenarios that incorporate the implementation of the Fit for 55 package, as well as the potential for contagion and amplification effects throughout the financial system. However, when transition risks are combined with macroeconomic disruptions, they can increase financial entities' losses and cause disturbances. (ESAs/ECB, November 2024).

- **[EU] Consultation on operational guidance for banks regarding resolvability self-assessment.** The SRB has launched a public consultation on the operational guidance for banks regarding resolvability self-assessment. The consultation, which is part of the SRM Vision 2028 strategy, focuses on a self-assessment template that banks must complete annually, aiming to enhance clarity, consistency, and a level playing field in assessing resolvability across the sector. (SRB, December 2024).

- **[UK] Consultation on the UK Green Taxonomy.** HM Treasury has published a consultation on the UK Green Taxonomy, which would classify sustainable economic activities and support the government's environmental goals. The primary purpose of this consultation is to determine whether a UK Green Taxonomy would be additional and complementary to existing policies in mitigating greenwashing and channeling capital in support of the Government's sustainability goals. To this end, the consultation seeks to gather views on the potential regulatory and market uses of a UK Green Taxonomy that would contribute to these objectives. Drawing on taxonomies developed in other regions, the UK Green Taxonomy will incorporate science-based thresholds and metrics to ensure credibility, alignment with international standards, and usability for market participants. (HM Treasury, November 2024).

- **[CL] Public consultation on the new version of regulatory adjustments related to the additional capital requirements for banks.** the CMF has launched a public consultation on the new version of regulatory adjustments related to the additional capital requirements for banks under Pillar 2 of Basel III, focusing on improving the supervisory process and risk assessment. Network (FinCEN), most of which result from the AML Act of 2020. (CMF, October 2024).

Regulatory Outlook

In 2025, the BCBS will publish its final proposal for the disclosure of climate-related financial risks. At the European level, the EBA and ESMA are expected to publish several technical standards and guidelines primarily impacting capital and sustainability. In the UK, the Consultation on introducing requirements for the largest companies to disclose their net-zero transition plans. In Chile, the CMF will publish regulations on credit risk management, recovery plans, and outsourcing in insurance. Colombia´s URF will also issue several decrees affecting the sector.

Featured regulatory projections

1. Next quarter

- **(Global) 2025:**
  - 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) 2025:**
  - EBA: i) Guidelines specifying the terms substantial cash deposits, appropriate amount of obligor-contributed equity and significant portion of total contracts; ii) ITS on mapping Business Indicator components (BIC) to FINREP; iii) Pillar 1 follow-up report (pending CRR III mandate and deadline); iv) Third revision of the SREP guidelines; v) CP on GL for climate stress testing; vi) ITS on ESG reporting; vii) RTS on assessment of ESG risks; viii) review of RTS on sustainability disclosures PAI indicators; ix) Final report on prudential treatment exposures; x) Final guidelines for ESG risk management; xi) Publication of the first results of the exercise using the final templates for the collection of EBA climate-related data; xii) Adequacy of PD/LGD input floors of credit risk; xiii) RTS on Equity positions (TB-BB Boundary); xiv) GL CVA risk for supervisors and RTS; xv) Retail Diversification Guidelines and Methods Final Document.
  - ESMA: i) GL promoting supervisory convergence under SFDR, MiFID II, Taxonomy Regulation, CSRD, the Benchmarks Regulation; ii) RTS; ITS; and GL as required under MiCA; iii) Revision of RTS on securitisation disclosure requirement (CP).
  - EBA/ESMA: Report on minimum haircut floor.
  - EIOPA: i) Implementation of a cyber incident reporting system - Centralised data center.
  - ESAs: Establishment of the EU-wide Oversight Framework of critical ICT third-party service providers.
  - ECB: ii) Final guidance on Governance and Risk Culture.
  - European Council: Application of DORA Act.

- **(Europe) 3Q 2025:**
  - EBA: Publication of EU wide stress test results.
  - ESMA: Final report and submission of draft technical standards on ESEF defining labelling standards for sustainability reporting and labelling standards for Notes to Consolidated Financial Statements under International Financial Reporting Standards (IFRS).

- **(UK) 2025:**
  - 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.

- **(Chile) 2025:**
  - CMF: i) Standard for the identification of impaired and renegotiated credits; ii) Amendment of RAN 1-13 incorporating as a matter of review the management of recovery plans; iii) Standard on information on insurance other than annuities; iv) Rule that establishes the conditions for the provision of services to other institutions or third parties by Support Companies; v) Suitability and technical capacity of the Financial Intermediary and/or Fintec Custodian; vi) Suitability and technical capacity of the Financial Intermediary and Product Brokers' controller; vii) Rule of requirements for the Financial Intermediary and Product Brokers' controller; viii) Change of rules for the operation of Central Counterparties due to the Financial Resilience Law; ix) Rule on complementary activities of institutions registered in the RPSF.

- **(Chile) 2024:**
  - CMF: i) Rules on the computation of risk-weighted assets in savings and credit cooperatives supervised by the Commission. ii) Rules regulating the sale and transfer of ownership of insurance companies. iii)

Exceptions or less burdensome forms of compliance with the requirements of Law 18.876 (DCV). iv) Rules on Statistical Information and Control of Securities Entities (Stock Exchanges and Infrastructures).

- **(Colombia) 2025:**
  - URF: i) Decree on the supervision of information operators; ii) Decree on the architecture of the trust business; iii) Decree on the regulatory update of the solidarity sector.

2. Next year

- **(Europe) 2026:**
  - EBA: Report to EC on revised Operational Risk

Entry into force dates

1. Next quarter

- **(Global) 2025:**
  - BCBS: Implementation of the requirements on the Disclosure of Cryptoasset Exposures.
- **(Europe) 2025:**
  - EP/Council: EMIR 3 Review.
  - EBA: ITS modifying Pillar 3 and RTS information on BI components and settings and ITS on the allocation of BI components.
- **(Europe) January 2025:**
  - EP/Council: i) General application of the provisions amending the CRR (CRR III) which introduce revisions to the Basel III framework in Europe (Basel IV); ii) DORA application; iii) New EU Taxonomy disclosures: Publication by non-financial undertakings of their KPIs; iv) New EU Taxonomy disclosures: Financial undertakings shall disclose KPIs of alignment, mainly GAR (Full GAR).
  - ESAs: RTS document on the ICT risk management framework.
  - CSRD: Application extended to large companies not currently subject to the NFRD.
  - EBA: ITS Pillar 3 disclosure framework.
- **(Europe) March 2025:**
  - EBA: Amendments to the reporting requirements on market risk and the information to be reported on own funds requirements under the alternative approaches.
- **(Europe) July 2025:**
  - EP/Council: Regulation establishing a new EU AML and CFT Authority.
- **(Europe) September 2025:**
  - Council: Regulation on harmonized rules for fair Access and use of data.
- **(Europe) December 2025:**
  - EBA: Guidelines on internal policies, procedures and controls to ensure the implementation of Union and national sanctions.
- **(UK) July 2025:**
  - FCA: Rules and guidance introduced by the Consumer Duty in relation for closed products or services
- **(US) January 2025:**
  - SEC: Final Rule of the Enhancement and Standardization of Climate-Related Disclosures for Investors
- **(BR) January 2025:**
  - BCB: Standard Instruction on accounting items in the Assets Held for Sale group of the List of Accounts of the Accounting Standard for Institutions Regulated by the BCB.
- **(CH) January 2025:**
  - CMF: i) Regulations establishing the standardised methodology for the computation of consumer placements; ii) Application of IFRS 17 and 9 to the Chilean insurance market.

2. Next year

- **(Global) January 2026:**
  - BCBS: Implementation of FRTB.
- **(Global) January 2026:**
  - IASB: IFRS 18 for annual accounting periods beginning on or after this date.
- **(Europe) January 2026:**
  - EP/Council: Member States shall adopt and publish the regulations and administrative provisions necessary to comply with CRD VI amendments.
  - CSRD: Implementation for listed SMEs, as well as for small and non-complex credit institutions and captive insurance companies.
- **(Europe) June 2025:**
  - CSRD: Application for certain sectors and for certain third country companies to prepare for sectoral European Sustainability Reporting Standards (ESRS) and for specific standards for large non-EU companies.

3. More than a year

- **(Europe) July 2027:**
    - EP/Council: i) Start of the gradual application of Corporate Sustainability Due Diligence (CSDDD); ii) Regulation on the prevention of the use of the financial system for the purposes of money laundering of AML and CFT.
- **(Spain) Q3 2026:**
    - End of the application of Royal Decree 817/2023 on the controlled environment for Artificial Intelligence testing.

Relevant Publications

This section is a compilation of the most relevant publications published by the R&D area through the FinRegAlert app. This content covers regulatory publications considered to have a particular impact on the financial sector.
These publications are listed according to the geographic scope of the publication and the date of publication.
In addition, the publications have been labelled for information purposes with the most representative topics of the type of content or nature of the publication:

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

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Q1 Relevant publications

Global

15/02/2024

T **ITU – Technical report on Cyber Security Resilience Assessment toolkit for DFS Critical Infrastructure**

1. **Context**

Over the past few decades, Digital Financial Services (DFS) have become among the leading methods for financial transactions for a growing number of world countries. This phenomenon is not exclusive to advanced economies on the contrary, digital transformation, accelerated by the COVID-19 pandemic, has also concerned emerging markets. Studies show that DFS in developing countries can be at the forefront of economic growth. This advantage has encouraged emerging economies to take action toward a more digitalized financial environment. Therefore, the DFS infrastructure is critical and should be assessed in terms of cyber resilience.

In this context, the ITU has published a **technical report on Cyber Security Resilience Assessment toolkit for DFS Critical Infrastructure**. The aim of this report is to support DFS regulators and DFS stakeholders in emerging economies in assessing their critical infrastructure's cyber resilience level.

2. **Main points**

- **Cyber Resilience Toolkit:**
  - The objective is to facilitate cyber resilience self-assessments and enhance the resiliency of the DFS infrastructure by reinforcing both peripheral and internal defenses. By utilizing this tool, stakeholders as DFS entities, users and actors can gain a better understanding of how to prepare for potential malicious cyber operations and establish best practices to defend against unauthorized access attempts.
  - This report presents a Critical Entity Identification Matrix to identify the entities relevant to the cyber resilience assessment proposed in the toolkit. The matrix identifies four different categories of entities based on their roles in the DFS ecosystem and the assessed impact on users and the national population in case they are targeted by a cyberattack.
  - In relation to the structure, the tool presents straightforward questions and controls to facilitate self-assessment and the evaluation of mitigation measures in place. This toolkit outlines four levels of cyber resilience maturity, which detail the characteristics needed to be more cyber resilient.
- **Mapping the DFS infrastructure:**
  - DFS actors are defined as all individuals, entities, or organizations directly involved in a digital transaction. Specifically, the report recognizes four main actors to be critical in any DFS operation: i) the client; ii) mobile network operators; iii) financial institutions; and iv) third parties. Their significance in the system is based on their roles in the DFS infrastructure and their importance in financial operations.
  - Different DFS ecosystems' actors face threats that often share several commonalities. For this reason, ITU proposed a comprehensive framework to categorise and map threats, vulnerabilities, and risks suggesting mitigation procedures. This categorisation effort has been analysed to define a preliminary shared understanding of some risks common to DFS ecosystems, as the account hijacking attacks or credential attacks.
- **Methodology:**
  - The report presents a comprehensive and holistic methodology that created the theoretical foundation to define the Cyber Resilience Toolkit. The methodology focuses on characteristics specific to developing areas to ensure its applicability across all emerging economies.
  - This report refers to pillar 1, Risk Management (RM), as the process related to the efficient implementation of risk assessment and treatment activities. These processes will allow DFS entities and concerned relevant third-parties to structure and update mechanisms to anticipate, evaluate and mitigate risks, ensuring critical resiliency.
  - The report defines the second pillar, Governance, as the framework for DFS entities to achieve strategic and resiliency objectives. Its role is critical to ensure a robust cyber resilience approach implementation to face prevailing and emerging cyber-focused threats.

- Pillar 3, Testing, encompasses assessing an organisation's cybersecurity capabilities and measures implemented to understand how effective they are in preventing and defending against malicious cyber-threat actors. The complex and diversified nature of the DFS ecosystem includes financial and telecommunication entities, requiring participants to use a wide range of cyber resilience assessment tools.
- In relation to training and awareness, the document defines the process that provides participants with an overview of strategies, approaches, and procedures in place within a DFS entity. Such processes aim to upskill staff to a pre-determined understanding of a given matter.
- Finally, the incident response life cycle refers to a series of steps an entity needs to perform when handling a cybersecurity incident. Divided into four main stages, they define the standard procedure that technical teams and other relevant business units need to follow to detect and respond to a cyber event.

Q1 Relevant publications

European Region

CL

D

18/01/2024

EBA - Amendments to the reporting requirements for market risk

1. **Context**

The Fundamental Review of the Trading Book (FRTB) was implemented by means of Capital Requirement Regulation (CRR2), constituting the first step towards the full implementation of the FRTB in the European Union (EU). CRR mandates the EBA to specify the details of the reporting on the own funds' requirements calculated in accordance with the FRTB. The Implementing Technical Standards (ITS) on specific reporting requirements for market risk have been requiring institutions to submit high-level information on the size of their business subject to market risk and the own funds requirements calculated on the basis of the Alternative Standardised Approach for market risk (ASA) since 2021.

In this context, the EBA has published **amendments to the reporting requirements for market risk**. As the implementation of the FRTB in the EU approaches, the EBA revised the information to be reported on the own funds' requirements under the alternative approaches and adds reporting on reclassifications of instrument between the regulatory books.

2. **Main points**

- The core of the reporting – the information on the application of the alternative standardised approach (ASA) and alternative internal model approach (AIMA) – **impacts entities whose business subject to market risk exceeds the thresholds stipulated in CRR**. In accordance with the amendments to the CRR that are introduced by the provisionally agreed text of the CRR3, that will also include entities that only apply the ASA to their business subject to foreign exchange of commodities risk, which have been so far exempted from the obligation to report information on the own funds' requirements according to the FRTB framework.
- The **content originally included in the ITS on FRTB reporting**, as well as the new template and instructions presented in the consultation paper, are transferred to the ITS on Supervisory Reporting, so that the ITS on FRTB reporting can be repealed and all obligations on market risk can be found in one and the same legal act. The amendments presented in this report comprise the following two sets of information:
  - Information on the own funds requirement calculated under the ASA and AIMA and accompanying information;
  - Information on the size of the trading book and the business subject to market risk, as well as information on reclassifications of instruments between the trading and non-trading books (banking book).
- In addition to these amendments, this final report also presents selected other amendments linked to the **implementation of the FRTB approaches or the boundary rules revised by the CRR3**.

3. **Next Steps**

- The draft amending implementing technical standards will be submitted to the Commission for endorsement before being published in the Official Journal of the European Union. The technical standards are expected to apply for the first time for the reporting as of **31 March 2025**. The EBA will also develop the data-point model (DPM), XBRL taxonomy and validation rules based on the final draft ITS.

19/01/2024

CL **EBA - Consultation paper on the amendments draft RTS on the prudent valuation framework**

1. **Context**

Commission Delegated Regulation (EU) 2016/101 sets out requirements for the prudent valuation of fair-valued financial instruments. Under the prudent valuation framework institutions are required to calculate additional valuation adjustments of their fair-valued financial instruments, which are intended to set valuations at a level that achieves an appropriate degree of certainty for prudential purposes. The Regulation has been in force since February 2016 and sets a common harmonised methodology for the valuation of fair valued assets for prudential purposes. Given that the prudent valuation framework has been in force for some time, EBA recently reviewed its implementation, noting that differences still exist even though a degree of convergence has been achieved.

In this context, the EBA has published a **consultation paper where it proposes amendments to the draft Regulatory Technical Standards (RTS) on prudent valuation framework**, to address targeted implementation issues. In addition, this document includes a proposal for how to address the mandate introduced by the legislative proposal amending the Capital Requirements Regulation (CRR3).

2. **Main points**

- **Institutions should calculate additional valuation adjustment (AVAs) with a monthly frequency upon request from their competent authority**. While this provides the supervisor in a targeted manner with access to monthly information on AVAs in particular situations where they require closer monitoring, it does not introduce yet a regular requirement for all institutions to calculate and report the AVAs on a monthly basis. It is expected that this requirement can be met by institutions without significant cost of compliance, in particular in the light of the requirement in CRR.

- In accordance with the Regulation, institutions can use two different methods to aggregate AVAs for market price uncertainty (MPU), close-out costs (CoC), and model risk. EBA identified that the majority of European institutions that use the core approach used the first method. Therefore, draft RTS proposes the **removal of the second method from the Regulation**.

- **Fair-valued back-to-back derivative transactions and securities financing transactions (SFTs) should be included in the threshold computation**. This ensures that valuation risks associated with back-to-back derivative transactions and SFTs that are fair-valued are captured also under the simplified approach and it restores the alignment with the treatment for these transactions under the core approach, which currently already captures those valuation risks.

- The draft RTS amends the **hierarchy of data sources** for the purposes of determining AVAs, moving certain data sources previously considered to be eligible in the context of range-based approaches under the expert-based approaches, as those data sources were observed to be less accurate and reliable. It also includes **additional requirements related to market data and the calibration of pricing models under the core approach**.

- The amending RTS introduces new, more stringent requirements in relation to the **dimensionality reduction of valuation inputs**. These more stringent requirements include setting the aggregation factor ‘alpha’ at a prudent level of zero for valuation inputs subject to parameter reduction, limiting the scope of application in terms of eligible parameters, requiring institutions to apply a sound qualitative and quantitative rationale when selecting the reduced set of parameters, and ensuring overall that the parameter reduction does not compromise the objective of ensuring an appropriate level of certainty.

- The amending RTS proposes that the **aggregation factor alpha in the Annex of the regulation should be set to zero**, where the amount of fair value adjustments applied for accounting purposes, and reflected in the term ‘FV’, is not commensurate with the risk other market participants would consider when determining the fair value of the valuation exposure.

- The draft RTS proposes that the **valuation position should be subject to the fall-back approach** when independent pricing sources are not available or pricing sources are more subjective, and the institution is not even able to estimate an adjustment for independent price verification, or to translate the result of the independent price verification (IPV) process into a prudent measure such as a valuation adjustment, to ensure that the AVAs are calculated in a more prudent and standardized manner.

- The consultative document specifies that the **future administrative costs (FAC) AVA category is an incremental AVA to the MPU and CoC AVAs** when: i) the MPU, CoC and concentration position AVAs together do not reliably ensure that the institutions fully exit the valuation exposures; ii) the valuation exposures cannot be mapped to tradable instruments; iii) the valuation exposures require dynamic re-hedging activities; and/or iv) there are obstacles to exiting the valuation exposure.

- The amendment to the RTS introduces a measure to address the concentration of **unearned credit spread (UCS) AVAs** and proposes two ways of identifying concentrations of the UCS AVA, seeking industry’s feedback on the preferred one.

- Draft RTS also proposes: i) to **update the requirements for operational risk AVAs** to align them with the upcoming revisions to the CRR; ii) to **revise the calibration of the fall-back approach**, which would reduce the capital deductions deriving from this approach; iii) that AVAs of **unlisted equities** should be determined in accordance with the fall-back approach; to conceptually **align the provisions for the Prudent Valuation framework to those specified to the draft RTS on extraordinary circumstances** for the purposes of the alternative internal model models approach for market risk referred to in CRR, given the interlinkages across the frameworks.

3. **Next Steps**

- The consultation runs until **16th April 2024**.

22/01/2024

C **EBA - Final report on amending GL on ML FT risk factors extending the scope to crypto-asset service providers**

EBA EUROPEAN BANKING AUTHORITY

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. On June 2023, the EBA issued a consultation paper (CP) amending Guidelines on ML/FT risk factors to extend the scope of these Guidelines to crypto-asset service providers (CASPs).

In this context, the EBA has issued the **final report on amending Guidelines on ML FT risk factors.** The new Guidelines highlight ML/TF risk factors and mitigating measures that CASPs need to consider, representing an important step forward in the EU's fight against financial crime.

2. Main points

- The amended Guidelines clarify that the definitions set out in Directive (EU) 2015/849 and Regulation (EU) 2023/1113 also apply to these Guidelines.
- Vulnerabilities in credit and financial institutions' systems and controls framework may expose them to ML/TF risks and specify that firms should carry out a **ML/TF risk assessment** before launching new or making significant changes to the existing practices, products or services.
- Firms should consider whether their **customers' business activities involving crypto-assets** may expose these firms to an increased ML/TF risk.
- CASPs and other firms must **ensure compliance** with the EBA's Guidelines on the use of remote **customer onboarding solutions.**
- Red flag indicators related to CASPs that were highlighted by the Financial Action Task Force in 2020 have been included. The amendments recognise that transactions that are more frequent than usual, transactions involving small amounts that are unusually frequent or transactions without an obvious economic rationale may be **indicators of unusual transactions**. In addition, firms must put in place **suitable transaction monitoring systems** and, in some circumstances, **advanced analytics tools** might be warranted for CASPs due to the level of ML/TF risks.
- Some staff should undergo **training of a more technical nature** to ensure that they are able to interpret the outcomes of the monitoring systems used by the firm, in particular, where advanced analytics tools are used.
- Amended Guidelines recognise that **CASPs will be engaging increasingly with or be customers of credit institutions**. The Guidelines now specify that banks may be exposed to increased risks where they engage in business relationships with those providers of crypto-asset services which are not regulated and supervised under Regulation (EU) 2023/1114.
- The amended Guidelines include a new guideline which clarifies **regulatory expectations for CASPs** when they identify and assess ML/TF risks associated with their overall business and with individual business relationships. Firms should also consider the new Guideline introduced, where they engage in a similar business to that of CASPs or have business relationships with CASPs.

3. Next steps

- The deadline for competent authorities to report whether they comply with the Guidelines will be 2 months after the publication of the translations. The Guidelines will apply from **30 December 2024**.

23/01/2024

D **EBA - Amendments to the data collection for the benchmarking exercise in 2025**

1. Context

The Capital Requirement Regulation (CRD) requires competent authorities (CAs) to conduct an annual assessment of the quality of internal approaches used for the calculation of own funds requirements. To assist CAs in this assessment, the EBA calculates and distributes benchmark values to CAs that allows a comparison of individual institutions' risk parameters. These benchmark values are based on data submitted by institutions as laid out in Commission Implementing Regulation (EU) 2016/2070 which specifies the benchmarking portfolios, templates and definitions to be used as part of the annual benchmarking exercises.

In this context, the EBA has published a **consultation paper amending the Implementing Regulation on the benchmarking of credit risk and market risk for the 2025 exercise.**

2. Main points

Credit risk benchmarking

- The **mandatory nature** (where applicable) of the reporting of the probability of default and the loss given default risk parameters concerning the Margin of Conservatism (MoC), regulatory add-on, and downturn component is clarified.
- The **use of internal model identifications** (IDs) used with the Cas is clarified.

Market risk benchmarking

- The Implementing Technical Standards (ITS) proposal provides **new templates** for the collection of information concerning the Fundamental Review of the Trading Book (FRTB) for the Internal Model Approach (IMA).
    - Template 130.01. It splits into two components: risk factor eligibility tests (RFET) and Stress period. The RFET will provide information, at portfolio level, of the number of the risk factors that pass and do not pass the risk factor eligibility test. The Stress Period template (130.01.02), is basically identical of the COREP templates, but since the COREP template is an information based on quarterly relevance, which is not aligned with the benchmarking exercise timing, the competent authorities, with the benchmarking template, will have more specific information of the actual stress period applied during the benchmarking information.
    - Template 130.02. Report on the Expected shortfall (ES) risk measure, Stress scenario risk measure (SSRM) and Default risk charge (DRC).
    - Template 130.03. This captures the Partial Expected Shortfall at portfolio level, a key component of the Expected figures provided in template 130.02.
    - Template 130.4. Requires the Value at Risk (VaR) of the ES,.
    - Template 130.05. It also splits in two. The first one allows for a more aggregated data collection of the component of the total Stress scenario risk measures. The second one, is meant to disaggregate the component of the rescaled SSRM.
- **A new series of portfolio was created**. Historically portfolios were split into Individual and Aggregated. The individual portfolios were made by the aggregation of one or more instruments. The proposal splits the individual portfolio into single instrument portfolio and multi-instruments portfolio. This would allow to better understand the component in the multi-instruments portfolio that generate variability in the risk measures.
- The set of Sensitivities-based method (SBM) validation portfolios for the Delta component of the general interest rate risk class of the Alternative Standardised Approach (ASA) SBM, was adopted in the previous exercise as this risk class is relevant across all participating banks and relevant for most financial instruments. Within this consultation, EBA suggests **extending to all asset classes the same kind of data collection**.

3. Next Steps

- The consultation runs until the **27th March 2024**.

25/01/2024

S **EBA - Consultation Paper of Draft Guidelines on the management of ESG risks**

EBA EUROPEAN BANKING AUTHORITY

1. **Context**

The EBA, under one of the mandates foreseen in CRD 6 (pending final approval), is required to develop guidance on minimum standards and reference methodologies for the identification, measurement, management and monitoring of environmental, social and governance (ESG) risks by institutions.

In this context, the EBA has published a **Consultation Paper of Draft Guidelines on the management of ESG risks**. The guidelines set requirements for the internal processes and ESG risks management arrangements that institutions should have in place, to ensure the resilience of the business model and risk profile of institutions in the short (3 years), medium (3-5 years) and long term (at least 10 years).

2. **Main points**

- **Reference methodology for the identification and measurement of ESG risks:**
  - Materiality analysis. Materiality analysis of ESG risks should provide institutions with an insight into the financial materiality of ESG risks to their business model and risk profile. This assessment should be conducted at least annually or, for small and non-complex institutions (SNCIs), every two years or more frequently in case of a material change in their business environment related to ESG factors, such as significant new public policies or changes in the institution's business model, portfolios and operations. This analysis should be comprehensive, assessing the impact on all conventional risks and the entity's main activities, services and products. Institutions should consider as material at least exposures to NACE business sectors A to H, L and I, unless they are able to justify their non-materiality.
  - Data. Institutions should have robust systems for the collection and aggregation of ESG data, as well as procedures for assessing and improving the quality of ESG data. In addition, the EBA provides a list of minimum information requirements for large counterparties on which the information to be collected for other counterparties must also be based.
  - Measurement and assessment principles. Institutions' internal procedures should provide for a combination of methodologies, including exposure-based, portfolio-based, and scenario-based methodologies, allowing to comprehensively assess ESG risks across time horizons.
- **Minimum standards and reference methodology for the management and monitoring of ESG risks:**
  - Institutions should consider the role of ESG risks as potential drivers of all traditional categories of financial risks, including credit, market, operational, reputational, liquidity, business model and concentration risks.
  - Institutions should account for ESG risks when developing, formulating and implementing their overall business and risk strategies.
  - Institutions should ensure that their risk appetite clearly defines and addresses all material ESG risks to which they are exposed.
  - Institutions should develop on an on-going basis their capabilities to identify, assess, mitigate as appropriate and monitor ESG risks. ESG risks should be incorporated into the internal control frameworks of institutions, as a sound and consistent risk culture.
  - Institutions should incorporate material effects of ESG risks into their internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment processes (ILAAP) under both the economic and regulatory perspectives to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquidity that they consider adequate to cover the nature and level of ESG risks.
- **Transition plans:**
  - Key principles: i) institution's transition plan should address and mitigate the portfolios and exposures materially exposed to ESG risks; ii) ensure the objectives at long term with medium-term strategies and short-term metrics and targets are consistent; and iii) they should be properly reflected in risk appetite.
  - In relation to governance, institutions should clearly identify and allocate responsibilities for the development, implementation and monitoring of plans. In addition, they should ensure meaningful and regular interaction and

exchanges at all levels of the organization to ensure that insights and feedback from internal stakeholders can be taken into account in the process of formulating, implementing a reviewing plans.

- The targets set by institutions should serve risk management and strategic steering purposes, cascading down to the sectoral/portfolio exposures levels and at the level of economic activities, at least for the sectors they are materially exposed to and portfolios which they have assessed as being more subject to environmental risks.
- For target setting, a number of metrics are defined: financed GHG emissions, portfolio alignment metrics, climate-related income, energy efficiency of real estate collateral and % counterparty engagement on sustainable economy.
- For the purposes of elaborating plans and setting targets, institutions should carefully define and select climate and environmental transition scenarios and pathways.
- Finally, institutions should clearly lay out the internal processes by which they prepare for a transition to a more sustainable economy and implement their objectives and targets.

3. Next Steps

- The consultation runs until **18th April 2024**.
- It is planned that the guidelines will be finalised by **end 2024**, and the application date will be aligned with the CRD6 application date.

30/01/2024

O **EBA - Heatmap following the EBA scrutiny on the Interest Rate Risk in the Banking Book (IRRBB) Standards implementation in the EU**

1. Context

In October 2022, the EBA published a regulatory package on IRRBB and communicated its scrutiny plans to monitor the impact on institutions from further increases in interest rates and the developments regarding institutions ability to manage the risks. In the fist-half of 2023, a roundtable and a series of bilateral technical meetings with selected institutions were held to better understand the current challenges of IRRBB management. These were aimed at further understanding the implications on business models where changes might be triggered by the increased interest rates. In addition, a series of exchanges with regulators outside the Union were also conducted to understand their implementation of the Basel IRRBB standards. Finally, the work undertaken by the EBA also included the analysis of the data from the Quantitative Impact Studies (QIS) on IRRBB.

In this context, the EBA has published the **Heatmap following the EBA scrutiny on the IRRBB standards implementation in the European Union (EU),** which discloses policy aspects that will be subject to further scrutiny and corresponding actions in the short to medium and long term.

2. Main points

- **Short and medium term objectives (2024-mid 2025) - more effective supervisory and risk management tools:**
  - The objectives in the short and medium term are: i) analysis of complementary indicators when NII (Net Interest Income) results exceed the supervisory outlier (SOT). ii) analysis of the parameters and risk factors taken into account in the behavioral models and possible development of analytical tools to run these analyses; iii) guidance on and closer scrutiny of provisions of the Regulatory Technical Standards (RTS) on SOTs; iv) continued examination of hedging techniques; and v) continued scrutiny on Pillar 3 disclosure.
- **Medium and long term objectives (beyond mid-2025) - regulatory aspects under review:**
  - The objectives in the medium and long term are: i) continue to analyse the key impacts of the IRRBB regulatory products; ii) monitoring of 5-year maturity cap; iii) possible development of analytical tools to assess IRRBB metrics in the scope of the SREP Guidelines (GL), as continuation of short and medium term objective; iv) contribute to the Dynamic Risk Management (DRM) project of International Accounting Standards Board (IASB); v) credit spread risk in the banking book (CSRBB) aspects related to the wide definition of the perimeter of instruments to be included in the CSRBB assessment.

27/02/2024

D EBA - ITS amending Pillar 3 disclosures and RTS on the components and adjustments of the BI and ITS on the mapping of the BI components

1. Context

On 27 June 2023, a political agreement was reached between the Council of the European Union (EU) and the European Parliament (EP) on the proposal presented by the European Commission (EC) on 27 October 2021 on the banking package, the most updated interim version of which was published on 6 December 2023. The banking package includes amendments to the Capital Requirements Regulation (CRR 3) and the Capital Requirements Directive (CRD VI) and will implement the latest Basel III reforms. In addition, on 14 December the EBA published the Roadmap on Strengthening the Prudential Framework, which explains the implementation timeline of the EBA mandates under the banking package clarifying how the EBA will develop the mandates implementing the legislation, and how it expects to finalise the most significant components prior to the application date.

In this context, the EBA has launched a public consultation on two drafts **Implementing Technical Standards (ITS) amending Pillar 3 disclosures and supervisory reporting requirements for operational risk**. In addition, EBA has launched a consultation on **two set of draft Regulatory Technical Standards (RTS) and one ITS** aiming to clarify the **composition of the new business indicator (BI) at the heart of the operational risk capital requirements calculation,** mapping the BI items to financial reporting (FINREP) items and highlighting possible adjustments to the BI in case of specific operations.

2. Main points

<u>CP of ITS amending Pillar 3 disclosures and supervisory reporting requirements for operational risk</u>

- CRR 3 replaces all **currently permitted methods** with a single approach, the so-called Business Indicator Component (BIC), the calculation of which is based on the BI. In line with this new prudential framework, this ITS amends the EU OR table on qualitative disclosures on operational risk, deletes the current EU OR 1 template on own funds requirements for operational risk and risk exposure amounts, and introduces three new templates.
- The disclosure requirements will follow the **proportionality principle** implicit in CRR.

<u>CP of the draft ITS on supervisory reporting concerning operational risk</u>

- **Template C 16.00** on operational risk capital requirements is replaced by four new templates that include different levels of information on operational risk requirements.
- The list of items that are part of the **sub-components and components of the BI** are directly linked to or are a subset of the figures reported by FINREP.

<u>CP of the RTS on the components of the BI under CRR and the adjustments to the BI and ITS on the mapping of the BI components</u>

- The **draft RTS on the specification on the BI** items provides a list of typical items developed for each component of the BI in line with the work provided in the EBA Policy Advice on the Basel III Reform. They also include subsequent amendments to accounting standards and clarify the elements to be excluded from the BI.
- When there is correspondence, the **ITS project** assigns the typical BI elements to their corresponding information cells in the FINREP.
- Finally, **three years of actual historical data** or a limited number of alternative methodologies should be used after a transaction. In the context of disposals, the draft RTS specifies the conditions under which permission may be granted to exclude BI items related to the entities or activities sold.

3. Next steps

- The consultations on the ITS on public disclosures by institutions of the information on operational risk runs until **30 April 2024.** The application date of these ITS will be **1 January 2025** and the first disclosure reference date will be **31 March 2025**, in line with the date of application of the CRR 3.
- The RTS consultation of the BI components under CRR and the adjustments to the BI and ITS on the mapping of the BI components is extended until **21 May 2024**.

05/03/2024

T Council - Agreement on more accessible instant payments in euros

1. Context

Regulation (EU) No 260/2012 established technical and business requirements for credit transfers and direct debits in euro. Instant credit transfers in euro are a relatively new category of credit transfers in euro which emerged on the market only after the adoption of that Regulation. It is therefore necessary to establish specific requirements applicable to instant credit transfers in euro, in addition to the general requirements applicable to all credit transfers, to ensure the proper functioning and integration of the internal market. To make instant credit transfers more accessible and to widen their benefits to payment service users (PSUs), Member States whose currency is not the euro should be able to apply equivalent rules to those laid down in this amending Regulation to domestic instant credit transfers in their own currency.

In this context, the EP has reached an agreement on **more accessible instant payments in euros** in order to make sure that retail clients and businesses, especially small and medium enterprises (SMEs), will not have to wait for their money as well as to provide safe transfers. The agreement updates the Single Euro Payments Area (SEPA) legislation: Regulation (EU) 260/2012, on technical and business requirements for credit transfers and direct debits; Regulation (EU) 2021/1230, on cross-border payments; Directive 98/26/EC, on settlement finality in payment and securities settlement systems; Directive (EU) 2015/2366, on payment services in the internal market. According to the future Regulation, payment service providers (PSPs), such as banks, which provide credit transfer services in euro, will be obliged to offer the instant transfer service.

2. Main points

Instant credit transfer

- **The transfer must be executed regardless of the day or hour and immediately processed**, so that the payee's payment account is credited with the amount transferred within 10 seconds after the time of receipt of the payment order. The payer should be also informed within 10 seconds whether or not the funds transferred have been made available to the payee.
- Where a **payment order for an instant credit transfer in euro is submitted from a payment account that is not denominated in euro**, a PSP should convert the amount of transaction from the currency in which the payment account is denominated into euro, immediately upon receiving that payment order.

Customer safety, penalties and sanctions

- Negotiators agreed that PSPs should have in place **robust and up-to-date fraud detection and prevention measures**, designed to prevent a credit transfer being sent to an unintended payee as a result of fraud of error.
- PSPs operating in the EU should **immediately and without any additional charges or fees, provide a service to verify the identity of the payee** to whom the payer intends to send a credit transfer.
- Where a **discrepancy is detected between the payment account identifier of the payee and the name of the payee provided by the payer a client should be notified**, and where such information is not provided, a client should be compensated by a PSP for any financial damage. As an additional safeguard against fraud, PSPs should allow its clients to set a maximum amount for instant credit transfers in euro, which could be easily modified prior to the next transfer.
- PSPs offering instant credit transfers should **verify whether any of their clients are subject to sanctions or other restrictive measures** related to the prevention of money laundering and terrorist financing.

Charges

- **Charges applied by a PSP on payers and payees in respect of instant credit transfer transactions in euro** cannot be higher than the charges applied to credit transfer transactions in euro.

3. Next Steps

- The new rules will enter into force **20 days** after publication in the EU Official Journal.
- PSPs located in the euro area will have **9 months** to be ready to receive instant credit transfers in euro and **18 months** to send them.
- PSPs located outside the euro area will have **33 months** to be ready to receive instant credit transfers in euro and **39 months** to send them.

- PSPs located in the euro area will have **18 months** to offer the service for the verification of the name of the beneficiary and ownership of the account to be used.
- PSPs located outside the euro area will have **39 months** to offer the service for the verification of the name of the beneficiary and ownership of the account to be used.

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20/02/2024

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ECB - Final version of the 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). In June 2023, the ECB 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 this context, the ECB has published the **final version of the guide to internal models**. In line with the revised version submitted for consultation, the revised Guidance clarifies how banks should include material climate and environmental risks in their models and provides clarifications for banks wishing to revert to the standardised approach for calculating their risk-weighted assets. The final version does not incorporate major changes with respect to the draft version.

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 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. In the revised Guide published in June 2023, two new sections were included as a novelty, 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 cover 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 Guide. 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.
    - Other 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 it 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.

14/03/2024

T EP - AI Act approvement

1. Context

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

The main objective of the AI Act is to improve the functioning of the internal market by establishing a uniform legal framework for the development, marketing, use and servicing of AI systems in the EU. This is done with the intention of promoting the adoption of human-centered and reliable AI, while ensuring a high level of protection against the harmful effects of AI systems and supporting innovation.

2. Main points

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

- **Support for innovation**. Includes provisions to encourage innovation in the field of AI, especially for small and medium-sized enterprises, through experimental regulatory spaces (sandboxes) and the promotion of AI literacy.

3. Next Steps

- The text awaits final Council endorsement, and it will enter into force **20 days** after its publication in the Official Journal European Union.
- The Regulation will be fully applicable **24 months** after entry into force, except bans on prohibited practices, which will apply **6 months** after the entry into force; codes of practice (nine months after entry into force), general-purpose AI rules including governance (12 months after entry into force), and obligations for high-risk systems (36 months).

22/01/2024

T **ESAs - First set of rules under DORA for ICT and third-party risk management and incident classification**

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 addition, in June 2023 the ESAs 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.

In this context, ESAs have published the first set of **first set of rules under DORA for ICT and third-party risk management and incident classification**. This final draft technical standards aimed at enhancing the digital operational resilience of the EU financial sector by strengthening financial entities' ICT and third-party risk management and incident reporting frameworks.

2. Main points

RTS on ICT risk management framework

Within the RTS, two parts of Risk Management Framework (RMF) are defined, one detailing specific element applicable to the financial entities and other designing the simplified ICT risk management framework. The main elements to be included in the Risk Management Framework are the following:

- DORA requires financial entities to design, procure and implement **ICT security policies, procedures, protocols and tools** that that aim to ensure the resilience, continuity and availability of ICT systems, in particular those supporting critical or important functions, and to maintain high standards of availability, authenticity, integrity and confidentiality of data, whether at rest, in use or in transit.
- DORA already sets out a requirement to implement **human resources policies** that limit the physical or logical access to information assets and ICT assets to what is required for legitimate and approved functions and activities only and establish to that end a set of controls that address access rights and ensure a sound administration thereof.
- In relation to **ICT-related incident detection and response,** DORA is intended to complement the requirements already included in the same Regulation, by specifying further the steps by identifying the anomalous activities that can develop into ICT-related incidents.
- In **ICT business continuity management,** ICT systems and services have become essential to the operation of the financial sector, and any disruption to such systems or services can result in a significant impact on business continuity and the provision of critical services to customers and stakeholders. For this reason, DORA emphasises the need to ensure adequate response and recovery of ICT systems, requiring the implementation of a business continuity policy and response and recovery plans, as well as adequate testing of these plans.
- DORA establishes the obligation to **document and report the ICT risk management framework**, and also establishes proportionality mechanisms, limiting the minimum periodicity for such a review for micro-enterprises.
- Finally**, in relation to simplified ICT RMF)** is included: i) further elements of systems, protocols, and tools to minimize the impact of ICT risk; ii) ICT business continuity management; and iii) report on the review of the ICT RMF.

RTS on criteria for the classification of ICT-related incidents

- DORA proposes **7 different classification criteria** for ICT-related incidents or, as applicable, operational or security payment-related 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.
- **The ESAs define individual materiality thresholds** for each criterion and propose that financial institutions classify incidents as serious if they exceed these thresholds.

ITS to establish the templates for the register of information

- DORA, as part of their ICT risk management framework, requires financial entities **to maintain a 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.

Part of the content of these templates is the following: i) entity maintaining the register of information; ii) list of entities within the scope of consolidation; iii) list of branches; iv) general information of contractual arrangements; v) specific information of contractual arrangements; vi) list of intra-group contractual arrangements; vii) entities signing the contractual arrangements for receiving ICT services or on behalf of the entities making use of the ICT services; viii) CT third-party service providers signing the contractual arrangements for providing ICT services; ix) entities signing the contractual arrangements for providing ICT services to other entities within the scope of consolidation; x) entities making use of the ICT services; xi) ICT third-party service providers; xii) ICT service supply chains; xiii) functions identification; xiv) assessments of ICT services; xv) definitions from entities making use of the ICT services.

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

- DORA requires from financial entities that they adopt and regularly review, as part of their ICT risk management framework, **a strategy on ICT third-party risk**. The strategy on ICT third-party risk shall include a policy on the use of ICT services supporting critical or important functions provided by ICT third-party service providers and shall apply on an individual basis and, where relevant, on a sub-consolidated and consolidated basis.

- **The policy on the use of ICT services supportin**g **critical or important functions provided by ICT third-party service providers shall take into account at least the following elements** of increased or reduced risk or complexity: i) the type of ICT services included in the contractual arrangement; ii) the location of ICT-third party service provider; iii) location of the provision of these services in a Member State or in a third country; iv) the nature of the data shared; v) membership of the third party in the same group as the financial entity; vi) the use of third party ICT service providers authorised for supervision by a competent authority in a Member State; vii) the use of ICT authorised for supervision by a supervisory authority from a third country; viii) the concentration in the provision of ICT services supporting critical; ix) the transferability to another third party ICT service provider; and x) the potential impact of disruptions on the continuity and availability of the financial entity's activities.

- **Other considerations** included in the draft are the governance arrangements regarding the policy on the use of ICT services supporting critical or important functions and the main phases of the life cycle for the use of ICT services supporting critical or important functions provided by ICT third- party service providers. It is also considered the ex-ante risk assessment, due diligence, conflicts of interests, the contractual clauses for the use of ICT services supporting critical or important functions, or the monitoring of the contractual arrangements for the use of ICT services supporting critical or important functions between others.

3. **Next Steps**

- The European Commission (EC) will work on the review of these final draft technical standards, with the objective to adopt these in the coming months. The expected date of implementation of the RTS document on ICT risk management framework is **17 January 2025.**

12/02/2024

T **ESAs – Report on 2023 stocktaking of BigTech direct financial services provision in the EU**

European Insurance and Occupational Pensions Authority

1. Context

In 2023 the European Supervisory Authorities (ESAs) conducted through the European Forum for Innovation Facilitators (EFIF) a cross-sectoral stocktake of BigTech subsidiaries carrying out financial services in the European Union (EU). The stocktake was performed via a survey to the National Competent Authorities (NCAs) represented on the EFIF. Responses were received from 24 NCAs representing 215 Member States of the EU and 36 European Economic Area (EEA) States.

In this context, the has published the Report on 2023 stocktaking of BigTech direct financial services provision in the EU. As a result of the stocktake, the ESAs have identified that BigTechs have subsidiary companies carrying out financial services in the EU payments, e-money and insurances sectors and, in limited cases, the banking sector. No BigTech subsidiaries were reported as carrying out financial services in the securities and markets sector.

2. Main points

The publication summarises the results obtained in the following blocks:

- **Authorisation or registration of BigTech group companies and home and host presence.** Compared to the results of the data collection that informed the (2022) call for advice (CfA) response, the number of entities carrying out e-money activities and payment services slightly increased, while the subsidiaries licensed as credit institutions remain very limited.

- **Partnerships between BigTech subsidiaries and financial institutions for the provision of financial services.** NCAs reported they are aware of (limited) partnerships between BigTechs and financial institutions and three of them highlighted partnerships in the form of white labelling/ license-as-a-service.

In addition, the document also identifies potential opportunities and risks:

- **Potential opportunities.** BigTech intragroup dependencies arise, among others, from (i) the common use of technological infrastructures (including platform dependency both in the provision of financial services and other non-financial services), (ii) intra-group financial dependencies, (iii) structural dependencies, specifically regarding client data, and (iv) strategy dependencies. These intragroup dependencies can offer potential opportunities:

    - **In relation to technology dependency,** BigTechs can exploit group-wide capabilities to provide technologically superior services through more uniform, user-friendly and easy-to-use client interfaces such as platforms at scale.

    - **In terms of financial dependency,** BigTechs can leverage group financial resources, including to meet liquidity needs and raise funds for expansion or other investments. Thanks to balance sheet scale, they may have enhanced possibilities to reallocate funds internally, where needed.

    - **Wider structural inter-dependencies** may also be leveraged to competitive advantage. NCAs reported, for example, that BigTech groups may share governance and regulatory compliance teams. This may offer opportunities, especially in terms of governance, as it could result in a deeper understanding of the group's activities, economies of scale and network effects, resulting in more holistic approaches to business strategy.

    - **Concerning strategy dependencies,** opportunities may arise as a consequence of coordinated and strategic approach in several countries to the placement of financial and non-financial services.

    - **Potential risks.** Although those inherent to intragroup dependencies have been analysed more in detail, NCAs also highlighted potential external ones: i) operational resilience and cybersecurity risks, ii) concentration risk within the group, iii) reputational risk, iv) governance risk, v) data abuse and mishandling of consumer data, vi) risk of financial exclusion, vii) potential sources of systemic risk and viii) risk to strategic autonomy of the EU.

Supervision and regulatory issues. NCAs were invited to identify supervisory and regulatory issues in the context of the market developments and potential opportunities and risks.

- **Supervision issues:** i) some NCAs noted that notification practices regarding cross-border provision of services can be unreliable, ii) NCAs may have poor visibility over intra-group connections and iii) challenges in identifying relevant supervisory counterparts on a cross-disciplinary and cross-border basis.

- **Regulation issues:** the bottom-up approach does not take full account of the aggregated risks that may arise from interdependencies.

- **Discussion, exchange of views and cooperation:** NCAs remarked that they consider communication among financial sector supervisors of BigTech subsidiaries providing financial services could be improved, with a common information exchange system. Some NCAs suggested the EFIF as a potential horizontal structure to promote supervisory dialogue both in cross-sector and the cross-border dimensions.

3. Next steps

- In light of the findings set out in this report, these actions will be taken forward by EFIF as part of its work programme in 2024.
- While no urgent need for regulatory changes in relation to BigTechs direct financial service provision was identified, the recommendations envisaged in the CfA response68 are still to be considered valid and fit-for-purpose in light of the current BigTech activities and potential future developments. The EFIF will keep under review the recommendations in light of any market changes.

06/02/2024

T **ESMA - Consultations Papers on guidelines under MiCA**

1. Context

The Regulation on markets in crypto-assets (MiCA) was published on 9 June 2023. The ESMA has been empowered to develop technical standards and guidelines specifying certain provisions. In this context, the ESMA has published for consultation a set of guidelines: i) draft guidelines on reverse solicitation under the MiCA; ii) guidelines on the conditions and criteria for the qualification of crypto-assets as financial instruments. The aim of these consultation papers is to collect opinion from market participants on the appropriate implementation of MiCA and in particular in relation to certain mandates that have to be developed by December 2024.

2. Main points

Draft guidelines on reverse solicitation under MiCA

- The **objective of these guidelines** is to provide more clarity to National Competent Authorities (NCAs) and market participants, especially third-country firms, on the limited situations where the offer or provision of crypto-asset services to clients established or situated in the European Union (EU) would be regarded as initiated at the own exclusive initiative of the relevant clients.
- **Situations in which a third-country firm is deemed to solicit clients established or situated in the EU.**
  - Third-country firms may not solicit clients in the EU as they are not authorised to provide crypto-asset service providers (CASP) services in the EU. There is only one exemption, if the client at its own, exclusive initiative contacted the firm and requested the service, the third-country firm may provide it. The rationale for this exemption is that clients shall not be excluded from using third-country firms if they choose to do so without having been contacted by such firms.
  - Such situations should be understood as very limited and very narrowly framed and, consequently, should not be assumed, nor exploited to circumvent MiCA.
  - In addition, draft guidelines make clear that assessment should be made on a case-by-case basis. Elements to take into account include: i) the type of the crypto-asset or crypto-asset service or activity offered; and (ii) the risks attached to the new crypto-asset or crypto asset service or activity.
- The **supervisory practices to detect and prevent the circumvention of the reverse solicitation exemption**, include the monitoring of marketing activities targeting EU based clients, consumer surveys, cooperation with other authorities and reacting to clients' complaints or whistleblowing.

Guidelines on the conditions and criteria for the qualification of crypto-assets as financial instruments

- **The objective of these guidelines** is to provide more clarity to NCAs and market participants about the delineation between the respective scopes of application of MiCA and Markets in Financial Instruments Directive (MiFID) II, ensuring ultimately consistent approaches at national level regarding which crypto-assets should be considered financial instruments and therefore be subject to the sectoral regulatory frameworks, notably the MiFID II framework.
- **Conditions and criteria for the qualification of crypto-assets as financial instruments:**
  - Financial instruments are defined in MiFID II mainly through a list of instruments that should be regarded as such. These are: i) transferable securities; ii) money-market instruments; iii) units of collective investment undertakings; iv) various derivative contracts; and v) emission allowances.
  - In addition, the categorisation of crypto-assets under MiCA is divided into three sub-categories of crypto-assets each governed by distinct requirements tailored to the associated risks they pose: i) Asset-referenced tokens (ARTs); ii) Electronic money tokens (EMT); and iii) crypto-assets that are not considered ARTs or EMTs.
  - Crypto-assets possessing its own uniqueness are not readily interchangeable. Their value cannot be compared to an existing market or equivalent asset.
  - When crypto-assets are likely to fall under more than one legal classification, they may be structured as hybrids tokens combining, spanning or associating several characteristics, component and purposes and may perform distinct functions after issuance. In each individual case, NCAs should examine hybrid forms of crypto-assets regardless of how the crypto-asset is designated. What should matter are rights, functions and, to a lesser extent, the values that are associated with the crypto-assets.

3. Next steps

- Comments on both consultation papers can be submitted until **29 of April 2024**. ESMA will consider the feedback it receives to the consultation in Q2 2024 and expects to publish a final report in Q4 2024.

01/03/2024

O **CNMV - 2024 Business Plan**

1. Context

The CNMV has published its 2024 Business Plan, which includes 42 specific initiatives or actions to be developed this year, the main focus of 2024 being the protection of retail investors, centered on ensuring that the marketing of products clearly warns of the associated risks; the correct incorporation of sustainable finance into the financial sector and the new supervisory powers derived from the regulations on crypto-assets and cybersecurity.

In this context, the initiatives planned by the market supervisory area are summarised below.

2. Main points

- Assessment of fair value determinations and associated uncertainties in investment property and financial instruments of listed companies.
- Publication of the report on disclosures required by Article 8 of the Taxonomy Regulation by credit institutions and insurers.
- Preparation for the new regulations on crypto-assets (MiCA) and on cybersecurity (DORA), with initiatives such as the preparation for the supervision of market abuse in the trading of crypto-assets subject to the regulation or the amendment of Circular 1/2022 on advertising crypto-assets or the guidelines to the sector for compliance with DORA by supervised institutions.
- Analysis of the use of artificial intelligence in algorithmic trading with supervisory action on institutions using this type of trading.
- Review of the obligation for institutions to assess money laundering risk.
- Thematic or horizontal reviews on the assessment of clients' sustainability preferences, which is part of an ESMA Joint Supervisory Action, and the analysis - using web scraping techniques - of online marketing communications on sustainability by fund managers.

Q1 Relevant publications

American Region

E **19/02/2024**

CL **Fed – 2024 Stress Test Scenarios**

1. Context

The Federal Reserve's stress tests help ensure that large banks are able to lend to households and businesses even in a severe recession. The stress tests evaluate the financial resilience of large banks by estimating bank losses, revenues, expenses, and resulting capital levels, which provide a cushion against losses, under hypothetical recession scenarios into the future.

In this context, the Fed has published its 2024 Stress Test Scenarios, in order to use the results of the stress test to set large bank capital requirements. Additionally, for the first time, the Board released four hypothetical elements designed to probe different risks through its exploratory analysis of the banking system.

2. Main points

- The objective of the Board's annual stress test evaluates the resilience of large banks by estimating losses, net revenue, and capital levels, which provide a cushion against losses, under hypothetical recession scenarios that extend two years into the future.
- This year's scope is 32 banks that will be tested against a severe global recession with heightened stress in both commercial and residential real estate markets, as well as in corporate debt markets. The scenarios are not forecasts and should not be interpreted as predictions of future economic conditions.
- The severely adverse scenario is characterized by a severe global recession accompanied by a period of heightened stress in commercial and residential real estate markets and in corporate debt markets.
    - The Unites States (US) unemployment rate rises 6.3 percentage points from the starting point of the scenario in the fourth quarter of 2023 to its peak of 10 percent in the third quarter of 2025.
    - The sharp decline in economic activity is also accompanied by an increase in market volatility, widening corporate bond spreads, and a collapse in asset prices, including a 36 percent decline in house prices and a 40 percent decline in commercial real estate prices.
    - The international portion of the scenario features recessions in four countries or country blocs, followed by declines in inflation and an appreciation in the value of the US dollar against all countries and country blocs' currencies, except for the Japanese yen.
- In addition, banks with large trading operations will be tested against a global market shock component that primarily stresses their trading and related positions. The global market shock component is a set of hypothetical stresses to a large set of risk factors reflecting market distress and heightened uncertainty.
- This year's exploratory analysis includes four separate hypothetical elements that will assess the resilience of the banking system to a wider range of risks.
    - Two of the hypothetical elements include funding stresses that cause a rapid repricing of a large proportion of deposits at large banks. Each element has a different set of interest rate and economic conditions, including a moderate recession with increasing inflation and rising interest rates, and a severe global recession with high and persistent inflation and rising interest rates.
    - The other two elements of the exploratory analysis include two sets of market shocks that will be applied only to the largest and most complex banks. These shocks hypothesize the failure of five large hedge funds, with each under a different set of financial market conditions. Those conditions include expectations of reduced global economic activity with a negative outlook for long-term inflation, and expectations of severe recessions in the United States and other countries.
- The exploratory analysis is distinct from the stress test and will explore additional hypothetical risks to the broader banking system, rather than focusing on firm-specific results.

3. Next steps

- The Board will publish aggregate results alongside the annual stress test results in June 2024.

05/03/2024

O **Fed – Shared National Credit Program (SNC) report**

1. Context

The Federal Reserve (Fed) has released the 2023 Shared National Credit Program (SNC (1)) report that assesses risk in the largest and most complex credit lines shared by regulated financial entities: US Banks, Foreign Banking Organizations (FBOs) and non-bank entities.

The report highlights downward trends in credit quality resulting from high interest rates and tight spreads in specific sectors. Risks persist in leveraged lending and certain industries, although the sectors affected by the pandemic are improving. The report shows an increase in loans requiring more management, with banks in the United States (US) maintaining a smaller share of non-pass loans (which includes special mention (2) and classified (3)) compared to total SNC commitments.

2. Main points

- SNC credit risk has increased but remains moderate.
- US Banks (46.1%) and FBOs (32.8%) continue to hold the largest share of SNC commitments, while non-banks account for 21.1% of the total.

Table 1: SNC commitments distribution by type of lender (billions)

	2021		2022		2023	
	$	%	$	%	$	%
US Banks	2,318.9	44.8	2,638.0	44.7	2,954.0	46.1
FBOs	1,689.1	32.6	1,906.9	32.3	2,102.2	32.8
Non-bank entities	1,170.8	22.6	1,352.2	22.9	1,352.5	21.1
Total	**5,178.8**	**100.0**	**5,897.1**	**100.0**	**6,408.8**	**100.0**

- Non-banks have the largest share of special mention and classified loans, 27.5% of the total committed by the owner.

Table 2: Distribution of commitments special mention and classified according to lender (billions)

	2023 $		
	US banks	**FBOs**	**Non-bank entities**
Special mention & classified	**111.9**	**88.6**	**371.8**

- SNC commitments increased to $6.41 billion, 8.7% higher than in 2022. The special mention and classified categories experienced the largest increases (44.4% and 35.8%, respectively) to a total of $176.6 and $395.6 billion.

Table 3: SNC type distribution (billions)

	2022	2023	2023 vs. 2022
	$	$	%
SNC Total Commitments	**5,897.1**	**6,408.8**	+8.7
Special mention & classified	**413.6**	**572.2**	+38.3
Special mention	122.3	176.6	+44.4
Classified	291.3	395.6	+38.8

- Non-bank holdings are concentrated in non-investment grade term loans identified and reported as leveraged.
- Leveraged loans represent 46% of total SNC commitments, 86% of the special mention category and 85% of classified. Total leveraged loan commitments increased modestly by USD 78 billion (2.7% over 2022).
- The healthcare and pharmaceuticals, real estate and construction, technology, telecommunications and media, and transport services sectors experienced high rates or increasing trends in special mention and classified commitments.

(1) Any loan or formal commitment, and any asset such as real estate, stocks, stocks, notes, bonds and debentures taken as previously contracted debts, extended to borrowers by a federally supervised institution, its subsidiaries and affiliates, which totals $100 million or more, and which is shared by three or more non-affiliated federally supervised institutions or a portion of which is sold to two or more such institutions.

(2) Commitments that have potential weaknesses that merit management's attention. If not corrected, these potential weaknesses could result in a deterioration of the entity's repayment prospects or credit standing in the future. Special mention commitments are not rated negatively and do not expose institutions to sufficient risk to warrant an adverse rating.

(3) Commitments rated substandard, doubtful and loss-making.

13/03/2024

S

SEC – Enhancement and Standardization of Climate-Related Disclosures for Investors

D

1. Context

In 2010 the SEC published its latest guidance for issuers of securities or investments companies under the Securities Act and Exchange Act, on how the Commission's existing disclosure rules may require disclosure of the impacts of climate change on a company's business or financial condition. Since that time, as awareness of climate-related risks to businesses and the economy has grown, investors have increased their demand for more detailed information about its effects on a company's business and opportunities when conducting its operations and developing its business strategy and financial plans. However, there is considerable variation in the content, detail, and location of climate-related disclosures. For this reason, in May 2022, the SEC proposed for public comments new rules on the enhancement and standardization of climate-related disclosures for investors.

In this context, in March 2024 the SEC published its final rules for the Enhancement and Standardisation of Climate-Related Disclosures for Investors, following the publication of a draft for public comment in May 2022. The new rules follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB) and contain substantial modifications to the draft, responding to some of the comments received, aimed at relaxing and limiting the scope of disclosure.

2. Main points

- Companies shall disclose any **climate-related risks that have had a material impact** or are likely to have a material impact on the company, including on its business strategy, results of operations or financial condition. Compared to the draft, the obligation to report negative impacts in the value chain is removed. Companies will also be able to disclose the actual and potential impacts of any climate-related opportunities they are pursuing.

- In relation to **governance and risk management disclosures**, companies should describe the board's oversight of climate-related risks and the role of management in assessing and managing these risks. The climate expertise of board members will not need to be disclosed as originally foreseen. In addition, companies should describe any process the company has in place to identify, assess and manage climate-related risks. This includes the adoption of a transition plan, outlining the company's strategy and implementation plan to reduce climate-related risks, to be updated each fiscal year.

- Companies shall **disclose any climate-related target or goal** if such target or goal has materially affected or is likely to materially affect the registrant's business, results of operations, or financial condition. In addition, companies shall provide any additional information to an understanding of the material impact, including a description of the scope of activities included in the target, the unit of measurement or the defined time horizon by which the target is intended to be achieved.

- Disclosure of **greenhouse gases (GHG) emissions** metrics is also limited in the final version, applying materiality and proportionality criteria. Thus, the final rule requires disclosure of Scope 1 and 2 emissions only by large, accelerated filers (LAFs) and accelerated filers (AFs) that are not small reporting companies (SRCs) or emerging growth companies (EGCs), on a phased-in basis, if such emissions are material. Reporting will be on a per Scope type basis where it is material on a gross basis at the aggregate level, and on a constituent gas basis where it is individually material. In addition, the final rule will require the company to describe the methodology, significant input data and significant assumptions used to calculate its GHG emissions. Finally, companies will not be required to disclose their GHG emissions in terms of intensity, unlike the rule proposal.

3. Next steps

The compliance dates for the final rules are staggered and vary depending on the size of the registrant. However, the dates range from the fiscal year beginning (FYB) on **1 2025 to the FYB on 1 January 2028**

11/03/2024

O **BCRA - Measures taken in response to the evolution of the economic situation and liquidity conditions.**

1. Context

Since 10 December 2023, certain changes have been observes in Argentina's macroeconomic situation. This change has been reflected in various aspects of the economy and financial liquidity.

In this context, the BCRA has published the measures implemented to address the evolving economic environment and liquidity conditions

2. Main points

In response to the evolution of the economic situation and financial liquidity conditions, the BCRA authorities have determined the following measures:

- Since March 12, there has been **a reduction in the monetary policy rate**. As a result, the interest rate of the deposit liabilities is fixed at 80% TNA.
- As of March 18**, liquidity management by means of deposits has been normalized**. Access to the deposit window will again be exclusively for financial institutions regulated by the BCRA (see Communication A7977).
- Since March 12, **minimum interest rates have been deregulated** by eliminating the minimum fixed term rate (see Communication A7978).
- Since December 10, there has been a real reduction in monetary issuance and an improvement in the Central Bank's balance sheet, as a consequence of the **normalization of the Domestic Payments System**, mainly due to the elimination of the monetization of the fiscal deficit and the voluntary acceptance of Bonds for the Reconstruction of a Free Argentina (BOPREAL).
- As of December 20 23, there has been **a normalization of the External Payments System**. The BCRA has been buying in a sustained manner in the free foreign exchange market, reversing the previous trend of decreasing net international reserves. Likewise, there is stability in the gap between the official dollar rate and the parallel rates, in any of their versions, as well as a downward correction in the quotation of future dollar contracts over the official exchange rate.

01/02/2024

E

CL

CMF - Resolution on the regulatory implementation of additional requirements under Pillar 2.

1. Context

The CMF of Chile has the power to impose capital requirements in addition to those established in the General Banking Law and the Updated Compilation of Rules for banks. These requirements are intended to cover specific risks not covered by the minimum Pillar 1 requirements, such as Credit Concentration Risk and Banking Book Market Risk.

In this context, the CMF has published the resolution on the regulatory application of the additional capital requirements under Pillar 2. The objective is to inform about the institutions to which the additional requirements will be applied, as a result of the supervisory process that includes the assessment of the business models of each banking institution.

2. Main points

- **Entities affected:** The CMF has decided to apply additional capital requirements to the following entities: (i) Banco Bice; (ii) Banco BTG Pactual Chile; (iii) Banco Consorcio; (iv) Banco Internacional; (v) HSBC Bank; (vi) Banco Security; (vii) Banco de Chile; (viii) Banco del Estado de Chile; (ix) Scotiabank Chile.
- **Implementation process:** The implementation process will be gradual, and will last four years.
- **Capital requirements:** Banks must comply with a minimum of 56.3% of capital requirements using their core capital in relation to their net risk-weighted assets, which is equivalent to 4.5% of their total assets. The remaining percentage to reach 100% can be covered using financial instruments specified by law. These requirements are part of the minimum regulatory standards and must be applied both locally and globally, as appropriate.

3. Next steps

- The additional capital requirements are to be built up by banks to 25% by **30 June 2024**.
- The remaining amount must be built up over the following three years, in accordance with the outcome of the Capital Adequacy Assessment conducted each year by the CMF. This should take into account any changes to the total additional charge applicable to each bank.

14/03/2024

P **CMF - Regulation that establishes the standardized methodology for calculating provisions for consumer loans.**

COMISIÓN PARA EL MERCADO FINANCIERO

1. Context

In 2022, the process to develop a regulation for the Standard Model of Provisions for Consumer Loans of Banking Institutions began, with the objective of establishing a solid and coherent regulatory framework in provisions for consumer loans, which would promote the stability and soundness of financial institutions and ensure adequate management of the risks associated with consumer loans. The process began with an initial version in consultation during 2022 and then a second version in October 2023, in which challenges and necessary adjustments were addressed.

In this context, the CMF has published the final text of the regulations of the Standard Model of Provisions for Consumer Loans of Banking Institutions. Important players in the financial sector, such as the Association of Banks and Financial Institutions (ABIF) and the Retail Financial Association (ARF), participated in the preparation of these regulations in order to ensure the adequacy and relevance of the proposed provisions. The publication of these regulations represents a significant advance in credit risk management in the Chilean financial sector.

2. Main points

- The regulations are based on an **expected loss approach**, which implies that provisions are set up considering the expected loss on loans. The parameters used to calibrate these provisions are based on general criteria for estimating capital requirements, thus ensuring adequate credit risk management.
- **Matrices are established to determine the 12-month Probability of Default (PD) and Loss Given Default (LGD) parameters** based on various risk factors. This methodology allows a more accurate and detailed assessment of the risks associated with consumer placements, contributing to a more effective management of provisions.
- The regulations seek to balance three fundamental principles in **risk management**: risk sensitivity, simplicity of implementation, and prudence. These principles seek to encourage financial institutions to strengthen their internal risk management systems, thus promoting greater soundness and stability in the banking sector.
- The need to **develop a standard methodology** for consumer loans was identified, in order to close an existing gap in current regulations. This initiative seeks to ensure coherence and consistency in credit risk management in the area of consumer loans, thus strengthening the soundness of the financial system.

3. Next steps

- This regulation is expected to come into force in 2025.

Q2 Relevant Publications

Global

CL

30/04/2024

BCBS - Guidelines for counterparty credit risk management

1. Context

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

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

2. Main points

Due diligence and monitoring sound practices

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

Margining and risk mitigation of CCR exposure

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

Exposure measurement

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

Governance

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

Infrastructure, data and risk systems

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

Closeout practices

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

3. Next steps

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

09/04/2024

D IFRS - International Financial Reporting Standards (IFRS) 18: Presentation and Disclosure in Financial Statements

1. Context

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

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

2. Main points

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

3. Next steps

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

03/05/2024

D

IFRS- New IFRS 19 Accounting Standard

1. Context

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

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

2. Main points

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

Q2 Relevant publications

European Region

26/03/2024

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

1. Context

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

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

2. Main points

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

3. Next steps

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

14/05/2024

T **Council - AI Act Approvement**

1. Context

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

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

2. Main points

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

- **Support for innovation.** Includes provisions to encourage innovation in the field of AI, especially for small and medium-sized enterprises, through experimental regulatory spaces (sandboxes) and the promotion of AI literacy.

3. Next Steps

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

24/05/2024

S **Council - Corporate Sustainability Due Diligence[1]**

1. Context

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

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

2. Main points

- **Scope of application.** Companies established in the EU and outside the EU, or parent companies with more than 1,000 employees and a turnover exceeding EUR 450 million, as well as franchises with a turnover exceeding EUR 80 million if at least EUR 22.5 million were generated by royalties. Where the ultimate parent company has as its principal activity the holding of interests in operating subsidiaries and is not involved in management, operational or financial decisions affecting the group or one or more of its subsidiaries, it may be exempted from the obligations set out in the Directive.

- **Support for due diligence at group level.** Parent companies subject to the CSDDD may comply with the obligations set out in this Directive on behalf of their subsidiaries falling within the scope of application, provided that effective compliance is ensured.

- **Prioritisation of identified actual and potential adverse impacts**. Where it is not feasible to prevent, mitigate, terminate or minimise all identified adverse impacts at the same time and to the full extent, companies may establish priorities for addressing them based on the severity and likelihood of the identified adverse impacts in order to meet the obligations set out.

- **Remediation of actual adverse impacts**. Where a company has caused an actual adverse impact, it should remedy it. Where the actual adverse impact was caused solely by a business partner, the company may take voluntary remedial action. The company can also use its ability to influence the business partner that is causing the adverse impact to remedy the situation.

- **Meaningful engagement with stakeholders**. Companies should take appropriate steps to engage effectively with stakeholders. When consulting interested parties, companies shall provide them, as appropriate, with relevant and complete information, in order to conduct effective and transparent consultations. Consulted interested parties may submit a reasoned request for additional relevant information, which the company shall provide within a reasonable time and in an appropriate and comprehensible format. If the company refuses a request for additional information, the consulted interested parties shall be entitled to a written justification for such refusal.

- **Single helpdesk**. The Commission will set up a single helpdesk through which companies can request information, guidance and support in relation to compliance with their obligations. The competent national authorities in each Member State will work with the single helpdesk to assist in adapting information and guidance to national contexts and in disseminating such information and guidance.

- **Climate change transition plan**. Companies shall adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy. The plan should address, where relevant, the exposure of the company to coal-, oil- and gas-related activities

- **Liability of undertakings and right to full compensation**. An undertaking shall be held liable for damage caused to a natural or legal person where a) it has intentionally or negligently failed to comply with its obligations, where the right, prohibition or obligation is intended to protect the natural or legal person; and b) as a result of the failure referred to in point a), the legal interests of the natural or legal person protected by national law are prejudiced.

- **Review and reporting**. The Commission shall submit a report to the EP and the Council on the need for additional sustainability due diligence requirements tailored to regulated financial institutions with regard to the provision of financial services and investment activities, and the options for such due diligence requirements, as well as their impact, in line with the objectives of this Directive. The report shall be submitted as soon as possible after the entry into force of this Directive, but no later than two years after that date.

(1) Published in the DOUE in July 2024

3. Next steps

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

17/05/2024

CL **EBA- CP on Draft Guidelines on ADC exposures to residential property under CRR**

1. Context

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

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

2. Main points

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

3. Next steps

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

13/06/2024

T **EBA - Package of technical standards and guidelines under MiCAR**

EBA EUROPEAN BANKING AUTHORITY

1. Context

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

2. Main points

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

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

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

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

Final report on draft RTS further specifying the liquidity requirements

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

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

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

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

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

Final report on Guidelines on recovery plans under MiCAR

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

3. Next steps

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

21/06/2024

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

1. **Context**

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

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

2. **Key aspects**

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

3. **Next steps**

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

03/05/2024

D
E

ECB - Final version of Guide on effective risk data aggregation and risk reporting

1. Context

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

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

2. Main points

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

- **Responsibilities of the management body**. The management body's responsibilities, role and the institution´s risk culture are paramount in ensuring effective processes are in place for identifying, managing, monitoring and reporting risks, as well as adequate internal control mechanisms. Insufficient knowledge, training and experience in RDARR topics and Information Technology (IT) or insufficient awareness of the underlying risks means that improvements may be only partially or ineffectively implemented. To ensure appropriate risk data aggregation capabilities and internal risk reporting practices.
- **Sufficient scope of application**. Institutions should establish a data governance framework that allows to identify, manage, monitor and report risks. To ensure the completeness of processes and controls, the framework should be applicable to all material legal entities, risk categories, business lines and financial and supervisory reporting processes, and cover the entire lifecycle of the data, i.e., all processes from data origination, capture and aggregation to reporting.
- **Effective data governance framework**. A clear allocation of roles and responsibilities in the area of data quality, as well as ownership of data quality for business, internal control and IT functions, is required to establish and maintain effective governance processes and control mechanisms within the overall internal control framework. To ensure the effectiveness of a group-wide data governance framework, significant institutions should set out clear requirements for data quality within the scope of application. The frameworks should be formalised in internal policies covering the underlying processes, including the roles and responsibilities of the different functions involved as well as any related decision-making process, and subject to approval at an appropriate level and regular review.
- **Integrated data architecture**. To ensure the quality of the data used for risk, supervisory and financial reporting, an integrated data architecture should be implemented and documented at the group level. This should include data taxonomies, specifically a dictionary of the main business concepts and a metadata repository, that cover material legal entities, business lines, material risks and related risk indicators, reports, and models that are within the scope of application. There could be specific data taxonomies per risk types or legal entities, as long as they are consistent and cover the scope of application.
- **Group-wide data q4uality management and standards**. Group-wide policies and procedures should be established within the overall risk management framework or the data governance framework to ensure that data quality controls are effective and complete, material data quality issues are remediated and to make any limitations transparent and to account for data quality risks within the scope of application.
- **Timeliness of internal risk reporting**. Accurate, complete and timely data are fundamental to effective risk management and identification. To manage risks effectively, the right information needs to be presented to the right people at the right time. There are two factors that determine the timeliness of risk reporting: the frequency of risk reporting and the time needed to produce the reports.
- **Effective implementation programs**. Institutions that do not yet follow the best practices that are described in the BCBS 239 principles should put implementation measures in place accordingly. An implementation programme should cover any gaps and address any weaknesses identified through internal or external reviews, including OSIs and off-site reviews by ECB Banking Supervision. On the other hand, the programmes should be supported by adequate project management governance, and adequate material, financial and human resources. Finally, these should clearly define remedial actions, targets, milestones, roles, responsibilities and, if applicable, intermediate actions to mitigate weaknesses that require longer implementation time to be fully addressed.

03/06/2024

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

1. Context

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

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

2. Main points

The ECB has identified five key areas of interest:

- **Governance of cloud services.** Institutions should ensure that they establish an appropriate governance framework for the outsourcing of cloud services, including definitions of the roles and responsibilities of the relevant functions and bodies. Moreover, institutions are required to conduct risk analysis that covers certain specified elements prior to entering into a new cloud outsourcing arrangement with a CSP. Finally, they must have in place a strategy that covers ICT third-party risk including the risk of outsourcing to CSPs.

- **Availability and resilience of cloud services.** An institution must have contingency and business continuity plans that ensure it is able to continue operating and limit losses in the event of severe disruption to its business. In addition, the institution should assess the resilience requirements for the cloud outsourcing services provided and the data managed and, following a risk-based approach, decide on the appropriate cloud resilience measures. Financial entities' testing plans must include, among others, scenarios involving cyber-attacks and switches between the primary ICT infrastructure and the redundant capacity. Institutions are required by DORA to perform a risk analysis covering certain specified elements before entering into a contractual arrangement with a CSP.

- **ICT security, data confidentiality and integrity.** Appropriate and proportionate technical, operational and organisational measures are to be taken by essential and important entities to manage risks posed to the security of network and information systems which those entities use for their operations or for the provision of their services, and to prevent or minimise the impact that incidents have on recipients of their services and on other services.

- **Exit strategy and termination rights.** Financial entities are required to put in place exit strategies for ICT services that support critical or important functions. Significant risks and challenges can arise if an institution decides to terminate a contractual agreement with a CSP without having previously established a comprehensive exit plan on the basis of a principle-based exit strategy.

- **Oversight, monitoring and internal audits.** The internal audit functions of the institutions should regularly review the risks stemming from the use of a CSP's cloud services. That review should cover, among other things, adequacy of the application of internal guidelines, the appropriateness of the risk assessment conducted and the quality of the provider's management. The outsourcing contract should clearly specify that the institution, its internal audit function, and the competent authorities and resolution authorities have the right to inspect and audit the CSP.

3. Next steps

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

02/04/2024

E **EIOPA - Insurance Stress Test 2024**

1. Context

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

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

2. Main points

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

3. Next steps

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

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15/04/2024

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

1. Context

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

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

2. Main points

- **Purpose and principles.** Solvency II is designed to ensure policyholder protection and financial stability in the insurance industry, while IFRS 17 aims to improve transparency and comparability in financial reporting for insurers. In addition, both frameworks are based on similar principles, such as the use of realistic or market-based valuation methods, a general approach based on estimates of probabilistic future cash flows, the discounting of future cash flows to reflect the time value of money and the incorporation of risk adjustments to account for uncertainties.

- **The implementation of IFRS 17 presented significant challenges** for the insurance industry, requiring substantial effort to adapt processes and systems to comply with the new accounting standard. Respondents noted differences in compliance cash flows compared to Solvency II technical provisions, with adjustments made through the contractual service margin (CSM) to align values.

- There are some **differences between both regulations**:

    - IFRS 17 requires using different valuation methods depending on the product characteristics, including the Variable Fee Approach (VFA) and the Premium Allocation Approach (PAA), which may differ from the approaches required by Solvency II.

    - A notable difference lies in the treatment of future profits, where IFRS 17 considers them as part of insurance liabilities whereas Solvency II classifies them as Own Funds, which affects the financial position of insurers in each framework.

    - IFRS 17 introduces the concept of CSM, which is absent in Solvency II. This margin affects the allocation of benefits during the coverage period and reflects the different objectives of the frameworks with respect to financial reporting and solvency assessment.

- Despite the differences**, synergies between IFRS 17 and Solvency II** were identified in areas such as the identification of contract limits, cash flow projection methodologies, risk adjustment calculations and the determination of discount rates. In addition, the presence of the illiquidity premium in IFRS 17 has often led to significant variations in discount rates compared to Solvency II, which affected the measurement of insurance liabilities and financial reporting results.

- The report underscores the importance of conducting a thorough **impact assessment** to evaluate the implications of the differences between IFRS 17 and Solvency II on insurers, regulators and other stakeholders. This assessment is crucial for informed decision-making and effective risk management in the insurance sector.

12/04/2024

CL **EIOPA- Results of Market and Credit Risk Comparative Study in internal models**

European Insurance and Occupational Pensions Authority

1. Context

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

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

2. Main points

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

3. Next steps

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

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11/04/2024

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

1. Context

The Digital Operational Resilience Act (DORA) published in December 2022 and applicable from 17 January 2025, aims to enhance the digital operational resilience of entities across the European Union (EU) financial sector. This regulation, aimed to assure that financial sector entities are able to stay resilient through a severe operational disruption, promotes the creation of a regulatory framework on digital operational resilience whereby all firms need to make sure they can withstand, respond to and recover from all types of Information Communication Technologies (ICT) related disruptions and threats. In addition, DORA requires financial entities to have a register of information of all their contractual arrangements with ICT third-party providers from the date of implementation.

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

2. Main points

- The exercise is **voluntary** and **financial entities participating in the dry run will receive support from the ESAs** to: i) build their register of information in the format as close as possible to the steady-state reporting from 2025; ii) test the reporting process; iii) address data quality issues; and iv) improve internal processes and quality of their registers of information.

- The **registers will serve** for: i) financial entities to monitor their ICT third-party risk; ii) the European Union (EU) competent authorities to supervise ICT and third-party risk management at the financial entities and; iii) the ESAs to designate the critical ICT third-party service provides (CTPP) which will be subject to an EU-level oversight.

- Financial entities taking part in the exercise are sked to submit their **registers of information** to their competent authority in line with the ESAs Final Report on draft Implementing Technical Standards (ITS) on Registers of Information on a best-efforts basis.

- The **ESAs will provide participating financial entities** a draft data point model (DPM), instructions, Excel based template based on the draft DPM and a tool for the conversion of the Excel templates into Comma Separated Values (CSV) files.

3. Next Steps

- The exercise will be carried out in the **second half of 2024**, allowing the financial entities to prepare and identify issues before the first official submission in early 2025:

    - **30 April.** Introductory workshop.
    - **31 May.** Materials, specifications and tools available to participants.
    - **June - July.** ESAs workshops with participating financial institutions and competent authorities.
    - **1 July - 30 August.** Records of information collected from participating financial institutions compiled through their competent authorities.
    - **31 October.** Completion of data cleaning and quality checks.
    - **November**. Workshop on lessons learned by the ESAs on data quality, open to the whole sector.
    - **Early December.** Publication of aggregated information on data quality.

25/03/2024

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

1. Context

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

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

2. Main points

Third Consultation under MiCA

- **RTS on arrangements, systems and procedures for detecting and reporting suspected market abuse in crypto-assets.** These RTS specify the appropriate requirements for the persons professionally arranging or executing transactions in crypto-assets to prevent and detect market abuse, such as insider dealing, market manipulation or attempted market abuse. They also lay down the content, template and timing of the suspicious transaction and order reports (STORs) that should be submitted to the competent authorities, as well as the coordination procedures between the relevant competent authorities for the detection and sanctioning of cross-border market abuse situations.

- **Draft guidelines on certain aspects of the suitability requirements and format of the periodic statement for portfolio management activities under MiCA.** Provides suitability requirements under MiCA, such as the information to be collected from clients, the reliability and updating of client information, the arrangements necessary to understand crypto-assets and ensure their suitability, and the costs and benefits of switching investments. The paper also clarifies the application of the suitability assessment to different types of clients, such as legal entities, groups or represented persons, and to different types of services, such as robo-advice.

- **Draft guidelines on the procedures and policies, including the rights of clients, in the context of transfer services for crypto-assets.** Aims to establish consistent, efficient and effective supervisory practices within the European System of Financial Supervision (ESFS). In particular, they aim at providing more clarity on the requirements for crypto-asset service providers (CASPs) providing transfer services for crypto-assets on behalf of clients as regards procedures and policies, including the rights of clients, in the context of transfer services for crypto-assets. In this regard, ESMA anticipates a corresponding strengthening of investor protection.

- **Draft guidelines on the maintenance of systems and security access protocols in conformity with appropriate EU standards.** Outlines a set of requirements for crypto-asset service providers to maintain their information and communications technology (ICT) systems and security access protocols in accordance with the appropriate Union standards, such as the European Union Agency for Cybersecurity (ENISA) standards. The paper also defines the roles and responsibilities of the crypto-asset service providers and the competent authorities in ensuring the operational resilience of the crypto-asset market, and the reporting and notification obligations in case of ICT-related incidents.

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

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

- **RTS and ITS on the information to be included in the application for authorisation as a CASP.** Specify the requirements for the information to be included in the application for authorisation as a CASP with a level of detail enabling the competent authority to carry out a meaningful assessment. It will promote convergence and foster clarity and predictability for applicants on the authorisation process. The harmonised application requirements also promote fair competition between CASPs at the authorisation stage, no matter their home Member State.

- **RTS on the complaints-handling procedures of CASP**. Provide the list of information/topics that CASPs' procedures for handling complaints should contain. Provides for some minimum language requirements that CASPs have to comply with to ensure that clients are duly informed about the possibility and how to submit a complaint as well as the languages in which a complaint may be filed. In addition, it indicates how and where CASPs should publish the relevant information necessary to file a complaint. It requires that adequate resources be dedicated to the management of complaints and includes a specific deadline for CASPs to communicate their decision to the complainant after the receipt of the complaint, this brings more certainty and harmonisation.

- **RTS on the assessment of intended acquisition of a qualifying holding in a CASP**. These RTS define the information that natural or legal persons need to provide to the competent authority of the target entity when they intend to acquire or increase a qualifying holding in a CASP.

3. Next steps

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

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23/04/2024

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

1. Context

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

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

2. Main points

Amendments to Solvency II Directive

- **Proportionality.** The proposal aims to reduce the administrative burden on insurers, especially on small and non-complex companies, for example in the context of reporting requirements (e.g., simplified supervision and reduced reporting requirements).

- **More money into the real economy.** The changes to the Solvency II rules are expected to free up reserves that the sector will be able to channel into more productive investments (e.g. green infrastructure and digitalization). Currently, the cost-of-capital rate, which determines reserve levels, is assumed to be equal to 6%. With this revision, the cost of capital is expected to be reduced to 4.75%.

- **Better and more tailored supervision.** The update will also simplify supervision while on the other hand empowering supervisors on systemic risks. At the initiative of the Parliament, supervisors will also be required to better cooperate with each other where insurers operate in other Member States. These changes aim to ensure that the supervision of insurance companies is more proportionate and better tailored to the actual risks. Small insurance companies with a simple and safe business model will benefit from reduced administrative burdens.

- **Factoring in and communicating sustainability-related risks.** The update includes new provisions that will require insurance firms to better take into account sustainability-related risks and to report more about these risks so that policyholders can understand a firm's green credentials. In this regard, the European Insurance and Occupational Pensions Authority (EIOPA), has been mandated to produce a report on the assessment of risks related to biodiversity loss by insurers, along with natural catastrophes and climate-related risks. In order to ensure an appropriate assessment of the relevant evidence, EIOPA should monitor and report by 2024 on the evidence on the risk profile of environmentally or socially harmful investments.

Proposal for an Insurance Recovery and Resolution Directive (IRRD)

- **Pre-emptive recovery plans.** Supervisory authorities shall ensure that at least 60% of the Member State's life insurance and reinsurance market and at least 60 % of its non-life insurance and reinsurance market are subject to pre-emptive recovery planning requirements and 40% for resolution planning. The pre-emptive recovery and resolution plans should take into account the financial, technical and business structure of the group concerned and its degree of internal interconnectedness.

- **Insurance guarantee schemes.** The proposal lays the ground for the introduction of insurance guarantee schemes in all member states.

- **Proportionality**. The proposal is targeted at the riskiest sectors of the industry, and more focused on protecting policyholders. Small and non-complex undertakings should not be obliged to draw up separate pre-emptive recovery plans, nor should they be subject to resolution planning, except where such an undertaking represents a particular risk at national or regional level.

3. Next steps

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

19/06/2024

CL **PE- Definitive versions of CRR III and CRD VI**

1. Context

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

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

2. Main points

CRR III

- **Credit risk framework.** The standardised approach (SA-CR) has been revised to increase its risk sensitivity and granularity, especially for exposures to corporates, subordinated debt, equities, unrated corporates and specialised lending. The new text recalibrates some risk weights for revised categories (e.g. institutions, corporates), introduces some adjustments to the treatment of mortgages and includes changes to the treatment of risk classes that were not modified in the first version (e.g. exposures to regional governments and local authorities, covered bonds). It also restricts the use of the Internal Ratings Based (IRB) approach for certain low default portfolios and introduces floors to the parameters to limit variability and reduced own funds requirements arising from the use of internal models.

- **Market risk framework.** The boundary between the trading book and the non-trading book has been revised, as have the standardised and internal model approaches for market risk. The Regulation introduces specific adjustments including a simplified standardised approach for medium-sized firms in the trading book, a specific risk weight for carbon trading exposures under the EU Emissions Trading Scheme (ETS), as well as a temporary exemption for the residual risk charge under the alternative standardised approach.

- **Operational risk framework.** The existing methods for operational risk have been replaced by a single standardised method based on the business indicator. The business indicator is primarily based on the components of gross margin. New requirements linked to the loss database and on the operational risk management framework have also been introduced.

- **Output floor.** The capital floor, based on standardised methods, is to be applied across the board to all levels of consolidation, with the exception of measures taken by Member States. This floor will be 50% in 2025, and will gradually increase to its full application (72.5% in 2030).

- **ESG risks.** All institutions must disclose their exposure to ESG risks and activities that are subject to the impact of environmental or social factors.

- **Crypto-assets.** By 30 June 2025, the Commission should present a legislative proposal to introduce a specific prudential and reporting treatment for exposures to crypto-assets, taking into account international standards and Regulation (EU) 2023/1114 (MiCAR). The Regulation introduces specific capital requirements for this type of asset, which will have to be applied on a transitional basis until the new law enters into force.

- **Shadow banking.** Institutions must report their 10 largest shadow banking exposures to the competent authorities. They must also disclose these exposures on an aggregate basis.

CRD VI

- **ESG risks**. The sustainability dimension has been introduced into the prudential framework to ensure the identification, measurement, management and monitoring of ESG risks. In addition, ESG risks should be taken into account in the Supervisory Review and Evaluation Process (SREP) and specific stress testing methodologies for ESG risks should be developed.

- **Pillar 2 requirements (P2R**). Supervisors may decide, on a case-by-case basis, to impose higher CET 1 requirements as a result of the supervisory assessment.

- **Output floor (OF**). Safeguards have been introduced to avoid unwarranted increases in P2R and the systemic risk buffer requirement (SyRB). These cannot be used to cover risks that are already fully covered by the OF.

- **Fit-and-Proper Framework**. This framework sets out requirements to ensure that the fitness and propriety of Board members and key management personnel is effectively assessed.

- **Other**. Other aspects are updated, such as the framework governing third-country institutions operating in the EU, the centralized provision of information by the EBA on small and non-complex institutions, and the supervisory powers of the competent authorities.

3. Next steps

- CRR III will enter into force on **9 July 2024** and will apply from **1 January 2025**, except for certain articles which will apply from the entry into force of the regulation.

- Regarding CRD VI, Member States have 18 months to transpose the Directive into national law. Once this transposition is completed, CRD VI will enter into force the following day. Full implementation is expected from **11 January 2026.**

19/06/2024

C **PE/Consejo - New EU rules to combat money-laundering published**

1. Context

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

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

2. Main points

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

Regulation establishing a new EU AML and CFT Authority

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

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

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

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

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

Directive on AML/CFT prevention mechanisms

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

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

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

3. Next steps

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

Q2 Relevant publications

UK

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23/04/2024

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

1. Context

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

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

2. Main points

Claims should be correct and capable of being substantiated

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

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

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

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

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

Comparisons should be fair and meaningful

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

3. Next steps

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

16/05/2024

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

GOV.UK

1. Context

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

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

2. Main points

Call for views on the Code of Practice and a global standard on the Cyber Security of AI

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

Call for views on the Code of Practice for Software Vendors

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

3. Main points

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

Q2 Relevant publications

American Region

29/04/2024

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

1. Context

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

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

2. Main points

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

3. Next steps

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

21/05/2024

T **NIST - Updated guidelines for protecting sensitive data**

NIST
National Institute of
Standards and Technology

1. Context

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

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

2. Main points

Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations

- **Purpose.** This publication provides guidelines for federal agencies on recommended security requirements for protecting the confidentiality of CUI when such information is resident in nonfederal systems and organizations and where there are no specific safeguarding requirements prescribed by the authorizing law, regulation, or government-wide policy for the CUI category listed in the CUI registry.

- **Scope.** Components of nonfederal systems that process, store, or transmit CUI or that provide protection for such components. The requirements are intended for use by federal agencies in contractual vehicles or other agreements that are established between those agencies and nonfederal organizations. The requirements do not apply to nonfederal organizations that are collecting or maintaining information on behalf of a federal agency or using or operating a system on behalf of an agency.

- **Security Requirements.** The guideline describes 17 families of security requirements for protecting the confidentiality of CUI in nonfederal systems and organizations. When used in the context of the requirements in this section, the term system is defined to be nonfederal systems or system components that process, store, or transmit CUI or that provide protection for such systems or components. Not all security requirements mention CUI explicitly. However, the requirements are included because they directly affect the protection of CUI during processing, while in storage, and when in transmission between different locations.

Assessing Security Requirements for Controlled Unclassified Information

- **Purpose.** This publication provides guidelines on procedures for assessing the security requirements in NIST Special Publication, Protecting CUI in Nonfederal Systems and Organizations. Organizations can use the assessment procedures to generate evidence that the security requirements have been satisfied.

- **Scope.** The security assessments conducted using the procedures described in this publication is guided and informed by the system security plans for systems that process, store, or transmit CUI. The assessment procedures offer the flexibility to customize assessments based on organizational policies and requirements, known threat and vulnerability information, system and platform dependencies, operational considerations, and tolerance for risk.

- **Procedures.** The guideline provides assessment procedures for the security requirements. Organizations that conduct security requirement assessments can develop their security assessment plans by using the information provided in the assessment procedures and selecting the specific assessment methods and objects that meet the organization's needs. Organizations also have flexibility in defining the level of rigor and detail associated with the assessment based on the assurance requirements of the organization.

Q3 Relevant Publications

Global

12/07/2024

CL

BCBS - Consultative document on the principles for the sound management of third-party risk

1. **Context**

In the 2005 Joint Forum paper on outsourcing financial services, supervisory authorities focused on outsourcing, which is an important subset of banks' arrangements with third-party service providers (TPSPs) for reasons such as access to expertise, cost reduction, improved scalability, efficiency and operational resilience, and focus on core activities. Since the publication of the paper, the growth of digitisation has led to a rapid adoption of innovative approaches, increasing banks' reliance on TPSPs for services they had not previously provided.

In this context, the BCBS has published a **consultative document on the principles for the sound management of third-party risk**. This document replaces the 2005 Joint Forum document for the banking sector, introducing 12 new principles with a greater focus on operational risk management and operational resilience of banks. It aims to promote international engagement, greater collaboration and consistency, with a view to reducing regulatory fragmentation and strengthening the overall operational resilience of the global banking system. These new principles focus on comprehensive third party risk management and are technologically independent to keep pace with technological developments.

2. **Main points**

- **Governance, risk management and strategy.** The board of directors has ultimate responsibility for the oversight of all TPSP arrangements and should approve a clear strategy for TPSP arrangements within the bank's risk appetite and tolerance for disruption. In addition, the board of directors should ensure that senior management implements the policies and processes of the third-party risk management framework (TPRMF) in line with the bank's third-party strategy, including reporting of TPSP performance and risks related to TPSP arrangements, and mitigating actions.
- **Risk assessment.** Banks should perform a comprehensive risk assessment under the TPRMF to evaluate and manage identified and potential risks both before entering into and throughout a TPSP arrangement.
- **Due diligence.** Banks should conduct appropriate due diligence on a prospective TPSP prior to entering into an arrangement. Banks' due diligence should support the analysis of: i) the TPSP's capacity and ability to perform; ii) known and potential risks related to the TPSP arrangement; and iii) relative benefits and costs of the arrangement.
- **Contracting.** TPSP arrangements should be governed by legally binding written contracts that clearly describe rights and obligations, responsibilities and expectations of all parties in the arrangement. The contracting stage of the life cycle is when negotiations between a bank and a TPSP occur, and where terms and conditions of the delivery of services are agreed. Contract provisions should facilitate effective risk management and oversight and specify the expectations and obligations of both banks and TPSPs.
- **Onboarding and ongoing monitoring.** Banks should dedicate sufficient resources to support a smooth transition of a new TPSP arrangement in order to prioritise the resolution of any issues identified during due diligence or interpretation of contractual provisions. In addition, banks should continuously assess and monitor the performance and changes in the risks and criticality of TPSP arrangements and report accordingly to the board of directors and senior management, and respond to issues as appropriate. Finally, they must maintain robust business continuity management to ensure their ability to operate in the event of a TPSP service disruption.
- **Termination.** Banks should maintain exit plans for planned termination and exit strategies for unplanned termination of TPSP arrangements.
- **Role of supervisors.** Supervisors should consider third-party risk management as an integral part of ongoing assessment of Banks. They should analyse the available information to identify potential systemic risks posed by the concentration of one or multiple TPSPs in the banking sector. Finally, supervisors should promote coordination and dialogue across sectors and borders to monitor systemic risks posed by critical TPSPs that provide services to banks.

3. **Next steps**

The consultation runs until **9 October 2024**.

Q3 Relevant Publications

Europe

09/07/2024

CL **EBA - 2025 European Union (EU) stress test**

1. Context

The EBA is required, in cooperation with the European Systemic Risk Board (ESRB), to initiate and coordinate EU-wide stress tests to assess the resilience of financial institutions to adverse market developments. The objective of the EU-wide stress test is to provide a common analytical framework to consistently compare and assess the resilience of EU banks and the EU banking system to shocks, and to challenge the capital position of EU banks.

In this context, the EBA has released its **draft methodology, templates, and guidance for the 2025 EU-wide stress test for informal consultation**. This initiates dialogue with the banking industry, building on the 2023 methodology. Key updates include integrating the Capital Requirements Regulation (CRR3) and considering the delayed implementation of the fundamental review of the trading book (FRTB). The stress test will include 68 banks from the EU and Norway, covering 75% of the banking sector in the euro area. This broader scope and the introduction of proportionality features aim to enhance efficiency, relevance, and transparency.

2. Key aspects

- **Credit Risk.** Banks must restate capital requirements for credit risk in accordance with CRR3. In addition, they must estimate credit impairments using statistical methods, considering starting values of risk parameters and scenario impacts. Projections of provisions are based on International Financial Reporting Standards (IFRS 9), with specific assumptions for different stages of exposures (S1, S2, S3). The impact on profit and loss (P&L) and risk exposure amount (REA) is assessed based on the stressed risk parameters.
- **Market Risk, Counterparty Credit Risk (CCR) Losses, and Valuation Reserves**. The developments introduced through CRR3 have an impact on the associated capital requirements in this area. However, consistency with the CRR2 framework for market risk capital requirements, while introducing a new methodology for Credit Valuation Adjustment (CVA) under CRR3. Banks are required to assess the full revaluation of positions at fair value, considering stressed market risk factor shocks and proportionality criteria for different revaluation approaches. Finally, the implementation of FRTB is postponed.
- **Net Interest Income (NII)**. Inclusion of all interest-earning or paying positions, except held-for-trading instruments and related hedges, including specific constraints and requirements for both baseline and adverse scenarios to ensure realistic projections of interest income and expenses. In addition, the draft provides guidelines for projecting NII, projection that becomes centralised by banks and includes handling non-performing exposures and incorporating macroeconomic scenarios, to ensure comprehensive and accurate stress testing.
- **Conduct and other operational risks**. As with the risks described above, banks will need to adapt to CRR3's changes to conduct and operational risk. Banks are mandated to project the P&L impact of conduct risk and other operational risks, using internal models and qualitative information when relevant, including projections of capital requirements for operational risk and setting minimum floors for losses from new and material conduct risk events and other operational risks based on historical data. Constraints are imposed to ensure consistency and adequacy in stress scenarios, requiring banks to justify projections below set thresholds and maintain constant total capital requirements for operational risk throughout the projection horizon.
- **Non-interest income, expenses and capital.** Banks must use their own methodologies to project non-interest income and expenses for items not covered by credit risk, market risk, operational risk, or net fees and commissions income, for both the baseline and adverse scenarios. Projections are subject to constraints, such as capping income at 2024 levels in the baseline scenario and mandating reductions in adverse scenarios. Specific items, including dividend income, administrative expenses, and other operating income, have prescribed growth rates or floors. A common tax rate and simplified assumptions for deferred tax assets and liabilities are also applied to ensure consistent and reliable stress test results.

3. Next steps

The EBA expects to publish the final methodology by the end of 2024, launch the exercise in January 2025 and publish the results by the end of July 2025.

S **09/07/2024**

ESMA - Final Report on Guidelines on enforcement of sustainability information

1. Context

The Corporate Sustainability Reporting Directive (CSRD), published in December 2022, mandates ESMA to issue guidelines on the supervision of sustainability reporting by national competent authorities (NCAs) in order to promote convergent supervision of sustainability reporting by issuers subject to CSRD. Subsequently, in December 2023, ESMA published a consultation paper on the Draft Guidelines (DG) on enforcement of sustainability information (GLESI) in response to this mandate.

In this context, ESMA has published the **Final Report on Guidelines on enforcement of sustainability information (GLESI).** In addition to the guidelines proposed in the draft, two new guidelines related to the publication of decisions and reporting on enforcement activities have been added.

2. Main points

Scope of application. These guidelines should apply to the supervision of **companies whose securities are admitted to trading on a regulated market in the EU.**

ESMA proposes the following guidelines (GL):

- **GL1: Objective of enforcement.** The objective of enforcement of sustainability reporting is to contribute to the consistent application of the sustainability reporting framework, contribute to investor protection, promote market confidence and avoid regulatory arbitrage.
- **GL2: Ensuring an effective enforcement process.** Enforcers should ensure an effective enforcement process by establishing conditions for the human and financial resources that enforcers should have available to lift the task of enforcement of sustainability information.
- **GL3: Sustainability information prepared under equivalent third country sustainability reporting requirements.** Enforcers should have sufficient resources and expertise to examine such sustainability information and that, if they are unable to ensure this, they should either cooperate with other enforcers or with ESMA to carry out the examination, though the ultimate responsibility for the enforcement decision always remains with the enforcer of the third country issuer's home Member State.
- **GL4: Independence.** In order to ensure investor protection and avoid regulatory arbitrage, enforcers should be independent from government, issuers, auditors/independent assurance service providers other market participants, regulated market operators, holders of securities and other stakeholders.
- **GL5: A mixed selection model of examined companies.** The selection model should be based on a mixed model whereby a risk-based approach is combined with a sampling and a rotation approach. A risk-based approach should consider the risk of an infringement as well as the impact of an infringement on the financial markets.
- **GL6: Timing of selection model.** Ensure that selection takes place sufficiently often to enable enforcers to identify issuers whose current circumstances make them more susceptible to infringements The selection model should ensure that each issuer is examined at least once during a period selected by the enforcer in line with ESMA's guidance on sustainability information.
- **GL7: Selection universe.** Clarification of the population of issuers from which enforcers should undertake their risk-based selection, randomised selection and rotation-based selection, respectively, and obliges enforcers to keep a list of those issuers for the purpose of selection.
- **GL8: Types of examination.** Enforcers can use four different approaches when they examine sustainability information, differing on two parameters: whether the enforcer communicates with the issuer during the examination and whether the enforcer bases its examination on the entirety or a subset of the sustainability information.
- **GL9: Examination process.** The aim of the enforcer's examination process should be to assess whether an issuer's sustainability information is in accordance with the sustainability information framework and to check whether the sustainability information in the sustainability statement is consistent with information presented elsewhere in the issuer's annual financial report.
- **GL10: Pre-clearance.** The objective is to establish certain conditions when enforcers offer the possibility of pre-clearance.
- **GL11: Quality review.** Enforcers should undertake quality reviews of the examinations they have performed with a view to checking that the examination procedures which were used were appropriate and that the ensuing conclusions were robust.
- **GL12: Choice of enforcement action.** When an enforcer detects an infringement in the sustainability information it is examining, it should take at least one of the following three enforcement actions in a timely manner: requiring the issuer to reissue the sustainability statement, requiring the issuer to publish a corrective note and requiring the issuer to provide a correction in the future sustainability statements along with a restatement of comparatives where that is relevant.
- **GL13: Materiality.** Enforcers should assess the materiality of an omission or misstatement in the sustainability information which they are examining taking into account the materiality approach established by the part of the sustainability information framework in accordance with which the information was prepared. When the sustainability information framework relies on double materiality, this should therefore form the basis for the enforcer's materiality assessment of any omission or misstatement.
- **GL14: Follow-ups.** Enforcers should verify that when an actions are adopted they are properly implemented by issuers.
- **GL15: European common enforcement priorities.** Enforcers should discuss their experiences with application of the sustainability information framework in ESMA's Sustainability Reporting Working Group (SRWG).

- **GL16: Coordination in SRWG.** Enforcers should coordinate their ex-ante and ex-post decisions in the group to achieve harmonised enforcement practices and should furthermore provide input on ESMA's work on sustainability information.
- **GL17: Emerging issues.** Discussions of cases in the SRWG can take place either before or after the enforcer takes a decision in the case and that, in the situations listed in the guideline, the enforcer should submit cases before taking a decision unless it is prevented from doing so by a tight deadline.
- **GL18: Decisions.** Enforcers should submit decisions for information and discussion in the SRWG when they meet one or several of a list of criteria, such as referring to reporting matters with technical merit and relating to an emerging issue which was previously discussed in the SRWG.
- **GL19: Taking earlier decisions into account.** When enforcers take a decision in a new case, they should take account of earlier decisions and discussions in the SRWG.
- **GL20: Submission of emerging issues and decisions.** The deadline within which enforcers should submit emerging issues to ESMA and the deadline within which enforcers should submit decisions to ESMA.
- **GL21: Publication of decisions.** A database of issues and decisions that are taken under GL20 will be created. Enforcers will decide which database decisions can be published anonymously to promote consistency in applying the sustainability information framework.
- **GL22: Reporting on enforcement activities.** Enforcers should periodically report on their national enforcement activities and provide ESMA with necessary information for Union-level reporting and coordination.

3. Next Steps

- The guidelines will be translated into the official European Union (EU) languages within two months. During this period, NCAs will have to inform ESMA of their intention to comply or not.
- The guidelines **will apply from 1 January 2025.**

10/07/2024

T **ESMA - Final report of the Draft Technical Standards specifying certain requirements of the second package of Market in Crypto-Assets (MiCA)**

1. Context

MiCA aims to protect investors, prevent the misuse of crypto-assets, preserve financial stability, provide regulatory clarity, and protect against market abuse and manipulation while continuing to support innovation in the crypto-asset industry. MiCA mandated ESMA to develop a series of Regulatory Technical Standards (RTS), Implementing Technical Standards (ITS), and Guidelines in collaboration with the European Banking Authority (EBA). On 15 October 2023, ESMA published a second' Consultation Paper on ESMA's proposals for six draft RTS and two draft ITS, covering: i) sustainability indicators in relation to climate and other environment-related adverse impacts, ii) business continuity measures for cryptoasset service providers (CASPs), (iii) pre-and-post-trade transparency for CASP trading platforms, iv) record-keeping requirements for CASPs, v) white paper formats and data for their classification in the MiCA register, and vi) disclosure of inside information.

In this context, ESMA has published the **final report specifying certain requirements of the second package of MiCA**.

2. Main points

a. **Sustainability indicators in relation to climate and other environment-related adverse impacts.** It is emphasized the importance of identifying and disclosing the principal adverse impacts on the climate and other environment-related adverse impacts that may arise from the consensus mechanisms used for validating transactions in crypto-assets. Draft RTS should be developed to specify the content, methodologies and presentation of information related to these sustainability indicators. The standards aim to ensure that issuers of crypto-assets and CASP adequately disclose any principal adverse impacts, considering the principle of proportionality and the size and volume of the crypto-asset issued.

b. **Measures to ensure continuity and regularity in the performance of crypto-asset services.** It outlines the legal requirements for CASPs to establish, implement, and maintain effective business continuity policies (BCPs) and disaster recovery plans. This is to ensure that critical services can continue without undue interruption and that systems and data can be restored in the event of a disruption. The standards are based on the need for resilience in the face of operational risks associated with crypto-assets and the technologies used to trade and store them.

c. **Pre-and-post-trade transparency.** It sets out the legal framework for pre- and post-trade transparency requirements for CASP trading platforms. It underlines the need for transparency in the trading of crypto-assets to ensure market integrity and protect investors. It also includes articles mandating ESMA, in cooperation with the EBA, to develop a draft RTS specifying these requirements.

d. **Record keeping obligations for CASPs.** It outlines the legal requirements for CASPs to maintain comprehensive records of all services and activities performed. This is to ensure that competent authorities can monitor compliance with the obligations under MiCA and to facilitate the exercise of their supervisory functions. There are included MiCA articles that mandate ESMA, in cooperation with EBA, to develop draft RTS specifying the details of these record-keeping requirements.

  e. **Machine readability of white papers and white papers register.** It discusses the importance of machine-readability of white papers and the creation of a white paper register. In addition, it highlights the legal requirements for cryptoasset issuers to produce white papers in a machine-readable format, which will facilitate the accessibility and analysis of the information contained therein. It includes MiCA articles mandating ESMA, in cooperation with the EBA, to develop draft RTS specifying requirements for the machine readability of white papers and the establishment of a white paper register.

  f. **Technical means for appropriate public disclosure of inside information.** It underlines the need for CASPs to make inside information public. It also details the legal requirements for CASPs to disclose inside information in a manner that is accessible to the public, timely and avoids selective disclosure of information. It includes MiCA articles obliging ESMA, in cooperation with the EBA, to develop draft RTS specifying the technical means for such disclosure.

3. Next steps

The draft technical standards are to be submitted to the European Commission (EC) for adoption within 3 months of their submission.

CL

11/07/2024

EBA - Final report on implementing technical standards (ITS) amending Commission Implementing Regulation 2021/451 on supervisory reporting referred to in Article 430(7) of Regulation nº 575/2013

1. Context

In October 2021, the European Commission published the Banking Package 2021, which includes reforms to the Capital Requirements Regulation and Directive (CRRIII and CRDVI) to strengthen financial resilience, support the post-COVID-19 recovery and the climate transition. The final versions were published on 19 June in the Official Journal of the European Union (OJEU). The EBA launched the public consultation on the draft ITS amending Commission Implementing Regulation 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation nº 575/2013.

In this context, the EBA has published the **final report on ITS report amending Commission Implementing Regulation 2021/451 on supervisory reporting referred to in Article 430 (7) of Regulation nº 575/2013.** These ITS incorporate changes to ensure that the reporting framework remains relevant, meaningful and aligned with CRR III, which implements the latest Basel III reforms. They will provide supervisors with comparable information to monitor institutions' compliance with the requirements of CRR III, promoting enhanced and consistent supervision.

2. Main points

- **Timeline.** The remittance period for the first reporting (reference date 31 March 2025) will be extended (end of June instead of 12May).
- **Output floor.** 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.
- **Standarised approach for credit risk (SA-CR approach).** The template is 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).** The templates are 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, the instructions are 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.
- **Credit valuation adjustment (CVA).** The CRR III 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 these approaches.
- **Market Risk.** 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 amended to reflect the multiplication factors introduced in CRR III, by repurposing existing columns and opening a few cells that were previously greyed out.
- **The boundary between trading book and banking book.** CRR II introduced, and CRR III 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 EBA will submit the final report to the European Commission and develop a data point model (DPM), the XBRL taxonomy and validation standards based on these ITS.
- These ITS will apply **from 1 January 2025** and the first **reference date will be 31 March 2025**, in line with the implementation date of CRR III.

22/07/2024

T

ESAs - Second batch of policy mandates under 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, after submitting these technical standards for consultation between December 2023 and March 2024, the ESAs have published final drafts on the second package 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, oversight harmonization, as well as composition of the joint examination team and oversight cooperation between ESAs and competent authorities (CA) and TLPT.

2. Main points

<u>RTS and ITS on content, timelines, and templates on incident reporting.</u>

- **General framework for 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) Incident reference code, ii) Date and time, iii) Description of the incident, iv) Classification criteria, v) Member States affected, vi) Information on the discovery, vii) Information on the origin of the incident, viii) Indication whether a business continuity plan has been activated and, ix) Information about the reclassification of the incident from major to non-major.
- **Intermediate reports**. Submitted within 72 hours of initial notification. The content is as follows: i) Incident reference code, ii) Date and time, iii) Date and time when regular activities have been recovered, iv) Classification criteria, v) Type of incident, vi) Threats and techniques used by the threat, vii) Functional areas and business processes affected, viii) Infrastructure components affected, ix) Impact on clients, x) Notification to other authorities, xi) Recovery plans, and xi) Information on indicators of compromise.
- **Final reports.** Submitted no later than 1 month after notification of the intermediate report. The content is as follows: i) Root cause of the incident, ii) Date and time the incident was resolved, iii) Information on the resolution of the incident, iv) Relevant information on the resolution of the incident for the competent authorities, v) Direct and indirect costs and losses resulting from the incident, and vi) Information on recurrent incidents.
- **Voluntary notification of significant cyber threats**. The content is as follows: i) General information on the reporting entity, ii) Date and time of detection of the cyber threat, iii) Description of the cyber threat, iv) Potential impact of the cyber threat on the financial institution, its customers and/or financial counterparties, v) Classification criteria, vi) Status and activity of the cyber threat, vii) Preventive measures taken by the financial institution, viii) Notification of the cyber threat to other financial institutions or authorities and, ix) Information on indicators of compromise.

In addition, the ESAs have adjusted the notification requirements on weekends and public holidays by reducing the number of reportable incidents, exempting smaller financial institutions from initial notifications and extending submission deadlines by noon on the next working day instead of one hour. In addition, aggregated notification at national level has been introduced for institutions under a single CA, provided that certain conditions are met.

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 or calendar 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 the composition of the joint examination team

- **Tasks of the Joint Examination Team**. The team assists the Lead Overseer in oversight activities, including preparing the annual plan, conducting assessments and investigations, and drafting recommendations and decisions for the critical ICT service provider.
- **Establishment of a Joint Examination Team**. The Lead Overseer forms the joint examination team after designating an ICT provider as critical, with team composition adjustable based on changes in the provider's services or activities.
- **Members of the Joint Examination Team**. The Lead Overseer sets the team's size and makeup in agreement with oversight bodies, considering the number of providers, specific needs, team stability, and required skills.
- **Renewal of Membership in the Joint Examination Team**. The team's performance is periodically reviewed, and the results determine whether to renew team membership, especially during material changes or a change in Lead Overseer.
- **Working Arrangements of the Members of the Joint Examination Team**. Team members must perform duties with skill, care, and confidentiality. The Lead Overseer and nominating authorities set arrangements for time management and ethical considerations.

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 cope). 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 150 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

- The RTS and ITS must be reviewed by the European Commission (EC) and approved in the coming months.

G

26/07/2024

ECB - Draft Guide on Governance and Risk Culture

1. Context

On June 2016, the ECB published the Single Supervisory Mechanism (SSM) supervisory statement on governance and risk appetite as part of the ongoing efforts of the SSM to enhance the governance frameworks of significant financial institutions in the euro area. This initiative was driven by the need to address the lessons learned from the financial crisis, which highlighted deficiencies in banks' management bodies and risk governance practices. The SSM emphasized the importance of robust internal governance and risk appetite frameworks (RAF) as essential components of sound risk management and sustainable business models, providing a comprehensive overview of the thematic review conducted on the governance frameworks and risk appetite statements of significant institutions.

In this context the ECB has published the **Draft** of the new **Guide on Governance and Risk Culture**, aimed at enhancing the governance structures and risk cultures within banks operating in the European Union. The Guidance replaces the 2016 SSM Statement on Governance and Risk Appetite, in line with guidelines issued by the European Banking Authority (EBA) and other international standards, underlines the importance of a sound risk culture and effective governance for all banks, and aims to foster consistent supervisory practices across the euro area, while recognizing national specificities.

2. Main points

In the field of risk culture:

- **Link to governance**. It includes the collective mindset, norms, attitudes, and behaviors regarding risk management, and how it affects daily decisions and risk-taking behavior across all levels, integrating formal governance aspects (like organizational structure and policies) with behavioral patterns (like decision-making and communication styles). ECB Banking Supervision emphasizes four dimensions: i) tone from the top and leadership; ii) effective communication and diversity: iii) accountability for risks; and iv) incentives, including remuneration. These dimensions guide prudent risk-taking, ensure clear responsibilities, promote constructive challenge, and align incentives with long-term goals.
- **Link with remuneration**. Highlight of the importance of aligning remuneration with risk culture by linking variable remuneration frameworks to the bank's risk appetite and strategy. This ensures that financial incentives promote behaviors aligned with the bank's long-term interests and discourage excessive risk-taking. This involves setting clear key performance indicators (KPIs) that reflect risk and control-related objectives and implementing mechanisms such as malus and clawback clauses to manage consequences for misconduct.
- **Link with accountability**. Banks are required to establish a clear link between compensation and the RAF, ensuring that non-compliance with the RAF impacts performance evaluations and variable compensation. This approach seeks to align employees with the RAF and the bank's risk culture, adjusting variable compensation based on compliance with risk limits. In addition, the guide highlights the need to define clear responsibilities and establish effective accountability, involving management bodies and internal controls to implement and monitor the RAF, conduct periodic reviews, and promote prudent risk management and a strong culture throughout the organization.

Regarding the RAF:

- Scope. A well-defined Risk Appetite Framework is essential for sound governance, and is required to be integrated into the bank's strategic and decision-making processes. The RAF should be clearly documented, involve the management body in its establishment, approval and oversight, and provide a comprehensive view of financial and non-financial risks through a consolidated risk appetite scorecard. This scorecard should reflect the bank's risk profile and strategic changes. The RAF should include metrics for all material risks, including emerging and non-financial risks, and ensure that risk indicators are balanced and relevant.
- Limits**.** Risk appetite limits should be set at a level that effectively manages risk-taking and ensures that defaults occur before regulatory requirements are compromised. These limits should reflect the bank's risk profile and be adjusted infrequently to maintain their effectiveness. An adequate RAF enhances risk oversight, particularly during crises, by ensuring that limits are closely scrutinized and adjusted as necessary.

3. Next steps

- As part of the consultation process the ECB will organise a stakeholder meeting on 26 September 2024, bringing together relevant experts from supervised institutions and other interested parties.
- The public consultation on the Governance and Risk Culture Guide ends on October 16, 2024. Subsequently, the ECB will publish the comments received, together with a feedback statement and the final version of the Guide.

Q3 Relevant publications

UK

T

18/07/2024

PRA - Statement on the design of the dynamic general insurance stress test (DyGIST) 2025

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

1. Context

In October 2023 the PRA announced its intention to run a DyGIST in 2025. The objectives of the DyGIST are to: i) assess the UK general insurance sector's solvency and liquidity resilience to a specific adverse scenario; ii) assess the effectiveness of insurers' risk management and management actions following an adverse scenario; and iii) inform the PRA's supervisory response following a market-wide adverse scenario.

In this context, the PRA has published the **statement on the design of the DyGIST**. This statement provides further information on the design and timetable of the dynamic general insurance stress test that the PRA intends to run in 2025.

2. Main points

- **The live exercise.** Over a three-week period in May 2025, firms will be presented with a sequential set of adverse events over a three-week period in May 2025 and will be asked to react to these as they would to real events and to provide initial financial impact assessments following each event, to engage with their supervisory contacts and follow their expected management action plans.
- **Final firm assessment and reflections.** By end of July 2025, firms will be asked to submit a final quantitative template with updated estimates of the impact of the events and a qualitative questionnaire intended to draw out any risk management learnings.
- **Analysis, publication and integration into supervisory plans.** DyGIST will be a core component of 2025 supervisory activity for firms in scope. The PRA intends to publish the findings of the exercise in 2025 Q4, and dependent on conclusions, individual firm findings will also feed into supervisory plans for 2026.

3. Next Steps

- In the **second half of 2024** the PRA will hold further workshops with participating firms, vendors and brokers who may be supporting firms throughout the exercise and will continue to invite trade bodies to participate.

T **31/07/2024**

Gov.UK - CMA signs joint international statement supporting competition in AI

GOV.UK

1. Context

The European Union (EU), the UK, and the United States (US) have collaborated to address the competitive landscape of generative Artificial Intelligence (AI) foundation models and AI products. This joint effort aims to ensure fair, open, and competitive markets that drive opportunity, growth, and innovation. Recognizing AI's transformative potential, these authorities are committed to protecting and promoting the interests of their respective economies and consumers, despite differences in their legal frameworks and jurisdictions.
In this context, **the European Commission (EC), the UK Competition and Markets Authority (CMA), the United States Department of Justice (DOJ), and the United States Federal Trade Commission (FTC) have issued a joint statement on competition in generative Artificial Intelligence (AI) foundation models and AI products.** This joint statement emphasizes the need for vigilance against anti-competitive tactics in the evolving AI landscape. It highlights risks such as the concentrated control of key AI resources, the entrenchment of market power by incumbent firms, and anti-competitive partnerships. The statement outlines principles for safeguarding competition, including fair dealing, interoperability, and consumer choice.

2. Main points

- **Transformational potential of AI**. AI technologies, particularly generative AI, hold significant potential to benefit citizens, spur innovation, and drive economic growth. However, realizing these benefits requires maintaining fair competition. Authorities recognize the need to be vigilant and proactive in addressing tactics that could undermine competitive markets.
- **Concentrated control of key inputs**. There is concern over the concentrated control of essential components for AI development, such as specialized chips, substantial compute power, large-scale data, and technical expertise. This concentration could allow a few companies to dominate the AI landscape, limiting disruptive innovation and shaping the market to their advantage, potentially stifling fair competition.
- **Entrenching market power**. Large incumbent digital firms with significant market power might leverage their existing advantages to protect against AI-driven disruption or extend their dominance in AI-related markets. This could involve controlling distribution channels for AI services and products, thus limiting opportunities for other players and hampering future competition.
- **Risks from partnerships and investments**. Collaborations, financial investments, and other connections between firms developing generative AI could pose risks. While some partnerships might be benign, others could be used by dominant firms to co-opt competitive threats and steer market outcomes in their favor, undermining the competitive process and restricting the diversity of the AI ecosystem.
- **Principles for protecting competition**. Authorities stress the importance of fair dealing, where firms with market power should not engage in exclusionary tactics that deter investment and innovation by third parties. Interoperability between AI products and services is essential for fostering competition and innovation and claims that interoperability compromises privacy and security will be scrutinized. Ensuring businesses and consumers have choices among diverse products and business models is crucial, as is scrutinizing investments and partnerships to prevent anti-competitive outcomes.
- **Consumer risks**. AI can enable deceptive and unfair practices that harm consumers, such as the misuse of consumer data for model training, which can undermine privacy, security, and autonomy. It is essential that consumers are informed about the use of AI in the products and services they purchase. Authorities are committed to monitoring and addressing these risks to ensure that AI developments do not compromise competition or consumer protection.

CL

13//09/2024

PRA - Regulation on prudential regime for UK banks

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

1. Context

His Majesty's (HM) Treasury is progressing work to bring the prudential regime for banks, building societies and investment firms into line with the United Kingdom's (UK) established model for financial services regulation, as provided for in the Financial Services and Markets Act 2000 (FSMA 2000). This work involves revoking relevant parts of assimilated law on financial services so that the PRA and the Bank of England can replace requirements in legislation with requirements set out in regulator rules and statements of policy. Assimilated law refers to European Union (EU) legislation which was incorporated into UK law on the UK's withdrawal from the EU.

In this context, the PRA has published two SS on the **credit risk definition of default** and **internal ratings based approach**, one PS on the **implementation of the Basel 3.1 standards near-final part 2** and four consultation papers on the **definition of capital**, the **updates to the UK policy framework for capital buffers**, the **simplified capital regime for SDDTs,** the **Pillar 2A capital framework and the capital communications process**.

2. Main points

- **SS on the credit risk definition of default**. It emphasizes the importance of consistent application of the default definition across firms, detailing the mechanisms and processes required for timely identification of defaults, documentation requirements, and internal governance. The statement aims to ensure that firms maintain robust risk management practices and comply with capital requirements by clearly defining and operationalizing the criteria for identifying and managing defaults.
- **SS on credit risk internal ratings based approach**. This document sets out the PRA's expectations in respect of the application of the internal ratings based (IRB) approach in the calculation of credit risk risk-weighted assets and provides explanation, where appropriate, of the PRA's expectations when assessing whether firms meet those requirements, including in respect of the conservatism applied.
- **PS on the implementation of the Basel 3.1 standards near-final part 2**. This PS contains feedback to responses on the parts of Pillar 2 relating to the Pillar 2A credit risk methodology, use of IRB approach benchmarks, and the interaction with the output floor. The credit risk framework includes several updates aimed at making risk assessments more sensitive and accurate. These changes cover risk weighting for residential mortgages, corporate exposures, and specialized lending, with revisions to real estate valuation and the removal of implicit sovereign support for bank exposures. The IRB approach faces new restrictions, particularly for equities and low default portfolios, alongside revisions in risk parameters like probability of default and loss given default. Credit risk mitigation guidelines have been clarified, and an output floor has been introduced to limit reductions in risk-weighted assets (RWAs).
- **Consultation paper on the simplified capital regime for SDDTs**. This document sets out proposals for Phase 2, the proposed simplified capital regime and additional liquidity simplifications for SDDTs. The PRA is proposing to simplify all elements of the capital stack, including Pillar 1, Pillar 2A, buffers, and the calculation of regulatory capital. The document also proposes to revoke the Interim Capital Regime (ICR), which is a temporary and optional regime that provides SDDT-eligible firms and consolidation entities with the option to remain subject to existing Capital Requirements Regulation (CRR) capital provisions until the capital regime set out in this consultation paper is implemented.
- **Consultation paper on the definition of capital**. This document sets out the PRA's proposed rules to restate, and in some cases modify the CRR requirements relating to the definition of own funds in the PRA Rulebook.
- **Consultation paper on the updates to the UK policy framework for capital buffers**. This consultation paper sets out the PRA's proposals to streamline some of its policy materials on capital buffers to enhance usability and clarity, as part of the process. These proposals include consequential amendments to, and streamlining of, PRA statements of policy (SoPs), PRA rules that refer directly to the current capital buffers regulation (CBR), and UK Technical Standards (UKTS). In this consultation, the PRA is not proposing changes to its policy approach on the implementation of capital buffers.
- **Consultation paper streamlining the Pillar 2A capital framework and the capital communications process**. This document sets out the PRA proposal to streamline the Pillar 2A capital framework and capital communications process. This is relevant to all PRA-regulated banks, building societies, designated investment firms, and all PRA-approved or PRA-designated holding companies.

3. Next Steps

- The consultation periods close on **12 December 2024**.
- The SS on credit risk definition of default and credit risk internal ratings based approach will be effective from **1 January 2026**.
- The implementation date for the Basel 3.1 standards will be **six months** to **1 January 2026** with a transitional period of 4 years to ensure full implementation by **1 January 2030**.

Q3 Relevant publications

American Region

C

24/07/2024

OCC/Board/FDIC/NCUA - Proposal of amendments on the Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) Program Requirements

1. Context

In January 2021, the AML Act made several changes to the Bank Secrecy Act (BSA), including inserting as a term in the statutory compliance program requirement, requiring the Treasury Secretary to establish and make public the AML/CFT Priorities and to promulgate regulations, as appropriate, and providing that the duty to establish, maintain, and enforce an AML/CFT program shall remain the responsibility of, and be performed by, persons in the United States who are accessible to, and subject to oversight and supervision by, the Treasury Secretary and the appropriate federal functional regulator.

In this context, the OCC, Board, FDIC and NCUA has published the **proposal of the amendments on the AML and CFT Program Requirements**. This document updates the requirements of the four federal financial institution for supervised institutions to establish, implement, and maintain effective, risk-based, and reasonably designed AML/CFT programs. The amendments are intended to align with changes concurrently proposed by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), most of which result from the AML Act of 2020.

2. Main points

- **AML/CFT Program.** AML/CFT Program is an effective, risk-based, and reasonably designed AML/CFT program focuses attention and resources in a manner consistent with the bank's risk profile that takes into account higher-risk and lower-risk customers and activities. It would require a financial institution's risk assessment process to identify, evaluate, and document the financial institution's money laundering, terrorist financing, and other illicit finance activity risks, including consideration of: i) the AML/CFT Priorities issued by FinCEN; and ii) the money laundering and terrorist financing (ML/TF) risks of the financial institution based on the financial institution's business activities, including products, services, distribution channels, customers, intermediaries, and geographic locations. Finally, the proposal would amend the existing internal controls component to require that a bank reasonably manage and mitigate money laundering, terrorist financing, and other illicit finance activity risks through internal policies, procedures, and controls that are commensurate with those risks and ensure ongoing compliance with the requirements of the BSA.
- **Customer Due Diligence (CDD)**. The proposed rule would add CDD as a required component of the Agencies' AML/CFT program rule. The Agencies have considered CDD an integral component of a risk-based program, enabling the bank to understand its customers and its customers' activity to better identify suspicious activity.
- **Fostering Innovative Approaches to BSA Compliance Obligations.** The AML Act also encourages technological innovation and supports financial institutions in effectively innovating, testing, and adopting new technologies and approaches. FinCEN and the Agencies have long recognized that responsible innovation, including new ways of using existing tools or adopting new technologies, may help financial institutions identify and report suspicious activities by enhancing the effectiveness and efficiency of financial institutions' AML/CFT programs.
- **Other notable changes.** The AML/CFT Program would require financial institutions to have a presence in the United States, specifying that the duty to establish, maintain, and enforce the AML/ CFT program must remain the responsibility of, and be performed by, persons in the United States who are accessible to, and subject to oversight and supervision by, FinCEN and the appropriate Federal functional regulator.

3. Next steps

- Stakeholders shall submit their comments on or before **60 days** after date of publication in the federal register.

CL

24/07/2024

Fed/CFPB/FDIC/FHFA/NCUA/OCC - Final rule to implement quality control standards for the use of automated valuation models.

1. Context

In June 2023 the Fed, CFPB, FDIC, FHFA, NCUA and OCC published for comments a **proposed rule designed to ensure the credibility and integrity of models used in real estate valuations**. In particular, the proposed rule would implement quality control standards for automated valuation models (AVMs) used by mortgage originators and secondary market issuers in valuing real estate collateral securing mortgage loans. Under the proposed rule, the agencies would require institutions that engage in covered transactions to adopt policies, practices, procedures, and control systems to ensure that AVMs adhere to quality control standards designed to ensure the credibility and integrity of valuations. The proposed standards are designed to ensure a high level of confidence in the estimates produced by AVMs; help protect against the manipulation of data; seek to avoid conflicts of interest; require random sample testing and reviews; and promote compliance with applicable nondiscrimination laws.

In this context, the 6 agencies have issued the **final rule final rule to implement quality control standards for the use of automated valuation models**, which is substantially similar to the proposal published previously, with targeted changes to clarify the proposed definition of mortgage originator in response to feedback about inconsistencies. These changes involve incorporating the Truth in Lending Act (TILA) definition directly into the rule text and making necessary modifications to align it with the scope of the final rule. Additionally, the rule will now explicitly include TILA's definition of "person" for further clarity.

2. Main points

Scope. The proposed rule would apply the quality control standards when an AVM is being used to make a determination of collateral value, as opposed to other uses such as monitoring value over time or validating an already completed valuation.

- AVMs used in connection with making credit decisions. It would apply to AVMs used in connection with making a credit decision.
    - **Loan modifications and other changes to existing loans.** 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. Given that the statute refers to secondary market issuers and the primary business of secondary market issuers is to securitize mortgage loans and to sell those mortgage backed securities to investors, the proposed rule would cover AVMs used in securitization determinations.
    - **Appraisal waivers.** It would define “covered securitization determination” to include determinations regarding, among other things, whether to waive an appraisal requirement for a mortgage origination (appraisal waiver decisions).
    - **Other uses by secondary market issuers.** It would define “covered securitization determination” to include 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 AVMs by appraisers.** The proposed rule would not cover use of an AVM by a certified or licensed appraiser in developing an appraisal. This approach reflects the fact that, while appraisers may use AVMs in preparing appraisals, they must achieve credible results in preparing an appraisal under the Uniform Standards of Professional Appraisal Practice (USPAP) and its interpreting opinions.
    - **Reviews of completed collateral valuation determinations**. It would not cover AVMs used in reviews of completed collateral value determinations, given that the underlying appraisal or evaluation determines the value of the collateral, rather than the review of the appraisal or evaluation.

3. Next steps

This final rule is effective the first day of the calendar quarter following **12 months** after the publication in the Federal Register.

15/07/2024

G

CMF - Public consultation on rules on corporate governance, risk management and minimum capital requirements

1. **Context**

The CMF of Chile has launched a public consultation on a set of regulatory proposals that address corporate governance, comprehensive risk management, and minimum capital requirements for various financial market participants. These proposals aim to improve supervision and risk management in securities intermediaries, commodity brokers, general fund administrators, and other participants regulated by the Fintec Law.

In this context, the CMF **launches for public consultation rules on corporate governance, risk management and minimum capital requirements.**

2. **Main points**

- The first set of regulatory proposals **establishes corporate governance, risk management and operational risk management requirements** for Securities Intermediaries and Commodity Exchange Brokers. It also incorporates provisions on **the evaluation of the quality of risk management** to be carried out by the Commission for **intermediaries and custodians of financial instruments under the Fintec Law**, as well as for General Fund Managers. In this way, the following proposals are published in new consultation:
  - Rule issuing instructions on corporate governance and risk management for stockbrokers, securities brokers and commodity exchange brokers.
  - Modification of NCG N°510 which provides instructions on operational risk management.
  - Amendment of NCG No. 502 regulating the registration, authorisation and obligations of financial service providers under the Fintec Act.
  - Modification of NCG N°507 which provides instructions on corporate governance and risk management of General Fund Managers
- In parallel, the consultation includes three regulatory proposals to determine **minimum capital requirements** on the basis of a financial and operational risk-weighted asset methodology. These regulations will be applicable to **stock exchanges, general fund administrators, securities intermediaries and commodity brokers.**
  - Rule establishing minimum net worth requirements for stock exchanges.
  - Rule that establishes the minimum net worth requirements for General Fund Administrators and Portfolio Administrators, as well as the guaranteed requirements that these entities must provide for the benefit of the managed funds. The minimum net worth and guarantee requirements may be increased in response to deficiencies identified in the Commission's assessment of the quality of risk management.
  - Rule that establishes the minimum equity, guarantees, liquidity and indebtedness requirements to be met by securities intermediaries and brokerage firms, and repeals General Rule No. 18, Circular No. 632 and Circular No. 695. The minimum equity, collateral, indebtedness and liquidity requirements may be increased in response to deficiencies identified in the Commission's assessment of the quality of risk management.

3. **Next steps**

- The public consultation will be open until **August 22, 2024**, allowing interested entities to submit their comments and suggestions on the proposed regulations.
- Once the consultation is concluded and the comments received have been evaluated, the CMF will proceed with the **gradual implementation of the approved regulations.**
- The CMF will continue to monitor and evaluate the effectiveness of the implemented regulations, adjusting as necessary to ensure the stability and transparency of the financial market.

04/09/2024

D

CMF - Circular N°2275 on the monthly requirement of financial and solvency information for insurance companies

1. Context

In June 2024, the CMF initiated the public consultation process for the regulatory proposal amending Circular N°2275, which establishes the monthly financial and solvency reporting requirement for insurance companies. The objectives of this amendment are: i) to adapt the reporting requirements to the financial volatility observed after the Covid-19 pandemic; ii) to include prospective solvency indicators with a three-month horizon and quarterly frequency; and iii) to reinforce the CMF's ongoing supervision process by incorporating new accounts in the monthly information reported by insurers.

In this context, the CMF has published the **modification of Circular No. 2275 on the monthly financial and solvency information requirement for insurance companies.**

2. Main points

- **Systematisation of Solvency Projection.** The aim is to integrate the solvency projection requirement, previously established by Official No. 16.618, into the monthly financial statements Circular. This implies the incorporation of a new annex in the Circular that will summarise various financial aspects, including:
  - Projected Regulatory Compliance Indicators: Net Equity, Risk Equity, Total and Financial Indebtedness, Investment Surplus or Deficit, and Investment Obligation.
  - Projected Income Statement Accounts: Direct and Retained Premium, Claims and Annuity Cost, Contribution Margin, Investment Income, and Profit for the Year.
  - Projection of Balance Sheet Accounts: Total Technical Reserves, Financial Liabilities, Financial and Real Estate Investments, and Total Assets.
  - Projection Assumptions: Premium Uncollectible, Investments, Claims, Business Volume Variation, Capital Increase or Dividend Distribution, among others.

- **Incorporation of New Accounts in the Monthly Financial Information.** Six new accounts will be added and the reasoned analysis will be adjusted:
  - Statement of Financial Position: Debts from Reinsurance Operations, Paid-in Capital and Accumulated Result.
  - Statement of Comprehensive Income: Change in Technical Reserves.
  - Solvency Compliance: Claims Advances from Reinsurers and Balance of Derivative Liabilities (if applicable).
  - Brief Reasoned Analysis: Opening of the Equity/Risk Equity ratio in two separate items.

The information shall be submitted quarterly for the solvency projection and monthly for the new financial reporting accounts. The SEIL system or a new communication system with the CMF will be used, in Extensible Business Reporting Language (XBRL) format, according to the taxonomy to be published on the CMF's website, following the instructions in the Annex to Circular No. 2275.

3. Next steps

The amendments contained in the Circular will start to apply from **1 December 2024**.

05//09/2024

D **CMF - Public consultation on the modification of General Rule (NCG) No. 461 regarding the Integrated Annual Report of supervised entities**

1. Context

In August 2024, the CMF initiated a public consultation process for the proposed regulation that modifies NCG No. 461, which establishes the structure and information requirements on sustainability and corporate governance that must be included in the annual reports of publicly traded entities and other supervised entities. This modification aims to align local regulatory requirements with the latest international standards on the disclosure of environmental, social, and governance (ESG) information.

In this context, the CMF has published the **modification of NCG No. 461 regarding the Integrated Annual Report**, adapting the information requirements to international best practices and strengthening the governance framework of the supervised entities.

2. Main points

- **Alignment with International Sustainability Standards.** The aim is to incorporate the latest international sustainability standards into local regulations, such as those established by the International Sustainability Standards Board (ISSB). This includes the adoption of the following key elements:
  - IFRS S1 and S2: Integration of general and climate-related sustainability requirements.
  - SASB Standards: Application of industry-specific metrics to identify and manage sustainability risks and opportunities.

- **Improvement of Transparency and Comparability.** The new regulation strengthens the disclosure requirements, ensuring that they are consistent, comparable, and relevant to investors. The main changes include:
  - Corporate Governance: Reinforcement of disclosure obligations regarding governance, including the management of sustainability risks and opportunities.
  - Transition and Proportionality: Introduction of transitional provisions to facilitate the adoption of new standards, with a proportional approach based on the size and capacity of the entities.

- The **implementation** of this regulation will be **gradual**, and it is expected that supervised entities will begin reporting in accordance with the new standards starting from the 2024 fiscal year, in line with the timelines established by the CMF.

3. Next steps

Supervised entities and other interested parties may submit their comments to the CMF until **September 27**, before the final version of NCG No. 461 is published in the last quarter of 2024.

Q4 Relevant publications

Global

12/12/2024

CL **BCBS - Final version of the guidelines for counterparty credit risk management**

1. Context

In 1999, the BCBS published the Sound practices for banks' interactions with highly leveraged institutions. This report was principally motivated by the collapse of the hedge fund Long-Term Capital Management and associated risk management failures. In recent years there have been additional cases of significant mismanagement of counterparty credit risk (CCR), including events linked to the failure of Archegos Capital Management in March 2021 which caused over $10 billion in losses across numerous financial institutions. In response to the failures in CCR management, in May 2024 the BCBS published a consultation on Guidelines for Counterparty Credit Risk Management.

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

2. Main points

Scope, proportionality and risk-based application

- As a novelty, the final version of the guidelines for CCR management are designed to be adaptable to a wide range of banks, with **proportional application** based on the size, complexity, and significance of a bank's CCR profile. Although primarily aimed at large, internationally active banks with substantial CCR exposures, the framework is broadly relevant to all banks, including smaller ones with less material exposures.

Due diligence and monitoring sound practices

- The credit approval process should begin with **comprehensive collection and review of financial and non-financial information**, providing a clear picture of a counterparty's risk profile and risk management standards. Additionally, banks should understand the rationale and economics of underlying exposures, and of the key drivers of the counterparties' performance and growth.
- The final version includes that due diligence requires a risk-based **disclosure framework** with minimum standards for counterparty information. Banks should use disclosure quality in risk ratings, margin setting, and exposure limits. If information is insufficient, a more conservative approach should be applied. Ongoing monitoring and verification of disclosures are essential.
- **Credit standards** should clearly dictate initial and ongoing due diligence expectations for different types of counterparties and conform to the bank's stated risk appetite. Standards should be appropriately informative, having regard to the product and industry, and be commensurate with the bank's risk profile and business model in this context.

Margining and risk mitigation of CCR exposure

- Banks with sound practices develop and implement a transparent and robust **margining framework** that is consistent across all trading products and onboarding platforms. This margin framework should adequately capture market and liquidity risks associated with the portfolio, the quality of collateral received, as well as the credit risk associated with the counterparties.
- Bank policies and procedures should determine the range of allowable **credit risk mitigants**. These policies should ensure that the usage of mitigants is controlled and monitored appropriately across the bank's portfolio. Furthermore, they should closely relate the allowable mitigants to the credit worthiness of the counterparty and the riskiness of the underlying exposures.

Exposure measurement

- Banks should compute CCR **exposure metrics** for a given counterparty, considering the level of aggregation embedded in the calculation. These metrics should be produced frequently and include all trades giving rise to CCR, across product types, business lines and legal entities.
- Banks should quantify CCR exposure daily, using **potential future exposure (PFE)** as a measure. For risk monitoring purposes, when calibrating PFE, banks must take due account of the model specifications.
- Banks should have clear, documented governance of their CCR **stress testing framework** to ensure the appropriate identification of relevant scenarios, their design and revision when necessary. The framework should include a robust number of scenarios, exhaustive of the multi-dimensional nature of the risks to which the bank's portfolio is exposed.
- A bank's **limit structure** should cover a range of both BAU-based exposure metrics and stress-based exposure metrics. Risk limits should be granular enough to monitor key risks in the underlying exposure to a counterparty at the material risk factor level.

Governance

- Banks should foster a **culture** that ensures understanding of all risks with accountability for taking risk management actions when necessary, and that values the important role played by data and models in managing CCR. This culture should encourage an appropriate degree of confidence in data and models underlying CCR management, balanced by an appropriate level of challenge and an awareness of limitations. As a new development, as part of the principle of proportionality and risk-based implementation, sound governance should take into account the size and complexity of the organisation and its business model, as well as the related counterparties.

- Banks should establish a clear CCR **strategy** and an effective CCR **management process**. The CCR strategy should define the bank's risk appetite, its desired risk-return trade-off and mix of products and markets. Such a strategy should be supplemented by clear, robust and actionable policies and procedures that establish effective monitoring and control of CCR relationships.

<u>Infrastructure, data and risk systems</u>

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

<u>Closeout practices</u>

- Banks **closing out counterparties** should know that the potential costs of such actions can be high. Banks should ensure that seasoned professionals familiar with legal processes for carrying out a declaration of counterparty default are able to initiate closeouts as needed.

22/11/2024

S
D

ISSB - New comprehensive guide to help companies identify sustainability-related risks and opportunities and material information to provide

1. Context

In November 2021, the IFRS Foundation established the ISSB with the goal to develop IFRS Sustainability Disclosure Standards to provide investors with information about companies' sustainability risks and opportunities. In June 2023, IFRS released the inaugural general sustainability (IFRS S1) and climate (IFRS S2) reporting standards. In addition, investors and global capital markets are increasingly demanding this information to inform investment decision making.

In this context, the IFRS Foundation has published a **new comprehensive guide** aimed at helping companies to identify and disclose material information about sustainability-related risks and opportunities that could have an impact on their short- or long-term cash flows. The new guide is intended to help companies understand IFRS S1's approach to sustainability-related risks and opportunities including how they can arise from a company's dependencies and impacts. The guide addresses the materiality process and the alignment between the ISSB Standards, the European Sustainability Reporting Standards (ESRS) or the Global Reporting Initiative (GRI) Standards for integrating sustainability and financial statements.

2. Main aspects

This educational material is structured as follows:

- **Overview**. This comprehensive guide describes the characteristics of material information and the concept of sustainability-related risks and opportunities. It also explains the requirements related to identifying and disclosing material information about sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects.
- **Chapter 1 on the definition of material information and its application in ISSB Standards**. This chapter discusses materiality in the ISSB Standards, highlighting it as an entity-specific characteristic that acts as a filter for disclosing information about sustainability risks and opportunities that could reasonably affect its prospects. It also explains how to make materiality judgments, assessing whether the omission, misrepresentation or concealment of information could influence primary users' decisions on resource allocation, considering its impact on expected returns, such as dividends or market prices.
- **Chapter 2 on sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects and its application in ISSB Standards**. This chapter explains how IFRS S1 defines the risks and opportunities related to sustainability, considering an entity's interactions with stakeholders, society, the economy and the natural environment along its value chain, as well as the associated dependencies and impacts. Entities identify risks and opportunities that could affect their cash flows, access to finance or cost of capital in the short, medium or long term, taking an external perspective. Although the ISSB Standards do not require a specific method, they recommend sources such as the Sustainability Accounting Standards Board (SASB) for IFRS S1 and industry guidance for IFRS S2, helping to identify and disclose relevant information.
- **Chapter 3 on identifying and disclosing material information**. This chapter builds on the first two chapters and explains the requirements associated with identifying and disclosing material information about sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. It involves four steps: i) to identify information about sustainability-related risks and opportunities that could be material; ii) to assess whether the identified information is actually material; iii) to organize the material information within the draft sustainability-related financial disclosures; and iv) to review the draft disclosures.

25/10/2024

E **IAIS - Strategic Plan for 2025–2029**

1. Context

The period from 2025 to 2029 follows an intensive phase of standard-setting for the global insurance sector. Significant milestones include the adoption of revised Insurance Core Principles (ICPs) and the Common Framework (ComFrame) for the supervision of Internationally Active Insurance Groups (IAIGs). Additionally, the Insurance Capital Standard (ICS) is scheduled for adoption as a prescribed capital requirement for IAIGs by the end of 2024. Building on these achievements, the focus will now shift to supporting the comprehensive and globally consistent implementation of these standards.

In this context, the IAIS has published its **Strategic Plan for 2025-2029**, aiming to guide and set priorities for the Association's work. The objective is to support its mission of promoting effective and globally consistent supervision of the insurance industry to develop and maintain fair, safe, and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

2. Main points

The Work Programme sets out priorities and objectives for 2025-2029.

- **Core objectives**. The IAIS has four core objectives: i) monitoring and responding to key risks and trends in the global insurance sector; ii) setting and maintaining globally recognised standards for supervision that are effective and proportionate; iii) supporting members by sharing good supervisory practices and facilitating capacity building; and iv) assessing comprehensive and globally consistent implementation of global standards. These objectives aim to enhance the effectiveness and consistency of insurance supervision worldwide, ensuring that supervisory practices are robust and aligned with global standards.
- **Strategic themes**. The IAIS will focus on three strategic themes for 2025-2027. First, strengthening supervisory response to climate change involves understanding financial risks, developing metrics and tools, refining data collection, and exploring the role of insurance in climate adaptation and risk mitigation. Second, adapting to increasing digital innovation and cyber risks addresses opportunities and challenges presented by digital technologies. The IAIS will support supervisors in understanding these risks, promoting convergence in supervisory practices, and enhancing capacity-building activities. Third, supporting insurance to serve its societal purpose of building resilience focuses on advancing financial inclusion and fair treatment of customers. The IAIS will address protection gaps, ensure insurance products meet societal needs, and strengthen partnerships with other standard-setting bodies (SSBs) and development organizations.
- **Operational priorities**. The IAIS will focus on deriving strength from diversity, operating sustainably, strengthening engagement with members and stakeholders, and implementing efficiencies. This includes fostering inclusiveness by ensuring diverse perspectives in meetings and processes, reducing environmental impact through sustainable practices, improving communication and stakeholder engagement, and leveraging technology to enhance efficiency and impact. The IAIS aims to create a more inclusive, sustainable, and efficient supervisory environment that benefits all stakeholders.

14/11/2024

P **IAIS - Consultation on the exposure draft of proposed amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**

1. Context

In 2020, the IASB initiated a project aimed at refining three specific aspects to the IAS 37 about Provisions, Contingent Liabilities, and Contingent Assets. The goal is to enhance consistency in applying these standards and to provide investors with clearer, comparable insights into company provisions, which are crucial for evaluating future cash flows and overall financial health.

In this context, the IAIS has published a **consultation on the exposure draft of proposed amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets**. The amendments are designed to improve transparency and comparable information about companies' provisions for assessing future cash flows and financial positions to give investors more insight into the financial statements and impact of provisions on the balance sheet. The proposed amendments to IAS 37 would clarify how companies assess when to record provisions and how to measure them, as well as when the liabilities have an uncertain timing or amount.

2. Main aspects

This consultation is made up of three parts.

- **Exposure draft provisions (Proposed amendments to IAS 37)**. In this exposure draft, the IASB is proposing to make targeted improvements to three aspects of IAS 37 Provisions, Contingent Liabilities and Contingent Assets: i) one of the criteria for recognizing a provision, the requirement for the entity to have a present obligation as a result of a past event; and ii) two aspects of the requirements for measuring a provision, those relating to the costs an entity includes in estimating the future expenditure required to settle its present obligation and the rate an entity uses to discount that future expenditure to its present value.
- **Exposure draft provisions (Proposed amendments to Guidance on implementing IAS 37)**. The IASB is also proposing amendments to the Guidance on implementing IAS 37 Provisions, Contingent Liabilities and Contingent Assets. It proposes: i) to expand the decision tree to show how a step-by-step assessment of these three conditions, obligation, transfer and past-event condition, would fit into the wider process followed by an entity in applying the recognition criteria; ii) to update the analysis in the illustrative examples to fact patterns similar to those in IFRIC 6, IFRIC 21 and Agenda Decisions; and iii) to amend the analysis in the existing examples in the Guidance on implementing IAS 37 to reflect the proposed new requirements supporting the present obligation recognition criterion.
- **Exposure draft provisions (Basis for Conclusions)**. It outlines the IASB's reasoning for proposed changes to IAS 37. It highlights issues identified in practice with current requirements, such as difficulties in measuring provisions and inconsistency in application. The aim is to address inconsistencies and enhance the clarity of requirements, particularly for complex obligations like environmental liabilities and restructuring costs. The amendments focus on providing better information for users of financial statements.

3. Next steps

- The comment period is open until **12 March 2025.**

22/11/2024

T IAIS - Public consultation on draft Application Paper on the supervision of artificial intelligence

1. Context

The adoption of artificial intelligence (AI) systems is accelerating globally. For insurers these developments offer substantial commercial benefits across the insurance value chain. However, with these advancements come notable risks that could detrimentally impact consumers as well as the financial soundness of insurers. The opaque and complex nature of some AI systems can lead to accountability issues, where it becomes difficult to trace decisions or actions back to human operators, and uncertainty of outcomes. Addressing such concerns is paramount to maintaining trust and fairness in the industry. On December 2023, the IAIS issued a short summary of its ongoing efforts in the area of the adoption of AI and machine learning (ML) in the insurance sector. The IAIS has affirmed that the current Insurance Core Principles (ICPs) continue to be appropriate and relevant in managing these risks.

In this context, the IAIS has issued a **public consultation (PC) on a draft application paper on the supervision of AI in the insurance sector**. The application paper underscores the critical role of the ICPs in guiding governance and conduct for supervisors and insurers utilizing AI, emphasizing the need for robust risk and governance frameworks to address amplified risks and ensure positive consumer outcomes.

2. Main aspects

The application paper covers four broad sections.

- **Governance and accountability**. The paper highlights the necessity for insurers to integrate AI systems into their broader risk management frameworks, addressing risks like data quality issues and algorithmic biases. Boards and senior management are tasked with ensuring robust governance, including defining accountability for AI-related risks and maintaining human oversight throughout the AI lifecycle. Insurers must also manage risks associated with third-party AI vendors through thorough due diligence and monitoring to ensure they retain full control and understanding of outsourced AI systems.
- **Robustness, safety and security**. AI systems must be designed for robustness and undergo regular testing to ensure resilience against unexpected inputs, system failures, or cyberattacks. The paper emphasizes the importance of maintaining operational reliability and protecting the data used by AI systems through stringent cybersecurity protocols. Insurers are encouraged to audit these systems periodically to mitigate potential vulnerabilities and ensure they perform consistently within regulatory and operational expectations.
- **Transparency and explainability**. The IAIS underscores the need for AI systems to provide clear, stakeholder-specific explanations of their processes and outcomes. Transparency extends to documenting AI systems comprehensively, ensuring traceability and accountability throughout their development, deployment, and monitoring phases.
- **Fairness, ethics and redress**. Fairness must be embedded into AI systems from the design stage, with proactive measures to identify and mitigate biases. The paper also explores how AI-enabled granular risk pricing can challenge traditional principles of risk pooling, potentially leading to societal inequities. Insurers and supervisors are encouraged to evaluate these broader implications. Additionally, effective redress mechanisms are essential, providing consumers with accessible ways to contest or seek explanations for AI-driven decisions, thus maintaining trust and accountability in AI applications.

4. Next steps

- Feedback on the document should be sent by **17 February 2025**.
- A public background session webinar will be held on the **13 December 2024** to present the draft application paper and answer any questions from stakeholders.

05/12/2024

CL **IAIS - Insurance Capital Standard (ICS) and other enhancements to its global standards to promote a resilient insurance sector**

1. Context

The International Association of Insurance Supervisors (IAIS) has taken a significant step in enhancing global insurance supervision by adopting the first comprehensive global Insurance Capital Standard (ICS). This standard provides a risk-based measure of capital adequacy for internationally active insurance groups (IAIGs), ensuring they maintain sufficient capital to withstand potential stresses and protect policyholders. Alongside the ICS, IAIS has updated its Insurance Core Principles (ICPs) and the Common Framework for the supervision of IAIGs (ComFrame) to address emerging risks such as climate risk, recovery and resolution, and valuation and capital adequacy. These updates are part of IAIS's ongoing efforts to promote a resilient insurance sector and contribute to global financial stability.

In this context, the IAIS has published the **ICS and the updated standards**, which include detailed specifications for calculating risk charges across various risk modules, including insurance, market, credit, and operational risks. The ICS serves as a group-wide prescribed capital requirement, providing a consistent and transparent framework for supervisors to evaluate the financial soundness of IAIGs. The updates to the ICPs and ComFrame ensure that the global standards remain relevant and effective in addressing the challenges faced by the insurance sector today. IAIS members are committed to implementing the ICS and the updated standards. Several members are already taking steps to embed the ICS in their regulatory regimes.

2. Main points

The key aspects included in IAIS's adoption are as follows:

- **Insurance Capital Standard (ICS).** The ICS provides a globally comparable risk-based measure of capital adequacy for IAIGs. It serves as a group-wide prescribed capital requirement, ensuring that IAIGs maintain sufficient capital to withstand potential stresses and protect policyholders. The ICS includes detailed specifications for calculating risk charges across various risk modules, including insurance, market, credit, and operational risks. It also provides a consistent and transparent framework for supervisors to evaluate the financial soundness of IAIGs. The ICS calibration document explains the calculation of different ICS risk charges and their aggregation, providing detailed information for all risk modules and correlation matrices used for aggregating risk charges.
- **Updates to Insurance Core Principles (ICPs).** The ICPs form the globally accepted framework for the supervision of the insurance sector. The updates include enhancements to address emerging risks such as climate risk, recovery and resolution, and valuation and capital adequacy. These updates ensure that the ICPs remain relevant and effective in addressing the challenges faced by the insurance sector today. The updated ICPs include new guidance on the integration of climate risk into risk management frameworks and the development of recovery and resolution plans to enhance the sector's resilience.
- **Common Framework for the supervision of IAIGs (ComFrame).** ComFrame builds upon the ICPs and establishes supervisory standards and guidance specifically focused on the effective group-wide supervision of IAIGs. The updates to ComFrame include enhancements to governance and risk management practices, ensuring that IAIGs are better equipped to manage emerging risks and maintain financial stability. The updated ComFrame standards provide detailed requirements for the governance structures of IAIGs, including the roles and responsibilities of boards and senior management in overseeing risk management and ensuring compliance with regulatory requirements.
- **Aggregation Method (AM) comparability assessment.** The IAIS has completed the comparability assessment of the Aggregation Method (AM) developed by the United States. The assessment concluded that the AM provides a basis for the implementation of the ICS to produce comparable outcomes. This ensures that the AM can be used as an equivalent approach to the ICS for measuring group capital, promoting global convergence among group capital standards. The comparability assessment highlighted areas where further work is needed to ensure convergence, such as the treatment of interest rate risk and the timing of supervisory intervention.

5. Next steps

- The IAIS will begin developing a detailed ICS assessment methodology in 2025 and coordinate a baseline self-assessment by IAIS members in 2026.
- Detailed jurisdictional assessments of ICS implementation will start in 2027, ensuring that the implementation meets the required standards and promotes global financial stability.

Q4 Relevant publications

European Union

08/10/2024

E **EBA - Work Programme 2025-2027**

1. Context

The EBA's Work Programme outlines its strategic priorities and planned activities for the upcoming year, reflecting the broader Union priorities and strategies for the financial sector. This document is essential for aligning the EBA's efforts with the legislative and regulatory developments within the European Union (EU), particularly in response to economic, geopolitical, and technological changes.

In this context, the EBA has published its **Work Programme for 2025-2027**, detailing its objectives, strategic priorities, and specific activities aimed at enhancing the resilience and stability of the European banking sector. The document outlines the EBA's approach to implementing the EU banking package, enhancing financial stability, improving data infrastructure, overseeing digital operational resilience, and ensuring consumer protection, anti-money laundering (AML) and countering the financing of terrorism (CFT) measures.

2. Main aspects

The Work Programme sets out priorities for 2025-2027. Also, EBA details for each priority the 2025 focus.

- **Finalise and implement an effective and proportionate Single Rulebook**. In 2025, the EBA will prioritise its contribution to the timely and faithful implementation of the outstanding Basel III reforms in the EU to ensure banks can withstand future crises and to preserve a proper functioning of the European and global financial systems. This will be achieved through the development of Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) that introduce more risk-sensitive approaches to determine capital requirements related to credit, market and operational risk. In addition, the EBA will conduct stress testing (ST) exercises that simulate adverse economic scenarios, allowing the resilience of banks to financial crises to be assessed. The implementation of an output floor will also serve as a backstop, ensuring that all banks maintain a minimum level of capital, regardless of their internal models. This will contribute to a more robust supervision and regulatory framework that promotes fair competition in the EU single market.
- **Foster financial stability in an economy transitioning towards sustainability**. In 2025, an increased focus will be put on the impact of changes of interest rates on the real economy in general and the banking sector in particular, in a context of high inflation and a possible credit crunch due to a tightening of credit standards and risk averse behavior. To this end, an ESG risk monitoring framework will be developed and stress tests will be conducted to inform supervisory priorities. The EBA also plans to adapt its methodology to take account of geopolitical changes and unstable political conditions.
- **Enable an integrated reporting system for enhanced assessment and disclosure**. By 2025, the EBA will enhance the regulatory data infrastructure, which will encompass financial data and ESG metrics, as well as information relevant for reporting under DORA and MiCAR. The implementation of its data strategy will enable the EBA to streamline the acquisition, compilation and dissemination of this data to stakeholders. The new data portal will facilitate access to high quality and processed datasets, thereby enhancing transparency and analytical capacity for banking sector supervision. In addition, advanced features will be included in the portal to enable more effective data analysis and facilitate reporting, aligning with the EBA's strategy to foster more efficient and accessible disclosure.
- **Implementing DORA and MiCAR monitoring**. By 2025 the EBA expects that, together with the other ESAs (where relevant), it will have delivered the policy mandates foreseen in MiCAR and Digital Operational Resilience Act (DORA), thereby having contributed to the consistent framework for the regulation of crypto-asset issuance and the digital risk management dimension of the Single Rulebook.
- **Focus on innovation for the benefit of consumers and ensure a smooth transition to the new AML/CFT framework**. In 2025, the EBA will focus on ensuring a smooth transition of AML/CFT responsibilities to the new Anti-Money Laundering Authority (AMLA) while continuing to fight financial crime. It will work on consumer protection mandates, monitor financial innovation, and contribute to regulatory developments in areas like open finance and the digital Euro. The EBA will also support the EU Supervisory Digital Finance Academy and start implementing mandates related to payment services, depositor protection, and fraud prevention under new EU directives and regulations.

25/10/2024

D **EBA - First draft of the technical package for its 4.0 reporting framework**

1. **Context**

Last year, the EBA announced the migration to the data point model (DPM) 2.0 methodology and published the corresponding documentation. In June of this year, the plans for this migration and the new glossary were presented.

In this context, the EBA has released the **first draft of the technical package for the 4.0 reporting framework**, which includes specifications for the migration to the DPM 2.0 methodology. The package reflects the amendments recommended by the European Supervisory Authorities (ESAs) in their opinion of October 15, after the European Commission (EC) rejected the draft Implementing Technical Standards (ITS) on information records under the Digital Operational Resilience Act (DORA).

2. **Main points**

The draft establishes the standard specifications, including validation rules, the DPM, and extensible Business Reporting Language (XBRL) taxonomies, to develop the following reporting standards: reporting by issuers of asset-referenced tokens (ARTs) and electronic money tokens (EMTs), the modification of the supervisory reporting framework (COREP templates) to implement changes from the EU Banking Package (CRR3/CRDVI), and minor adjustments for class 2 investment firms, aligning with these updates. Additionally, the following aspects are detailed:

- **Introduction of DPM 2.0**. The EBA is transitioning to a new DPM that will completely replace DPM 1.0. This version incorporates significant improvements in technical specifications, such as the inclusion of new validation rules and the adoption of XBRL-based taxonomies to enhance reporting accuracy. The EBA's objective is to optimize the collection of regulatory data through automated processes that ensure more efficient and detailed regulatory compliance.
- **New validation rules language**. The new DPM-XL language is introduced to improve the effectiveness and security of validation processes. It consolidates validation information into a single expression format and reduces reliance on Excel-based expressions.
- **Automated processes** ensuring more efficient and detailed regulatory compliance.
- **Start of the transition to the DPM 2.0**. This version introduces significant improvements in technical specifications, including new validation rules and XBRL-based taxonomies to enhance reporting accuracy. The EBA aims to optimize regulatory data collection through automated processes for more efficient and detailed compliance.
- **Implementation of the new glossary**. DPM 2.0 introduces an updated glossary to enhance the clarity and accuracy of the reported information. The adoption of the new glossary will be gradual, with version 4.0 implementing specific modules and subsequent versions expanding its use.
- **Improvements in validation rules with DPM-XL**. The new approach adopted in the DPM quality review project incorporates the use of the DPM-XL standard for validation rules. This innovation will make the rules easier to automate and apply, ensuring greater efficiency in managing regulatory compliance. The new methodology will also help institutions better understand the requirements and improve the quality of the reported data.

3. **Next steps**

- The final version of the technical package for the reporting framework 4.0 will be published in December, incorporating the changes suggested by the ESAs. This package will begin to apply from the **first half of 2025**.
- The coexistence of DPM 1.0 and DPM 2.0 during the transition phase until **December 2025** will allow institutions to migrate gradually. The EBA will continue to publish documentation and support for both versions, providing flexibility for entities to use either methodology during this period to ensure a smooth adaptation to the new requirements.

14/11/2024

CL **EBA - 2025 EU-wide Stress Test**

1. Context

The EBA is required, in cooperation with the European Systemic Risk Board (ESRB), to initiate and coordinate EU-wide stress tests to assess the resilience of financial institutions to adverse market developments. For this reason, in July 2024, the EBA published for informal consultation its draft methodology, templates and guidance for the 2025 EU-wide stress test. The objective of the EU-wide stress test is to provide a common analytical framework to consistently compare and assess the resilience of EU banks and the EU banking system to shocks, and to challenge the capital position of EU banks.

In this context, the EBA has published the **final document on the methodology, templates and guidance for the 2025 EU-wide stress test**. This initiates dialogue with the banking industry, building on the 2023 methodology. Key updates include integrating the Capital Requirements Regulation (CRR) 3 and considering the delayed implementation of the fundamental review of the trading book (FRTB). The stress test will include 68 banks from the EU and Norway, covering 75% of the banking sector in the euro area. This broader scope and the introduction of proportionality features aim to enhance efficiency, relevance, and transparency.

2. Key aspects

- **Credit Risk.** Banks must restate capital requirements for credit risk in accordance with CRR3. In addition, they must estimate credit impairments using statistical methods, considering starting values of risk parameters and scenario impacts. Projections of provisions are based on International Financial Reporting Standards (IFRS 9), with specific assumptions for different stages of exposures (S1, S2, S3). The impact on profit and loss (P&L) and risk exposure amount (REA) is assessed based on the stressed risk parameters. As a new feature, the final version specifies that banks must consider regulatory risk parameters adjusted to reflect an adverse economic scenario. This includes the estimation of risk-weighted assets (REA) and expected loss (EL), taking into account exposures to the Credit Risk Counterparty (CCR) and fair value positions.
- **Market Risk, Counterparty Credit Risk (CCR) Losses, and Valuation Reserves**. The developments introduced through CRR3 have an impact on the associated capital requirements in this area. However, consistency with the CRR2 framework for market risk capital requirements, while introducing a new methodology for Credit Valuation Adjustment (CVA) under CRR3. Banks are required to assess the full revaluation of positions at fair value, considering stressed market risk factor shocks and proportionality criteria for different revaluation approaches. Finally, the implementation of FRTB is postponed. In the final version, the recalculation of accounting and regulatory valuation buffers (CVA, FuVA and liquidity buffers) based on the market risk scenario is included. It is also specified that banks must project customer revenues for positions held with trading intent.
- **Net Interest Income (NII)**. Inclusion of all interest-earning or paying positions, except held-for-trading instruments and related hedges, including specific constraints and requirements for both baseline and adverse scenarios to ensure realistic projections of interest income and expenses. In addition, the draft provides guidelines for projecting NII, projection that becomes centralised by banks and includes handling non-performing exposures and incorporating macroeconomic scenarios, to ensure comprehensive and accurate stress testing. Finally, the final version incorporates a section on the inclusion of exchange rate (FX) changes in the impact on NII. In addition, it has been specified that NII projections should consider the immediate repricing of overnight deposits and the inclusion of economic hedging derivatives.
- **Conduct and other operational risks**. As with the risks described above, banks will need to adapt to CRR3's changes to conduct and operational risk. Banks are mandated to project the P&L impact of conduct risk and other operational risks, using internal models and qualitative information when relevant, including projections of capital requirements for operational risk and setting minimum floors for losses from new and material conduct risk events and other operational risks based on historical data. Constraints are imposed to ensure consistency and adequacy in stress scenarios, requiring banks to justify projections below set thresholds and maintain constant total capital requirements for operational risk throughout the projection horizon. In the final version, the inclusion of losses from new material conduct risk events and other operational risks based on historical data is incorporated. In addition, it is specified that the projections should include a qualitative approach for material conduct risk events and a quantitative approach for non-material conduct risk events.
- **Non-interest income, expenses and capital.** Banks must use their own methodologies to project non-interest income and expenses for items not covered by credit risk, market risk, operational risk, or net fees and commissions income, for both the baseline and adverse scenarios. Projections are subject to constraints, such as capping income at 2024 levels in the baseline scenario and mandating reductions in adverse scenarios. Specific items, including dividend income, administrative expenses, and other operating income, have prescribed growth rates or floors. A common tax rate and simplified assumptions for deferred tax assets and liabilities are also applied to ensure consistent and reliable stress test results. In the final version, a section on the application of a common tax rate of 30% is included. In addition, it has been specified that the projections should consider a minimum growth for non-interest income in the baseline scenario and a maximum growth in the adverse scenario.

3. Next steps

- The launch of the exercise will be on the second half of **January 2025**.
- The first submission of results to the EBA will be at end of **April 2025**.
- The second submission to the EBA will be early **June 2025**.
- Final submission to the EBA will be early **July 2025**.
- The publication of the results will be at the beginning of **August 2025**.

18/11/2024

CL **EBA - Consultation document proposing guidelines and methods for retail diversification**

1. Context

The EBA has launched a consultation on its draft Guidelines that will specify proportionate retail diversification methods to be eligible for the preferential risk weight under the standardized approach for credit risk. The Consultation paper follows the recommendations from the EBA Advisory Committee on Proportionality for 2024 in the credit risk area.

In this context, the EBA has published a **consultation document proposing guidelines and methods for retail diversification**. The proposal allows institutions with less granular portfolios to retain access to preferential treatment through a 10% threshold on exposures greater than 0.2%, provided that the conditions of the diversification test are met. This iterative approach ensures proportionality and reinforces supervisory harmonization and convergence in the EU. The draft Guidelines have been developed according to Article 123(1) of Regulation (EU) No 575/2013 (CRR), as amended by Regulation (EU) 2024/1623 (CRR III).

2. Key aspects

- **Diversification criterion and 0.2% granularity**. According to Basel III guidelines, no individual exposure in a retail portfolio may exceed 0.2% of the total portfolio value to ensure diversification. The new guidelines allow additional flexibility for institutions with less granular portfolios by introducing a 10% threshold on the total value of exposures greater than 0.2%. This criterion applies to both individual exposures and groups of connected clients (GCC), ensuring a comprehensive assessment of risk concentrations.
- **Iterative diversification test**. Institutions that do not initially meet the diversification threshold can iterate the process by excluding large exposures (greater than 0.2%) and recalculating the 0.2% and 10% thresholds in each iteration. This approach ensures that the rest of the portfolio maintains an adequate level of diversification without losing eligibility for preferential treatment. Excluded exposures will be treated under the standard risk weights of the capital requirements regulation (CRR), such as 100% for corporates or the treatment of small and medium-sized enterprises (SMEs) as appropriate.
- **Proportionality and flexibility for small institutions**. The guidelines recognize that smaller institutions tend to have more concentrated retail portfolios. To ensure proportionality, these institutions are allowed to apply simplified methods to meet the diversification criterion, minimizing administrative burden. This encourages the inclusion of small actors in the harmonized regulatory system without compromising prudential standards.
- **Alternative implementation options**. A non-iterative methodology is evaluated as an alternative, where the calculation of the 0.2% threshold is performed only once without recalculating the denominator after excluding large exposures. While this simplifies the process, this option sets a stricter limit of 5% for larger exposures, providing a more conservative but less flexible option than the iterative approach.

3. Next steps

- The consultation period will be open until **February 12, 2025**.
- The final guidelines are expected to be published throughout 2025, following the analysis of the received contributions.

12/12/2024

CL **EBA - Consultation Paper on draft RTS on assessment of materiality of extensions and changes of IRB models**

1. Context

Regulation (EU) 2024/1623 introduced significant modifications to the regulatory framework established by Regulation (EU) No. 575/2013, impacting key aspects related to credit risk management through the IRB Approach. These updates aim to harmonize the criteria for changes to the models used by financial institutions, particularly regarding the distinction between material changes and extensions that require prior approval and those that only require notification.

In this context, the EBA has published a **consultation on a draft of RTS to clarify and strengthen the conditions applicable to material changes and extensions of models under the IRB Approach**. This document responds to the amendments introduced by the Capital Requirements Regulation (CRR III) and the associated Delegated Regulation review, aiming to harmonize and update the regulatory framework. The objective of this consultation is to ensure a consistent and effective evaluation of model modifications by supervisory authorities, thereby contributing to the integrity and stability of the financial system.

2. Main points

The draft includes the following key aspects:

- **Scope of the RTS**. The EBA clarifies that changes outside the rating systems are not within the scope of this RTS. For instance, it highlights that changes to parameters such as maturity, annual sales, or the assignment of Credit Conversion Factors (CCF) under the standardized approach (SA), which only affect the formula for calculating capital requirements, fall outside the scope of this RTS. Conversely, it specifies that the methodology for assigning exposures to exposure classes is included within the scope.
- **Qualitative criteria for assessing the materiality of changes**. The RTS proposal reclassifies certain aspects previously considered as material changes into non-material changes that only require notification. Among these, material changes related to the definition of default are limited to those whose implementation may be more complex and pose a greater risk of non-compliance in the identification of defaulted exposures.
- **Qualitative criteria for assessing the materiality of extensions and reductions**. The RTS proposal clarifies the distinction between extensions covered under Article 148(1) and the scope of the RTS. Additionally, it simplifies the categories of model extension types and reclassifies changes in the methodology for assigning exposures to risk classes as prior notifications (ex-ante notifications).
- **Quantitative criteria for material changes and extensions**. It is specified that modifications of a similar nature should be considered as a single change, and that a change affecting multiple rating systems should also be treated as a single change. Furthermore, quantitative thresholds for reductions in the scope of application of a rating system are adjusted to account for the risks associated with such changes.
- **Alignment with CRR III**. References to outdated approaches in the regulatory framework, such as the Advanced Measurement Approach (AMA) for operational risk or internal models for equity, are removed to align with updated regulatory standards.
  Documentation and IT requirements. The proposal describes the obligations of entities regarding technical documentation and validations related to extensions. These obligations aim to ensure transparency and compliance with the updated regulatory framework. Additionally, expectations regarding the required previous calculations are outlined, specifically concerning the IT implementation of rating systems.

3. Next steps

- A public hearing will be held via conference call on **January 15, 2025**, with a registration deadline of **January 10, 2025**.
- The consultation will remain open until **March 10, 2025**.

03/10/2024

E

ESMA - Work Programme 2025

1. Context

In October 2022 the ESMA published its multiannual Strategy covering the period 2023-28 (ESMA Strategy), which establishes three strategic priorities (fostering effective markets and financial stability, strengthening supervision of EU financial markets, and enhancing protection of retail investors) and two thematic drivers (enabling sustainable finance and facilitating technological innovation and effective use of data).

ESMA's **2025 Annual Work Programme** is structured around the implementation of the ESMA Strategy, fulfilling ESMA mandates and building on the activities executed in 2023-2024.

2. Key aspects

In this context, the ESMA 2025 Work Programme is structured around six key priorities:

- **Effective markets and financial stability**. ESMA will focus on developing a proportionate and effective single rulebook, ensuring global standards are promoted while fostering market stability. Priorities include reviewing technical standards related to MiFID II/MiFIR, and enhancing the supervisory approach for central counterparties (CCPs). ESMA will also engage with international counterparts and monitor risks through bi-annual Trends, Risks, and Vulnerabilities (TRV) reports.
- **Effective Supervision**. ESMA aims to foster a common, risk-based supervisory approach across the EU, promoting consistency and reducing fragmentation. This includes ensuring timely assessment of registration applications and monitoring key risks within financial entities. In 2025, the organisation will also advance work on the selection and authorisation of Consolidated Tape Providers (CTPs) and improve the direct supervision of credit rating agencies (CRAs), trade repositories, and critical third-party providers under DORA.
- **Retail Investor Protection**. Enhancing protection for retail investors is a central focus, particularly through supervision in areas such as crypto-assets and sustainable finance. ESMA will promote clear and reliable investment information, facilitating access to EU capital markets for retail investors. ESMA will also continue issuing warnings and opinions on high-risk products and services, including those provided via social media platforms.
- **Sustainable Finance**. ESMA will further develop supervisory tools to address greenwashing risks and implement the EU's sustainable finance agenda. This includes publishing guidance on sustainability disclosures, and technical standards for European Green Bonds and ESG ratings. ESMA's work will support the EU's climate transition by building expertise and enhancing disclosure standards under various sustainable finance regulations.
- **Technological Innovation**. With the implementation of DORA and MiCA, ESMA will focus on the digital resilience of the financial sector and the regulation of crypto-assets. The programme includes a review of risks associated with artificial intelligence (AI) and the expansion of digital financial services. ESMA will also develop tools for better data collection and risk assessments, supporting the Distributed Ledger Technology (DLT) Pilot Regime.
- **Effective use of data and ICT technologies**. A key goal for 2025 is the launch of the European Single Access Point (ESAP), a platform designed to provide stakeholders with centralised access to public financial data. Additionally, ESMA will focus on improving data quality and enhancing its supervisory tools by incorporating advanced technologies such as machine learning and AI for better market monitoring and analysis.

25/10/2024

E

ESMA - 2024 European Common Enforcement Priorities for corporate reporting

1. Context

ESMA has set priorities to enhance transparency and consistency in corporate reporting across the European Union (EU) markets, focusing on sustainability and financial stability. Since implementing the European Single Electronic Format (ESEF), ESMA has worked to align reporting practices, particularly on climate-related financial impacts and other sustainability-related risks.

The ECEP statement sets out the expectations of ESMA and National Competent Authorities (NCAs) regarding the specific areas of focus for the enforcement and supervision of the annual financial reports of issuers of securities admitted to trading on European Economic Area (EEA) regulated markets.

In this context, ESMA has issued its **annual ECEP statement for 2024 corporate reporting**. The ECEP statement highlights the i) International Financial Reporting Standards (IFRS) financial statements; ii) Sustainability statements; and iii) ESEF digital reporting: common filing errors found in the Statement of Financial Position.

2. Main points

The following topics are addressed in the 2024 ECEP:

- **IFRS financial statements**.
    - Liquidity considerations. Companies must disclose relevant information about liquidity risks, including the timing and uncertainty of cash flows. This is crucial for investors and stakeholders to assess the company's ability to meet its obligations. The priority highlights the need for detailed disclosures on liquidity management strategies and any factors that could significantly impact liquidity positions.
    - Accounting policies, judgements, significant estimates: Companies are encouraged to provide comprehensive explanations of their choices and the reasoning behind them, particularly where significant estimation uncertainty exists. This transparency helps users understand how these factors affect financial performance and position. The priority underscores the need for consistency in applying accounting policies and highlights potential impacts on reported figures.
- **Sustainability statements**.
    - Materiality considerations in reporting under ESRS. Companies are required to assess and disclose material sustainability information that significantly impacts their operations and stakeholders. This involves identifying relevant sustainability risks and opportunities and ensuring that reported information is useful for stakeholders' decision-making. Emphasis is placed on transparency and consistency in materiality assessments to enhance the credibility of sustainability reporting.
    - Scope and structure of the sustainability statement. It emphasizes the need for a comprehensive framework that clearly outlines the sustainability impacts, risks, and opportunities relevant to the organization. The statement should be structured logically, facilitating easy navigation and understanding for stakeholders. It also highlights the importance of aligning sustainability reporting with overall business strategy to ensure coherence and relevance.
    - Disclosures relating to Article 8 of the Taxonomy Regulation. Companies must report how their economic activities align with the EU taxonomy, detailing their contributions to environmental objectives. This includes explanations of the methodologies used for assessments and relevant metrics. Transparency in these disclosures enhances accountability and helps stakeholders evaluate the sustainability of the company's operations.
- **ESEF digital reporting**. It outlines priorities related to ESEF reporting, emphasizing compliance with ESEF requirements and the need for accurate tagging of financial statements. It highlights the importance of ensuring that all relevant information is presented clearly and concisely, allowing users to access and analyze financial data effectively. The section also stresses the significance of audit trails and transparency in the reporting process to enhance credibility.

3. Next steps

- Issuers, auditors, and supervisory bodies should consider the topics and detailed recommendations included in this document when preparing, auditing, and supervising the 2024 annual financial reports. These recommendations should be contemplated by issuers considering materiality and relevance for the issuer's operations and annual financial report.

07/10/2024

CL **EIOPA - First batch of consultations on technical standards after Solvency II Review**

1. Context

Solvency II serves as the prudential framework for insurers and reinsurers across the European Union (EU). It is designed to protect policyholders and beneficiaries while safeguarding the stability of the European insurance sector through robust regulations and effective supervision. In 2021, the European Commission (EC) initiated a comprehensive review of Solvency II to enhance the sector's resilience to future crises, further strengthen policyholder protection, and simplify rules where appropriate.

In this context, EIOPA has launched a series of **consultations on regulatory technical standards (RTS) and implementing technical standards (ITS) regarding changes that are expected to be introduced to the regulatory framework as part of the Solvency II review process**. These standards will improve supervisory effectiveness, risk management and financial stability in the EU's insurance sector.

2. Key aspects

The consultations launched by the EIOPA are the following:

- **RTS consultation on liquidity risk management**. The draft RTS on liquidity risk management plans sets out the criteria defining which undertakings and groups should include medium- and long-term analyses in their liquidity risk management plans as well as specification on the content of the plans and the frequency at which they should be updated.
- **RTS consultation on exceptional sector-wide shocks**. The draft RTS on exceptional sector-wide shocks provides criteria to supervisory authorities for identifying such shocks. At the time of exceptional shocks, supervisors may require insurers with a particularly vulnerable risk profile to restrict or suspend dividend payments, share buybacks or bonuses.
- **RTS consultation on undertakings under dominant/significant influence or managed on a unified basis**. This draft RTS specifies factors for identifying insurance undertakings that are under dominant or significant influence, as well as those managed on a unified basis. These factors are relevant for supervisory authorities to identify and effectively supervise insurance groups.
- **ITS consultation on scenarios for best-estimate valuations for life insurance obligations**. This ITS relates to a simplification of the valuation for life insurance obligations that will be introduced with the Solvency II review. The simplification is foreseen to be used by specific small and non-complex undertakings. The ITS sets out the methodology for deriving technical information that insurers will need when applying the simplification.
- **RTS consultation on enhancing the supervision of cross-border activities**. The Solvency II review introduces new rules to enhance cooperation and information exchange between home and host supervisors in case of significant cross-border activities. This draft RTS sets out the conditions and criteria that need to be considered by host supervisors when determining the relevance of cross-border activities for their market.

3. Next steps

- EIOPA invites stakeholders to provide their feedback on the consultation papers no later than **2 January 2025**.

08/10/2024

E

EIOPA - Revised single programming document for 2025-2027

1. Context

In the current context, Europe is facing a complex macroeconomic landscape marked by ongoing market volatility, high inflation, and uncertain economic growth, influenced by both geopolitical tensions and climate change-related events. These conditions are increasing risks for the insurance and pension sectors, while also affecting consumer confidence. In response, European authorities, led by EIOPA, are focused on ensuring effective supervision of the Single Market, protecting consumers, and developing new risk assessment methodologies. Additionally, key areas like digitalization, cybersecurity, and sustainability regulations are becoming central to the regulatory agenda, as Europe seeks greater strategic autonomy and financial resilience in the face of global risks.

In this context, EIOPA has published its **revised single programming document for 2025-2027**, aiming to enhance financial stability, consumer protection, and supervisory convergence across the EU. The objective of this publication is to outline EIOPA's strategic goals, key performance indicators, and planned activities to address the challenges and opportunities in the insurance and pensions sectors.

2. Main aspects

The Work Programme sets out priorities for 2025-2027. Also, EIOPA details for each priority the 2025 focus.

- **Sustainable Finance**. EIOPA will focus on embedding environmental, social and governance (ESG) in the prudential and conduct frameworks, assessing potential macroprudential implications of ESG risks, promoting sound sustainability reporting and disclosures, and supporting National Competent Authorities (NCAs) in supervising climate-related risks. In 2025, EIOPA will continue its work to deliver on the requirements arising from the review of the Solvency II Directive. This includes integrating ESG considerations into the prudential and conduct frameworks to ensure that sustainability risks are adequately managed and supervised. EIOPA will evaluate the potential macroprudential implications of ESG risks, including the impact on financial stability and systemic risk. In addition, the Authority will promote sound sustainability reporting and disclosures to enhance transparency and accountability in the insurance and pensions sectors.
- **Digitalisation**. EIOPA will continue implementing actions according to its digital finance strategy, focusing on consumer outcomes and leveraging previous work. This includes ensuring innovation is aligned with the best interest of citizens, building the sustainability and resilience of all insurance market players, and enhancing the supervisory capabilities of EIOPA and the NCAs. EIOPA will assess the topic of financial inclusion broadly, seeking to promote the fair and ethical treatment of consumers. Focus will also be placed on fostering financial and digital literacy and promoting consumer-centricity in digital transformation. Risk management frameworks will be updated to address the opacity of some Artificial Intelligence (AI) algorithms and operational resilience due to increasing cyber-attacks and advanced technologies.
- **Supervision**. EIOPA will enhance the use of all tools available to improve the quality of supervision and strengthen supervisory convergence. This includes independent oversight work, internal models, common benchmarks, and review practices and outcomes. EIOPA will monitor and challenge supervisory practices, supporting NCAs to ensure high-quality and efficient supervision. By leveraging broad knowledge of internal models used across Europe, EIOPA will contribute to the identification of issues that can create an unlevel playing field and hinder competitiveness among large groups. EIOPA will continue to issue or review tools to harmonize supervisory practices in the EU, supporting NCAs in implementing the Solvency II review and focusing on Institutions for Occupational Retirement Provision (IORP) II implementation and conduct of business supervision.
- **Policy**. EIOPA will update technical standards and guidelines according to amendments to Solvency II, focusing on conduct regulation and keeping up-to-date the already developed Rulebooks. EIOPA will also address pension gaps and continue its work on the further development of sustainable and adequate supplementary pensions. This includes updating technical standards and guidelines to reflect amendments to Solvency II, ensuring that the regulatory framework remains robust and effective.
- **Financial stability**. EIOPA will monitor, analyze, and assess risks and vulnerabilities in the insurance and occupational pensions sector, adopting a preventive approach and taking facilitation and coordination actions. This includes implementing the Insurance Recovery and Resolution Directive (IRRD) and developing methodologies for risk monitoring and assessment. EIOPA will integrate ESG factors into the risk assessment framework to ensure that sustainability risks are adequately managed. The Authority will also conduct EU-wide bottom-up IORP stress tests and increase the use of top-down modelling for financial stability risk assessment in the insurance sector.
- **Governance**. EIOPA will enhance crisis prevention and preparedness, developing methodologies for risk monitoring and assessment, and integrating ESG factors into the risk assessment framework.

14/10/2024

T **EIOPA - Methodology on Value for Money Benchmarks**

1. Context

EIOPA's benchmarks methodology has evolved through several key stages to address risks in unit-linked and hybrid insurance products. In November 2021, EIOPA issued a Supervisory Statement, providing a clear definition of value-for-money and outlining principles to guide existing regulations. This was followed in October 2022 by a methodology document that laid the foundations for a unified European approach to identifying and mitigating poor-value products. In December 2023, EIOPA launched a public consultation to gather feedback on its proposed methodology for benchmarks, receiving input from various stakeholders. In February 2024, a pilot data collection exercise was conducted across 9 member states and involved 22 insurers. This exercise helped refine the methodology, ensuring that benchmarks are based on comprehensive, real-world data.

In this context, EIOPA has presented its **methodology on VfM benchmarks** for unit-linked and hybrid insurance products, aligning with the broader EU regulatory priorities. This methodology is vital in driving a more data-driven, risk-based approach to ensure that consumers are provided with fair, transparent insurance products that meet their financial needs and expectations. This initiative aligns with broader European Union (EU) goals of enhancing financial stability and consumer protection. EIOPA's benchmark methodology enables national authorities to identify products with value-for-money risks and implement more consumer-centric product oversight, complementing regulations like the Insurance Distribution Directive (IDD).

2. Main points

EIOPA's methodology for VfM benchmarks follows a structured process with four key steps:

- **Step 1: Product features for clustering**. EIOPA recognizes that unit-linked and hybrid insurance products are diverse across the European Economic Area (EEA). The first step is to classify products into clusters based on specific features such as premium frequency, risk level, recommended holding periods, and investment options. This clustering ensures that similar products are compared effectively, providing a fair basis for benchmarking.
- **Step 2: Value-for-Money indicators**. The methodology identifies critical indicators that reflect the costs and returns of insurance products. These include:
    - Entry Costs. The upfront costs incurred by policyholders.
    - Total Costs. The overall costs relative to the premiums paid.
    - Reduction in Yield (RIY). The loss of return due to fees and charges.
    - Surrender Value: The value returned to policyholders if they exit the contract early.
    - Internal Rate of Return (IRR). The performance of the investment component.
    - Break-even Return. The minimum return needed to cover all costs. These indicators help supervisors pinpoint products that offer poor value or have excessive costs, triggering closer scrutiny by regulators.
- **Step 3: Setting benchmarks**. EIOPA will establish benchmarks by leveraging data from its Costs and Past Performance (CPP) reports, ensuring that the benchmarks reflect the realities of the market. This minimizes the burden on insurance providers by utilizing existing reporting systems. Benchmarks are set at specific percentiles (e.g., third or first quartile) to identify products that deviate from the norm, either by having excessive costs or suboptimal returns. A "caution area" is also introduced to flag products that may require further analysis but are not immediately deemed non-compliant with value-for-money standards.
- **Step 4: Non-Clustering features and additional considerations**. Beyond quantitative benchmarks, EIOPA also considers qualitative factors that may affect a product's value. These include:
    - Guarantees. Products offering significant guarantees, such as a return of 80% or more of the premium at maturity, may justify higher costs.
    - Digitalization. Features like user-friendly digital platforms or automated services that enhance customer experience may also justify deviations from standard benchmarks.
    - Risk mitigation techniques. Products that employ sophisticated risk-mitigation strategies, such as dynamic asset allocation across multiple asset classes or currencies, may incur higher costs, which can be justified by their added value. National supervisors are encouraged to weigh these additional factors when assessing the overall value-for-money of products, ensuring a comprehensive evaluation beyond standard financial metrics.

3. Next steps

- EIOPA will implement the methodology gradually, with benchmarks first shared with National Competent Authorities (NCAs) for supervisory purposes. EIOPA plans to review and adjust the methodology regularly, based on feedback from supervisors and market data. The first iteration of benchmarks will be followed by recalibration over time, ensuring that the benchmarks remain relevant and reflective of evolving market conditions. This approach allows for a balanced application of the VfM criteria, helping ensure that products are fairly priced and meet consumer expectations.

05/12/2024

CL **EIOPA - second batch of consultations on legal instruments following the Solvency II review**

1. Context

The Solvency II review is an ongoing process aimed at updating and improving the regulatory framework for insurers and reinsurers in the European Union. This framework aims to ensure the solvency and stability of the insurance sector, thereby protecting policyholders and beneficiaries. EIOPA plays a crucial role in this process, providing guidance and oversight to ensure that entities comply with regulatory requirements and adequately manage the risks to which they are exposed.

In this context, EIOPA has published the **second batch of consultations on legal instruments that reflect the expected changes in the regulatory framework as part of the Solvency II review process**. These consultations cover topics such as biodiversity risk management, sustainability risks, diversity in the administrative, management, and supervisory bodies of insurers, as well as updates to some existing guidelines and technical standards. The objective is to improve risk management and financial stability in the EU insurance sector.

2. Main points

The key aspects included in EIOPA's consultation documents are as follows:

- **Report on biodiversity risk management.** This report analyzes how insurers identify, measure, and manage biodiversity risks. It evaluates the ORSA (Own Risk and Solvency Assessment) practices of entities and proposes measures to address risks arising from biodiversity loss. EIOPA has identified significant exposure of the insurance sector to assets dependent on nature and ecosystem services, which may indicate exposure to biodiversity risks.
- **Regulatory Technical Standards (RTS) on sustainability risk management.** These standards propose a coherent and proportionate approach to sustainability risk management. They integrate sustainability plans into the existing risk management practices of entities, linking their sustainability plans with their transition plans. Additionally, they enable entities to disclose sustainability risks consistently and efficiently. The standards specify the minimum standards and reference methodologies for the identification, measurement, management, and supervision of sustainability risks.
- **Guidelines on the notion of diversity for the selection of members of the administrative, management, or supervisory bodies.** These guidelines define the notion of diversity to help insurers and reinsurers implement a policy that promotes diversity in the selection of members of their administrative, management, or supervisory bodies. They also include quantitative objectives related to gender balance.
- **Revised guidelines on entity-specific parameters.** The revised guidelines include amendments to correct legal references and clarify the text without changing its meaning. In particular, three guidelines are removed because their content is already clear in the legal provisions of Solvency II.
- **Revised guidelines on market and counterparty risk exposures in the standard formula.** The proposed amendments specify the correct treatment of securities lending and borrowing transactions and repurchase agreements in the calculation of the counterparty risk module of the Solvency Capital Requirement. In particular, three guidelines are removed, the application of some guidelines is expanded, and a new guideline is introduced to clarify the treatment of leveraged funds.
- **Revised Implementing Technical Standards (ITS) on the lists of exposures to regional governments and local authorities.** The proposed amendments add four new types of entities from France and Latvia to the list of regional governments and local authorities, and remove entities from the United Kingdom. Entities listed in the Implementing Technical Standards will be treated as central governments in the calculation of the Solvency Capital Requirement with the standard formula, meaning they will receive a zero-capital charge for credit risk.

3. Next steps

- The consultation period closes on **27 January 2025**.
- EIOPA will continue to engage with stakeholders to explore the identified vulnerabilities and ensure that appropriate measures are applied.

20/12/2024

CL **EIOPA - Report on the results of the 2024 stress test for insurers**

1. Context

The European insurance industry faces significant challenges due to ongoing geopolitical tensions and economic uncertainties. These stressors can impact market stability, inflation rates, and overall economic growth, necessitating rigorous stress testing to ensure the industry's resilience. To ensure the industry's Resilience, EIOPA regularly stress tests insurers to assess how well the European insurance industry is able to cope with severe but plausible adverse developments in financial and economic conditions. Stress test results help supervisors identify the vulnerabilities of the insurance industry and find ways to improve its resilience.

In this context, EIOPA has published the **report on the results of the 2024 stress test for insurers**. The objective of this report is to assess the resilience of the European insurance industry from both a capital and liquidity standpoint under a severe but plausible adverse scenario. The exercise shows that insurers in the European Economic Area (EEA) are overall well-capitalized and able to meet the Solvency II requirements even under the stress test's severe but plausible shocks that stem from widespread supply-chain disruptions, low growth and renewed inflationary pressures.

2. Main points

The report on the results of the stress test for insurers includes the following aspects:

- **Scenarios used in the stress test**. The stress test consists of two main components: capital and liquidity.
  - Capital component: the approach is based on an adverse macroeconomic scenario that includes geopolitical tensions, supply chain disruptions, lower growth, higher inflation and insurance sector-specific shocks such as mass policy surrenders and claims inflation. Metrics such as company profitability, credit spreads and market stability are analysed over a multi-year time horizon.
  - Liquidity component: the approach assesses immediate stresses arising from mass policy surrenders, increased claims and reduced premium income, using metrics such as cash flows, liquidity shortfalls and net liquidity positions, with a time horizon focused on the short term (90 days).
- **Characteristics of the sample**. The total assets of the 48 participants at year-end 2023 amount to approximately EUR 6.4 trillion. Bonds are the largest asset category, with 20.9% in government bonds and 17.5% in corporate bonds. On the liability side, Life Technical Provisions (TP) dominate with 51.1%, followed by Unit-Linked and Index-Linked business (UL/IL) at 23.5% and non-life at 8.8%.
- **Main findings on capital component**. The aggregate solvency ratio drops by 98.5 percentage points, from 221.8% to 123.3% post-stress, increasing to 139.9% after reactive management actions. The total drop of capital without management actions exceeds EUR 270 billion. Both Eligible Own Funds (EOF) and Solvency Capital Requirement (SCR) contributed to the reduction of the aggregate solvency ratio, with the former reduced by 40.3% and the latter increased by 7.4%.
- **Main findings on liquidity**. The liquidity position shows significant strain, with a shortfall of EUR 40.9 billion in the fixed balance sheet scenario, improving to EUR 61.1 billion with reactive management actions. The adverse scenario generated material liquidity needs, mainly due to the need to pay for surrenders. Insurers became net sellers of assets, with the most sold asset classes being government securities and listed equities.
- **Reactive management actions and potential externalities**. Participants applied various reactive management actions, including de-risking investment strategies, retaining dividends, and raising internal capital. These actions helped improve solvency ratios but could have long-term impacts on profitability and business models. The net amount of fixed income assets sold by insurers under stress conditions is approximately 4.0% of the average quarterly bond trading volumes at EEA level.
- **Conclusions**. The stress test remains relevant given the current economic context. The adverse scenario includes inflationary shock, market repricing, and insurance-specific risks. This sector is well-capitalized to face extreme but plausible scenarios, with EUR 285.6 billion in excess asset losses. Reactive management actions and net asset sales ensured solvency and liquidity.

3. Next steps

- EIOPA will further analyze the results to understand the risks and vulnerabilities of the sector and assess the need for issuing recommendations on relevant issues identified during the exercise.

07/11/2024

CL **Council - Directive on the recovery and resolution of insurance and reinsurance undertakings and Directive amending Solvency II**

1. Context

The global financial crisis of 2008 exposed significant vulnerabilities in the insurance sector, highlighting the need for a more robust regulatory framework. Additionally, the socio-economic impacts of the Covid-19 pandemic and the ongoing economic consequences of geopolitical conflicts, such as Russia's war of aggression against Ukraine, have further underscored the urgency of strengthening financial stability and consumer protection within the European Union (EU). On 22 September 2021, the European Commission (EC) transmitted to the Council a comprehensive review package of Solvency II rules, composed of a proposal to amend the Solvency II Directive and a proposal for an insurance recovery and resolution Directive (IRRD).

In this context, the Council has adopted **two pieces of legislation that amend the Solvency II directive and introduce new rules on IRRD**, with the objective of addressing vulnerabilities exposed by past financial crises and ensuring the continuity of critical functions in the insurance sector.

2. Main points

The main points included in the Directive on the recovery and resolution of insurance and reinsurance undertakings are the following:

- **Framework for recovery and resolution**. Establishes a comprehensive framework for the recovery and resolution of insurance and reinsurance undertakings. This framework is designed to ensure that these entities can be resolved in an orderly manner without resorting to extraordinary public financial support, thereby protecting policyholders and maintaining financial stability.
- **Pre-emptive recovery planning**. Introduces measures for pre-emptive recovery planning, requiring insurance and reinsurance undertakings to prepare recovery plans that outline the actions they would take to restore their financial position in the event of significant deterioration.
- **Resolution planning**. Mandates the development of resolution plans by resolution authorities, detailing how an undertaking would be resolved in case of failure. These plans aim to minimize the impact on financial stability and ensure the continuity of critical functions.
- **Governance and risk management**. Includes provisions for the regular review of the system of governance and the introduction of macroprudential considerations in the risk management activities of insurance and reinsurance undertakings. This ensures that these entities are better prepared to manage systemic risks and maintain their operational resilience.

The main aspects included in the amendment to Directive 2009/138/EC are as follows:

- **Proportionality and supervision**. Amends Directive 2009/138/EC to enhance proportionality in the application of regulatory requirements, ensuring that small and non-complex undertakings are not unduly burdened. It also aims to improve the quality of supervision by promoting more consistent and convergent supervisory practices across the UE.
- **Reporting and disclosure**. Introduces new reporting and disclosure requirements, including the need for an audit of the solvency and financial condition report. These requirements aim to increase transparency and ensure that stakeholders have access to reliable and comprehensive information about the financial health of insurance and reinsurance undertakings.
- **Sustainability risks**. Enhances the integration of sustainability risks into the risk management of insurers. This includes the requirement for insurance and reinsurance undertakings to conduct climate change scenario analysis, ensuring that they are better prepared to manage the financial risks associated with environmental changes.
- **Macroprudential tools**. Provides for the introduction of macroprudential tools to address systemic risks in the insurance sector. These tools are designed to enhance the resilience of the financial system and prevent the build-up of vulnerabilities that could lead to financial instability.
- **Group and cross-border supervision**. Addresses the need for more effective group and cross-border supervision, particularly for insurance and reinsurance undertakings operating under the freedom to provide services and the right of establishment. This ensures that supervisory authorities can effectively oversee the activities of these entities and mitigate potential risks.

3. Next steps

- The Directives shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union (OJEU).
- In addition, the Directives shall be adopted and published by Member States 24 months from the date of entry into force.

22/11/2024

C **Council/ESMA - New rules on the revision of the EMIR 3 Regulation and Directive and consultation on AAR after the EMIR 3 Regulation review**

1. Context

The 2008 financial crisis highlighted the weaknesses in the over-the-counter (OTC) derivatives markets. In order to address this, the European Union (EU) adopted the European Market Infrastructure Regulation (EMIR) in 2012 to increase transparency, mitigate credit risk, and reduce operational risk. On December 7, 2022, the European Commission proposed a revision of EMIR to strengthen the Capital Markets Union, improve existing rules, and make the clearing landscape in the EU more attractive, leading to the development of the updated framework known as EMIR 3.

In this context, the Council has adopted **rules on the revision of the EMIR 3 Regulation and Directive**. The aim is to strengthen EU clearing services, making them more attractive and resilient by requiring active accounts in EU central counterparties (CCPs) and improving supervision and financial stability. Additionally, ESMA has released a **consultation paper on the conditions of the Active Account Requirement (AAR) after the EMIR 3 Regulation review**. The main objective of this consultation is to define how to implement the AAR under EMIR 3 to ensure that derivative counterparties maintain operational accounts in EU CCPs, thereby strengthening their functionality and financial resilience.

2. Main points

The main points included in the publications are as follows:

- **Revision of the EMIR 3 Regulation**. Its aim is to mitigate excessive exposures to third-country central counterparties (CCPs) and improve the efficiency of the EU clearing markets. The proposed amendments seek to strengthen the EU's financial stability by reducing reliance on third-country clearing infrastructures and encouraging the use of authorized CCPs within the Union. Additionally, measures are introduced to streamline procedures, enhance liquidity, and modernize the operational framework of CCPs, promoting greater competitiveness and resilience in European financial markets.
- **Revision of the EMIR 3 Directive**. Its objective is to ensure consistency with the EMIR 3 Regulation and the proper functioning of the internal market. The amendments introduce a uniform set of rules to manage counterparty risk in derivative transactions carried out by Undertakings for Collective Investment in Transferable Securities (UCITS) and establish measures to identify, manage, and supervise concentration risk in financial institutions and investments. Furthermore, they encourage institutions to adapt their business models to align with the new clearing requirements and improve overall risk management practices.
- **Consultation paper on the conditions of the AAR following the EMIR 3 Regulation review**. The operational conditions for active account functionality include IT connectivity, internal processes, legal documentation, and the capacity to handle an increase of up to three times the average monthly volume, supported by CCP certification and stress tests conducted by them. Additionally, the most active counterparties must comply with a representativeness obligation, clearing a minimum number of trades in key systemic services, adapted to subcategories and reference periods based on their notional volume, to reflect diversity and encourage clearing in EU CCPs. Lastly, they must submit semi-annual reports with data on activities, risk exposures, and operational tests, facilitating authorities' oversight of AAR compliance.

3. Next steps

- ESMA will organise a public hearing on **20 January 2025**.
- The consultation period closes on **27 January 2025**.
- The revised EMIR regulation and directive will be published in the EU's Official Journal before entering into force **20 days later**.
- ESMA aims to submit the final draft RTS to the European Commission **within 6 months following the entry into force of EMIR 3.**

13/11/2024

T **ENISA - Technical guide on cybersecurity measures under the NIS 2 Directive Implementing Act**

1. Context

The Network and Information Security (NIS) 2 Directive is the European Union (EU)'s new cybersecurity legislation, designed to enhance security and resilience in critical sectors, and was required to be incorporated into the national laws of Member States by October 17, 2024. This directive establishes specific cybersecurity risk management measures for key sectors, including digital infrastructure, digital providers, and the Information and Communication Technology (ICT) service management. The European Commission (EC) has implemented technical and methodological rules for specific subsectors, such as Domain Name System (DNS) providers, cloud services, data centers, content delivery networks, online marketplaces, search engines, and social media platforms.

In this context, ENISA, in collaboration with the European Commission (EC) and the EU Member States within the NIS Cooperation Group (NIS CG), has published a **complementary technical guidance document in the format of a public consultation for the cybersecurity measures of the NIS 2 Directive's Implementing Act**. This document aims to provide practical guidance and examples to assist entities in implementing the cybersecurity risk management requirements established by the directive. The consultation seeks to gather feedback from all stakeholders to ensure that the final guidance aligns with the operational needs and specific challenges that entities face in complying with NIS 2.

2. Main points

The main aspects included in the ENISA technical guidance consultation document are as follows:

- **Detailed implementation guidance**. ENISA's guide provides additional guidance on implementing the NIS 2 cybersecurity requirements, offering a roadmap for compliance. The guide emphasizes alignment with European and international standards, such as International Organization for Standardization (ISO) and other globally recognized cybersecurity norms. This alignment helps companies that already comply with these standards to integrate NIS 2 requirements without duplicating efforts.
- **Examples of compliance evidence**. ENISA has included concrete examples of how companies can demonstrate their compliance with NIS 2. These examples aim to guide entities on the documentation and practices needed to justify their conformity with the requirements. This section is particularly useful for compliance and audit managers, providing a clear framework on how to measure and report cybersecurity progress.
- **Mapping of risk management requirements**. The guide includes tables linking specific NIS 2 requirements with other international and national cybersecurity frameworks, such as the United States' National Institute of Standards and Technology (NIST) framework or the ISO 31000 risk management framework. This mapping helps organizations identify areas of convergence and divergence, enabling a more comprehensive and coordinated compliance approach with the frameworks already in place in the company.
- **Guidance for supply chain management**. One of the new aspects in NIS 2 is the need to manage cybersecurity risks in the supply chain. ENISA provides guidance for risk assessment in suppliers and partners, promoting a comprehensive cybersecurity approach that covers all actors in the chain. This includes recommendations on how companies can monitor and demand cybersecurity standards from their suppliers and subcontractors.

3. Next steps

- The period for the submission of comments ends on **December 9, 2024**, at 6:00 p.m.
- After the consultation period, ENISA will analyze the received comments and issue a revised version of the guide, which is expected to be published in 2025.

21/11/2024

S **ESAs/ECB - Results on the Fit for 55 climate scenario analysis**

1. Context

Within the framework of the European Green Deal, EU Member States have committed to making the EU the first climate-neutral jurisdiction by 2050 and to reducing emissions by at least 55% by 2030, compared to 1990 levels. This commitment is embodied in the Fit for 55 legislative package, which includes a series of policies designed to align EU legislation with the 2030 target. These policies include the EU Emissions Trading System, the Carbon Border Adjustment Mechanism, sector-specific emission targets, and revisions to the Renewable Energy Directive and the Energy Efficiency Directive. The exercise aims to align EU legislation with these goals through a set of policies that include, among others, the EU Emissions Trading System, the Carbon Border Adjustment Mechanism, sector-specific emission targets, as well as revisions to the directives on renewable energy and energy efficiency.

In this context, the ESAs and the ECB have published the **results of the Fit for 55 climate scenario analysis**. The aim of these results is to assess the impact on the banking, investment fund, occupational pension fund, and insurance sectors of the EU under three transition scenarios that incorporate the implementation of the Fit for 55 package, as well as the potential for contagion and amplification effects throughout the financial system. The climate stress test shows that transition risks alone are unlikely to threaten financial stability. However, when transition risks are combined with macroeconomic disruptions, they can increase financial entities' losses and cause disturbances.

2. Key aspects

The results of the exercise include the following aspects:

- **Scenarios.** The Fit for 55 exercise develops three scenarios: i) the baseline scenario (B) assumes an orderly green transition with 11% cumulative gross domestic product (GDP) growth over eight years; ii) under the First Adverse Scenario (A1) transition risks materialise in the form of Run-on-Brown shocks, whereby investors shed assets of carbon-intensive firms, which hampers the green transition, since brown firms don't have the financing they need to green their activities; and iii) under the second adverse scenario (A2), the Run-on-Brown shocks are amplified with other standard macro-financial stress factors.
- **Banking sector.** Credit risk is the main driver of losses, especially in energy-intensive industries. Losses are projected to be 5.8% of total exposures under the baseline scenario, 6.7% under A1, and 10.9% under A2. Market risk losses are mitigated by hedging positions, with government bonds and loans at fair value being the main drivers. Banks could adjust their lending practices in response to macroeconomic conditions and transition risks, potentially financing the green transition.
- **Insurance and IORP sectors.** Insurers and Institutions for Occupational Retirement Provision (IORPs) experience mild impacts under the baseline scenario but face significant losses under A2 due to increased swap rates and credit spreads. The significant increase in interest rates would lead to a notable reduction in liabilities, partially offsetting the losses in the market value of investment assets. Unit-linked products and defined contribution schemes absorb part of the losses.
- **Investment funds.** EU-domiciled funds face a 4.0% decline in value under the baseline scenario, 6.1% under A1, and 15.8% under A2. Equities are the primary driver of losses. Funds investing in energy-intensive sectors are more affected.
- **Cross-Sectoral amplification effects**. Losses due to cross-sectoral amplification are triggered by liquidity stress and fire sales of securities. Investment funds are the most affected due to their market risk exposure. Total losses range from 3.7% under the baseline scenario to 14.6% under A2. Spillovers between sectors smaller than those generated within a sector.
- **Conclusions.** The financial system is generally resilient to the scenarios considered, with major institutions coping well due to strong capitalisation and diversification. Effective policy implementation and communication are crucial to ensure financial stability during the green transition.

3. Next steps

- The ESAs and the ECB will continue to monitor climate-related risks and adjust their supervisory tools to ensure financial stability.

20/12/2024

T **ESAs - Key findings from the 2024 ESAs Dry Run**

1. Context

In April 2024, the ESAs published the voluntary dry run exercise to prepare financial entities for the implementation of the Digital Operational Resilience Regulation (DORA) on 17 January 2025. Since then the ESAs have been supporting the financial entities in their preparations for setting up and reporting the registers of information in relation to all contractual arrangements on the use of information and communications technology (ICT) services provided by the ICT third-party service providers (ICT TPPs). The Dry Run exercise allowed the testing of the reporting processes to be in an environment as close as possible to the upcoming first iteration of the official reporting in 2025, when the registers will be used by the ESAs for the purposes of designation of critical ICT third-party service provider (CTPPs) to be under their oversight.

In this context, the ESAs have published the **key findings from the 2024 Dry Run exercise** on reporting the registers of information (RoI) under the DORA. The report is intended to provide an overview of the dry run exercise and its key findings focusing on the quality of data found in the RoI submitted to the ESAs. It outlines conclusions, and highlights lessons learned, offering guidance to financial entities, Member State competent authorities (NCAs), and ESAs to improve readiness for DORA's 2025 implementation.

2. Main points

The report examines three main sections:

- **Overview of the participating financial entities**. Conducted on a consolidated basis, the dry run exercise ultimately covered 3,447 financial entities and within the submission deadline, reports where received from 1,039 financial entities across all 27 European Union (EU) Member States, representing a broad spectrum of entity types subject to DORA, including credit institutions, insurance and reinsurance undertakings, and investment firms.
- **Data quality checks and observations**. The ESAs carried out a two-step data quality assessment, comprising technical integration checks, such as, file formats and naming conventions and validation checks, such as, data point models and mandatory fields, applying 116 data quality checks to each register that passed the initial stage. Feedback on data quality issues was provided to competent authorities for further dissemination to the participating entities. Of the 947 registers analyzed after passing data integration checks, 6.5% successfully met all data quality standards, while 50% of the remaining registers failed fewer than five checks. Most data errors were due to missing mandatory information, which accounted for 86% of all issues, and problems with unique identifiers for financial entities and TPPs. For the exercise, financial entities were required to use the legal entity identifier (LEI), while TPPs could use other identifiers. Credit institutions had the lowest proportion of errors at 1.9%, followed by investment firms at 2.4% and insurance and reinsurance undertakings at 3.3%. The dry run allowed financial entities to develop their registers, test reporting channels, and identify improvements for the official reporting starting in 2025, while the ESAs enhanced reporting instructions through feedback and industry collaboration.
- **Recommendations**. Financial entities should continue identifying and integrating missing data into their RoI to ensure complete register submissions to their NCAs and the ESAs, addressing flagged mandatory information issues promptly. They are advised to prepare their registers thoroughly, particularly for data that may not be immediately available, such as identifiers for TPPs, which may require additional efforts to collect. Entities must ensure they have valid LEIs for themselves and all financial entities within their consolidated groups, as consolidated registers must identify all entities listed in template B_01.02, the identification of financial entities making part of the consolidated groups covered by the consolidated registers, with an LEI. Additionally, entities should collaborate with their TPPs to ensure they are properly identified and recorded in the registers according to the ITS on the RoI.

24/12/2024

E **ECB - Supervisory priorities 2025-2027**

1. Context

The ECB updates the SSM priorities on an annual basis, as a consequence of a comprehensive assessment of the main risks and vulnerabilities for supervised entities and the outcome of the Supervisory Review and Evaluation Process (SREP), as well as of the progress as compared with the previous years' priorities.

In this context, the ECB has published the **SSM supervisory priorities 2025-2027** and its **assessment of risks and vulnerabilities**. The supervisory priorities promote effectiveness and consistency in the planning work of the Joint Supervisory Teams (JST) and support the efficient allocation of resources, in line with the corresponding risk tolerance levels. They also help national supervisors to set their own priorities for the supervision of less significant institutions in a proportionate manner.

2. Main points

The key aspects of the revised priorities are summarised below:

1. **Priority 1. Banks should strengthen their ability to withstand immediate macro-financial threats and geopolitical shocks**.

   This involves addressing credit risk management shortcoming, identifying asset quality deterioration promptly, and maintaining adequate provisioning levels. Banks must prepare for various economic scenarios and consider different trajectories for economic growth and interest rates. The focus will remain on the risks from exposures to non-financial corporations and non-bank financial institutions, including spillover effects of shocks to these sectors.

   Main supervisory activities:

   a. Follow-up phase of the targeted review of International Financial Reporting Standards (IFRS) 9 focusing, inter alia, on the use of overlays and coverage of novel risks (including geopolitical risks). Supervisors will monitor banks' progress with previously identified findings, follow up on their remediation and use escalation measures where necessary.
   b. Continuation of credit risk On-Site Inspections (OSIs), focusing on IFRS 9 collective staging and provisioning for corporates and small and medium enterprises (SMEs), retail and commercial real estate portfolios, including collateral valuations.
   c. Targeted review of SME portfolios, with a focus on early identification and handling of potential borrower distress, SME models and governance of exposure to SMEs.

   Also, geopolitical risks can result in adverse macro-financial developments and impact the broader operating environment for banks. They can pose direct threats to banks' operational resilience, especially when they result in increased Information Technology (IT) and cybersecurity risks.

   Main supervisory activities:

   d. Collection of data on third-party Information and Communication Technology (ICT) providers to identify links between supervised entities and third-party providers, potential concentration risks, and weaknesses in banks' outsourcing arrangements.
   e. Targeted reviews of risk management frameworks for outsourcing risks and of cyber resilience frameworks and risk controls.
   f. Follow-up work on findings from the cyber resilience stress test.
   g. Targeted OSIs on operational risk and IT resilience frameworks.
   h. Implementation of Digital Operational Resilience Act (DORA) in the supervisory framework.

2. **Priority 2. Banks should remedy persistent material shortcomings in an effective and timely manner**.

   The progressive shift from risk identification to risk remediation is a key feature of the SSM-wide supervisory strategy. Banks with unresolved material shortcomings must step up efforts to fully comply with supervisory expectations and implement sound remedial action plans promptly.

   Main supervisory activities:

   a. Monitoring of full alignment with supervisory expectations and implementation of escalation Ladder, issuing binding supervisory decisions with the potential to impose periodic penalty payments if banks failed to comply by the specified deadlines.
   b. Horizontal assessment of banks' compliance with Pillar 3 ESG.
   c. Deep dives on banks' ability to address reputational and litigation risks associated with Climate and Environment (C&E)-related commitments.
   d. Review of banks' transition planning in line with Capital Requirements Directive (CRD) VI.
   e. Targeted OSIs on C&E aspects, either on a standalone basis or as part of planned reviews of individual risks (e.g. credit, operational and business model risks).

   In addition, banks should step up their efforts to remediate long-standing shortcomings in their Risk Data Aggregation and Risk Reporting (RDARR) frameworks and align their practices with supervisory expectations (e.g. deficiencies in management bodies involvement, information technology (IT), infrastructure, data quality).

Main supervisory activities:

f. Follow-up work on the targeted review of RDARR practices and adherence to the supervisory expectations set out in the Guide on effective risk data aggregation and risk reporting, and remediation of previously identified findings, making full use of available escalation tools where necessary.
g. Targeted OSIs looking at overarching governance and IT infrastructure issues, risk data aggregation capabilities and risk reporting practices.
h. Management Report on Data Governance and Data Quality – an annual questionnaire aiming to ensure that banks' management bodies are adequately accountable for internal, financial and supervisory reporting.

3. **Priority 3. Banks should strengthen their digitalisation strategies and tackle emerging challenges stemming from the use of new technologies**.

The ECB promotes adequate management of the risks associated with digitalisation and the adoption of industry best practices. Banks should strengthen their digitalisation strategies and related execution plans to properly mitigate the underlying risks, including those from new technologies like cloud services and Artificial Intelligence.

Main supervisory activities:

a. Targeted activities focusing on the impact that banks' digital activities have on their business models/strategies and the risks stemming from the use of innovative technologies
b. Targeted OSIs on digital transformation, looking at both IT-related and business model-related aspects of banks' strategies.

19/12/2024

CL **ECB - Aggregated results of the 2024 SREP**

1. **Context**

The Supervisory Review and Evaluation Process (SREP) is an essential exercise in which European banking supervisors evaluate the risks faced by banks and how effectively these risks are being managed. Based on these SREP results, the ECB sets capital requirements and imposes qualitative measures to ensure that every bank addresses the identified shortcomings.

In this context, the ECB has published the **outcome of the 2024 SREP** which reflect the resilience of Europe's banking sector and the challenges that lie ahead. The findings of the annual assessment indicate that the European Union (EU) banking sector remained resilient in 2024. On average, banks maintained solid capital and liquidity positions, well above regulatory requirements and higher interest rates continued to sustain banks' profitability. However, persistent vulnerabilities and new challenges were also identified where there is room for improvement in different areas.

2. **Main points**

The document details the following key elements:

1. **Business model**. Euro area bank profitability continued to grow in 2023, reaching new highs in 2024, despite rising cost pressures and slowing net interest income (NII) growth in the latter part of 2023 and into 2024. Higher interest income, driven by the monetary policy shift, boosted aggregate return on equity to 9.3%, its highest since before the global financial crisis, while return on assets rose to 0.6%. However, expenses increased by 3.1%, outpacing inflation, due to higher staff and administrative costs. Supervisors remained cautious about the sustainability of banks' business models, citing strategic execution issues and a worsening business outlook, reflected in some weaker SREP scores for 2024. Nonetheless, 24% of scores improved, supported by burgeoning profits and strategic enhancements, with supervisory measures focusing on strategy, digitalisation, profitability monitoring, and cost management.
2. **Internal governance**. The failures of certain US and Swiss banks in 2023 underscored the critical importance of strong governance and robust risk controls, areas that remain a significant concern for ECB Banking Supervision. Banks are urged to enhance their governance structures and adapt risk management frameworks to address evolving risks effectively. The 2024 SREP findings highlighted persistent challenges, including deficiencies in management bodies' oversight roles, inadequate board composition and succession planning, and a weak challenge culture. Internal control functions, particularly in risk management and compliance, continue to suffer from insufficient resources. Additionally, progress on risk data aggregation and reporting remains slow, hampered by fragmented IT systems and limited group-level data integration.
3. **Credit risk**. Average credit risk scores remained stable despite a gradual deterioration in asset quality since mid-2023. Resilience in the retail sector, supported by fixed-rate mortgages, a strong labor market, and continued NPL reductions in southern Europe, contributed to some improvement in scores. However, commercial real estate markets, particularly in Germany and Austria, weakened due to high interest rates and sluggish growth, while small and medium-sized enterprises (SMEs) exposures deteriorated amid rising corporate insolvencies across Europe, which reached their highest levels since 2015 by mid-2023. Overall, 35% of the credit risk scores changed given these developments, but the average credit risk score remained unchanged. As in the previous year, these scores continue to highlight supervisory concerns regarding banks' credit risk management, which remains a priority for ECB Banking Supervision.
4. **Capital adequacy**. Capital adequacy scores remained largely stable in the 2024 SREP cycle, with 68% of banks retaining their previous scores, 22% seeing improvements, and 10% experiencing deteriorations. Supervisors emphasized the importance of robust and forward-looking capital planning frameworks amidst political and macroeconomic uncertainties, highlighting the need for accurate and timely capital projections. Risk identification, measurement, and aggregation capacities, along with risk data and IT infrastructures, also remained key areas of focus. As of Q2 2024, all banks met their overall capital requirements, buffers, and guidance, with the weighted average risk-weighted assets (RWA) density remaining steady at 33.68% since 2020.
5. **Market risk and interest rate risk in the banking book (IRRBB)**. In terms of market risk, scores improved due to low-to-medium risk levels and the reallocation of credit spread risk arising from non-trading book activities (CSRBB) assessments to IRRBB under updated European Banking Authority (EBA) guidelines, while IRRBB scores deteriorated amid rapidly changing interest rates and rising geopolitical and financial uncertainties. Supervisors emphasized dynamic risk modelling, targeted reviews, and enhanced asset and liability management (ALM) governance to address weaknesses in risk quantification, model validation, and underdeveloped CSRBB frameworks, though some good practices were noted. With interest rate shocks and risk premia uncertainties persisting, supervisory efforts remain focused on ensuring robust, forward-looking risk management that effectively adapts to evolving interest rate and credit spread environments.
6. **Operational risk**. Operational and ICT risk continued to be the SREP element with the worst average scores, with its ICT risk component being the worst average scored of all. Operational risk and ICT risk scores were driven by idiosyncratic factors. The two key common deficiencies identified in the 2024 SREP cycle were: i) the management of risks related to IT outsourcing; and ii) IT security and cyber risk management, including cyber resilience, and in some cases, basic cyber hygiene measures.
7. **C&E risk**. The C&E risks have been a supervisory priority since 2022. To address this, the ECB Banking Supervision has gradually intensified its efforts to ensure that banks properly identify, evaluate and manage C&E risks. These risks were considered across all risk types, with a higher relevance for the business model assessment in particular.
8. **Liquidity and funding risk**. Liquidity and funding risks remained a supervisory priority in the 2024 SREP cycle, with overall scores and liquidity indicators staying robust and above regulatory requirements. The aggregate liquidity coverage ratio (LCR) improved slightly to 159%, despite significant repayments of targeted longer-term refinancing

operation funds, which had a limited impact on liquidity. Funding sustainability also showed slight improvement, with the net stable funding ratio rising to 128%, supported by continued access to retail and wholesale funding. However, reliance on more volatile funding sources posed potential vulnerabilities. Supervisors identified medium-to-low risk control issues, including deficiencies in data quality, reporting, internal controls, and risk management, though ongoing remediation efforts drove some improvements.

19/12/2024

CL **ECB - SREP 2024 methodology update**

1. Context

The SREP process constitutes the main prudential supervision framework under the Single Supervisory Mechanism (SSM), aimed at ensuring the financial soundness of supervised entities. Prior to this update, the SREP methodology had already established a structured approach for assessing financial risks of entities, emphasizing governance quality, capital, and liquidity. However, increased market volatility and the complexity of internal models revealed the need to revise and strengthen the existing criteria. The 2024 methodology update specifically focuses on the evaluation of market risks, both from a standard approach and through internal models (IMA).

In this context, the ECB has **updated the SREP methodology** with the aim of **strengthening the resilience and financial stability** of supervised entities. This update provides a more detailed description of the methodology for assessing market risk in significant institutions (SIs).

2. Main points

The document includes the following fundamental aspects:

- **General framework**. The SREP assesses banks' risks, governance, and capital adequacy through quantitative analysis (e.g., regulatory indicators, stress tests) and qualitative analysis (e.g., governance documents, internal reports), assigning scores that determine additional capital and liquidity requirements (Pillar 2). New features include a forward-looking evaluation of the institution's overall viability, binding decisions on capital and liquidity, and the determination of the minimum level of supervisory engagement. Additionally, it introduces a three-phase approach to analyze the four SREP elements (business model, governance, capital risks, and liquidity risks), a risk tolerance framework to prioritize key vulnerabilities, and a multi-year assessment providing JSTs with greater flexibility.
- **Business model**. The Business Model Assessment (BMA) evaluates banks' ability to generate profits by examining their short-term viability (12 months) and long-term sustainability across economic cycles. This approach includes a more detailed assessment of the capacity to generate organic capital, differentiation between immediate viability and future sustainability, and identification of key vulnerabilities from internal inefficiencies (e.g., poor strategies or excessive risk-taking) and external challenges (e.g., economic changes or competition). The three-phase process involves identifying material business areas, using Key Risk Indicators (KRIs) to assess past and future profitability, and conducting a supervised analysis of factors such as resilience, strategic positioning, and execution. Additionally, the SREP BMA methodology is regularly updated to address emerging challenges, such as climate risks and digitalization, enhancing the sustainability of business models.
- **Internal governance and risk management**. The assessment of internal governance and risk management examines a bank's ability to balance business and risk decisions through its operational structure, risk control framework, and technical support systems. It covers nine key areas: organizational structure, management body, risk management functions, compliance, internal audit, risk management framework, remuneration policies, risk culture, and risk data aggregation and reporting. The revised methodology includes stricter standards for risk culture and deeper integration of ESG factors into governance, ensuring the operational structure aligns with regulatory expectations. It also incorporates a thorough review of the control framework and the supporting technical architecture, providing a comprehensive perspective on organizational capacity while complementing the more specific evaluation of individual risk controls.
- **Capital risks**. The assessment of capital risks analyzes the key risks impacting banks' capital position, including credit, market, operational, information and communication technology (ICT), and interest rate risk in the banking book (IRRBB). The process, divided into three phases, involves data collection, score assignment based on indicators, and supervisory evaluation to adjust scores using constrained judgment. It focuses on losses from defaults (credit), price fluctuations (market), exposure to interest rate changes (IRRBB), and process failures or cybersecurity threats (operational/ICT), enhancing operational resilience. Innovations include the integration of climate risk, a more comprehensive evaluation of capital adequacy, and the incorporation of excessive leverage risk, a key aspect of Basel III, addressing contingent leverage and regulatory arbitrage.
- **Liquidity risks**. The assessment of liquidity risks examines banks' ability to meet financial obligations and maintain funding under normal and stressed conditions. It addresses short-term liquidity risk, focusing on cash and collateral needs and maturity mismatches, as well as funding sustainability risk, related to long-term financing and refinancing challenges. New stress tests incorporate climate scenarios and financial market shifts. Additionally, a "building block" approach is adopted to evaluate liquidity and funding positions from different perspectives, combining risk levels and controls into a single score. The evaluation, both qualitative and quantitative, includes stress tests and forward-looking analysis, considering normal and stressed scenarios, culminating in a formalized liquidity adequacy score.

06/11/2024

SRB - MBDT documentation package

1. Context

In 2020, the SRB published the Minimum Bail-in data set, which was updated in 2022. This data set included instructions and an explanatory note to help financial institutions prepare the necessary data for the application of the bail-in tool during the resolution planning phase. The primary goal was to ensure that banks could provide accurate and timely data to support the effective application of write-down and conversion powers. The SRB's Expectations for Banks (EfB) emphasized the importance of banks' management information systems (MIS) in extracting liability data necessary for bail-in implementation. The SRB's Operational Guidance on Bail-in Playbooks and the accompanying Explanatory Note complemented these expectations by providing detailed instructions on data reporting.

In this context, the SRB has published the **MBDT documentation package** with the aim of facilitating the execution of the bail-in tool in the event of a crisis or for testing exercises during the resolution planning phase. The MBDT includes a standard data point model that integrates country-specific data points relevant for National Resolution Authorities (NRAs) when implementing bail-in at the national level.

2. Main points

The following documents are included in the MBDT package:

- **Standardized data collection template**. The template provides a standard data point model, integrating country-specific data points relevant for NRAs. This model is designed to ensure that all necessary data points are captured in a structured and standardized manner, facilitating the implementation of the bail-in tool. The template includes various tabs, each focusing on different aspects of the data required, such as identification of the report, aggregate view of liabilities, main liabilities, derivatives, securities financing transactions, guarantees provided to non-resolution entities, liabilities issued by SPVs, and counterparties.
- **Comprehensive guidance document**. The guidance document provides detailed instructions on the fields to be reported in the related template. It covers the use and features of the template, the reporting perimeter, national specificities, reporting currency, and rules for filling in the tables. The document ensures that reporting agents understand how to accurately complete the template and comply with the SRB's requirements. It also includes specific instructions for different types of liabilities and instruments, ensuring that all relevant data is captured and reported correctly.
- **Facilitating annex for data submission**. The facilitating annex includes: i) instructions for the delivery of the data (e.g., naming convention, format); ii) a mapping between the MBDT data fields and other SRB collections, to support institutions in retrieving the existing data fields from their own information systems; and iii) reporting examples to clarify the most complex reporting cases.
- **Publicly available validation rules**. The validation rules are made publicly available to foster a common understanding of data quality requirements. These rules are designed to ensure that the data submitted by banks meets the SRB's standards for accuracy and completeness. Banks falling in scope for the MBDT are requested to implement sound internal processes, including proper documentation in bail-in playbooks, to ensure compliance with these validation rules. The validation rules help maintain the integrity of the data and support effective resolution planning and execution.
- **Country annexes**. Country-specific adjustments might be required for Banking Union Member States, due to differences in creditor hierarchies or other specificities arising from national legislation. Such adjustments are included in the MBDT Country Annexes and, when available, must be taken into consideration by institutions incorporated in a given Member State. If a country annex is not provided for a particular Member State, the MBDT guidance defines the benchmark for banks located in that Member State to ensure adequate Management Information Systems (MIS) capabilities for bail-in implementation.

3. Next steps

- Institutions have a 12-month period from the date of this publication to adapt to the MBDT requirements.
- An additional 6 months (for a total of 18 months) are granted to adapt to the following specific tables: i) the aggregate view of tab B01.00; ii) the submission B of tab B02.00 (please refer to the MBDT guidance, section 1.1, paragraph 16); iii) the data on derivatives (B03.00); iv) the data on Securities Financing Transactions (B04.00).

28/11/2024

SRB - Work Programme 2025

1. Context

The SRB Work Programme for 2025 outlines the strategic priorities and operational plans for the upcoming year. The SRB is responsible for ensuring the orderly resolution of failing banks within the Banking Union, thereby preserving financial stability and protecting taxpayers. The programme emphasizes crisis preparedness, resolvability, and the operationalization of resolution tools, reflecting the SRB's commitment to maintaining a robust and resilient financial system.

In this context, the SRB has published the **Work Programme for 2025** with the objective of enhancing its crisis management capabilities, streamlining resolution planning processes, and fostering a strong organizational culture. The programme aims to ensure that banks are operationally ready for resolution, improve governance and internal structures, and promote a motivated and professional workforce.

2. Main points

The Work Programme sets out priorities for 2025-2027.

- **Strategic Area 1 on Core Business**. In 2025, the SRB will focus on strengthening its crisis preparedness and management capabilities. This includes implementing a comprehensive testing framework to ensure effective resolvability of banks and enhancing crisis communications. The SRB will also shift its focus from drafting resolution plans to making them operational through testing and simplification measures. Additionally, the SRB will adopt new guidance on bank-led resolvability self-assessments and conduct on-site inspections to gather lessons learned and improve crisis readiness.
- **Strategic area 2 on governance, organization and tools**. The SRB aims to streamline its governance and internal structures to increase transparency and efficiency. Key initiatives include revising internal rules of procedure, optimizing decision-making processes, and enhancing digital transformation efforts. The SRB will also focus on fostering a positive organizational culture through leadership training, awareness campaigns, and promoting sustainability within its operations. The newly established Digital Transformation Group (DTG) will play a crucial role in driving innovation and improving data management capabilities.
- **Strategic area 3 on human resources**. The SRB will continue to develop its talent management tools and frameworks to ensure a motivated and professional workforce. In 2025, the SRB will launch its first pilot internal mobility programme and promote external mobility through cooperation with European Union (EU), national, and international bodies. The SRB will also revamp its learning and development programme, focusing on skills gap analysis and establishing a common training curriculum for SRB and National Resolution Authority (NRA) staff. Additionally, the SRB will implement diversity and inclusion measures, including a gender action plan and targeted initiatives for staff members with disabilities.

05/12/2024

SRB - Consultation on operational guidance for banks regarding resolvability self-assessment

1. Context

In March 2020, the SRB published the Expectations for Banks (EfB), setting out the minimum capabilities banks must establish in order to demonstrate that they are resolvable and are prepared for crisis management The EfBs have been phased in over the past few years, allowing banks to gradually increase their capabilities until the end of 2023 in line with the European Banking Authority's (EBA) guidelines to improve their resolvability. With the phase-in period of the EfB concluded, the SRB is revising its resolvability assessment methodology, known as the Heatmap, which outlines the capabilities banks must maintain to be deemed resolvable. These capabilities will be integrated into the annual self-assessment, providing banks with clear expectations at each Heatmap level and aligning with SRB policies and operational guidance. In February 2024, the SRB published the Single Resolution Mechanism (SRM) Vision 2028, which emphasizes crisis readiness, with a focus on resolvability and implementing resolution plans. Banks are expected to take a greater role in self-assessing and regularly testing their resolvability through a multi-annual testing program.

In this context, the SRB has launched a **public consultation on the operational guidance for banks regarding resolvability self-assessment**. The consultation, which is part of the SRM Vision 2028 strategy, focuses on a self-assessment template that banks must complete annually, aiming to enhance clarity, consistency, and a level playing field in assessing resolvability across the sector.

2. Main points

The main aspects included in the Operational guidance are the following.

- **Scope of application**. This operational guidance applies to banks under the SRB's direct remit that are earmarked for resolution. Each resolution entity within a banking unit (BU) is required to conduct the resolvability assessment at the resolution group level. For banks under a multiple point of entry (MPE) strategy, the self-assessment should be done at each resolution group level. However, for banks with an ultimate parent entity within the BU, the self-assessment should be centralized and submitted by the ultimate parent entity to ensure a unified approach.
- **Link with resolvability testing and the identification of impediments**. The SRB is responsible for assessing the extent to which banks are resolvable. To this end, the Internal Resolution Teams (IRT) carry out a resolvability assessment, based on the legal framework and taking into account the EfB, the bank's self-assessment report as well as their holistic knowledge and the specific characteristics of the bank. The IRT determine the necessary tests that banks must perform to validate and confirm the functioning of the declared capabilities, assessing the degree of compliance with each resolution capability and the impact of non-compliance on the chosen resolution strategies. Depending on the circumstances, the IRT defines the most appropriate course of action.
- **Self-assessment template**. To ensure that banks structure and perform their self-assessment in a consistent way, Annex II of the operational guidance provides a template for banks to structure their self-assessment consistently, aligned with the EBA Guidelines on improving resolvability. The template is a structured questionnaire covering seven resolvability dimensions: i) governance; ii) loss absorption and recapitalization capacity; iii) liquidity and funding in resolution; iv) operational continuity in resolution (OCIR) and access to financial market infrastructure (FMI) services; v) information systems and data requirements (MIS) vi) communication; and vii) separability and restructuring.
- **Methodology for assessing compliance**. The methodology for assessing to what degree the capability is met is based on a four-point grading scale: i) Compliant indicates full implementation of the capability; ii) Largely compliant means the capability is mostly met with limited or low-impact shortcomings; iii) Materially non-compliant signifies weak implementation with significant gaps, requiring considerable work; and iv) Non-compliant indicates substantial implementation issues or the lack of implementation. This scale is designed to differentiate between varying levels of progress, highlighting where further improvement is needed.

3. Next steps

- The consultation closes on **7 February 2025**.

Q4 Relevant publications

UK

21/10/2024

CL **BoE - CP13/24 – Remainder of CRR: Restatement of assimilated law**

1. Context

The BoE has published a Consultation Paper (CP) 13/24, addressing how the Financial Services and Markets Act 2023 provides for the revocation and restatement of financial services assimilated law in secondary legislation.

The Prudential Regulation Authority (PRA) has already consulted on the restatements and amendments of, the Capital Requirements Regulation (CRR) in several documents: PS22/21 (October 2021); PS17/23 (December 2023); PS9/24 (September 2024); and CP8/24 (September 2024). On 12 September 2024, HM Treasury (HMT) announced its intention to revoke the remaining assimilated law in the CRR. The CP13/24 details how the PRA proposes to restate, and in some cases modify, these requirements in the PRA Rulebook.

In this context, the BoE alongside the PRA have published a **CP on restatement of assimilated law relating to CRR,** which sets out the PRA's proposals to restate the relevant provisions in the assimilated CRR No. 575/2013 in it's Rulebook. These include the adjustments to securitization requirements, the handling of mortgages, the assessment of counterparty credit risk and the updating on the mapping of credit ratings in certain assimilated technical standards, with the aim of improving clarity and financial stability in the UK market..

2. Main points

The CP for the restatement of assimilated law follows a structured process which highlights critical components of the PRA's ongoing efforts to establish a comprehensive regulatory framework that reflects the needs of the UK financial market while ensuring stability and compliance with international standards. The main proposals are:

- **Level of application of requirements.** The PRA is focusing on the assimilation of the remaining provisions of the CRR into the UK legal framework. This involves transferring rules governing capital requirements, risk management, and regulatory compliance for financial institutions. Most of the CRR provisions will be restated without significant changes to their policy substance, ensuring continuity and clarity for firms transitioning from the European Union (EU) regulations. The PRA will also omit certain provisions that involve discretionary powers, which it has not exercised in the past or does not plan to exercise in the future. This is aimed at simplifying the regulatory framework and enhancing its operability.
- **Securitisation requirements.** The consultation proposes several targeted changes to the rules governing securitisation. One significant update is the introduction of a formulaic p-factor for calculating capital requirements under the Securitisation Standardised Approach (SEC-SA). This will provide firms with flexibility in capital calculations. Additionally, the PRA proposes a new capital treatment for retail residential mortgage loans under schemes like the Mortgage Guarantee Scheme (MGS), which reflects the unique characteristics of the UK housing market. The PRA will also clarify supervisory expectations related to the use of unfunded credit protection in synthetic Significant Risk Transfer (SRT) securitisations, which is important for risk management practices in securitisation markets.
- **Counterparty credit risk.** The PRA intends to restate rules that govern counterparty credit risk, ensuring that the regulatory framework addresses the risks associated with derivatives and securities financing transactions. This includes updating provisions on the treatment of commodities used as collateral for trading book over-the-counter derivatives, aiming for more clarity in the capital requirements linked to these transactions. The PRA also plans to withdraw the requirement for their recognition of contractual netting agreements, which may streamline compliance for firms.
- **Settlement risk.** The paper outlines the need to restate provisions related to settlement risk, which arises when transactions are not settled in a timely manner. By ensuring that these rules are included in the PRA Rulebook, the PRA aims to maintain robust oversight of risks associated with unsettled transactions and to align with international best practices under Basel III standards. The focus on settlement risk is crucial for safeguarding the integrity of the financial system and preventing systemic risks.
- **Other CRR requirements.** This section addresses additional capital requirements related to credit risk and the overall framework for regulating financial institutions. It includes restating certain provisions without significant modification, ensuring that key aspects of the CRR remain in effect while adapting to the UK's regulatory needs. The PRA is also considering minor updates to ensure that the rules are consistent with its approach to financial regulation, thereby enhancing clarity and operational efficiency.
- **Mapping of external credit rating agency ratings to credit quality steps.** The PRA proposes updates to the mapping of external credit ratings to credit quality steps for various capital adequacy calculations. This revision is essential for ensuring that the UK's credit assessment framework aligns with international standards, promoting consistency and reliability in evaluating credit risk. The updated mapping will apply to UK banks, building societies, and designated investment firms, thereby supporting a unified approach to risk management and regulatory compliance.
- **Cost-benefit analysis (CBA).** The CP includes a CBA, which outlines that most proposals will not generate significant costs for firms. However, certain modifications, like the simplifications for small domestic deposit takers, are expected to reduce operational burdens and enhance regulatory clarity. These changes aim to streamline compliance for smaller institutions, helping them navigate the regulatory framework more efficiently while maintaining stability and consistency with international standards.

3. Next Steps

- This consultation closes on **15 January 2025**.
- Except for firms that are subject to the PRA's Interim Capital Regime (ICR), the PRA proposes that the implementation date for the draft PRA rules set out in CP13/24 would be **1 January 2026**.
- In some areas, the PRA proposes to amend certain CRR requirements consequential to the proposed simplification of requirements for small domestic deposit takers (as consulted on in CP7/24) and those requirements would come into effect on **1 January 2027**.
- For the credit ratings mapping tables set out in Chapter 7 of CP13/24, the proposed implementation date for the insurance-related mapping rule changes would be **1 July 2025**, and the implementation date for the banking and securitisation mapping rule changes would be **1 January 2026**.

23/10/2024

CL **BoE - CP14/24 – Large exposures framework**

1. Context

The large exposures (LE) framework in the United Kingdom was originally based on the requirements set out in Part Four of the Capital Requirements Regulation (CRR). The Financial Services Act 2021 (the FS Act) removed these requirements and empowered the PRA to apply LE standards in PRA rules. These rules were transferred into the Large Exposures Part of the PRA rulebook in January 2022. Some rules were amended to implement Basel LEX standards. The remainder of the rules were transferred without material modifications.

In this context, the BoE alongside the PRA have published a **CP on the large exposures framework, which** sets out the PRA's proposals to further implement the Basel LE standards within the UK's regulatory landscape. The aim is to strengthen financial stability by aligning the UK's approach with international standards.

2. Main points

The main proposals on the CP include:

- **Calculation of exposure value for securities financing transactions**. The proposed changes aim to streamline and standardize the calculation of exposure values for securities financing transactions. This involves adopting a more consistent approach to recognize netting and collateral arrangements in line with Basel standards, enhancing transparency and comparability across institutions. By limiting the use of internal models (IM) and applying a more uniform calculation method, the framework seeks to reduce variability in how exposures are assessed, thus supporting a more resilient financial system.
- **Limits to large exposures in the trading book**. The updated rules propose stricter limits on large exposures within the trading book to manage concentration risk more effectively. These limits will apply to exposures arising from trading activities, with more precise caps introduced to mitigate potential losses associated with highly concentrated positions. The adjustments include refining the measurement techniques for trading book exposures, ensuring they reflect current market risks more accurately, and encouraging institutions to diversify their counterparties.
- **Calculating the effect of credit risk mitigation techniques**. The proposal provides detailed guidance on calculating the impact of credit risk mitigation (CRM) techniques, such as collateral and guarantees, on reducing exposure values. The updated framework promotes a more conservative and standardized approach, ensuring that only high-quality and reliable CRM methods are recognized. This aims to prevent over-reliance on mitigation techniques that may not be fully effective under stress conditions, enhancing the resilience of the financial system.
- **Exceptions, exemptions, and reciprocation**. The framework outlines specific circumstances under which exposures might be exempt from the standard large exposure limits, such as exposures to sovereign entities or intra-group transactions. Additionally, it emphasizes reciprocal arrangements with other jurisdictions to ensure that the UK's regulatory approach aligns with international practices. This reciprocity is intended to prevent regulatory arbitrage and maintain a level playing field across different markets.
- **Cost-Benefit analysis**. The cost-benefit analysis evaluates the anticipated benefits of improved risk management and financial stability against the potential costs of implementing the proposed changes. It considers how the new requirements might impact different types of institutions, including smaller firms, and examines the implications for market diversity. The analysis aims to ensure that the framework does not disproportionately burden smaller participants while still enhancing overall market resilience.

3. Next Steps

- This consultation closes on **17 January 2025**.
- Except for the proposal on securities financing transactions (SFTs), the implementation date for the changes resulting from the proposals would take effect shortly after the publication of the final Policy Statement..
- To allow affected firms adequate time to apply for a higher non-core large exposures group (NCLEG) permission, the PRA proposes offering a modification by consent to maintain the current position until **March 2026**.
- The proposed removal of the possibility for firms to use IM methods to calculate exposure values to SFTs would take effect on **1 January 2026**.

22/11/2024

E **BoE - Consultation on fundamental rules for FMI and publication of its approach to FMI supervision**

1. Context

Following the United Kingdom's departure from the European Union (EU), the country ceased to be subject to the European financial regulatory framework, gaining autonomy to design its own regulations tailored to local needs. This change has led to a strengthening of the UK regulatory framework, with the Bank of England (BoE) acquiring new powers to establish legally binding regulations for financial market infrastructures (FMIs), including central counterparties (CCPs) and central securities depositories (CSDs). These infrastructures are essential for the stability of the financial system as they ensure the secure and efficient processing of payments, securities, and financial transactions.

In this context, the BoE has launched a **consultation on the core principles for FMIs and published its supervisory approach for FMIs**. The aim of the consultation is to establish a clear set of rules that strengthen the oversight of these entities, aligning them with international standards while addressing the needs of the local market. In addition, the additional clarity given by the supervisory approach document will help effective supervision by ensuring FMIs have a clear understanding of what the BoE seeks to achieve.

2. Main points

The main aspects included in the consultation paper and approach document are the following:

- **Consultation on Fundamental Rules for FMIs**. The consultation proposes clear standards for the organizational structure and decision-making processes within FMIs, ensuring effective, ethical, and accountable management. It aims to strengthen internal oversight and minimize conflicts of interest, promoting accountability among leaders. In addition, the consultation emphasizes the need for robust contingency and recovery plans to ensure operational continuity in the face of disruptions such as cyberattacks or natural disasters. The proposals encourage the adoption of technologies and processes that enable the rapid resumption of critical activities. FMIs will be required to implement systems to identify, assess, and mitigate financial and operational risks. This includes risks associated with third parties and counterparties, ensuring resilience through adequate margins and diversified practices.
- **Supervisory approach for FMIs**. The BoE's approach to FMI supervision focuses on ensuring the resilience and effective risk management of FMIs, including CCPs, CSDs, and recognized payment system operators (RPSOs). This supervision is guided by four principles: i) supervisory judgment; ii) forward-looking risk assessments; iii) prioritization of significant risks; and iv) proportionality in interventions. The BoE conducts stress testing, reviews governance and operational arrangements, and ensures compliance with international standards. Additionally, it engages in horizontal supervisory work to identify systemic risks and uses horizon scanning to detect emerging vulnerabilities, coordinating with other regulatory bodies to maintain a cohesive supervisory approach. This comprehensive framework helps safeguard the integrity and efficiency of financial markets, supporting overall financial stability.

3. Next Steps

- The consultation period closes on **19 February 2025**.
- The BoE will also engage with stakeholders in respect of the supervisory approach document in the **first quarter of 2025**.

03/12/2024

O **BoE - Results of 2024 SST for UK CCPs**

1. **Context**

CCPs play a crucial role in the financial system by reducing counterparty risk and enhancing market stability. They act as intermediaries between buyers and sellers in financial transactions, ensuring that trades are completed even if one party defaults. Given their importance, it is essential to regularly assess the resilience of CCPs to extreme market conditions and potential defaults. Stress testing is a key tool used by regulators to evaluate the ability of CCPs to withstand severe financial shocks and maintain their critical functions.

In this context, the BoE has published the **results of its 2024 SST for UK CCPs**. This is the third public SST conducted by the BoE, focusing on the credit resilience of CCPs under severe market stress scenarios and the default of two or more clearing members. The aim is to identify potential vulnerabilities and inform ongoing supervisory and regulatory activities.

2. **Main points**

The main aspects included in the results of the SST are the following:

- **Market Stress scenarios**. The stress test focused on a Baseline Market Stress Scenario, designed to capture market risks arising from escalating geopolitical and trade tensions and a negative shock to growth expectations. This scenario was calibrated to be equivalent in severity to the worst historical stress episodes, ensuring plausible correlations between risk factors. Additionally, the Bank included 'multiplier scenarios' to explore resilience to more extreme conditions beyond historical precedents, providing a thorough examination of CCPs' ability to withstand severe market disruptions.
- **Credit Stress Test**. The core credit stress test assessed the sufficiency of CCPs' financial resources to absorb losses under a severe market stress scenario and the simultaneous default of the two clearing members that would cause the greatest depletion of mutualized resources. All UK CCPs were found to have adequate pre-funded resources to cover these scenarios, indicating robust financial buffers to handle extreme market conditions and member defaults.
- **Credit and Concentration Stress Test**. When considering the costs of liquidating concentrated positions, most CCPs still had sufficient resources. However, LME Clear's base metals service showed vulnerability, requiring additional resources beyond its default fund under conservative assumptions. This highlights the importance of considering concentration risks in stress testing, as large, concentrated positions can significantly impact the financial stability of CCPs.
- **Reverse stress testing and sensitivity testing**. The BoE conducted reverse stress testing and sensitivity testing to explore CCPs' resilience to increasingly severe scenarios and assumptions. This included Cover-X analysis, opposite direction scenario analysis, and reverse credit stress tests. These tests aimed to identify potential pockets of vulnerability that may exist outside the Cover-2 population or under shocks that go beyond extreme but plausible scenarios.
- **Conclusions**. The 2024 CCP Supervisory Stress Test confirmed the resilience of UK CCPs to severe market stress scenarios and the default of key clearing members. While some vulnerabilities were identified, particularly in the context of concentrated positions, the overall findings indicate that UK CCPs have robust financial resources to manage extreme market conditions.

3. **Next Steps**

- The BoE will continue to engage with CCPs to explore identified vulnerabilities and ensure appropriate measures are in place.
- Further investment in stress-testing capabilities will be made to enhance the BoE's ability to assess a broader range of risks.
- The findings from this stress test will inform the BoE's ongoing supervisory and regulatory activities, contributing to the overall stability and resilience of the UK financial system.

18/12/2024

D **BoE** – Consultation on a proposed framework for reporting operational incidents, outsourcing, and third-party relationships

1. Context

In March 2021, the Prudential Regulation Authority (PRA) published the Operational Resilience Policy Statement (PS6/21) and the Supervisory Expectations on Outsourcing and Third-Party Risk Management (SS2/21), committing to develop a framework to collect information on third-party arrangements. Subsequently, in November 2024, the regulatory regime for the supervision of Critical Third-Party Providers was established in the PS16/24 Policy Statement. This framework addresses the need to identify and manage risks arising from critical third-party dependencies in the financial system.

In this context, the BoE has published a consultation paper on a proposed framework for reporting operational incidents, outsourcing, and third-party relationships. This framework seeks to strengthen the operational resilience of the UK financial system by ensuring greater transparency and oversight of critical dependencies.

2. Main points

The main points addressed in the document include:

- **Definition of operational incidents and reporting standards**. The consultation outlines clear guidance on what constitutes a significant operational incident, including disruptions to critical services that may impact customers, markets, or financial stability. It proposes specific timelines for incident reporting and standardized information requirements to enable regulators to promptly assess the nature, impact, and resolution of incidents. This includes data on root causes, the scale of disruptions, and remedial actions.
- **Reporting requirements for outsourcing agreements and critical suppliers**. The proposals emphasize the need for regulated entities to provide detailed information on their outsourcing relationships, including the identification of critical suppliers and the associated risks. This would allow regulators to assess how outsourcing arrangements affect the delivery of essential services and firms' capacity to remain operational during disruptions. The consultation also explores approaches to manage concentration risks, particularly when multiple firms rely on the same critical third-party providers.
- **Supervision of third-party supply chains and Nth Party Providers**. The consultation highlights the importance of monitoring not only direct suppliers but also key actors within their supply chains that are critical for the provision of essential services. This holistic approach aims to mitigate systemic risks stemming from failures deeper in the value chain, which might otherwise go unnoticed under conventional oversight practices.
- **Coordination for managing systemic incidents**. The document suggests the development of a collective response framework to encourage collaboration between regulated entities, regulators, and critical third parties. This framework would support a more effective and coordinated response to significant incidents with the potential to impact multiple firms or the broader financial system.
- **Standardized reporting and administrative burden reduction**. To facilitate the implementation of these measures, the BoE proposes a standardized framework that harmonizes reporting requirements across regulatory bodies. This includes common templates and digitalized data collection processes, designed not only to improve the quality of information gathered but also to reduce the administrative effort required for compliance.

3. Next Steps

- The consultation period will close on **14 March 2025**.
- The proposed measures will be implemented gradually in collaboration with regulated entities to ensure a smooth transition.

20/12/2024

S **BoE – UK Endorsement of IFRS S1 and S2**

4. Context

The Financial Reporting Council (FRC), in its role as Secretariat of the UK Sustainability Disclosure Technical Advisory Committee (TAC), has conducted a technical assessment of the International Financial Reporting Standards (IFRS) S1 and IFRS S2, which establish requirements for the disclosure of financial information related to sustainability and climate change. These standards aim to improve transparency and consistency in corporate sustainability reporting, helping entities provide clear and comparable data to investors. Their adoption in the UK also reflects an effort to align local practices with international regulations, promoting sustainability within the country's regulatory framework.

In this context, the BoE has published the **final recommendations of the UK Sustainability TAC on the adoption of these international standards in the UK**. These recommendations include specific technical adjustments, such as extending the transition period for the "climate first" approach from one to two years, and suggest the creation of additional guidance to harmonize the new standards with local regulations.

5. Main points

The main points addressed in the document include:

1. **Extension of the transition period to prioritize climate**. It is proposed to extend the transition period for the "climate-first" approach from one to two years. This will allow entities to initially focus on climate-related disclosures under IFRS S2 before fully implementing the broader sustainability requirements of IFRS S1.
2. **Development of guidance for IFRS S1 implementation**. The TAC recommends the creation of specific guidance to help entities align IFRS S1 with existing legal requirements in the UK. This includes addressing potential conflicts between local and international regulations and ensuring entities understand how to comply with both frameworks.
3. **Technical assessment of the standards**. The TAC has concluded that both IFRS S1 and IFRS S2 are suitable for adoption in the UK. The assessment determined that the standards align with principles of public good, transparency, and usefulness for investors, while also supporting the UK's global commitments to sustainability and climate goals.
4. **Proposed minor adjustments to IFRS S1 and IFRS S2**. The recommendations include specific modifications to the standards to ensure compatibility with the UK regulatory framework. These amendments are limited and aim to facilitate implementation without compromising the core principles established by the International Sustainability Standards Board (ISSB).
5. **Promotion of clarity in the application of the standards**. The TAC highlights the need for the UK Sustainability Disclosure Policy and Implementation Committee to develop practical guidance to explain how entities can structure their reports to efficiently comply with IFRS S1 and IFRS S2.

6. Next Steps

- The UK Sustainability Disclosure Policy and Implementation Committee will develop additional guidelines and coordinate with regulated entities to ensure an effective transition to the new standards.
- The TAC notes that assurance standards will need to be developed and mentions that the International Auditing and Assurance Standards Board (IAASB) published the General Requirements for Sustainability Assurance Engagements in November 2024. Further guidance is expected to be published in 2025 to complement these standards.

19/11/2024

S **HM Treasury - Consultation on the UK Green Taxonomy**

HM Treasury

1. Context

The UK government is exploring ways to strengthen its sustainable finance framework as part of its broader climate and environmental policy objectives. In recent years, key policies have been implemented, such as the adoption of the standards of the International Sustainability Standards Board (ISSB), the transition plans of the Transition Plan Taskforce (TPT), the Transition Finance Market Review (TFMR), the Financial Conduct Authority's (FCA) sustainability disclosure and fund labelling regime, and the regulation of Environmental, Social, and Governance (ESG) ratings, among other initiatives. A key aspect is the creation of mechanisms to direct investment toward economic activities that contribute to the country's transition to a net-zero economy, while ensuring transparency and preventing practices such as greenwashing. Establishing a robust framework will enable market participants to identify and support truly sustainable initiatives.

Considering this, HM Treasury has published a **consultation on the UK Green Taxonomy**, which would classify sustainable economic activities and support the government's environmental goals. The primary purpose of this consultation is to determine whether a UK Green Taxonomy would be additional and complementary to existing policies in mitigating greenwashing and channeling capital in support of the Government's sustainability goals. To this end, the consultation seeks to gather views on the potential regulatory and market uses of a UK Green Taxonomy that would contribute to these objectives. Drawing on taxonomies developed in other regions, the UK Green Taxonomy will incorporate science-based thresholds and metrics to ensure credibility, alignment with international standards, and usability for market participants.

2. Main points

The consultation includes the following aspects:

- **Use cases and strategic objectives**. The consultation identifies two main objectives for the UK Green Taxonomy:
  - Promoting market integrity and preventing greenwashing by creating a standardized classification system for sustainable economic activities, increasing transparency and confidence in green investments.
  - Mobilizing capital into key sectors critical for the transition, such as clean energy and biodiversity, by providing consistent benchmarks to guide investment.
  - Potential applications include guiding investor decisions, supporting the development of sustainability-focused financial products, and enhancing fund and portfolio disclosures.
- **Focus on transition finance**. Transition finance is a priority for the taxonomy, aiming to support activities that enable businesses to move toward sustainability. This includes incorporating elements like the EU's thresholds for transition activities or Singapore's traffic light approach. Stakeholders are invited to provide feedback on the suitability of these methods for mobilizing capital and addressing the challenges of binary classifications.
- **Do No Significant Harm (DNSH) principle**. The DNSH mechanism will ensure that progress on one environmental objective does not harm others. For example, projects contributing to climate adaptation must avoid negative impacts on ecosystems. The government seeks views on balancing usability with environmental rigor to ensure stakeholder adoption.
- **Interoperability and global alignment**. The taxonomy will align with international frameworks to ensure comparability and usability for global stakeholders. It will incorporate recognized metrics, science-based thresholds, and activity-specific descriptions tied to Standard Industry Classification (SIC) codes, drawing on best practices from established taxonomies such as those in the EU and Singapore.
- **Governance, updates, and usability**. A governance structure involving government, industry, and Non-Governmental Organization (NGOs) is proposed to ensure its credibility and effectiveness. Stakeholders are invited to comment on the frequency of updates and their potential impact on market participants, particularly in the context of transition plans. The taxonomy will be updated every three years to reflect advances in science, technology, and policy.

3. Next Steps

- The consultation period is open until **February 6, 2025.**
- HM Treasury will assess responses and finalize the framework, with potential implementation details announced later in 2025.

20/11/2024

P PRA - Consultation paper 15/24 proposing reforms to the UK ISPV regulatory framework

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

1. Context

The PRA is advancing efforts to reform the regulatory framework for UK Insurance Special Purpose Vehicles (ISPVs). This initiative is part of a broader strategy to align the UK's financial services regulations with international standards and enhance the competitiveness of the UK market.

In this context, the PRA has published **consultation paper (CP) 15/24 proposing reforms to the UK ISPV regulatory framework**. The proposed reforms are intended to enhance the safety and soundness of the insurance sector by making more diversified reinsurance capital available to cedants while also furthering the PRA's secondary competitiveness and growth objective by making authorisation of UK ISPVs faster and easier.

2. Main points

The main points included in the CP are the following:

- **Structural changes**. Proposes amendments to allow UK ISPVs to count realised investment returns towards their aggregate maximum risk exposure (AMRE). It also suggests disapplying the requirement for UK multi-arrangement ISPVs (MISPVs) to be formed as Protected Cell Companies (PCCs) under certain conditions.
- **Grace periods and limited recourse clauses**. Introduces the use of grace periods for the fully funded at all times (FFAAT) requirement in specific scenarios and clarifies the application of Limited Recourse Clauses (LRCs) by UK ISPVs.
- **Accelerated authorisation pathway**. Proposes an accelerated pathway for authorising certain UK ISPV applications that meet predefined criteria, such as specific types of catastrophe bonds (cat bonds). This aims to expedite the approval process for qualifying applications.
- **Alignment with global practices**. The reforms are based on feedback from market participants indicating that the current UK regime does not sufficiently support the establishment of UK ISPVs. The proposed changes are intended to make the UK ISPV regime more competitive and in line with global practices.

3. Next Steps

- The consultation period closes on **14 February 2025**.

20/11/2024

CL **PRA/BoE - Conclusions of the Solvency II Review**

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

1. Context

After the United Kingdom (UK) exited the European Union (EU), the government and regulators worked to modify the financial services regulations to reflect the country's new status outside the EU. The prudential framework that governs UK regulated insurers, Solvency II, was originally an EU regime, but it was carried across into UK law broadly unchanged following Brexit and came into force on 1 January 2016. The intention was that the government would subsequently review Solvency II, with a key goal of ensuring that it is optimised for the UK market. After the publication of Policy Statement (PS)15/24, which provided feedback to responses the PRA received to consultation paper (CP) 5/24 Review of Solvency II: Restatement of assimilated law, the PRA rules and policy materials that will replace Solvency II assimilated law have been finalized. The publication of the PS marks the conclusion of the PRA's phased consultation approach to the Solvency II Review, which began following the Government's announcement in 2020.

In this context, the BoE alongside the PRA have published several documents to present the **conclusions of the Solvency II**: i) **PS15/24** on the **restatement of the assimilated legislation** in the Solvency II review ; ii) the **statement of policy** (SoP) on the **approach** to the **standard formula adaptations**; iii) the **SoP** on the approach to the **permissible recovery period** for **insurers to restore full coverage** of their **solvency capital requirement** (SCR); iv) the **supervisory statement** (SS) **5/15** on **risk management in pension schemes** ; v) **SS8/24** on the **calculation of Solvency II technical provisions**; vi) the **SoP** on the PRA's approach to **insurance own funds permissions**; and vii) the **SoP** on **volatility adjustment** (VA) **permissions**. These reforms and restatement of rules provide a new regulatory framework for maintaining the safety and soundness of insurance firms and protecting their policyholders. In addition, a more streamlined and flexible regulatory regime, enabling opportunities for productive investment in the UK and facilitating entry into the UK insurance market.

2. Main points

Below are the documents included in the conclusions on the Solvency II review:

- **PS15/24 on the restatement of the assimilated law**. This PS finalizes the regulatory changes stemming from the Solvency II Review. It marks a significant shift in the UK's post-Brexit insurance regulatory framework. The statement includes the restatement and replacement of Solvency II assimilated laws with new PRA rules. Key areas addressed include technical provisions, own funds, standard formula adaptations, and volatility adjustments. The overarching aim is to enhance the resilience of the insurance sector while promoting competitiveness and growth by allowing more streamlined and flexible regulatory processes.
- **SoP on the PRA's approach on standard formula adaptations**. This statement of policy (SoP) sets out the PRA's approach to adaptations relating to the standard formula, which is the default methodology for the calculation of the SCR by UK Solvency II firms, as set out in the PRA Rulebook. This SoP covers the PRA's approach to three key areas under the Solvency II framework: i) permissions for Undertaking Specific Parameters (USP) and Group Specific Parameters (GSP); ii) investments in securitisations; and iii) adjustments for the loss-absorbing capacity of deferred taxes (LACDT).
- **SoP on the PRA's approach to the permissible recovery period for insurers to restore their full cover for SCR**. This SoP sets out the circumstances that could lead to the PRA declaring an exceptional adverse situation for the purpose of the undertakings in difficulty and group supervision parts of the PRA Rulebook. The SoP also sets out the factors that the PRA will consider in determining whether an insurer should be permitted to have an extension of the permissible recovery period during which it should take the necessary measures to restore full cover for its SCR including where an exceptional adverse situation has been declared.
- **SS5/15 on risk management in pension schemes**. This SS explains what the PRA expects of firms that are not the legal sponsor of a defined benefit pension scheme but are part of a group that contains a company that sponsors a defined benefit pension scheme. Furthermore, this SS highlights areas to which firms should pay particular attention when considering the risks posed by a defined benefit pension scheme for the purpose of determining the SCR. This includes risks arising both from pension schemes sponsored by the firm itself and those sponsored by another group company. This is relevant to the calculation of both the solo and group SCR.
- **SS8/24 on the calculation of Solvency II technical provisions**. This SS sets out the PRA's expectations in respect of insurers applying simplifications to the best estimate and risk margin elements of the technical provisions and SCR, expanding on the rules set out in the PRA Rulebook.
- **SoP on the PRA's approach to insurance own funds permissions.** This SoP sets out the PRA's approach to granting the regulatory permissions contained in the Own Funds part of the PRA Rulebook. Where relevant, this SoP also sets out the PRA's approach to variations to those permissions, and the circumstances in which the PRA may take the decision to revoke an Own Funds permission. When granting, varying or revoking Own Funds permissions, the PRA would exercise its powers under section 138BA of the Financial Services and Markets Act 2000 (FSMA).
- **SoP on Solvency II VA permissions.** This SoP sets out the PRA's approach to granting regulatory permissions in relation to the volatility adjustment (VA), as well as variations to those permissions, and the circumstances in which the PRA may consider revoking a firm's VA permission.

3. Next Steps

- The implementation of the PS15/24 changes is set for the end of **2024**, paving the way for the transition to the new Solvency UK framework.
- The PRA will continue to evolve its prudential regulatory framework for the insurance sector as part of its continuing policy making activity in **2025** and beyond.

Spain

28/11/2024

S **CNMV/ICAC - Joint communiqué pending the transposition of the CSRD into Spanish law**

1. Context

The European Union (EU) Directive No. 2014/95 on Non-Financial Reporting (NFRD) introduced the obligation for certain companies to include non-financial information in their management reports, covering environmental, social, personnel, human rights and anti-corruption aspects. This directive was replaced by EU Directive No. 2022/2464 on Corporate Sustainability Reporting (CSRD), which extends both the content and the number of entities obliged to report sustainability information. The CSRD was to be transposed into Member States' legislation by 6 July 2024.

In this context, the CNMV and the ICAC have issued a **joint communiqué pending the transposition of the CSRD into Spanish law**. This communiqué aims to guide the subject institutions and their verifiers in the preparation of sustainability reports, ensuring compliance with Law 11/2018 on non-financial reporting and diversity and the new European Sustainability Reporting Standards (ESRS).

2. Main points

The communiqué highlights the following aspects:

- **Reporting requirements**. The CSRD requires sustainability information to be presented according to ESRS, in a specific section of the management report, in electronic format and verified by an independent provider. Law 11/2018 also requires specific breakdowns not covered by the ESRS, such as tax and employment information.
- **Transitional provisions**. ESRS 1 sets out transitional provisions and an appendix with information requirements that may be phased in. Institutions should carefully assess the application of the transitional regime in order not to be in breach of Law 11/2018.
- **Publication of information**. It is recommended that Spanish institutions publish the non-financial information statement (NFS) considering the new ESRS framework, provided that they can provide reliable and relevant information.
- **Independent verification**. Law 11/2018 does not specify who can perform the verification or the rules for its performance. Most verification reports have been based on the International Standard on Assurance Engagements 3000 Revised (NIEA 3000 Revised). In addition, the international sustainability assurance standard ISSA 5000 was published in November 2024.
- **Committee of European Auditing Oversight Bodies (COESA) Guidelines**. On 30 September 2024, COESA published Guidelines on the limited verification of sustainability reporting. The ICAC is preparing a technical standard on verification of sustainability reporting, which will be adopted once the Corporate Reporting on Sustainability Act is passed.

Q4 Relevant publications

American Region

Chile

16/10/2024

CL **CMF - Public consultation on the new version of regulatory adjustments related to the additional capital requirements for banks**

1. Context

In 2019, the CMF started the implementation of Basel III in Chile, with the publication of Law N°21.130 modernising banking legislation. Pillar 2 focuses on additional capital requirements to cover risks not covered under Pillar 1, such as traditional credit and market risks. Following three capital adequacy assessment cycles, the CMF has revised the regulations in force since 2020, which establish criteria for determining additional capital requirements based on banks' exposure to non-traditional risks. These refinements seek to clarify and improve the assessment process, addressing concerns raised in previous consultations and addressing non-traditional risks affecting financial institutions.

In this context, the CMF has launched **a public consultation on the new version of regulatory adjustments related to the additional capital requirements for banks** under Pillar 2 of Basel III, focusing on improving the supervisory process and risk assessment.

2. Main points

The current proposal includes key enhancements such as:

- **Adjustments to the calculation of market risks in the banking book**. Modifications to the metrics for assessing interest-earning capacity and prepaid flows in fixed-rate loans, improving the coverage of specific market risks according to the reality of each bank.
- **Revision of inherent risk profiles**. The definition of inherent risk profile is improved to align it with the current requirements of the financial sector, improving the precision in the assessment of the specific risks of each entity.
- **Clarification of the Internal Effective Ownership Objective (IO)**. It clarifies how the IO is determined and its relationship with the additional capital charges set by the CMF, allowing for more accurate supervision and suggestions on the levels of capital needed by banks.
- **Improved financial reporting**. The regulation requires risk and capital related reports to be presented in Excel format, facilitating transparency and consistency in the information provided by financial institutions.
- **Limiting the extent of IAPE**. The CMF limits the length of the Capital Self-Assessment Report (CSRR) sheets to optimise the efficiency of the assessment process and ensure that institutions focus on the key aspects of the report.
- **Further review and adjustments.** Regulatory adjustments include changes to the metrics for assessing specific risks, such as the impact of prepayment risk on fixed-rate loans, and a new definition for outlier banks, allowing them a more tailored assessment of their characteristics.

3. Next steps

- The public consultation will be open until **November 8, 2024.**
- The proposed adjustments will start to be implemented progressively from **May 2025**. Adjusted IAPE reporting will come into effect in **April 2026**, and suggestions on additional capital requirements for individual banks will be implemented from **2027**.

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:

Q 1 Other publications of interest

Global

BIS · Initial margin in centrally cleared ecosystem
(01/16) · Supervisory Expectations · Reporting and disclosure
The Basel Committee on Banking Supervision (BCBS), the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) jointly published a consultative report on the transparency and responsiveness of initial margin in centrally cleared markets. This consultative report includes ten policy proposals which aim to increase the resilience of the centrally cleared ecosystem by improving participants' understanding of central counterparties (CCPs') initial margin calculations and potential future margin requirements. The proposal covers: i) CCP simulation tools; ii) CCP disclosures; iii) measurement of initial margin responsiveness; iv) governance frameworks and margin model overrides; and v) clearing member transparency. The consultation runs until 16 April 2024. (**more detail**)

BIS · Margin models in non-centrally cleared markets
(01/17) · Supervisory Expectations
The Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) have published a report on streamlining variation margin (VM) processes and initial margin (IM) responsiveness of margin models in non-centrally cleared markets, which sets out recommendations for good market practices to enhance market functioning. The consultative report sets out eight recommendations to encourage the widespread implementation of good market practices but does not propose any policy changes to the BCBS-IOSCO frameworks. The first four recommendations aim to address challenges that could inhibit a seamless exchange of variation margin during a period of stress. The other four highlight good practices for market participants to smoothly implement initiatives to ensure the calculation of initial margin is consistently adequate for contemporaneous market conditions and proposes that supervisors should monitor whether these developments are sufficient to make this model responsive enough to extreme market shocks. Consultation runs until 17 April 2024. (**more detail**)

BIS · Resource on emissions reporting
(01/16) · Reporting and disclosure · Sustainability
The Global Reporting Initiative (GRI) and the International Financial Reporting Standards (IFRS) Foundation have jointly published a new analysis and mapping resource: Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards. The publication illustrates the areas of interoperability a company should consider when measuring and disclosing Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions in accordance with both GRI 305: Emissions and IFRS S2 Climate-related Disclosures. (**more detail**)

FSB · FSB 2024 work pogramme
(01/24) · Others
The Financial Stability Board (FSB) has published its 2024 work programme. One focus of FSB work in 2024 will be to promote the full implementation of the key attributes of effective resolution regimes for financial institutions across all sectors work on resolution, including addressing the lessons learned from the March 2023 banking turmoil. The FSB will take forward implementation of its global regulatory and supervisory framework for crypto-asset activities and continue to monitor the financial stability implications of other digital innovations, including tokenization and artificial intelligence (AI). (**more detail**)

IOSCO · Post Trade Risk Reduction Services
(01/26) · Supervisory Expectations
The Board of the International Organization of Securities Commissions (IOSCO) has published a consultation report on Post Trade Risk Reduction Services (PTRRS), which identifies potential policy considerations and risks associated with the use and offering of PTRRS associated with over-the-counter (OTC) derivatives trades, and presents sound practices as guidance to IOSCO members and regulated users of PTRRS. IOSCO is seeking to better assess the risks associated with the increased use of PTRRS and concentration of PTRRS providers, particularly in the areas of portfolio compression and counterparty risk optimization input from market participants on the discussion question in the report as well as the proposed sound practices. Comments on the consultation report should be sent before 1 April 2024. (**more detail**)

IOSCO · Streamlining variation margin
(02/14) · Others
The Bank for International Settlements (BIS) Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) has published the report with examples of effective practices of the Streamlining variation margin in centrally cleared markets. This report sets out for consultation eight effective practices addressing variation margin (VM) processes and transparency between Central Counterparties (CCPs), clearing members and their clients. The eight effective practices aim to provide examples of how standards set out in the Principles for Financial Market Infrastructures (PFMI) and CCP resilience guidance can be met. They are intended to inform CCPs in designing their VM call and collection processes. The deadline for comments is 14 April 2024. (**more detail**)

BIS · Basel iii monitoring report
(03/05) · Others
The Quantitative Impact Study Group of the Basel Committee on Banking Supervision (BCBS) has released the semi-annual report on the impact of the Basel III framework using data as of 30 June 2023, including the December 2017 finalization of the Basel III reforms and the January 2019 finalization of the market risk framework. This monitoring report captures the evolution of the estimated impacts on the risk-based capital ratio, the leverage ratio and liquidity metrics, using data collected by national supervisors on a representative sample of institutions in each country. (**more detail**)

Q1 Other publications of interest

European Region

ECB · Cyber resilience Stress Test
(03/01) · Supervisory Expectations · Technology & AI
The European Central Bank (ECB) is set to conduct a cyber resilience stress test on 109 banks under its supervision in 2024. The scenario assumes a cyberattack that disrupts daily operations, testing banks' emergency procedures, contingency plans, and their capability to restore normal operations. A subset of 28 banks will undergo an enhanced assessment, submitting additional information on their response to the cyberattack. The insights gained will inform the wider supervisory assessment in 2024, with findings discussed during the Supervisory Review and Evaluation Process. The results are expected to be communicated in the summer of 2024. (**more detail**)

EC · Harmonising and simplifying fees
(03/01) · Recovery & resolution
In its 2018 review, the Internal Audit Service of the European Commission (IAS) and the European Court of Auditors (ECA) observed thar the complexity of the European Securities and Markets Authority's (ESMA) fee funding system creates risks for the correct calculation of fees. Following these observations, the European Commission (EC) asked the ESMA for technical advice on harmonisation and simplification of delegated acts on fees charged by ESMA. Based on the recommendations from the IAS, the ECA and the technical advice provided by ESMA, the EC aims to align technical aspects of the fee collection process across ESMA's supervisory mandates. This requires amending five out of seven delegated regulations. The amendments to Delegated Regulation (EU) No 1003/2013, together with four other delegated acts on fees charged by ESMA, will ensure consistency with regard to the notion of applicable turnover, payment modalities and the general budgetary approach and thus reduce the complexity of ESMA's fees management. The five draft acts are open for feedback for 4 weeks. (**more detail**)

EFRAG · Draft documents on the implementation of ESRS
(09/01) · Reporting and disclosure · Sustainability
The European Financial Reporting Advisory Group (EFRAG) has published for consultation three documents with guidelines for the implementation of the European Sustainability Reporting Standards (ESRS) relating to the following aspects: 1) dual materiality; 2) value chain; 3) detailed reporting requirements (datapoints). Stakeholders can provide feedback by accessing the relevant surveys by 2 February 2024. (**more detail**)

EC · Competition in generative AI
(09/01) · Technology & AI
The European Commission (EC) has launched two calls for contributions on competition in virtual worlds and generative artificial intelligence (AI) and requested information to several large digital players. Additionally, the Commission is investigating agreements between large digital players and generative AI developers, assessing their impact on market dynamics. Furthermore, there is scrutiny over whether Microsoft's investment in OpenAI is subject to review under the European Union (EU) Merger Regulation. The calls align with the EU's commitment to enforcing competition rules and addressing challenges posed by disruptive technologies, such as virtual worlds and generative AI. Stakeholders can submit responses until March 11, 2024. (**more detail**)

ESAs · Consultation on draft implementing standards
(09/01) · Reporting and disclosure · Others
The European Supervisory Authorities (ESAs) have published a Consultation Paper on the draft Implementing Technical Standards (ITS) regarding the tasks of the collection bodies and the functionalities of the European Single Access Point (ESAP). These ITS and the requirements they set out are designed to enable future users to be able to effectively harness the comprehensive financial and sustainability information centralized on the ESAP. Interested parties can submit comments until 8 March 2024 and ESAs should publish a Final Report and submit the draft ITS by 10 September 2024. (**more detail**)

ESMA · Risk exposures in real estate
(10/01) · Others
The European Securities and Markets Authority (ESMA) has published its first analysis of the exposures the European Union (EU) securities and markets and asset management sector have to real estate. The analysis suggests that i) debt levels in the real estate sector are elevated with wider risk implications from non-bank financial market players and that ii) interlinkages with the banking system are important and arise through entity exposures and activities, the impacts of which on the sector can be transmitted throughout the EU financial system. (**more detail**)

Council · Strategic technologies platform agreement
(10/01) · Technology and IA
The permanent representatives of the Member States to the European Union (EU) have agreed on the Council's partial negotiating mandate on the proposal for the Strategic Technologies for Europe (STEP) Platform. The platform will support investments in critical technologies in the areas of digital and deep technology, clean technology, and biotechnology in the EU. It will reduce the EU's strategic dependencies and enhance its long-term competitiveness. The agreed partial mandate will serve as a basis for the STEP negotiations in the European Parliament (EP). (**more detail**)

ESMA · Supervisory activities on MiFID II
(11/01) · Supervisory expectations · Compliance

The European Securities and Markets Authority (ESMA) has launched a Common Supervisory Action (CSA) with National Competent Authorities (NCAs), with the objective of assessing the implementation of pre-trade controls (PTCs) by European Union (EU) investment firms using algorithmic trading techniques. PTCs are used by investment firms to carry out checks at order entry to limit and prevent sending erroneous orders for execution to trading venues. Following the May 2022 flash crash, ESMA and NCAs have focused their attention on the implementation of PTCs in the EU, gathering evidence through questionnaires submitted to a sample of EU investment firms. (**more detail**)

EIOPA · Implementation of the IDD
(15/01) · Others · Compliance
The European Insurance and Occupational Pensions Authority (EIOPA) has published the second Report on the application of the Insurance Distribution Directive (IDD), which examines the key developments regarding the distribution of insurance products in Europe in 2022/2023. Among others, the report examines changes in the market structure of insurance intermediaries, shifts in cross-border activity patterns, any improvements in the quality of advice and selling methods as well as the overall impact of the IDD on small and medium-sized enterprises operating as insurance intermediaries. Additionally, the report looks at whether competent authorities are sufficiently empowered and equipped with adequate resources to carry out their tasks. (**more detail**)

ESRB · Improvements in macroprudential guidance
(16/01) · Others
The European Systemic Risk Board (ESRB) has published a report describing the progress made in the way it assesses macroprudential guidance. The assessment of macroprudential guidance is a conceptual framework for comparing systemic risks with the policy measures taken to address them. This assessment helps the ESRB determine whether the financial system has sufficient resilience and whether a country's macroprudential policy guidance is neutral, lenient, or strict in relation to the risks it seeks to address. (**more detail**)

EBA · Aspects of the NSFR
(17/01) · Capital, liquidity and leverage
The European Banking Authority (EBA) has published its Report about some specific aspects of the net stable funding ratio (NSFR) framework. The Report provides an evaluation of the materiality of the specific items analysed as well as an assessment of the impact of possible changes to the current prudential treatment. The EBA conducted mostly a qualitative analysis based on expert judgement, as well as some sensitivity analysis. The items analysed are derivative contracts, securities financing transactions and unsecured transactions with a residual maturity of less than six months with financial customers, holding of securities to hedge derivative contracts. For the items for which data is available, the report provides an evaluation of the materiality of the phenomena as well as an assessment of the impact of possible changes to the current prudential treatment. (**more detail**)

EC · AI innovation package
(24/01) · Technology and AI
The European Commission (EC) has launched a package of measures to support European startups and small and medium-sized enterprises (SMEs) in the development of trustworthy Artificial Intelligence (AI) that respects European values and rules. It contains: i) an amendment of the EuroHPC Regulation to set up AI Factories, ii) a decision to establish an AI Office within the Commission; iii) an EU AI Start-Up and Innovation Communication outlining additional key activities. The Commission is also establishing, with a number of Member States, two European Digital Infrastructure Consortiums (EDICs). (**more detail**)

EC · Compendium of market practices
(29/01) · Sustainability · Others
The Platform on Sustainable Finance (PSF) has published its report on a compendium of market practices. The report focuses on seven stakeholder groups (corporates, credit institutions, investors, insurers, auditors and consultants, small- and medium-sized enterprises, and the public sector), showing that the EU taxonomy and the other sustainable finance tools (e.g., the European Green Bond Standard (EUGBS)) is being used for setting transition strategies, structuring financial transactions, and reporting on sustainability efforts. (**more detail**)

EC · Exposures to ESG
(29/01) · Sustainability · Others
The European Banking Authority (EBA) has launched an industry survey to receive input from credit institutions on their methodologies to classify exposures to environmental, social and governance (ESG) risks, as well as on the accessibility and availability of ESG data for this purpose. The objective of the survey is to collect qualitative information on credit institutions' current practices to inform the EBA's work on the feasibility of introducing a standardized methodology to identify and qualify exposures to ESG risks. The deadline to respond to the industry survey is 29 March 2024. (**more detail**)

EC · EU alternative investment funds
(30/01) · Compliance · Others
The European Securities and Markets Authority (ESMA) has published a report on the European Union (EU) alternative investment funds (AIFs)' market and an article on the risks posed by leveraged AIFs in the EU. ESMA confirms the risks posed by real estate (RE) funds, in a context of declining volumes of transactions and falling prices in several jurisdictions. Existing liquidity mismatches in AIFs are particularly heightened by the high share of open-ended RE funds, some of which offer daily liquidity. This vulnerability could be systemically relevant in jurisdictions where RE funds own a large share of the RE market. (**more detail**)

ECB · New ECB focus areas
(30/01) · Supervisory expectations · Sustainability
The European Central Bank (ECB) has decided to expand its work on climate change, identifying three focus areas that will guide its activities in 2024 and 2025: (i) the impact and risks of the transition to a green economy, especially the associated transition

costs and investment needs; (ii) the increasing physical impact of climate change, and how measures to adapt to a hotter world affect the economy and (iii) the risks stemming from nature loss and degradation, how they interact with climate-related risks and how they could affect the ECB's work through their impact on the economy and financial system. (**more detail**)

EBA · RTS on residual risk
(01/02) · Capital, liquidity and leverage
The European Banking Authority (EBA) consults on draft technical standards on residual risk add-on hedges under the Fundamental Review of the Trading Book (FRTB). The EBA launched a public consultation on its draft Regulatory Technical Standards (RTS) on the conditions for determining whether an instrument attracting residual risk acts as a hedge. These RTS are part of the Phase 1 deliverables of the EBA roadmap on the implementation of the EU banking package in market risk. The consultation runs until 3 May 2024. (**more detail**)

ECB · Transition risks
(01/02) · Supervisory expectations · Sustainability
The European Central Bank (ECB) has published a report which focuses on the transition risks stemming from banks' credit portfolios. Banks that fall within the scope of European Banking Authority (EBA) Implementing Technical Standards (ITS) on Pillar 3 disclosures on environmental, social and governance (ESG) risks will have to disclose the alignment of their credit portfolios by the end of 2024 at the latest, including their degree of deviation from a decarbonization pathway. The methods set out in this report provide a concrete approach for banks to follow in meeting this requirement. (**more detail**)

ESRB · Vulnerabilities in the residential real estate
(01/02) · Others
The European Systemic Risk Board (ESRB) has published a follow-up report on vulnerabilities in the residential real estate (RRE) sectors of European Economic Area (EEA) countries. The ESRB assesses vulnerabilities in the RRE sectors regularly because of their importance for financial and macroeconomic stability. In 2016, 2019 and 2021, the ESRB conducted systematic, forward-looking assessments of such vulnerabilities in the EEA. The most recent assessment focuses on changes in financial stability risks related to RRE markets and macroprudential policy responses adopted since the last assessment at the end of 2021. (**more detail**)

EP/Council · Regulation on ESG rating activities
(05/02) · Sustainability
The European Council and Parliament have reached a provisional agreement on regulation for ESG ratings to enhance investor confidence in sustainable products. This regulation aims to strengthen transparency and integrity among ESG rating providers and mitigate conflicts of interest. Under the new rules, ESG rating providers will be authorized and supervised by the European Securities and Markets Authority (ESMA), and a lighter registration regime will be introduced for small businesses. The provisional agreement is pending final approval from the Council and Parliament, with the regulation set to take effect 18 months after approval. (**more detail**)

EBA · Technical package for reporting framework
(06/02) · Reporting and disclosure
The European Banking Authority (EBA) has published a technical package for version 3.4 of its reporting framework. This package provides the standard specifications that include the validation rules, the Data Point Model (DPM) and the XBRL taxonomies to support the amendments to the reporting and disclosure technical standards on minimum requirement for own funds and eligible liabilities and total loss absorbing capacity (MREL/TLAC), as well as some minor corrections to the technical package on the interest rate risk in the banking book (IRRBB). The DPM Query Tool has also been updated to reflect the current release. (**more detail**)

ESMA · Requirements when publishing investment recommendations on social media
(06/02) · Compliance
When posting on social media, transparency and accuracy are key to mitigate the risk of market manipulation, especially when making investment recommendations. That's why, if you're a financial influencer, a technical expert, or someone with an interest in financial investments, it's necessary to know the rules established under the Market Abuse Regulation (MAR) and to be able to recognize when you're making an investment recommendation in order to comply with the rules established in the MAR. Failure to do so may result in National Competent Authorities imposing administrative or criminal sanctions that may vary according to the member state for certain types of infringements. (**more detail**)

EC · Third country insurers
(06/02) · Reporting and disclosure
The European Commission (EC) has published a draft act that pertains to the renewal of the provisional equivalence determination for the solvency regime in the United States (US) under Solvency II. It highlights that the factual statements regarding the US solvency regime have not changed since the initial decision in 2015, and regular dialogues between US and EU authorities confirm that the criteria for equivalence continue to be met. The decision proposes a renewal of the provisional equivalence from 2026 to 2035, emphasizing the need for regular monitoring and potential reviews based on relevant developments. Additionally, it mentions the EC´s intention to renew provisional equivalence decisions for other third countries after receiving assessments from European Insurance and Occupational Pensions Authority (EIOPA). This draft act is open for feedback until the 5th of March. (**more detail**)

EP/Council · Delay in upcoming CSRD related standards
(07/02) · Reporting and disclosure · Sustainability
The Council and the European Parliament have reached a provisional deal on a directive on the time limits for the adoption of sustainability reporting standards for certain sectors and for certain third-country undertakings amending the Corporate Sustainability Reporting Directive (CSRD). This agreement will give more time for companies to prepare for the sectorial European

Sustainability Reporting Standards (ESRS) and for specific standards for large non-EU companies, which will be adopted in June 2026, two years later than the originally scheduled date. (**more detail**)

ESMA · Reporting requirements under RTS 28
(13/02) · Compliance
The European Securities and Markets Authority (ESMA) has issued a statement addressing the removal of the obligation for investment firms to publish regulatory technical standards (RTS28) on the quality of execution of client orders. ESMA expects National Competent National Competent Authorities (NCAs) not to prioritise supervisory actions towards investment firms relating to the periodic RTS 28 reporting obligation, from 13 February 2024 until the forthcoming transposition into national legislation in all Member States of the MiFID II review. (**more detail**)

EIOPA · Financial stability reporting
(20/02) · Reporting and disclosure
The European Insurance and Occupational Pensions Authority (EIOPA) has published its first shocked risk-free interest rate term structures (RFR). These term structures are used to calculate the Option-adjusted duration of technical provisions to be reported in the context of the Guidelines for reporting for financial stability purposes. The shocked RFR aims to ensure consistent calculation of the Option-adjusted duration. EIOPA will update the term structures and publish them twice a year on its website. The next update is coming in July 2024. (**more detail**)

Council · Market data transparency
(07/02) · Compliance
The Council has approved amendments to EU trading regulations (MiFIR and MiFID II) to enhance market data transparency, enabling easier access to crucial financial information for investors and boosting the European Union´s (EU) capital markets competitiveness. The changes introduce consolidated market data feeds, aiming to provide real-time transaction information across the EU. Additionally, the regulations ban payment for order flow practices, with some exceptions until 2026, and include provisions on commodity derivatives. Once published in the EU's Official Journal, member states have 18 months to comply. (**more detail**)

ESMA · Annual Transparency calculations
(01/03) · Reporting and disclosure · Supervisory expectations
The European Securities and Markets Authority (ESMA) has published the results of the annual transparency calculations for equity and equity-like instruments, which will apply from 1 April 2024 until 6 April 2025. The calculations made available 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. (**more detail**)

EMMI · Euribor's Hybrid Methodology
(01/03) · Governance · Reporting and disclosure
The European Money Markets Institute (EMMI) has concluded its public consultation on proposed enhancements to the Euribor benchmark's methodology with support from industry participants, including market participants, trade associations, infrastructure providers, and others. The proposed modifications to the Euribor Hybrid methodology resulted in a material change in the methodology which led EMMI to release a Public Consultation as per EMMI's internal policy. The consultation, which aimed to refine the Euribor hybrid methodology, garnered positive responses and provided insights into the future of this critical benchmark. (**more detail**)

EBA · RTS Under CRR3
(04/03) · Compliance
The European Banking Authority (EBA) has released a public consultation on its draft Regulatory Technical Standards (RTS) under the Capital Requirements Regulation (CRR3), focusing on off-balance sheet items under the standardized approach of credit risk. These RTS delineate the criteria for classifying off-balance sheet items and identify factors that could restrict institutions' ability to cancel unconditionally cancellable commitments. These RTS are placed in the context of the EBA's roadmap on the implementation of the European Union (EU) banking package. Additionally, the document outlines the conversion process from off-balance sheet to on-balance sheet equivalent amounts under the Standardized Approach for Credit Risk, detailing various bucket allocations and providing examples of specific off-balance sheet items and their respective categorizations. The consultation period for feedback extends until June 4, 2024. (**more detail**)

EBA · Final guidelines on registers of credit servicers
(05/03) · Compliance · Reporting and disclosure
The European Banking Authority (EBA) published its final Guidelines on national lists or registers of credit servicers. The Guidelines are addressed to Competent Authorities managing the lists or registers and specify the content of the lists or registers, how they should be made accessible, and the deadlines for updating them. Furthermore, the lists or registers should facilitate borrowers' access to information on complaint-handling procedures offered by competent authorities. The Guidelines specify that the lists or registers should be accessible 24 hours a day, 7 days a week, on the website of the competent authority or another electronic tool; that they should not require the user's prior registration as a precondition for access; and that they should be free of charge. (**more detail**)

SRB · Consultation on the minimum bail-in data template
(13/03) · Recovery and resolution
The Single Resolution Board (SRB) has launched a public consultation on the minimum bail-in data template (MBDT). The template collects bail-in data in the event of a bank failure or for dry-runs and testing exercises while being flexible enough to

accommodate aspects related to national law. The package provides an integrated approach for implementing the SRB Bail-in Data Set Instructions and Explanatory Note published in 2020 and updated in 2022, by enhancing definitions and providing a template to ensure structured and standardized data collection across banks under the SRB's remit. (**more detail**)

ECB · Joint bank Reporting Committee
(18/03) · Others
The European Central Bank (ECB) and the European Banking Authority (EBA) have established the Joint Bank Reporting Committee (JBRC), which is tasked with helping to develop common definitions and standards for the data that banks are required to report for statistical, supervisory and resolution purposes. One key tangible deliverable of the JBRC will be a common data dictionary for the reporting of statistical, supervisory and resolution data by banks. In this regard, the JBRC will work on establishing common concepts and definitions used in new and existing reporting. (**more detail**)

MEP · Corporate sustainability due diligence
(19/03) · Sustainability
Members of the European Parliament (MEPs) have approved the proposed Corporate Sustainability Due Diligence (CSDD) Directive, pending approval by the European Parliament (EP) for its entry into force. The Directive aims to establish a comprehensive framework for companies to respect human rights and environmental standards throughout their operations and supply chains and will apply to EU and non-EU companies and parent companies with more than 1,000 employees and a turnover of more than €450 million, as well as franchises with a turnover of more than €80 million if at least €22.5 million has been generated by royalties. (**more detail**)

EBA · 2024 supervisory benchmarking exercise
(20/03) · Reporting and disclosure · Compliance
The European Banking Authority (EBA) has published an updated list of institutions, which have a reporting obligation for the purpose of the 2024 European Union (EU) supervisory benchmarking exercise. The EBA will be conducting the 2024 benchmarking exercise on a sample of 110 institutions from 16 countries across the EU and the European Economic Area. The EBA runs this exercise leveraging on established data collection procedures and formats of regular supervisory reporting and assists Competent Authorities in assessing the quality of internal approaches used to calculate risk weighted exposure amounts. (**more detail**)

ESMA · Shortening the settlement cycle
(21/03) · Supervisory expectations
The European Securities and Markets Authority (ESMA) has published feedback received to its Call for Evidence on shortening the settlement cycle. In the report ESMA summarises the feedback from market participants during the consultation, focused on four areas: i) many operational impacts beyond adaptations of post-trade processes are identified as resulting from a reduction of the securities settlement cycle in the EU; ii) identification of both potential costs and benefits of a shortened cycle; iii) suggestions on how and when a shorter settlement cycle could be achieved, with a strong demand for a clear signal from the regulatory front at the start of the work and clear coordination between regulators and the industry; and iv) need for a proactive approach to adapt their own processes to the transition to T+1 in other jurisdictions. ESMA intends to deliver its final assessment to the European Parliament and to the Council before 17 January 2025. (**more detail**)

EBA · ITS on supervisory reporting
(22/03) · Technology and AI
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 technological problems. (**more detail**)

Council · Treatment of internal MREL
(26/03) · Recovery and resolution
The Council has adopted a directive that amends the Bank Recovery and Resolution Directive or (BRRD) and the Single Resolution Mechanism Regulation or (SRMR) to include targeted proportionality requirements to the treatment of internal minimum requirement for own funds and eligible liabilities (MREL) in bank resolution groups. The Daisy Chains directive sets out the concept and scope of liquidation entities and provides the conditions for the application of the consolidated treatment of internal MREL. The new rules aim to give the resolution authorities the power of setting internal MREL on a consolidated basis subject to certain conditions as well as introducing a specific MREL treatment for liquidation entities. This is the last step of the adoption procedure. The text enter into force 20 days after its publication in the Official Journal. (**more detail**)

ESMA · External reviewers of EU green bonds
(26/03) · Reporting and disclosure · Sustainability
The European Securities and Markets Authority (ESMA) has launched a consultation on Draft Regulatory Technical Standards (RTS) related to the registration and supervision of external reviewers under the EU Green Bond Regulation (EuGB). ESMA's proposals relate to the registration and supervision of entities interested in becoming external reviewers of EU Green Bonds and aim to clarify the criteria used for assessing an application for registration by an external reviewer. In its proposals, ESMA aims to standardise registration requirements and contribute to developing a level playing field through lower entry costs for applicants. ESMA will consider the feedback received to this consultation and expects to publish a final report in Q4. (**more detail**)

Spain

BdE · Capital structure
(01/02) · Others

The Bank of Spain (BdE) has issued a circular comprising five rules, one transitory provision, one repealing provision, and two final provisions, with two appendices. Chapter I establishes the objectives and scope, focusing on information requirements regarding stakes in entities and their capital, applicable to banks, cooperatives, etc. Chapter II regulates the submission of information on these stakes and capital structure. Chapter III sets out rules for presenting this information to the BdE. (**more detail**)

MINECO · Change in company size criteria
(12/02) · Reporting and disclosure
The Ministerio de Economía, Comercio y Empresa (MINECO) has published for consultation the draft bill modifying the criteria for determining the size of companies or groups in corporate reporting. This preliminary draft aims to transpose the European Union (EU) Delegated Directive 2023/2775 to adjust the criteria for the size of a company or group of companies in order to take into account the impact of inflation. This takes the form of the following: i) adjusting the thresholds for considering an entity as a micro enterprise (balance sheet total amount is adjusted from 350 thousand to 450 thousand euros and net turnover from 700 thousand to 900 thousand euros); ii) adjusting the thresholds for considering an entity as a small entity (balance sheet total is adjusted from 4 million to 5 million euros and net turnover from 8 million to 10 million); and iii) adjusting the amounts to consider an institution as medium or large (adjusting the balance sheet total from 20 million to 25 million euros and the net turnover from 40 million to 50 million). The deadline for comments is 23 February 2024. (**more detail**)

BdE · Capital and liquidity self-assessment processes
(19/02) · Supervisory expectations · Capital, liquidity and leverage
The Bank of Spain (BdE) has published modifications to the Guide for Capital (PAC) and Liquidity (PAL) Self-Assessment Processes of Credit Institutions, with the aim of aligning them with the guidelines EBA/GL/2022/14 adopted on April 24, 2023. These amendments seek to ensure consistency with supervisory expectations and Directive (EU) 2019/878. These modifications include the explicit assessment of credit spread risk (CSRBB) in capital self-assessment reports, alignment with macroeconomic stress tests, and new rules for calculating structural interest rate risk. The modifications will be applicable to supervised entities regarding their Capital and Liquidity Self-Assessment Reports as of December 31, 2023.
(**more detail**)

MINECO · Standardized models of commissions and expenses attributable to pensions plans
(13/03) · Reporting and disclosure · Compliance
The Ministry of Economy, Trade and Enterprise (MINECO) has published a prior public consultation for the drafting of a circular that will regulate the use of standardized models of commissions and other expenses attributable to pension plans to comply with the reporting obligations of pension fund management companies. The purpose of this circular is to standardize the information provided to potential participants, members or beneficiaries, so as to allow adequate comparability of the totality of these costs between pension plans integrated in funds of the same investment category. The consultation period ends on March 21, 2024.
(**more detail**)

BdE · Countercyclical capital buffer
(01/02) · Capital, liquidity and leverage
The Bank of Spain (BdE) has issued a circular comprising five rules, one transitory provision, one repealing provision, and two final provisions, with two appendices. Chapter I establishes the objectives and scope, focusing on information requirements regarding stakes in entities and their capital, applicable to banks, cooperatives, etc. Chapter II regulates the submission of information on these stakes and capital structure. Chapter III sets out rules for presenting this information to the BdE. (**more detail**)

BdE · Capital structure
(01/02) · Others
The Bank of Spain (BdE) has communicated the maintenance of the countercyclical capital buffer at 0%. The evolution of the relevant indicators continues to show an absence of accumulation of new systemic vulnerabilities in the Spanish financial system, so the BdE has decided to leave unchanged at 0% the regulatory percentage of the countercyclical capital buffer (CCB) required in the second quarter of 2024 to banks for their credit exposures in Spain. (**more detail**)

UK

Gov.UK · Enhancing special resolution regime
(11/01) · Recovery and resolution
The UK Government has published a consultation outlining the UK government's intention to enhance and update the Special Resolution to effectively manage the failure of small banks and minimize risks to public funds. In light of the collapse of Silicon Valley Bank UK in 2023, the Government considers the existing regime to be robust but warns of the need for greater flexibility. The proposal suggests introducing a new mechanism that could transfer a failing small bank to a Bridge Bank or a willing buyer, reducing the reliance on insolvency. The mechanism aims to utilize funds from the banking sector, administered by the Financial Services Compensation Scheme (FSCS), to cover resolution costs, thereby safeguarding taxpayers. The government emphasizes that this enhancement would complement existing resolution powers and depositor protection measures, without imposing upfront financial burdens on banks. The consultation period concludes on March 7, 2024. (**more detail**)

Gov.UK · CMA´s approach to implement competition regime
(11/01) · Technology and AI · Compliance
The Competition and Markets Authority (CMA) has published an overview of how it intends to operate the new digital markets competition regime as currently proposed by the Digital Markets, Competition and Consumers (DMCC) Bill. The document, which comes in response to a request from UK government ministers, details the principles that will guide the CMA's approach to its

new role. This will include i) tailoring the CMA's actions to the specific problems that are identified; focusing on where it can have the most impact for people, businesses, and the UK economy; ii) engaging with a wide range of stakeholders; and operating with transparency. The parliamentary process will conclude in the spring of 2024, and the new responsibilities will commence in the fall of the same year. (**more detail**)

BoE · Digital pound
(25/01) · Technology and AI
The Bank of England (BoE) and HM Treasury have published their response to the consultation on a digital pound that was launched in February 2023. Response confirms that neither the Bank nor the Government would have access to users' personal data. Authorities committed to maintaining access to cash for those who prefer it. (**more detail**)

BoE · Approach to enforcement
(30/01) · Compliance
The Bank of England's (BoE) has published a policy statement (PS) provides feedback on responses to consultation paper CP 9/23 and outlines final policies, including amendments to the Prudential Regulation Authority's (PRA) enforcement approach and procedures relevant to financial market infrastructures (FMIs). It also includes changes to decision-making allocation, supervisory approaches, and Enforcement Decision Making Committee (EDMC) Procedures. Applicable to PRA-authorised entities, senior employees under the Senior Managers and Certification Regime (SM&CR), credit unions, and professional advisers, these policies impact firms, and individuals subject to potential enforcement actions by the Bank and/or the PRA. (**more detail**)

FCA · Guidance for insolvency practitioners
(19/03) · Compliance
The Financial Conduct Authority (FCA) has released a guidance for insolvency practitioners on how to approach regulated firms. Since the last Guidance, published in 2021 there have been changes in the legal framework affecting firm failure, changes in the regulatory framework and changes in the UK economic climate. The Guidance is mainly aimed at insolvency practitioners (IPs) appointed over firms solely authorized or registered by the FCA, although it may also be relevant for IPs appointed over firms that are dual regulated by the FCA and Prudential Regulation Authority (PRA). The deadline to submit any views on the consultation is April 30th, 2024. (**more detail**)

FCA · Retirement income advice
(20/03) · Recovery and resolution · Supervisory expectations
The Financial Conduct Authority (FCA) has issued a thematic review on the retirement income advice in order to: i) gain detailed insights into how the retirement income advice market is functioning; ii) understand whether firms' advice models consider the specific needs of consumers in decumulation; iii) consider whether consumers are being provided with suitable retirement income advice when accessing benefits built up through pension savings, and take appropriate action to tackle any harms identified; and iv) inform our future areas of focus. All firms that provide retirement income advice should consider and use this information to review and update how they work. (**more detail**)

BoE · Non-systemic banks and building societies
(22/03) · Others
The Bank of England (BoE) has submitted the Policy Statement (PS) on the solvent exit planning for non-systemic banks and building societies that provides feedback to responses to the prior consultation paper (CP). Respondents have generally supported the solvent exit policy to minimize the risks of a disorderly wind-down of PRA-regulated activities, as well as the distinction between the level of preparations to be made by firms in a normal situation versus firms with a reasonable prospect of solvent exit and the requirement for solvent exit planning commensurate with the nature, scale and complexity of the firms. This standard applies to UK banks and building societies that are not, and are not part of a group that is, a global systemically important entity (G-SII) or other systemically important entity (O-SII), nor subject to the Business Continuity Part of the PRA Regulations. (**more detail**)

Q1 Other publications of interest

American region

US

FED · Resolution plan for some large financial institutions
(17/01) · Recovery and resolution
The Federal Reserve Board and the Federal Deposit Insurance Corporation have announced that they are extending the resolution plan submission deadline for certain large financial institutions. These companies will be required to submit their resolution plans by March 31, 2025, instead of July 1, 2024. By law, certain large financial institutions must periodically submit resolution plans to the agencies. These resolution plans, also known as living wills, must describe a company's strategy for orderly resolution in the event of material financial distress or failure of the company. (**more detail**)

SEC · Investor protection orderly in SPACs
(24/01) · Compliance
The Securities and Exchange Commission (SEC) has adopted rules to enhance investor protections in in initial public offerings by special purpose acquisition companies (SPACs) and in subsequent business combination transactions between SPACs and private operating companies. These rules include disclosure requirements for compensation paid to sponsors, conflicts of interest, dilution, and board of directors' determinations. The rule adopted deems any business combination transactions involving reporting shell companies, provides guidance on underwriter status, and updates guidance on using projections in filings, with additional disclosure requirements for SPAC-related transactions. (**more detail**)

FED · Shared national credit report
(16/02) · Provisions and NPL
The Federal Reserve (Fed) has published the 2023 Shared National Credit (SNC) report. It indicates moderate credit quality in large, syndicated bank loans but highlights declining trends due to higher interest rates and squeezed margins in specific sectors. Risks persist in leveraged loans and certain industries, while pandemic-affected sectors are improving. The report shows an increase in loans needing management's attention, with Unites States (US) banks holding a smaller share of risky loans compared to total commitments. (**more detail**)

SEC · Order execution information
(06/03) · Reporting and disclosure
The Securities and Exchange Commission (SEC) has adopted amendments to a rule under the Securities Exchange Act that requires disclosures for order executions in national market system (NMS) stocks. First, the amendments expand the scope of reporting entities subject to the preexisting rule that requires market centers to make available to the public monthly execution quality reports to encompass broker-dealers with a larger number of customers. The amendments also modify the definition of covered order to include certain orders submitted outside of regular trading hours and certain orders submitted with stop prices. In addition, the amendments modify the information required to be reported under the rule, including changing how orders are categorized by order size as well as how they are categorized by order type. The final rules will become effective 60 days after the date of publication in the Federal Register. (**more detail**)

FED · Risk management requirements for FMUS
(17/01) · Reporting and disclosure
The Federal Reserve Board (Fed) has announced a final rule updating risk management requirements for certain systemically important marketplace financial services firms (FMUs) supervised by the Fed. The updates bring more clarity and specificity to existing requirements in four key areas of operational risk management: incident management and reporting; business continuity management and planning; third-party risk management; and review and testing of operational risk management measures. FMUs subject to the rule must comply with certain updates within 90 days and all updates within 180 days of publication in the Federal Register. (**more detail**)

SEC · EDGAR filer manual
(18/03) · Compliance
The Securities and Exchange Commission (SEC) has implemented amendments to Volume II of the Electronic Data Gathering, Analysis, and Retrieval system Filer Manual (EDGAR Filer Manual) and associated rules and forms. The Filer Manual contains essential information for filers to make submissions on EDGAR, and compliance with its provisions is necessary to ensure the timely acceptance and processing of filings made in electronic format. Filers must consult the Filer Manual alongside SEC rules governing mandated electronic filings when preparing documents for electronic submission. These changes, known as EDGAR Release 24.1, will be integrated into the EDGAR system on March 18th. (**more detail**)

SEC · Share repurchase disclosure modernization
(19/03) · Reporting and disclosure
The Securities and Exchange Commission (SEC) has adopted amendments to modernize and improve disclosure about repurchases of an issuer's equity securities that are registered under the Securities Exchange Act of 1934. The amendments require additional detail regarding the structure of an issuer's repurchase program and its share repurchases, require the filing of daily quantitative repurchase data either quarterly or semi-annually, and eliminate the requirement to file monthly repurchase data in an issuer's periodic reports. The amendments also revise and expand the existing periodic disclosure requirements about

these repurchases. Finally, the amendments add new quarterly disclosure in certain periodic reports related to an issuer's adoption and termination of certain trading arrangements. (**more detail**)

FED · Community reinvestment act final rule
(21/03) · Reporting and disclosure
Federal bank regulatory agencies have jointly issued an interim final rule that extends the applicability date of certain provisions in their Community Reinvestment Act (CRA) final rule issued in October 2023. To promote clarity and consistency, the agencies extended the applicability date of the facility-based assessment areas and public file provisions from April 1, 2024, to January 1, 2026. Therefore, banks will not have to make changes to their assessment areas or their public files as a result of the 2023 CRA final rule until January 1, 2026. In addition, the agencies also issued technical, non-substantive amendments to the CRA final rule and related agency regulations that reference it. (**more detail**)

FDIC · Bank merger transactions
(21/03) · Recovery and resolution
The Federal Deposit Insurance Corporation (FDIC) Board of Directors has approved a Federal Register notice seeking public comment on proposed revisions to the agency's Statement of Policy (SOP) on Bank Merger Transactions. The revised SOP reflects legislative and other developments that have occurred since it was last amended in 2008, including the establishment of the statutory factor regarding the risk to the stability of the United States (US) banking or financial system. The revised SOP is principles based; i) describes the types of applications subject to FDIC approval; ii) addresses each statutory factor separately; and iii) highlights other relevant matters and considerations, such as related statutes pertaining to interstate mergers, and applications from non-banks or banks that are not traditional community banks. (**more detail**)

Argentina

BCRA · Business plan, projections and capital self-assessment report
(01/02) · Reporting and disclosure · Capital, liquidity and leverage
The Central Bank of the Argentine Republic (BCRA) has issued a circular addressed to financial entities informing about the extension of the deadline for submitting the Business Plan and Projections Information Regime and Capital Self-Assessment Report for the period 2024/2025. This extension of the deadline allows financial entities to have more time to complete and submit sections I and II until March 18, 2024, and sections IV and V until April 18, 2024. The measure seeks to provide flexibility and facilitate compliance with the regulatory obligations established by the BCRA, thus ensuring an adequate management and evaluation of capital in the Argentine financial sector. (**more detail**)

SSN · Minimum guidelines for insurance contracts
(15/03) · Others
The Argentine Superintendence of Insurance (SSN) has revoked the general clauses for contracts in foreign currency. Instead, it has approved the Minimum Guidelines for Insurance Contracts entered into in Foreign Currency, in accordance with the amendments to the National Civil and Commercial Code, in order to provide clarity and certainty to the industry. This allows insurance companies to present insurance contract clauses in foreign currency in accordance with these guidelines. (**more detail**)

SSN · Business plan and projections and capital self-assessment report
(18/03) · Capital, liquidity and leverage
The Argentine Superintendence of Insurance (SSN) has reinstated the 45-day deadline for the submission of financial statements of insurance companies and 60 days for reinsurance companies. This decision is based on the importance of a timely and effective evaluation of the financial statements to understand the financial situation and solvency of the supervised entities. In addition, the requirement of publication of these statements is simplified, allowing their disclosure on the web pages of the entities themselves and on that of the SSN, thus eliminating an additional information requirement. (**more detail**)

Brazil

BCB · BCB Normative Instruction N° 448 of 04/01/2024
(04/01) · Reporting and disclosure
The Central Bank of Brazil (BCB) published BCB Normative Instruction No. 448, issued on January 4, 2024, amending BCB Normative Instruction No. 374 of April 26, 2023. The latter establishes the procedures, deadlines, documents and information required to submit authorization requests related to the operation of Financial Market Systems (SMF) within the scope of the Brazilian Payment System (SPB). The amendment addresses the independence of the independent qualified company hired to carry out assessments, detailing the absence of links between members of the statutory bodies of the requesting institution and the company hired. In addition, the requirements for submitting information in the case of requests from already authorized institutions are adjusted. The regulation comes into force on January 8, 2024. (**more detail**)

BCB · BCB Normative Instruction N° 447 of 04/01/2024
(04/01) · Others
The Central Bank of Brazil (BCB) published Normative Instruction BCB No. 447, issued on January 4, 2024, introducing changes to Normative Instruction BCB No. 268, of April 1, 2022, with the aim of creating accounting headings in the list of accounts in the Accounting Standard for Institutions Regulated by the Central Bank of Brazil (Cosif). The document presents adjustments to Article 53-A of the aforementioned instruction, detailing new codes and attributes related to credit rights in the process of being enforced. These changes apply to accounting documents from January 2024. In addition, item V of Article 53-A of BCB Normative Instruction No. 268 of 2022 is repealed. The regulation comes into force on the date of its publication. BCB/DENOR note 7/2024 justifies the proposal to issue the normative instruction, detailing the necessary corrections and highlighting the exemption from preparing a Regulatory Impact Analysis (RIA) in accordance with the legal provisions. (**more detail**)

CVM · The CVM extends the adaptation deadlines for investment funds.
(12/03) · Others
The Board of the Brazilian Securities and Exchange Commission (CVM) approved CVM Resolution 200, which extends the deadlines set out in CVM Resolution 175 on the new regulatory framework for investment funds. The decision was made in response to requests submitted to the CVM by associations representing the investment fund industry, due to operational challenges related to tax reform and the complexity of the new regulations. The new deadlines are as follows: the adjustment of the stock of funds in operation until the publication of the Resolution is postponed to June 30, 2025, while the adjustment of the stock of Credit Rights Investment Funds (FIDC) is postponed to November 29, 2024. In addition, specific amendments have been made to incorporate changes in the legislation for Real Estate Investment Funds (FII) and Investment Funds in Agro-Industrial Chains (Fiagro). CVM Resolution 200 comes into force on March 12, 2024. (**more detail**)

Chile

CMF · Inclusion of new C64 file
(05/01) · Provisions and NPL
The Financial Market Commission (CMF) has announced the inclusion of the new C64 file in its Information Systems Manual, designed to collect data on recoveries, expenses and renegotiations of non-performing loans in all banking institutions in Chile. This measure seeks to provide an accurate characterization of the value of losses due to non-payment of loans, in order to improve regulation and prevent situations of financial stress that may affect the resilience of the banking system. The file will become effective in 2025, and its implementation could imply additional costs for financial institutions. (**more detail**)

CMF · Related party transactions standards
(08/01) · Compliance
The Financial Market Commission (CMF) has published the regulatory report on related party transaction (RPO) standards. The purpose of the regulation is to raise the standards for related party transactions. That is, to improve the criteria that entities will take into consideration for the purpose of considering certain operations as usual and proper to the ordinary course of business and, in addition, to make transparent which operations have been carried out within the framework of the usual policy and which are outside it. (**more detail**)

CMF · Regulation of financial service providers
(12/01) · Capital, liquidity and leverage · Compliance · Reporting and disclosure
The Financial Market Commission (CMF) has announced the inclusion of the new C64 file in its Information Systems Manual, designed to collect data on recoveries, expenses and renegotiations of non-performing loans in all banking institutions in Chile. This measure seeks to provide an accurate characterization of the value of losses due to non-payment of loans, in order to improve regulation and prevent situations of financial stress that may affect the resilience of the banking system. The file will become effective in 2025, and its implementation could imply additional costs for financial institutions. (**more detail**)

House of representatives · Initiative on eco-laundering
(15/01) · Sustainability
The House of Representatives has reported on the Eco-laundering initiative, approved in particular by the Chamber and sent to the Senate. The objective of the initiative is to sanction the greenwashing of the image of companies, demanding transparency in environmental information, limiting its publicity and establishing fines of up to 4,500 UTM for violators. It also prohibits sustainability advertising for companies convicted of environmental damage or serious infractions, in addition to imposing sanctions on the media that contravene these rules. Finally, changes are added to the Consumer Law to prevent the induction to error in environmental issues. The bill in question generates debate, with supporters who value truth in advertising and critics who question the amount of the fines and the possible restrictions to the advertising freedom of companies, in addition to raising reservations of constitutionality. (**more detail**)

CMF · Stress Testing Guidelines
(29/01) · Supervisory expectations · Sustainability
The Financial Market Commission (CMF) has published a policy paper of Guidelines on Stress Testing in Banking Institutions. Specifically, it provides guidelines on the processes and methodologies for stress testing in banking in Chile, as part of the risk management and capital and liquidity adequacy self-assessment process. This guide complements the provisions of Chapters 1-13, 12-20, 21-13 and 21-14 of the CMF's Updated Compilation of Standards (RAN), although it does not constitute a regulatory instruction in itself. Banking institutions are expected to incorporate them, in accordance with the principles of proportionality and the particularities of each institution. It is up to each one of them to establish the specific aspects applicable to them. (**more detail**)

CMF · Regulatory Report Amendment NCG Nº200
(08/02) · Capital, liquidity and leverage
The Financial Market Commission (CMF) has published a regulatory report which includes the modification of the general rule (NCG) No. 200, where it is proposed to modify the calculation formula and limits of credit risk exposure per counterparty in derivative transactions, moving from an approach based on the size of the contract to a risk-based approach, through the credit equivalent. Likewise, the prohibition of the use of local currency hedging, Chilean pesos (CLP)/unidad de fomento (UF), for its use in the estimation of matching according to Circular No. 1512 is eliminated, incorporating in the latter, the domestic fixed income instruments with CLP/UF hedging for such purpose. Finally, it is proposed to require in the plan for the use of derivatives, established in NCG No. 200, a hedge effectiveness test to demonstrate the extent to which the changes in the fair value or flows of the contract offset the changes in the fair value or flows of the hedged item. (**more detail**)

CMF · Adjustment of instructions Chapter 21-20
(09/02) · Reporting and disclosure
The Financial Market Commission (CMF) has published Circular No. 2344, which amends Chapter 21-20 of the Updated Compilation of Rules for Banks (RAN), with the aim of promoting market discipline and transparency through the disclosure of information requirements from banks (Pillar 3). Specifically, the references to the scope of application and the counterparty credit risk (CCR) gloss are modified. In addition, corrections and adjustments are included in the investments in subsidiaries and in the explanations of other assets. The changes will apply from the Pillar 3 report to be published with information referring to the 1st quarter of 2024, so it is not necessary to rectify previous reports. (**more detail**)

CMF · Regulation on corporate groups
(12/02) · Reporting and disclosure
The Financial Market Commission (CMF) has issued a report stating that financial institutions must send and keep updated information on the business groups to which they belong. This implies that the audited entities must identify their corporate group and provide this information to the CMF according to the established procedure. If an entity is a parent or controlling company, it must create its own corporate group and identify the entities that comprise it. In addition, each entity is responsible for maintaining an updated list of the entities that are part of its corporate group. This regulation will come into force on May 1, 2024. (**more detail**)

CMF · Regulation for the determination of systemic banks
(12/02) · Reporting and disclosure · Capital, liquidity and leverage
The Financial Market Commission (CMF) has modified the information requirements used in the determination of systemically important banks and their respective capital charges with the objective of advancing in the continuous improvement of the quality of the information used for the determination of systemically important banks and their respective capital charges. The regulation also contemplates adjusting the lower threshold for determining the first group of systemically important banks from 1,000 basis points to 750. (**more detail**)

CMF · Report on the amendment of NCG No. 325
(16/02) · Supervisory expectations
The Financial Market Commission (CMF) has issued the regulation introducing amendments to General Rule (NCG) No. 325, which provides instructions on the risk management system of insurance companies and the evaluation of solvency of insurance companies by the CMF. Specifically, modifications are included in the following aspects of the NCG: i) the evaluation of the risk of Money Laundering, Financing of Terrorism and Proliferation of Weapons of Mass Destruction is incorporated within the Legal risk; ii) the regulation of risk management and solvency evaluation of insurance companies is adjusted, to give more consistency to the supervisory work performed and to the better application of the CMF's risk-based supervisory approach. In addition, adjustments are made to the regulations to harmonize them with the CMF's Prudential Supervision Model, which contemplates an integrated, prospective model based on the risks of the different supervised entities. (**more detail**)

CMF · Advisory Board on the Open Finance System Model
(06/03) · Technology and AI · Others
The Financial Market Commission (CMF) has held a consultative roundtable on the design of the Open Finance System Model, including flows and services. The purpose of this public, participatory and transparent instance is to receive the opinions of stakeholders on the most relevant aspects related to the Open Finance System and thus learn more details of the implementation process of the Fintec Law. Specifically, the meetings were held on March 11 and 12, 2024. (**more detail**)

Colombia

SFC · Sustainable Finance Strategy
(12/03) · Sustainability
The Financial Superintendence of Colombia (SFC) has participated in the Technical Working Group on the Biodiversity Action Plan Financing Strategy. The SFC's sustainable finance strategy has been explained, which seeks to promote a more resilient financial system by integrating climate change risks and opportunities, as well as environmental and social aspects. In this context, the need to increase capacities in territories and communities to understand the benefits and risks of nature has been emphasized, highlighting the importance of financial inclusion to reduce financing gaps, foster innovation, and conserve nature while promoting sustainable communities. (**more detail**)

Mexico

DOF · Accounting standards on treatment of items
(07/02) · Reporting and disclosure
The Official Gazette of the Federation (DOF) has published the Resolution of the National Banking and Securities Commission (CNBV), which adjusts the accounting standards for credit institutions to clarify the treatment of items differentiating costs or expenses in their equity. Specifically, it specifies that expenses whose recognition in equity is deferred over time must have a remaining impact on results equal to or less than one year. This change, aligned with established accounting criteria, seeks greater consistency in the financial management of entities. The resolution entered into force the day following its publication in the DOF. (**more detail**)

DOF · Requirements on minimum required capital
(09/02) · Capital, liquidity and leverage
The Official Gazette of the Federation (DOF) has published the resolution of the National Banking and Securities Commission (CNBV), which adjusts the provisions applicable to credit institutions regarding the minimum required capital for multiple banking institutions. Additionally, certain articles are reformed and repealed to expand the catalog of permitted operations based on

subscribed and paid-up capital. Institutions may carry out additional operations according to the amount of capital they possess, provided they comply with the established requirements. The resolution entered into force the day following its publication in the DOF. (**more detail**)

DOF · Circular to Multiple Banking Institutions
(12/02) · Capital, liquidity and leverage
The Official Gazette of the Federation (DOF) has published Circular 1/2024 from the Bank of Mexico, which resolves to issue new rules applicable to the exercise of financing that can be granted to multiple banking institutions presenting liquidity needs and meeting the established requirements, under terms reflecting the new operational circumstances of multiple banking institutions, given technological advances, the speed at which information is exchanged, and consequently, the high degree of coordination of financial agents' reactions. Therefore, the new terms must streamline the granting of resources; consider a broad set of guarantees; provide flexibility in terms of covering various liquidity needs, while also promoting an appropriate risk management scheme and keeping the risk for the Bank of Mexico contained. The Circular entered into force the day following its publication in the DOF. (**more detail**)

DOF · G and MS Bonds
(15/02) · Sustainability
The Official Gazette of the Federation (DOF) has published Circular 2/2024 issued by the Bank of Mexico, which introduces modifications to the rules for the exchange of government securities, incorporating G and MS Bonds issued by the Federal Government. These bonds, aligned with environmental, social, and corporate governance criteria, may be subject to swap operations according to the new provisions. The goal is to promote sustainable investment in the country and comply with the Sustainable Development Goals (SDGs) of the United Nations (UN). The Circular entered into force the day following its publication in the DOF. (**more detail**)

DOF · Service companies and real estate societies
(27/02) · Reporting and disclosure · Compliance
The Official Gazette of the Federation (DOF) has published a Resolution amending Article 354 Bis 5 of the General Provisions applicable to credit institutions. According to this reform, Service Companies and Real Estate Societies must present their basic financial statements with figures corresponding to March, June, and September within the following month of their issuance. Additionally, they must present audited basic financial statements with figures as of December of each year, along with notes and the opinion of the Independent External Auditor, all submitted within 90 calendar days following the end of the fiscal year. In case of requirement, they must also provide copies of service provision contracts with the institutions they serve. This Resolution entered into force the day following its publication in the DOF. (**more detail**)

DOF · Adjudicated assets
(27/02) · Reporting and disclosure · Provisions and NPL
The Official Gazette of the Federation (DOF) has published the resolution of the National Banking and Securities Commission (CNBV), which adjusts the provisions applicable to credit institutions regarding the minimum required capital for multiple banking institutions. Additionally, certain articles are reformed and repealed to expand the catalog of permitted operations based on subscribed and paid-up capital. Institutions may carry out additional operations according to the amount of capital they possess, provided they comply with the established requirements. The resolution entered into force the day following its publication in the DOF. (**more detail**)

DOF · Requirements on minimum required capital
(09/02) · Capital, liquidity and leverage
The Official Gazette of the Federation (DOF) has issued a Resolution aimed at simplifying regulatory procedures for credit institutions. Regarding the reporting of provisions that these institutions must submit for holding and disposal, reforms have been made to Article 1, section XX, and 133, third paragraph, as well as Annex 36 Regulatory Reports, Series R06 Adjudicated Assets. Additionally, Article 218 and Annex 32 of the "General Provisions applicable to credit institutions" have been repealed, which were published in the Official Gazette of the Federation on December 2, 2005, and last amended by a resolution published on February 9, 2024. This Resolution entered into force the day following its publication in the DOF. (**more detail**)

Panama

SBP · Panama's sustainable finance taxonomy
(27/03) · Sustainability
The launch of Panama's Taxonomy of Sustainable Finance marks a crucial milestone, making it the first country in Central America and the third in Latin America to adopt this instrument. This step will facilitate the flow of capital towards environmentally sustainable investments, thus contributing to a resilient and inclusive national economy. With more than 350 representatives from various entities involved in its development, the taxonomy promises to align the financial sector with the country's environmental objectives, in addition to positioning Panama as an attractive destination for international investors, thanks to its interoperability with other taxonomies. (**more detail**)

Peru

SBS · Modification of Regulations in Peru
(27/03) · Capital, liquidity and leverage · Reporting and disclosure
The Superintendency of Banking, Insurance and AFP (SBS) has pre-published a draft Resolution that contemplates modifications to several Regulations. First of all, changes are proposed for the Regulation for the Credit Risk Cash Equity Requirement. Adjustments are also proposed to the Regulation for the Consolidated Supervision of Financial and Mixed Conglomerates. Finally, amendments are made to Chapter V on supplementary information of the Accounting Manual for Financial System Companies.

Specifically, Report 2-A1, related to the standard method of assets and contingencies weighted by credit risk, as well as Report 3, related to effective equity, are altered. Interested parties may submit comments on the draft until February 29, 2024, through the timely submission process. (**more detail**)

SBS · Resolution SBS Nº 274-2024

(23/01) · Capital, liquidity and leverage

The Superintendency of Banking, Insurance and AFP (SBS) has published Resolution No. 274-2024, which introduces adjustments to the financial regulatory framework in Peru, in line with Basel III standards. It establishes deadlines and gradual percentages for the adequacy of deductions from common equity tier 1 and assets related to acquired loan portfolios. It also modifies the minimum solvency requirements, providing a timeline for their implementation. An additional term is granted for financial institutions to execute capital strengthening plans, considering economic and climate challenges. In addition, the Annexes of the Regulation are adjusted to improve the consistency of the information reported. The resolution becomes effective as of its publication in the Official Gazette El Peruano. Service companies and real estate companies. (**more detail**)

Q2 Other publications of interest

Global

IASB · New IFRS Accounting Standard
(04/12) · Reporting and disclosure
The International Accounting Standards Board (IASB) has issued a new standard aimed at providing investors with clearer and more comparable information on companies' financial performance, aiding in better investment decision-making. This Standard will impact all companies using IFRS standards. IFRS 18 introduces three sets of new requirements to enhance companies' information on their financial performance and provide investors with a better basis for analyzing and comparing companies. The IFRS 18 becomes effective for annual accounting periods beginning on or after January 1, 2027, but companies may choose to apply it earlier. (**more detail**)

ISOCO · IOSCO updated Workplan
(04/12) · Others
International Organization of Securities Commissions (IOSCO) has released an updated Workplan for 2024, aligning with its two-year Work Program introduced in 2023. The revised plan highlights new focus areas including Artificial Intelligence (AI), tokenization, and credit default swaps, alongside increased attention on transition plans and green finance. The Workplan outlines priorities across five themes: protecting investors, addressing sustainability and fintech risks, strengthening financial resilience, supporting market effectiveness, and promoting regulatory cooperation. Additionally, IOSCO plans to establish a new workstream on green finance and enhance its Capacity Building Program to respond to member needs in sustainable finance, fintech, regulatory roles, and market development. (**more detail**)

FSB · Measures to enhance liquidity preparedness
(04/14) · Capital, liquidity and leverage
The Financial Stability Board (FSB) has released a consultation report proposing eight policy recommendations to enhance the liquidity preparedness of non-bank market participants for margin and collateral calls during times of market-wide stress. These recommendations focus on managing liquidity risk, improving stress testing and scenario design, and enhancing collateral management practices for entities such as insurance companies, pension funds, hedge funds, investment funds, and family offices. The report underscores the need for policy adjustments to address liquidity strains in the non-bank financial intermediation (NBFI) sector, particularly during periods of market turmoil. Stakeholders are invited to provide feedback on the consultation report by June 18, 2024. (**more detail**)

NFGS · Transition Plans
(04/17) · Capital, liquidity and leverage · Sustainability
The Network for Greening the Financial System (NGFS) has published a set of reports focusing on transition plans, which are pivotal in mobilizing capital and managing climate-related financial risks. These reports delve into various aspects, including tailoring transition plans for emerging market and developing economies (EMDEs), exploring the connections between transition plans of financial and non-financial firms, and assessing the credibility of financial institutions' transition plans from a micro-prudential perspective. The findings underscore the need for integrated international guidance, holistic transition plans and processes, and enabling conditions for the adoption of transition plans. The NGFS aims to facilitate the development and implementation of transition plans across sectors to accelerate the transition towards a net-zero future. (**more detail**)

BCBS · Effective banking supervision
(04/25) · Supervisory expectations
The Basel Committee on Banking Supervision (BCBS) has published t the revised Core Principles for effective banking supervision, following their endorsement at the 23rd International Conference of Banking Supervisors. The Core Principles are the minimum standards for the sound prudential regulation and supervision of banks and banking systems. They are universally applicable and accommodate a range of banking systems and a broad spectrum of banks. The Core Principles are used by supervisors to assess the effectiveness of their regulatory and supervisory frameworks. They are also used by the International Monetary Fund (IMF) and World Bank as part of the Financial Sector Assessment Program (FSAP) to evaluate the effectiveness of countries' banking supervisory systems and practices. The Core Principles cover 29 principles that are grouped into two categories: the powers, responsibilities and functions of supervisors (Principles 1 to 13); and the prudential regulations and requirements for banks (Principles 14 to 29). The revised Core Principles standard is effective immediately, and the revised text has been incorporated into the consolidated Basel Framework. (**more detail**)

FSB · Orderly resolution of central counterparties
(04/25) · Recovery and resolution
The Financial Stability Board (FSB) has introduced a new global standard to facilitate the orderly resolution of central counterparties (CCPs). Monitoring will be conducted for systemically important CCPs across jurisdictions, with findings published annually in the FSB's Resolution Report, reinforcing the FSB's commitment to global financial stability. (**more detail**)

BCBS · Counterparty credit risk management
(04/30) · Capital, liquidity and leverage
The Basel Committee on Banking Supervision (BCBS), in response to instances of significant mismanagement of counterparty credit risk (CCR), has issued a consultation on guidelines for counterparty credit risk management. These guidelines propose key practices on due diligence and monitoring, including margining and risk mitigation of CCR exposures, exposure measurement

techniques, as well as instructions aimed at ensuring proper data management and closeout practices. The consultation runs until 28 August 2024. (**more detail**)

ISSB · Sustainability taxonomy
(04/30) · Reporting and disclosure · Sustainability
The International Sustainability Standards Board (ISSB) has published the International Financial Reporting Standards (IFRS) Sustainability Disclosure Taxonomy, fulfilling its promise to enable investors and other capital providers to analyse sustainability-related financial disclosures efficiently. This taxonomy, aligned with ISSB Standards, allows for efficient search, extraction, and comparison of such disclosures, aiding in establishing a global baseline for sustainability reporting. The taxonomy incorporates requirements from IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, without introducing new obligations or affecting compliance with existing standards. Moreover, efforts have been made to ensure interoperability with other taxonomies, enhancing accessibility and effectiveness for all stakeholders. (**more detail**)

IFRS · ISSB and ESRS interoperability
(05/02) · Reporting and disclosure · Sustainability
The International Financial Reporting Standard (IFRS) Foundation and the European Financial Reporting Advisory Group (EFRAG) have jointly published material guidance that illustrates the substantial alignment between the International Sustainability Standards Board (ISSB) Standards and European Sustainability Reporting Standards (ESRS), providing practical support to companies in applying both sets of standards. This guidance is intended to streamline compliance, minimize complexity and avoid duplication for companies applying both frameworks, thereby advancing transparency and comparability of sustainability reporting. The document emphasizes harmonization of general requirements and climate reporting, providing companies with ideas on how to effectively meet the standards of both frameworks. It highlights the importance of interoperability between reporting frameworks to ease the burden on EU companies and collaborative efforts to improve global convergence in sustainability reporting and support companies in their implementation challenges. This guidance marks an important milestone in progressing the quality and interoperability of sustainability-related data, laying the groundwork for further progress in digital interoperability and facilitating informed decision-making by investors globally. (**more detail**)

IFRS · New IFRS accounting Standard
(05/03) · Reporting and disclosure
The international Accounting Standards Board (IASB) has published the new International Financial Reporting Standards (IFRS) 19 on disclosures by subsidiaries without public accountability. This new Standard aims to simplify and reduce the cost of financial reporting by subsidiaries while maintaining the usefulness of their financial statements. (**more detail**)

IASB · Accounting Taxonomy update for IFRS 18
(05/23) · Reporting and disclosure
The International Accounting Standards Board (IASB) has published a proposal to amend the IFRS Accounting Taxonomy to reflect the new presentation and disclosure requirements introduced in IFRS 18 Presentation and Disclosure in Financial Statements. The proposed changes include: i) line-item modelling for conveying category information (such as, operating, investing, financing) for the statement of profit or loss; and ii) dimensional modelling for tagging disclosures on management-defined performance measures (MPMs) and specified expenses by nature, as these link to information in the statement of profit or loss. The deadline for submitting comments is 3 September 2024. (**more detail**)

IASB · Amendments to classification and measurement requirements for financial instruments
(05/30) · Compliance
The International Accounting Standards Board (IASB) has announced amendments to IFRS 9 to clarify the classification and measurement of financial instruments. These amendments address the organization of financial assets with Environmental, Social and Governance (ESG) features and the settlement of liabilities through electronic payment systems. Additionally, new disclosure requirements have been added to enhance transparency regarding investments in equity instruments and those with contingent features. These amendments will come into effect on January 1, 2026. (**more detail**)

IASB · Practice Statement 1 on management commentary
(06/16) · Reporting and disclosure · Others
The International Accounting Standards Board (IASB) has finalised the revision of International Financial Reporting Standard (IFRS) Statement of Practice 1 on Management Commentary. This decision responds to the demand for better information on the factors that influence a company's ability to create value and generate cash flows, including long-term prospects. It supports the integration of management commentary with financial statements and sustainability reporting, a key objective of the project. The IASB will collaborate with the International Sustainability Standards Board (ISSB) and consult with the Integrated Reporting and Connectivity Board. With the project at an advanced stage and broad support for the proposals, the IASB expects to publish the revised Practical Statement in the first half of 2025. (**more detail**)

NFGS · Second guide on climate-related disclosure for central banks
(06/19) · Sustainability
The Network of Greening for Financial System (NGFS) has released a second guide on climate disclosure standards, tailored specifically for central banks. Its purpose is to provide guidance to central banks on governance, strategy, risk management, and metrics, based on the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). The guide promotes climate information disclosure to enhance capital markets, identify opportunities, and catalyze climate financing. Additionally, it offers various approaches tailored to the needs and circumstances of each bank. (**more detail**)

Q2 Other publications of interest

European Region

Europe

ESMA · Credit Rating Agencies
(04/02) · Sustainability
The European Securities and Markets Authority (ESMA) has launched a consultation on possible amendments to Commission Delegated Regulation supplementing Regulation (EC) No 1060/2009 of the European Parliament and of the Council on credit rating agencies by laying down regulatory technical standards for the assessment of compliance of credit rating methodologies and Annex I to the Regulation on Credit Rating Agencies (CRAR) with the aim of improving the integration of environmental, social and governance factors (ESG) in credit rating methodologies and their disclosure, as well as enhancing the transparency and credibility of the credit rating process. ESMA will consider the comments received in the consultation and submit its technical advice to the European Commission by December 2024. (**more detail**)

EC · Financial Flows Tracking
(04/04) · Sustainability
The European Commission (EC) has entrusted the Sustainable Finance Platform, the task of developing a methodology to track financial flows to sustainable investments, presenting an interim report that proposes to measure the contribution of finance to the European Green Deal. This report is based on European Union (EU) regulatory data and market practices, detailing capital flows in the real economy and financial markets, with a focus on capital expenditures and flows to and from financial markets. In addition, it includes an analysis of the investment gap in the Green Deal and the final report, published at the end of the Platform's mandate, is expected to provide methodological improvements and proposals for continued follow-up. (**more detail**)

EIOPA · Reinsurance
(04/04) · Supervisory expectations
The European Insurance and Occupational Pensions Authority (EIOPA) has issued a supervisory communication on reinsurance with third-country reinsurers, emphasising the need to assess the effectiveness of risk mitigation, especially when dealing with reinsurers subject to regulatory frameworks do not equivalent to Solvency II standards. The communication advocates a risk-based approach, outlining expectations to assess the business context, encourage early dialogue between supervisors and stakeholders, and evaluate reinsurance arrangements and related risk management systems with third country reinsurers. (**more detail**)

EIOPA · Insurance Stress Test 2024
(04/05) · Others
The European Insurance and Occupational Authority (EIOPA) has launched its 2024 stress test for insurers, focusing on the economic consequences of a re-intensification or prolongation of geopolitical tensions. This test assesses the impact of such a scenario on the capital and liquidity position of European insurance companies. The stress test serves a primary goal of microprudential assessment, focusing on individual insurers' resilience in the face of severe adverse scenarios, particularly escalating geopolitical tensions. Secondary objectives include the identification of sector-wide vulnerabilities within the European insurance industry. Through this assessment, EIOPA aims to provide recommendations to enhance the overall resilience of the insurance sector, both at the European and national levels. (**more detail**)

EBA · Guidelines for investment firm groups
(04/11) · Capital, liquidity and leverage
The European Banking Authority (EBA) has published final Guidelines on the group capital test for investment firm groups to standardize criteria across the European Union (EU), ensuring fairness. These Guidelines provide both quantitative and qualitative criteria, simplifying assessment for smaller and non-interconnected firms. The initiative aligns with the EBA's mandate to establish consistent supervisory practices within the European System of Financial Supervision (ESFS). (**more detail**)

ESAs · DORA Implementation
(04/11) · Technology and AI · Reporting and disclosure
The European Supervisory Authorities (ESAs) have announced that in May 2024, they will launch a voluntary dry run exercise for the next phase of Digital Operational Resilience Act (DORA) implementation, with the aim of helping financial entities prepare for establishing their register of information of all their contractual arrangements with Information Communication Technologies (ICT) third-party providers.(**more detail**)

EBA · Annual Assessment of internal approaches
(04/12) · Capital, liquidity and leverage
The European Banking Authority (EBA) has published reports on the 2023 Market Risk Benchmarking Exercise and the 2023 Credit Risk Benchmarking Exercise. The EBA's reports aim to assist competent authorities (NCAs) in assessing the quality of internal approaches. The reports analyze the consistency of Risk Weighted Assets (RWAs) across European Union (EU) institutions authorized to use internal approaches for capital requirement calculation. The Market Risk report highlights a reduction in dispersion in Initial Market Valuations (IMVs) and Value at Risk (VaR) submissions compared to previous exercises. The Credit Risk report examines changes in Exposure at Default (EAD), Probability of Default (PD), Default Rate (DR), portfolio composition, and representativeness. Notable findings include stability in PD for low default portfolios, despite expectations of increased default

rates due to economic factors. The reports identify areas requiring follow-up actions by specific institutions, as indicated by CAs' assessments based on supervisory benchmarks. (**more detail**)

EIOPA · Market and Credit Risk Comparative Study
(04/12) · Capital, liquidity and leverage
The European Insurance and Occupational Pensions Authority (EIOPA) has published the results of the Market and Credit Risk Comparative Study (MCRCS) conducted in 2023, using data from the end of 2022. This report provides a summary of the main findings of the study and offers insight into the supervisory initiatives being implemented as a result of these findings. The study aims to compare modeling approaches and results from 20 internal model companies for market and credit risks, fostering convergence in supervision and best practices. (**more detail**)

EIOPA · Implementation of IFRS 17
(04/12) · Reporting and disclosure
The European Insurance and Occupational Pensions Authority (EIOPA) has published a report on the implementation of IFRS 17 in the insurance sector, highlighting synergies and differences with Solvency II. This report aims to provide insight into the challenges and impacts of IFRS 17 adoption for insurers and the implications for users of financial statements. (**more detail**)

EP · Solvency II and IRRD
(04/23) · Capital, liquidity and leverage · Sustainability · Recovery and resolution
The European Parliament (EP) has approved in first reading an update of European Union (EU) rules governing the insurance sector, including reforms to the Solvency II Directive and a proposal for an Insurance Recovery and Resolution Directive (IRRD). These reforms seek to strengthen the contribution of insurers to the financing of economic recovery, advance the Capital Markets Union and channel funds into the European Green Pact, while ensuring better preparedness to face significant financial problems. Highlights include proportionality in regulation to ease the administrative burden, the release of reserves for more productive investments, the consideration of sustainability-related risks, and the introduction of preventive recovery plans and insurance guarantee schemes. After approval by the Council, both texts will be published in the Official Journal of the EU (OJEU) and will enter into force 20 days after publication, after which date Member States will have up to 24 months to transpose them. (**more detail**)

EBA · Market and counterparty Risks
(04/24) · Capital, liquidity and leverage
The European Banking Authority (EBA) has launched a public consultation on draft Regulatory Technical Standards (RTS) regarding the identification of main risk drivers and determination of long or short positions under exemptions for market and counterparty risks. The draft RTS provide methods for calculating capital requirements, considering absolute values of aggregated positions and their impact on market value movements, aiming to ensure consistent standards across the European Union (EU) banking sector, in line with Capital Requirements Regulation (CRR) mandates. This consultation will be open until 24 July 2024. (**more detail**)

EP · CRR III
(04/24) · Capital, liquidity and leverage
The European Parliament (EP) has adopted at first reading an amendment to the Regulation on prudential requirements for credit institutions and investment firms. This amendment, stemming from the 2021 Banking Package, aims to strengthen the resilience of institutions to economic shocks, contribute to the recovery of COVID-19 and facilitate the transition to climate neutrality. Key aspects include clarifying and harmonizing definitions, revising the credit risk framework to increase sensitivity and granularity, updating the market risk framework, replacing existing operational risk methods with a single standardized method, defining ESG factors and risks, and introducing specific requirements for cryptoassets and shadow banking. The text awaits approval by the Council, and will enter into force twenty days after its publication in the Official Journal of the European Union (OJEU), being applicable as of January 1, 2025. (**more detail**)

EP · Corporate Sustainability Due Diligence Directive
(04/24) · Sustainability
The European Parliament (EP) adopted the Corporate Sustainability Due Diligence Directive proposal at first reading. In addition to establishing a global framework for companies to respect human rights and environmental standards throughout their operations and value chains, the CSDDD requires companies to adopt and implement a climate transition plan that is in line with the Paris Agreement. The Directive must be approved by the Council. Member States shall adopt and publish, at the latest two years after the entry into force of this Directive, the laws, regulations and administrative provisions necessary to comply with this Directive. Furthermore, the implementation of the regulation will be gradual. (**more detail**)

Council · European Sustainability Reporting Standards
(04/29) · Reporting and disclosure · Sustainability
The Council of the European Union (EU) has approved a Directive to delay sustainability reporting obligations for certain sectors and third country companies. This measure gives companies more time to comply with European sustainability reporting standards (ESRS) by delaying the adoption of sector-specific standards until June 30, 2026. The aim is to allow companies to focus on the implementation of current ESRS and develop additional standards. As next steps, the Directive will be signed by Presidents of the European Parliament (EP) and the Council and subsequently published in the Official Journal of the European Union (OJEU). This measure is part of efforts to reduce the reporting burden for companies, especially small and medium-sized enterprises (SMEs), without compromising policy objectives related to sustainability. (**more detail**)

EIOPA · Digitalization of the insurance market
(04/30) · Technology and AI
European Insurance and Occupational Pensions Authority (EIOPA) has published a report of the level of digitalization in the European insurance industry, which reveals a diverse range of digitization levels among insurers. While advances such as

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

EIOPA · Prudent person principle
(05/02) · Supervisory expectations
The European Insurance and Occupational Pensions Authority (EIOPA) has released the results of its review on the supervision of the prudent person principle (PPP) under Solvency II, focusing on non-traditional and complex assets. This review comes in the face of challenges in assessing compliance by insurers and has identified 15 areas for improvement, issuing 49 recommended actions to 22 national competent authorities (NCAs). Recommendations include the development of internal guidance for the supervision of risky investments, improvements in the supervision of derivatives and the establishment of risk indicators. EIOPA will monitor compliance with these actions and consider how to integrate the findings into its work on supervisory convergence. (**more detail**)

ECB · RDARR guide
(05/03) · Supervisory expectations · Reporting and disclosure
The European Central Bank (ECB) has published the final version of the Guide on effective risk data aggregation and risk reporting (RDARR) as a response to the serious shortcomings found in the 2016 thematic review on the effectiveness of risk data aggregation and reporting at 25 significant entities. The Guidance sets out seven key areas for improvement, including management body accountability, sufficient scope of application, an effective data governance framework, an integrated data architecture, group-wide data quality management and standards, timeliness of internal risk reporting, and effective implementation programs. These aspects seek to strengthen entities' capabilities to manage and communicate risks more effectively, complementing Basel Committee on Banking Supervision (BCBS) 239 Principles.. (**more detail**)

EBA · Equivalent mechanism for unfinished property
(05/06) · Capital, liquidity and leverage
The European Banking Authority (EBA) has released the Consultation Paper on Equivalent Mechanism for Unfinished Property under Article 124(12) of Regulation 575/2013 (CRR), which presents draft regulatory technical standards (RTS) aimed at ensuring that properties under construction are completed within a reasonable time frame. The document outlines the background and rationale for these standards, provides an overview of the questions for consultation, and emphasizes the importance of stakeholder feedback in shaping the final regulations. Key considerations include the legal powers of government entities to ensure timely completion of construction projects and the implications for financial institutions if projects are not finished within the specified time frame. The comment period ends on 8 August 2024. (**more detail**)

EBA · Final Drats of RTS and ITS under the Markets in Crypto-Assets Regulation
(05/07) · Technology and AI
The European Banking Authority (EBA) has published three sets of final draft regulatory technical standards (RTS) and one final draft implementing technical standards (ITS) under the Markets in Cryptoassets Regulation (MiCAR) for the regulation of asset-backed tokens (ARTs). These standards cover the authorization process for ART issuers, criteria for assessing acquisitions of qualifying holdings, and the procedure for approving white papers for ARTs issued by credit institutions. These technical standards are key to regulate access to the EU market by applicant issuers of ARTs and persons intending to exercise significant influence on these undertakings via the acquisition of qualifying holdings. (**more detail**)

ESMA · Harmonized criteria for the use of ESG and sustainability terms in fund names
(05/14) · Sustainability
The European Securities and Markets Authority (ESMA) has released final guidelines on funds' names using ESG or sustainability-related terms. The aim is to protect investors from misleading claims and provide clear criteria for asset managers. The guidelines require a minimum of 80% of investments to meet ESG or sustainability objectives for these terms to be used. Exclusion criteria are outlined for different terms used in fund names. The guidelines will be translated into all European Union (EU) languages and applied three months after publication on ESMA's website. Competent authorities must notify ESMA of their compliance within two months. Existing funds have a six-month transitional period, while new funds must adhere to the guidelines immediately. (**more detail**)

ESMA · MiFIR Review Consultation package
(05/21) · Compliance
The European Securities and Markets Authority (ESMA) has launched a review of the RTS on transparency for bonds, structured finance products and emission allowances, the RTS on reasonable commercial basis and the RTS on provision of reference data. The document aims to seek the views of stakeholders in order to finalise these rules, ensuring that they are practical and effective in improving market transparency and data accessibility. (**more detail**)

EC · Assessment of macroprudential policies for non-bank financial intermediation
(05/22) · Others
The European Commission (EC) has launched a consultation assessing the adequacy of macroprudential policies for NBFI, with the objective of seeking public authorities’ and stakeholders’ view on the adequacy of the macroprudential framework for NBFI with the intent not to revisit recent legislative agreements. The consultation aims to identify the vulnerabilities and risks of NBFIs and map the existing macroprudential framework for NBFIs. It also seeks to gather feedback on the current challenges to

macroprudential supervision and discuss areas for further improvement. The consultation runs until 22 November 2024. **(more detail)**

EDPB · Statement on financial data access package and payments
(05/23) · Technology and AI
The European Data Protection Board (EDPB) has adopted a statement on the financial data access and payments package. The proposals aim to improve consumer protection and competition in electronic payments by empowering consumers to share their data. The EDPB welcomes the European Parliament's reports but notes that some recommendations have not been fully implemented. The statement emphasizes the need for additional safeguards in the legislation regarding data sharing for fraud prevention purposes, drawing on national data protection authorities' experience. **(more detail)**

ESMA · Commodity derivatives under MiFID
(05/23) · Compliance
The European Securities and Markets Authority (ESMA) has launched a consultation on proposed changes to rules for position management controls and position reporting. The changes come in the context of the review of the Market in Financial Instruments Directive (MiFID II) and aim to minimise the burden on reporting entities. The consultation runs until 21 August. After reviewing the feedback, ESMA will publish a final report towards the end of 2024. **(more detail)**

ESMA · Consultation on consolidated tape providers and their selection
(05/23) · Compliance · Reporting and disclosure
The European Securities and Markets Authority (ESMA) has launched a consultation on draft technical standards related to Consolidated Tape Providers (CTPs), other data reporting service providers (DRSPs) and the assessment criteria for the CTP selection procedure under the Markets in Financial Instruments Regulation (MiFIR). The proposed draft technical standards (TS) are developed in the context of the review of MiFIR and will contribute to enhancing market transparency and removing the obstacles that have prevented the emergence of consolidated tapes (CT) in the European Union (EU). The consultation runs until 28 August. ESMA will publish a feedback statement on the specifications of the assessment criteria for the CTP selection procedure by the end of 2024. **(more detail)**

ESMA · Guide to the use of AI in investment services
(05/30) · Technology and AI
The European Securities and Markets Authority (ESMA) has issued initial guidance for firms using Artificial Intelligence (AI) in providing investment services to retail clients, emphasizing compliance with MiFID II requirements regarding organizational aspects, conduct of business, and acting in clients' best interests. While recognizing the potential benefits of AI, ESMA highlights risks such as algorithmic biases, opaque decision-making, overreliance on AI, and privacy concerns. AI applications in customer support, fraud detection, risk management, compliance, and investment advice must adhere to MiFID II. ESMA and National Competent Authorities will continue monitoring AI use and the regulatory framework to decide on any further actions. **(more detail)**

ESAs · DORA Dry Run 2024
(05/31) · Technology and AI
The ESAs have released a document addressing frequently asked questions about the 2024 DORA Dry Run exercise on reporting of registers of information of contractual arrangements with ICT third-party providers. The ESAs will use the collected information to analyze data quality and provide feedback to financial entities, but it will not be used for the designation of critical ICT third-party service providers, which will occur in 2025 based on steady-state reporting. In addition, financial entities can participate in the dry run on a voluntary basis. **(more detail)**

ESMA · MiCA rules on conflict of interest of crypto asset providers
(05/31) · Technology and AI
The European Securities and Markets Authority (ESMA) has published the Final Report on the rules on conflicts of interest for crypto-asset service providers (CASPs) under the Markets in Crypto Assets Regulation (MiCA). The report outlines draft Regulatory Technical Standards (RTS) that specify requirements for CASPs to identify, prevent, manage, and disclose conflicts of interest. The RTS aim to clarify elements related to vertical integration and align with EBA rules for asset-referenced tokens. The report has been sent to the European Commission for review. **(more detail)**

EFRAG · First three final esrs Implementation Guidance documents
(05/31) · Reporting and disclosure
The European Financial Reporting Advisory Group (EFRAG) has published its final version of the first three European Single Reporting System (ESRS) Implementation Guidance (IG) documents on materiality assessment, value chain, and ESRS Datapoints. These guides are intended to assist organizations in effectively applying the ESRS, ensuring a transparent and consistent approach to sustainability reporting across Europe. Key changes from the drafts include a new section on impact materiality for groups and subsidiaries, clarification of objective and supportable evidence, ESRS architecture for non-ESRS information, and the role of mitigation, remediation, and prevention actions. **(more detail)**

EBA/ESMA · Prudential framework for investment firms
(06/03) · Capital, liquidity and leverage
The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have published a discussion paper on potential revisions to the prudential framework for investment firms, seeking stakeholders' views until September 3, 2024, in response to the European Commission's (EC) request for advice following the introduction in 2019 of the Investment Firm Directive (IFD) and the Investment Firm Regulation (IFR). The paper covers a number of topics, including the adequacy of current prudential requirements, risks not addressed by the current framework, and the implications of the new European Union (EU) banking package. It also covers the extension of prudential consolidation to crowdfunding and cryptoasset service providers, the interaction of DFI and SRI with undertakings for collective investment in transferable securities (UCITS) management

companies and alternative investment fund managers (AIFMs), and investment firm remuneration policies. An associated voluntary data collection exercise has been launched, and a public hearing is scheduled for June 20, 2024. (**more detail**)

EBA · Governance regulatory products under the MiCAR
(06/03) · Government
The European Banking Authority (EBA) is shaping the regulatory framework for crypto assets by publishing three products under the Markets in Crypto-Assets Regulation (MiCAR), focusing on governance, conflicts of interest, and remuneration. These efforts aim to ensure a transparent, secure, and well-regulated crypto-assets market. The package includes guidelines on governance for issuers of asset-referenced tokens (ARTs), specifying responsibilities and risk management. Additionally, final draft Regulatory Technical Standards (RTS) detail governance arrangements for remuneration policies and conflicts of interest, requiring effective policies for managing conflicts. Developed with the European Securities and Markets Authority (ESMA) and the European Central Bank (ECB), these regulations ensure comprehensive oversight in the crypto-assets sector. (**more detail**)

ESAs · Final Reports on Greenwashing
(06/04) · Sustainability
The European Supervision Authorities (ESAs) have published their Final Reports on Greenwashing in the Financial Sector. The objective is to provide an overview of the risk of greenwashing in the financial sector with a focus on changes over the past year. In addition, it provides recommendations for institutions, supervisors and policy makers. Among the final recommendations, national supervisors are urged to take four crucial steps to address this challenge: ensuring accuracy, substantiating claims, facilitating accessibility and keeping information up to date. Sustainability requirements should also be clarified in the current regulation and consumer protection should be strengthened. Finally, the reports highlight the obligation of financial market participants to provide transparent sustainability data. (**more detail**)

EBA · Implementation of the data point model 2.0
(06/06) · Reporting and disclosure
The European Banking Authority (EBA) has published its plan for implementing Data Point Model (DPM) 2.0 within its reporting release 4.0 framework, aiming for more integrated regulatory reporting. Scheduled for 2024, DPM 2.0 promises enhanced integration and granularity, with improved data definition versioning and relationships. A transitional period until December 2025 will ease the shift from DPM 1.0, supported by a sample database and technical documentation. The framework release 4.0 technical package will be out in December 2024, accompanied by a new semantic glossary, with XBRL's new taxonomy architecture 2.0 integrated. By December 2025, only xBRL-CSV format will be accepted, as the EBA continues providing technical packages to support amendments in subsequent releases. (**more detail**)

EBA · Operational risk loss
(06/06) · Capital, liquidity and leverage
The European Banking Authority (EBA) has launched a consultation on three sets of draft Regulatory Technical Standards (RTS) aimed at standardizing the collection and recording of operational risk losses. The consultation seeks to provide clarity on exemptions for calculating annual operational risk loss and adjustments to loss data following mergers or acquisitions. The draft RTS include a risk taxonomy for recording operational risk loss events, conditions for temporary waivers when calculating annual operational risk loss is unduly burdensome, and guidelines for adjusting loss data from merged or acquired entities. The consultation runs until 6 September 2024, with a public hearing webinar scheduled for 4 July 2024. (**more detail**)

Council · Retail Investment package
(06/03) · Compliance
The Council has agreed on a retail investment package to strengthen European Union (EU) rules on retail investor protection, aiming to safeguard individual investments better, provide clearer product information, and enhance transparency. The package seeks to support investments in EU capital markets, particularly benefiting Small and Medium Enterprises (SMEs) by boosting consumer trust and encouraging private funding. Key changes include the removal of a proposed ban on inducements for execution-only sales, reinforcing safeguards against conflicts of interest, and introducing a 'Value for Money' concept to ensure investment products are justifiable and proportionate in costs and performance. This agreement allows the Council to begin negotiations with the European Parliament (EP) on the final legislation. The package will standardize transparency and information requirements across EU laws, adapt regulations to the digital environment, and ensure investment products deliver real value, thereby deepening the capital markets union. (**more detail**)

EBA · List of ITS validation rules
(06/03) · Reporting and disclosure
The European Banking Authority (EBA) has published a revised list of validation standards in its Implementing Technical Standards (ITS) on supervisory reporting. This revision highlights standards that have been superseded as incorrect or due to technological problems. Competent authorities across the European Union are advised that data submitted under these ITS should not be validated against deactivated standards. (**more detail**)

EC · Targeted consultation on AI in the financial sector
(18/03) · Technology and AI
The European Commission (EC) has initiated a targeted consultation on the use of Artificial Intelligence (AI) in the financial sector. This forum seeks to gather various opinions on the potential risks and challenges associated with AI, covering aspects such as data protection, security, and transparency. The objective is to inform the Commission's services about the specific application and impact of AI in this sector. Additionally, it seeks to engage stakeholders in developing a regulatory framework that ensures consumer protection while fostering innovation and development. The consultation will be open until September 13, 2024. (**more detail**)

EC · Regulatory standards specifying in which circumstances the conditions for identifying groups clients
(06/03) · Capital, liquidity and leverage

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

EBA · Final report on CRR
(06/20) · Capital, liquidity and leverage
The European Banking Authority (EBA) has published the final draft regulatory technical standards (RTS) for assessing the materiality of extensions and changes to the use of the alternative internal model approach (IMA) for market risk, as required by Regulation (EU) 2019/876 (CRR2), amending Regulation (EU) No 575/2013 (CRR). This regulation includes the Basel III package's Fundamental Review of the Trading Book (FRTB). Institutions can use the IMA for calculating own funds requirements (OFR) for market risk with competent authorities' (CAs) permission. Material changes, extensions, and changes to modellable risk factors (MRF) need CA approval, while non-material changes must be notified in advance. The new RTS, based on Article 325az(8)(a) of the CRR, differentiates between material and non-material changes and uses qualitative and quantitative conditions to assess their impact. This publication completes the EBA's CRR2 Fundamental review of the trading book (FRTB) roadmap, and the draft RTS will now be submitted to the European Commission for endorsement, followed by scrutiny from the European Parliament and Council before being published in the Official Journal of the European Union (OJEU). (**more detail**)

EBA · Final draft amending the RTS on the standardized approach to counterparty credit risk
(06/24) · Capital, liquidity and leverage
The European Banking Association (EBA) has published the final draft amending the RTS on the SA-CCR. These rules, finalised in December 2019 and published in March 2021 in the Official Journal of the European Union (OJEU), include methods for identifying risk factors in derivatives, calculating the supervisory delta for options in the interest rate risk category considering negative interest rates, and determining the direction of risk factor positions. The update harmonises with the provisions of the Capital Requirements Regulation (CRR III), incorporating formulas for calculating the supervisory delta in call and put options for interest rate or commodity risk categories, and the appropriate supervisory volatility. It highlights the shifting of the delta to maintain positive terms in negative interest rates, aligning with existing methodology. The draft RTS will be submitted to the European Commission (EC) for approval, followed by scrutiny by the European Parliament (EP) and the Council before publication in the OJEU. (**more detail**)

EBA/ESMA · Guidelines on the suitability of members of the management body and shareholders of entities subject to MICAR
(06/27) · Supervisory expectations · Government
The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) have released joint guidelines regarding the suitability of management body members and shareholders for issuers of asset reference tokens (ARTs) and crypto-asset service providers (CASPs) under the Markets in Crypto-Assets Regulation (MiCAR). These guidelines are part of ongoing efforts to ensure a transparent, secure, and well-regulated crypto-assets market. The first set of guidelines establishes criteria for assessing the knowledge, skills, and integrity of management body members to promote robust governance and trust in the financial system. The second set focuses on evaluating the suitability of shareholders or members with qualifying holdings, providing a methodology for supervisory authorities to ensure sound management. These initiatives align with MiCAR, effective since 29 June 2023, with ART provisions applicable from 30 June 2024. (**more detail**)

EBA · Modification of the Delinquency and Foreclosure Guidelines as a result of changes to the Mortgage Lending Directive
(06/26) · Provisions and NPL · Others
The European Banking Authority (EBA) has amended its Guidelines on arrears and foreclosure to align with recent changes in the Mortgage Credit Directive (MCD). This amendment follows the revision of Article 28(1) of the MCD and ensures that the EBA Guidelines do not repeat, amend, or contradict Level 1 legislation. Specifically, Guideline 4 on the 'resolution process' has been removed since its provisions are now incorporated into binding Union Law. The overall requirements in the MCD and the EBA Guidelines remain unchanged. These Guidelines, initially issued in 2015 and applicable since 2016, were revised following the introduction of the Credit Servicers Directive (CSD) in 2021, which affected Article 28(1) MCD. The updated Guidelines will come into effect two months after the publication of their translated versions. (**more detail**)

Spain

CNMV · Annual supervision report
(04/24) · Sustainability · Supervisory expectations
The National Securities Market Commission (CNMV) has released a report on the supervision of non-financial information of issuing companies, with recommendations to enhance the Non-Financial Information Statements (EINF). Areas of focus include breakdowns under Article 8 of the Taxonomy Regulation, disclosure of climate measures, and Scope 3 greenhouse gas emissions for the upcoming year. The importance of clear verification of information is also emphasized, with mentions of gender pay gap and issues concerning human rights, corruption, and bribery. (**more detail**)

AEPD · Use of Cookies guide
(04/24) · Technology and AI
The Spanish Data Protection Agency (AEPD) has published a guide on the use of Cookies and similar technologies, in collaboration with industry representatives. This guide defines the scope, terminology and obligations related to cookies, highlighting transparency and informed consent of users. It includes the need to provide clear information on the use and purpose

of cookies, consent management, and specific considerations for minors. It describes the categories of cookies and their purposes, the legal requirements for data processing and user privacy, as well as the responsibilities of publishers, third-party cookie users, advertisers and other intermediaries. In addition, the consent must be updated every 24 months and be easily revocable by users. (**more detail**)

MIENCO · Draft Law amending the Law on Consumer Credit and Real Estate Credit Agreements
(05/27) · Provisions and NPL · Compliance
The Ministry of Economy, Commerce and Enterprise (Mineco) has published the preliminary draft of the Law on Credit Administrators and Credit Purchasers, which amends the Consumer Credit Contracts Law and the Real Estate Credit Contracts Law and aims to transpose the European Directive on the subject. This law strengthens the protection of financial consumers, especially those in a situation of economic vulnerability, by ensuring respect for their rights and offering them solutions to manage their debts. It promotes financial stability by allowing institutions to sell their credit portfolios to improve their solvency. It regulates the administration of doubtful loans, which requires authorization from the Bank of Spain (BdE), imposing consumer protection requirements. It also regulates the sale and purchase of these loans, ensuring transparency and borrower protection. In addition, it introduces obligations for lenders to have debt renegotiation policies before taking legal action. (**more detail**)

CNMV · Implementation of the entities' best execution obligations
(06/06) · Compliance
The National Securities Market Commission (CNMV) has supervised compliance with best execution obligations by entities that provide investment services in equity client transactions, in accordance with MiFID II regulations. Although overall compliance is adequate, several incidents were detected. Among the incidences detected, some entities do not perform or do not document cost comparisons between intermediaries and execution venues, do not adequately review the quality of execution, and in portfolio management, they do not perform specific best execution analyses. In addition, some entities do not conduct periodic reviews of their best execution policy. These deficiencies have been reported to the institutions for correction. The regulations require that institutions take sufficient measures to obtain the best possible result for their clients, periodically review their policies and justify the selection of intermediaries to ensure best execution of orders. (**more detail**)

UK

Gov.UK · Safe and Trusted AI use
(04/24) · Technology and AI
The UK and US governments have published a Memorandum of Understanding (MoU) detailing their collaboration to ensure the safe and trusted development and use of advanced Artificial Intelligence (AI). This agreement establishes a partnership between the two countries' AI Safety Institutes, established in November 2023, with the aim of developing joint work programmes, conducting shared model assessments, conducting joint testing exercises, collaborating on technical research on AI safety, facilitating socio-technical policy harmonisation, and working on international standards for AI safety testing and other standards applicable to the development, deployment and use of advanced AI models. (**more detail**)

FCA · Protections for borrowers
(04/10) · Capital, liquidity and leverage · Compliance
The Financial Conduct Authority (FCA) has published Policy Statement 24/2, which introduces strengthened protections for borrowers in financial difficulty in the consumer credit and mortgages sectors. This document outlines specific proposals aimed at enhancing support for customers facing economic challenges, particularly addressing the impact of the pandemic on UK households' financial resilience. Additionally, the Cost Benefit Analysis Update in Annex 2 provides further insights into the regulatory considerations and impacts of the proposed measures on industry stakeholders and consumers. (**more detail**)

PRA · Prudential Regulation Authority Business Plan 2024/2025
(04/11) · Others
The Prudential Regulation Authority (PRA) has released its business plan for the fiscal year 2024/25, outlining objectives aligned with its role in supervising and regulating financial institutions in the United Kingdom (UK). Key points include a phased publication of near-final Basel IV rules, resumption of stress testing exercises in 2025, implementation of a new risk management policy for banks, and a thematic review of credit risk management frameworks for smaller firms. Additionally, the PRA plans to consult on Pillar 2A methodologies for banks in 2025, finalize Solvency II matching adjustment reforms by June 2024, and complete the repeal and replacement of Solvency II and Value Regulation files. Policy statements on solvent exit planning for non-systemic banks and insurers are also in progress, with the latter expected in the second half of 2024. (**more detail**)

Gov.UK · Smart data roadmap
(04/18) · Technology and AI · Others
The United Kingdom (UK) Department of Business and Trade has released a Smart Data Roadmap for 2024-2025, with the aim of empowering consumers and businesses through improved access to information and services, focusing on advancing Smart Data schemes across sectors like banking, finance, energy, telecommunications, transport, retail, and home buying. In this regard, UK plans to advance the Data Protection and Digital Information Bill (DPDI), promote use cases through the Smart Data Challenge Award, and coordinate schemes through the Smart Data Council. (**more detail**)

FCA · SDR regime to portfolio management
(04/23) · Reporting and disclosure · Sustainability
The Financial Conduct Authority (FCA) has published a Consultation Paper on Extending the Sustainability Disclosure Requirements (SDR) regime to Portfolio Management. This paper outlines proposed amendments to the FCA Handbook, focusing on sustainability labeling and disclosure of sustainability-related financial information for portfolio management. The objectives include enhancing market transparency, consumer protection, and addressing issues like greenwashing. The FCA emphasizes the importance of providing timely and accurate information to consumers, promoting effective competition, and ensuring that

regulated financial services meet appropriate care standards. Stakeholders are encouraged to provide feedback on the proposed rules to advance the FCA's strategic objectives and operational goals in making markets function well and protecting consumers. (**more detail**)

FCA · Guidance on the anti-greenwashing rule
(04/23) · Sustainability
The Financial Conduct Authority (FCA) has published finalised non handbook guidance on the Anti Greenwashing Rule, designed to help firms understand and implement the anti-greenwashing rule, following feedback from some respondents to the consultation paper (CP) on SDR and investment labels. This rule applies to firms when they communicate with clients in the UK in relation to a product or service, or when it communicates a financial promotion or approves a financial promotion for communication to a person in the UK. All authorised firms need to meet the anti-greenwashing rule by 31 May 2024. (**more detail**)

FCA · Product sales data
(04/29) · Reporting and disclosure
The Financial Conduct Authority (FCA) has published Policy Statement PS24/3, detailing its final rules and guidance relating to the incorporation of three new Product Sales Data (PSDs) into Chapter 16 of its Supervisory manual (SUP 16). The guidance is intended for firms involved in the provision of consumer credit and those that provide advice or IT support for regulatory compliance. These additions stem from the FCA's objective, set out in the PSD Consultation Paper, to collect more comprehensive data on the consumer credit market, including details on initial sales and ongoing performance of agreements. By improving its data collection, the FCA aims to strengthen its supervision of firms and market monitoring to prevent significant damage to the consumer credit sector. The policy statement summarizes the comments received on the proposals, the FCA's response and the final rules for implementing the new PSD disclosures. (**more detail**)

PRA · Securitization
(04/30) · Compliance
The Prudential Regulation Authority (PRA) released Policy Statement 7/24 regarding Securitization General Requirements, outlining final policies after reviewing responses to consultation paper CP15/23 and incorporating necessary adjustments. This statement replaces EU law requirements in the UK Securitisation Regulation under the PRA's jurisdiction, with changes addressing identified issues and aligning with feedback from stakeholders. Key adjustments include allowing a six-month transition period before implementing new rules, adding transitional provisions for pre-transfer securitisations, and clarifying various aspects such as due diligence requirements and risk retention. The PRA's final policy encompasses a new Securitisation Part of the PRA Rulebook and updated supervisory statements. The changes will come into force on November 1, 2024, subject to the revocation of relevant legislation. Additionally, the PRA and Financial Conduct Authority (FCA) anticipate further consultations on securitisation rules in late 2024 or early 2025. (**more detail**)

Gov.UK · Money Laundering
(05/15) · Compliance
The Home Office of the United Kingdom (UK) has released a Circular discussing the confidentiality and sensitivity of suspicious activity reports (SARs) related to money laundering. It emphasizes the importance of protecting the identity of reporters and managing risks associated with disclosing SAR material. The Circular also addresses the disclosure of SARs in legal proceedings, highlighting the need for careful consideration of public interest and potential impacts on fair trials. Additionally, it provides guidance on handling SARs in a manner that balances the requirements of law enforcement with individual rights and privacy concerns. (**more detail**)

Q2 Other publications of interest

American Region

US

NAIC · NAIC 2022 Profitability Report
(04/03) · Others
The U.S. National Association of Insurance Commissioners (NAIC) has released the 2022 National and State Profitability Report, which estimates and allocates profitability in property and casualty insurance. The report is based on annual statements and provides estimates of earnings on earned premiums and return on equity by line of business and by state. Beginning in 2022, the report data is broken down by mutual and reciprocal insurers and by stock insurers. Highlights of the report include a 13th consecutive year of growth in total earned premiums, a decline in the nationwide direct return on equity for the total Property & Casualty market, and the significant contribution of Private Passenger Automobile (PPA) to the Property & Casualty market. The report includes several estimated profit components and provides long-term historical averages to account for fluctuations in calendar year financial results. (**more detail**)

NAIC · Climate Resilience Strategy for Insurance
(04/03) · Sustainability
The National Association of Insurance Commissioners (NAIC) adopted the National Insurance Climate Resilience Strategy to protect the property insurance market. Coordinated by state regulators, the strategy focuses on reducing risk through homeowner reinforcement, data collection, public awareness and solvency tools. Initiatives such as the Property and Casualty Market Intelligence Data Call aim to improve community resilience. The strategy includes plans to collect data, create a flood insurance scheme, leverage in catastrophe modelling, develop new tools, advocate for mitigation funding and improve solvency analysis. Adopted in 2024, this strategy aims to strengthen the availability and reliability of insurance against climate risks. (**more detail**)

FDIC · Third-party risk management
(05/03) · Compliance
The Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) have released a guide to support community banks in managing risks presented by third-party relationships. The guidance is intended to assist these banks in developing and implementing their third-party risk management practices and includes examples for each stage in the life cycle of the third-party relationship. It complements, but does not replace, the Interagency Guidance on Third-Party Relationships (TPRM Guidance) published in June 2023 by offering ideas for managing third-party relationships and illustrating the principles. (**more detail**)

FRB · Climate scenario analysis
(05/09) · Sustainability
The Federal Reserve Board (FRB) has published a summary of the exploratory pilot Climate Scenario Analysis (CSA) exercise conducted with six major United States (US) banks: Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley and Wells Fargo. This summary outlines how these banks utilized climate scenario analysis to assess the resilience of their business models against climate-related financial risks. The participating banks employed diverse approaches to evaluate the potential impacts of various physical and transition risk scenarios, revealing significant data gaps and modelling challenges inherent in estimating the financial repercussions of complex and uncertain risks over different time horizons. Notably, the exercise was conducted without imposing capital consequences, and was aimed at fostering dialogue and learning. Moving forward, the FRB intends to continue to work with these banks to enhance their capacity to measure and manage climate-related financial risks based on the insights gained from this pilot exercise.. (**more detail**)

SEC · Customer Identification Programs
(05/13) · Compliance
The Securities and Exchange Commission (SEC) and the United States (US) Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) have jointly proposed a new rule requiring Registered Investment Advisers (RIAs) and exempt reporting advisers (ERAs) to establish, document, and maintain written customer identification programs (CIPs). The aim is to strengthen anti-money laundering and countering the financing of terrorism (AML/CFT) efforts in the investment adviser sector. Under the proposed rule, RIAs and ERAs must implement procedures to identify and verify customer identities, making it harder for illicit actors to use false identities for money laundering, terrorism financing, or other illegal activities. This proposal complements a previous FinCEN proposal to designate RIAs and ERAs as financial institutions under the Bank Secrecy Act (BSA), subjecting them to AML/CFT program requirements. The proposal is available for public comment and will be published in the Federal Register, with a 60-day comment period.. (**more detail**)

CFPB · Rule Public Registry for Nonbank Financial Firms
(05/13) · Others
The Consumer Financial Protection Bureau (CFPB) finalized a rule that requires nonbank financial companies to register information about their operations and any consumer protection violations with the bureau, which will maintain a public registry. These nonbanks must also file annual compliance reports. The rule addresses the lack of licensing or registration for many financial companies compared to banks and credit unions. The rule will be effective on September 14, with registration starting on October 16. (**more detail**)

US Treasury · Request for Information on Users, Opportunities and Risks of IA
(05/13) · Others
The United States (US) Department of the Treasury has issued a request for information (RFI) regarding the uses, opportunities, and risks of artificial intelligence (AI) in the financial services sector. This initiative builds on the Treasury's previous work on cybersecurity and fraud and aligns with other federal agencies' efforts. The RFI aims to gather public input on AI applications in financial services, examining both the benefits and potential risks, including barriers to responsible AI use, and its impact on various stakeholders. Under Secretary for Domestic Finance emphasized the commitment to fostering innovation while safeguarding consumers and the financial system. The Treasury seeks recommendations to enhance legislative, regulatory, and supervisory frameworks and promote inclusive access to financial services. Public comments are invited within 60 days and will be publicly available on the Department of the Treasury's website. (**more detail**)

SEC · Special purpose acquisition companies, Shell companies and projections
(06/14) · Compliance
The Securities and Exchange Commission (SEC) is implementing rules to bolster investor protections in initial public offerings by special purpose acquisition companies (SPACs) and in their subsequent mergers with private companies (de-SPAC transactions). These rules mandate disclosures on sponsor compensation, conflicts of interest, dilution, and board assessments of de-SPAC transactions' advisability. Additionally, they establish a minimum period for shareholder communication material distribution, require re-determination of smaller reporting company status in de-SPACs, and clarify the safe harbor for forward-looking statements. The SEC also redefines business combinations involving reporting shell companies, including SPACs, as securities sales to shareholders, amending related financial statement requirements. (**more detail**)

FDIC · Final revised rule to strengthen resolution planning for big banks
(05/20) · Restructure and resolution
The Federal Deposit Insurance Corporation (FDIC) Board has approved a final rule to enhance resolution planning for insured depository institutions (IDIs) with at least $50 billion in assets. This rule mandates that large banks with assets over $100 billion submit comprehensive resolution plans to ensure efficient and effective resolution in case of failure. IDIs with assets between $50 billion and $100 billion will submit more limited informational filings. The rule requires full resolution submissions every three years, or every two years for IDIs affiliated with United States (US) global systemically important banks, with limited supplements in off years. It also enhances FDIC engagement with IDIs, periodic testing of resolution capabilities, and criteria for assessing the credibility of resolution plans, with the first submissions due next year. The rule will be effective from October 1, 2024. (**more detail**)

OCC · Final rule on automated valuation models
(06/20) · Compliance
The Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Consumer Financial Protection Bureau (CFPB); and Federal Housing Finance Agency (FHFA) have issued a final rule to establish quality control standards for automated valuation models (AVMs) as required by the Dodd-Frank Act. This rule mandates that mortgage originators and secondary market issuers implement policies and procedures to ensure AVMs used in assessing the value of mortgage collateral meet standards for accuracy, data integrity, conflict of interest prevention, random testing, and nondiscrimination compliance. The rule is effective starting the first day of the calendar quarter following one year after its publication in the Federal Register. (**more detail**)

SEC · Privacy of consumer financial information
(06/21) · Provisions and NPL
Securities and Exchange Commission (SEC) has adopted final amendments to Regulation S-P to improve the rules governing financial institutions' treatment of consumers' personal information. The final rules require brokers, dealers, broker-dealers, investment companies, registered investment advisers and transfer agents to implement written policies and procedures for incident response programmes. These programmes must address unauthorized access to customer information and include timely notification to affected persons within 30 days, detailing the breach and how to respond. The amendments, which reflect the increased risks arising from the use of technology since 2000, also extend safeguards for customer records to transfer agents, expand the scope of protected information, require documentation of compliance, and align the annual delivery of privacy notices with amendments to the Gramm-Leach-Bliley Act (GLBA). The changes will take effect 60 days after publication, with larger entities having 18 months and smaller entities 24 months to comply. (**more detail**)

Brazil

BCB · Open Finance Customer normative instruction
(04/10) · Reporting and disclosure
The Central Bank of Brazil (BCB) disclosed, through Normative Instruction No. 463, of April 10, 2024, version 6.0 of the Customer Experience Manual in Open Finance, which must be complied with by participating institutions. The manual will be available on the Central Bank of Brazil's website and on the Open Finance Portal. This regulation revokes BCB Normative Instruction No. 409, of August 29, 2023, and enters into force on the date of its publication. (**more detail**)

BCB · Normative instruction on estimation of the measurement parameters of the associated expected
(04/11) · Reporting and disclosure
The Central Bank of Brazil (BCB) has published a Normative Instruction which clarifies the criteria for estimating the parameters related to the expected loss with credit risk, provided for in CMN Resolutions No. 4,966/2021 and BCB No. 352/2023. Issued by the Head of the Department of Regulation of the Financial System (Denor), the instruction determines that financial institutions must individually calculate the probability of an asset being considered problematic in terms of credit recovery and the expectation of its recovery. The criteria include cash flow considerations, recovery costs, and effective interest rates. The rule, effective

January 1, 2025, aims to ensure the stability and soundness of the financial system, dispensing with the need for a regulatory impact analysis (RIA) due to its importance for the integrity of the financial market. **(more detail)**

BCB · Resolution on the organization and operation of savings and credit unions
(04/25) · Others
The Central Bank of Brazil (BCB) has published a Resolution amending a Resolution on the organization and operation of credit cooperatives. The main changes include the definition of different types of credit unions, the specific activities of central credit unions and confederations, conditions for shared credit operations, governance requirements, policies for the renewal of boards of directors, hiring of independent directors, among other measures. These changes aim to strengthen the structure and governance of credit unions, effective July 1, 2024.. **(more detail)**

BCB · Eco Line Invest Brazil resolution
(04/25) · Sustainability
The Central Bank of Brazil (BCB) has published a Resolution establishing guidelines for the financing of the Eco Invest Brazil Line, in the context of the National Fund on Climate Change (FNMC), aiming to promote investments in ecological transformation projects, attract foreign investments, enable operations in the capital market and support the development of the exchange rate protection market in Brazil. The financing will be granted in different sublines, with the objective of offering financial support to projects that meet the established criteria, through auctions conducted by the National Treasury Secretariat. The qualified financial institutions will be responsible for granting the financing, assuming the risks of the operations, and must comply with specific conditions established, including deadlines for external capital mobilization and accountability. The Central Bank of Brazil will be responsible for the supervision and supervision of the financial institutions involved, and may take the necessary measures to implement the Resolution, which enters into force on June 3, 2024. **(more detail)**

BCB · Analytical balance sheet and balance sheet of analytical assets regulatory guidance
(04/25) · Reporting and disclosure
The Central Bank of Brazil (BCB) has published a Normative Instruction which amends BCB Normative Instruction related to the procedures for sending the Analytical Balance Sheet and the Analytical Balance Sheet by financial institutions and others authorized by the Central Bank of Brazil. The changes include the updating of the versions of the filling instructions and the layout of the documents, with the modification of the accounting items in accordance with the Accounting Standard of Institutions Regulated by the Central Bank of Brazil (Cosif) and the change of the remittance format to XML. These measures aim to adapt to international standards and simplify accounting processes, without the need to carry out a regulatory impact analysis due to the nature of the changes and the objective of reducing costs. **(more detail)**

BCB · Temporary and exceptional measures applicable to the operation of the consortium groups of consortium groups
(05/15) · Provisions and NPL · Sustainability
The Central Bank of Brazil (BCB) has issued Resolution No. 381, which establishes temporary and exceptional measures for the operation of consortium groups until December 31, 2024. These measures aim to assist consortium members economically affected by climatic events in the state of Rio Grande do Sul, in accordance with Legislative Decree No. 36, dated May 7, 2024, that recognize the occurrence of a state of public emergency in part of the national territory. The resolution allows consortium administrators to make credit payments in cash or through deposit accounts for members who have been awarded but have not yet used the credit, and it relaxes the deadlines for collection and execution of guarantees, provided certain criteria are met. Administrators must keep detailed documentation of these procedures available to the BCB for at least five years. **(more detail)**

BCB · Deadlines for sending accounting documents
(05/15) · Reporting and disclosure · Sustainability
The Central Bank of Brazil (BCB) has published Resolution No. 380, dated May 15, 2024, which temporarily establishes deadlines for financial institutions and other entities authorized by the BCB, with headquarters or branches in municipalities affected by climatic events in the southern region of the country, to submit accounting documents. The deadlines vary according to the type of document and the reference date, ranging from the last business day of the following month to ninety days after the reference date. This measure specifically applies to accounting documents and reports from affected prudential conglomerates and cooperatives. **(more detail)**

BCB · Amendment on the RD Pilot project
(05/22) · Technology and AI
The Central Bank of Brazil (BCB) has published a Resolution amending the Regulations of the Executive Management Committee (CEG) of the Real Digital Pilot Platform (RD Pilot) and the Regulations of the RD Pilot Project. The resolution, established by the BCB's Board of Directors, outlines changes to the regulations governing the RD Pilot Platform, focusing on several aspects, including departmental structure, inclusion of assets and procedures for the participation of regulatory bodies. The resolution also addresses the formation and tasks of the CEG, procedures for the inclusion of new assets in the DR Pilot and the prohibition of financial transfers between the BCB and participants in the implementation of the DR Pilot. The resolution repeals some provisions of the previous regulations and becomes effective upon publication. **(more detail)**

BCB · Constitution of a provision for probable losses in credit operations
(05/23) · Provisions and NPL
The Central Bank of Brazil (BCB) has published a Resolution that establishes the criteria for establishing a provision for probable losses in credit operations carried out under federal programs aimed at dealing with the economic consequences of climatic events in Rio Grande do Sul. This resolution applies to financial institutions authorized by the BCB, excluding other types of financial entities. The aforementioned institutions must constitute a sufficient provision to cover probable losses in these credit operations, following minimum levels of provisions according to the duration of the delay in payment. In addition, they must keep the documentation related to these operations available to the BCB for at least five years. The Resolution becomes effective on the date of its publication. **(more detail)**

BCB · Guidance on the constitution of a provision in the IFCD
(05/23) · Others
The Superintendencies of Securitization and Agribusiness (SSE) and of Accounting and Auditing Standards (SNC) have issued a document clarifying the interpretation of the Instruction of the Securities and Exchange Commission (CVM) in relation to the constitution of a provision on credit rights invested by the Credit Rights Investment Funds (FIDC) whose debtors were affected by the public calamity situation in the state of Rio Grande do Sul. It stresses the importance of adequately evaluating the model for calculating the provision in the catastrophe scenario and emphasizes that the constitution of the provision should not be postponed until default occurs, emphasizing the need to proactively analyze the economic situation of the debtors. It also clarifies that the Instruction does not require the creation of a provision only in the event of default or renegotiation, but in situations that indicate a change in the expected loss outlook for the asset, with the objective of providing useful and reliable information to the users of the financial statements. (**more detail**)

BCB · Normative instruction on the calculation of the business indicator (BI)
(06/12) · Capital, liquidity and leverage
The Central Bank of Brazil published BCB Normative Instruction 479, which details the calculation of the Business Indicator (BI), as provided for in BCB Resolution 356 of November 2023. This standard covers various components, including income and expenses related to interest, leasing, shareholdings, services and other financial operations of regulated institutions. The standard will come into force on 1 January 2025, revoking the previous rules mentioned in the eighth article of the instruction itself.. (**more detail**)

Mexico

CONAMER · Regulatory Improvement System to credit institutions
(04/10) · Provisions and NPL
The National Commission for Regulatory Improvement (CONAMER) has published a draft bill that modifies the general provisions applicable to credit institutions. The bill seeks to strengthen the internal control of financial institutions in the prevention, detection and rapid response to fraudulent conduct. These behaviors include identity fraud, theft of personal data, impersonation of the financial institution, misuse of privileged information by employees, compromise of electronic media to install malicious code and alteration of checks. These actions can be carried out by both internal and external persons to the financial institution. This resolution will become effective the day after its publication in the Official Gazette of the Federation (DOF) and credit institutions will have specific deadlines to comply with the obligations contained therein. (**more detail**)

SEGOB · Resolution that modifies the general provisions applicable to deposit and Exchange houses and credit institutions
(04/16) · Reporting and disclosure
The Central Bank of Brazil (BCB) has published a Resolution amending a Resolution on the organization and operation of credit cooperatives. The main changes include the definition of different types of credit unions, the specific activities of central credit unions and confederations, conditions for shared credit operations, governance requirements, policies for the renewal of boards of directors, hiring of independent directors, among other measures. These changes aim to strengthen the structure and governance of credit unions, effective July 1, 2024. (**more detail**)

Banxico · Extension of deadlines for weather damage
(04/30) · Others
Banco de Mexico (Banxico) has issued a communications extending the term of the provisional measures regarding minimum payment amounts applicable to credit, loans or revolving financing associated with credit cards, issued to address the damage caused by Hurricane Otis. To mitigate these effects and protect the interests of the public, Banco de México issued a Circular in November 2023, allowing financial institutions to suspend for six months the obligation to charge minimum credit card payments to users in the affected municipalities. This initial measure would end on April 30, 2024, but Banco de México has decided to extend the suspension for another six months, until October 31, 2024, allowing financial institutions to continue offering payment deferral programs. (**more detail**)

Q3 Other publications of interest

Global

NGFS · Framework to guide Action by Central Banks and Supervisors in Nature-relate Financial Risks
(07/02) · Supervisory Expectations · Sustainability
The Networking for Greening the Financial System (NGFS) has published a Framework for nature-related financial risks that is a beta version document that integrates climate-related and broader environmental-related financial risks. It aims to establish a science-based understanding and terminology for these risks among NGFS members and provide clarity on key concepts. The Framework includes a principle-based risk assessment framework, aiding central banks and supervisors in considering and developing policies on nature-related financial risks within their jurisdictional contexts. It emphasizes microprudential, macroprudential, and macroeconomic perspectives to ensure financial and price stability while acknowledging the potential impact on well-being and economic opportunities. (**more detail**)

BCBS · Technical Amendments and FAQs to Enhance Basel Framework Implementation
(07/05) · Capital
The Basel Committee on Banking Supervision (BCBS) has published several technical amendments and frequently asked questions (FAQs) to ensure consistent implementation of the Basel Framework globally. The amendments, open for comment until August 19, 2024, address inconsistencies in the definition of specialized lending between the standardized approach (SA) and the internal ratings-based (IRB) approach for credit risk and align the formula for aggregating curvature risk positions for Group2a cryptoasset exposures with that used for other asset classes in the market risk framework. The document also includes FAQs that clarify the interpretation of the rules, covering topics such as the timing of collateral exchange, the treatment of derivative assets, the calculation of operational risk losses, and the application of risk weights for capital requirements. These FAQs provide guidance without modifying the standards and are intended for uniform application across jurisdictions. (**more detail**)

BCBS · Final revised standard on interest rate risk in the banking book
(07/16) · Capital
The Basel Committee on Banking Supervision (BCBS) has finalized targeted adjustments to its standard on interest rate risk in the banking book (IRRBB). These adjustments include expanding the calibration time series to December 2023, using local shock factors for each currency, moving from the 99th to the 99.9th percentile value for shock factors, and refining interest rate shock rounding to 25 basis points. These changes aim to better capture interest rate changes, especially when rates are near zero. It will be implemented by 1 January 2026, incorporated into the Basel Framework. (**more detail**)

BCBS · Final standard on disclosure of cryptoasset exposures
(07/17) · Capital · Liquidity · Disclosure
In October 2023, the Basel Committee on Banking Supervision (BCBS) proposed minimum disclosure requirements for banks' exposures to cryptoassets. After considering stakeholder feedback, the Committee finalized the DIS55 Cryptoasset exposures standard, to be implemented by 1 January 2026. The disclosure framework introduces standardized tables and templates requiring banks to provide both qualitative and quantitative details on their cryptoasset activities (capital requirements, liquidity requirements and accounting classification), enhancing transparency and market discipline. (**more detail**)

BCBS · Final revised standard on cryptoasset exposures
(07/17) · Capital
In December 2023, the Basel Committee on Banking Supervision (BCBS) proposed amendments to the prudential treatment of banks' exposures to cryptoassets. After considering stakeholder feedback, the Committee finalized the SCO60 Cryptoasset exposures standard, to be implemented by 1 January 2026. Key changes include: 1) Bankruptcy remoteness of cash: reserve assets must be placed in structures that are bankruptcy remote from any party involved in the stablecoin operation. An exception is made for banks providing custody services to stablecoins, where cash does not need to be held bankruptcy remote from the banks other deposits; 2) Inclusion of cash receivable under reverse repurchase agreements in Group 1b stablecoin reserves, subject to certain conditions; 3) Various other amendments: clarifications on external audit requirements for stablecoin reserve assets, clearing requirements for exchange traded fund (ETF) /exchange traded note (ETN), frequency of due diligence requirements and haircuts for ineligible collateral lent or posted under securities financing transactions (SFTs). (**more detail**)

IASB · Consultation on illustrative examples to improve reporting of climate-related and other uncertainties in financial statements
(07/31) · Reporting & disclosure
The International Accounting Standards Board (IASB) has published a consultation document proposing eight illustrative examples to improve the reporting of climate-related and other uncertainties in financial statements. These examples aim to enhance transparency and strengthen the link between financial statements and other reports, such as sustainability disclosures. Developed in response to investor concerns about insufficient or inconsistent climate-related information, the examples focus on materiality judgments, disclosure of assumptions, estimation uncertainties, and information disaggregation. They are designed to clarify the application of existing International Financial Reporting Standards (IFRS) without changing the requirements. Stakeholders are invited to provide feedback by 28 November 2024. (**more detail**)

IFRS · Guide to support regulators implementing the IFRS digital taxonomies
(08/01) · Reporting & disclosure

The International Financial Reporting Standards (IFRS) Foundation has published a guide titled "Using the IFRS Digital Taxonomies—A Guide for Regulators Implementing the IFRS Digital Taxonomies in a Digital Filing System." This guide aims to assist regulators in implementing IFRS digital taxonomies to enhance cross-border digital comparability and analysis of financial information. The taxonomies, which include the IFRS Accounting Taxonomy and the IFRS Sustainability Disclosure Taxonomy, enable the reporting of information in a structured, computer-readable format. This format helps investors efficiently search, extract, and compare companies' financial disclosures. (**more detail**)

IFRS Accounting Taxonomy update for Contracts for Renewable Electricity
(08/15) · Accounting and sustainability
The International Accounting Standards Board (IASB) has published a proposed update to the IFRS Accounting Taxonomy 2024 to align with new disclosure requirements for renewable electricity contracts. These contracts are essential for ensuring stable access to renewable energy sources. In May 2024, the IASB proposed amendments to IFRS 9 and IFRS 7 to better reflect the impact of these contracts on financial statements. The IASB plans to finalize these changes by the end of 2024 and aims to make the new requirements available for early application. To streamline the integration into the IFRS Accounting Taxonomy 2025, the IASB has released this proposed update ahead of finalizing the amendments. The consultation will be open until 14 October 2024 (**more detail**).

UNEP FI · Recommendations for a Just Transition at the G20
(08/20) · Sustainability
The United Nations Environment Programme Finance Initiative (UNEP FI) has published recommendations for the G20 Sustainable Finance Working Group, urging a shift towards a nature-positive economy and a just transition. These recommendations include enhancing transparency in corporate and financial sector disclosures related to biodiversity and social impacts, supporting small and medium enterprises (SMEs) in sustainability reporting, and developing interoperable sustainable finance taxonomies. UNEP FI also advocates for robust markets for Nature-based Solutions (NbS) and calls for regulatory frameworks tailored to local contexts, especially those involving Indigenous Peoples and local communities. By adopting these measures, the G20 can promote economic growth that aligns with environmental sustainability and social equity. (**more detail**).

IASB · Proposed IFRS Accounting Taxonomy Update
(08/29) · Accounting
The International Accounting Standards Board (IASB) has published a proposed update to the International Financial Reporting Standards (IFRS) Accounting Taxonomy 2024 to reflect these new and amended IFRS Accounting Standards: i) IFRS 19 on disclosures of subsidiaries without public accountability, issued in May 2024; ii) amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 on Financial Instruments and IFRS 7 on disclosures of Financial Instruments, issued in May 2024; iii) and annual improvements to IFRS Accounting Standards. The deadline for submitting comments is 28 October 2024. (**more detail**).

UNEP FI · Guide on Client Engagement and Governance for Promoting Progress in Responsible Banking
(09/10) · Sustainability · Governance
The United Nations Environment Programme Finance Initiative (UNEP FI) has released two guidance reports for banks and stakeholders on effective practices in Client Engagement and Governance. The documents address the complexities of sustainability and assist banks in implementing effective governance and a culture of responsible banking while showcasing progress in responsible client management. The reports suggest robust practices for internal management and client engagement, highlighting the importance of adequate infrastructure, impact analysis, strategy development, and staff training. Additionally, they offer guidelines on how governance practices can facilitate internal transformation and compliance with sustainability standards. (**more detail**)

IASB · Public consultation on improvements to the equity method
(09/19) · Accounting
The International Accounting Standards Board (IASB) has launched a public consultation on proposed amendments to IAS 28, which governs how companies account for investments in associates and joint ventures using the equity method. These amendments address questions raised by stakeholders over the years, providing clarifications to improve application consistency. Additionally, the IASB proposes new disclosure requirements to enhance transparency and comparability of financial information. The revisions also aim to reduce diversity in practice and make the standard easier to apply. The consultation period is open until January 20, 2025, after which the IASB will evaluate feedback and determine the next steps. (**more detail**)

Q3 Other publications of interest

European Region

Europe

EBA · Final Draft of technical standards on extraordinary circumstances for continuing the use of internal models for market risk
(06/28) · Capital
The European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) clarifying the extraordinary circumstances for continuing the use of internal models and disregarding certain surplus in accordance with the Fundamental Review of the Trading book (FRTB) framework. Under the Capital Requirements Regulation (CRR), competent authorities may permit institutions to derogate from certain requirements for the use of internal models in accordance with the FRTB, or apply a softer version of those requirements, under extraordinary circumstances. The RTS set out the conditions and indicators that the EBA shall use to determine whether extraordinary circumstances have occurred, and which must issue an opinion to that effect. (**more detail**)

EBA · Travel rule guidance to tackle money laundering and terrorist financing in transfers of funds and crypto assets
(07/04) · Technology and AI
The European Banking Authority (EBA) has issued new Guidelines on the travel rule, the information that should accompany transfers of funds and certain crypto assets, as mandated by the Regulation on information accompanying transfers of funds and certain cryptoassets. This rule will help tackle the abuse of such transfers for money laundering and terrorist financing purposes. The Guidelines specify which information should accompany a transfer of funds or crypto assets and also list 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, and what they should do if a transfer of funds or a transfer of crypto-assets lacks the required information. The objective is to establish a consistent and effective approach to implementing the travel rule across the European Union (EU) that allows relevant authorities to fully trace such transfers where this is necessary to prevent, detect or investigate money laundering and terrorist financing. (**more detail**)

EBA · Key supervisory areas as part of the European Supervisory Examination Programme for 2025
(07/08) · Supervisory expectations
The European Banking Authority (EBA) has released the European Supervisory Examination Programme (ESEP) for 2025, outlining key supervisory priorities to enhance convergence across the European Union (EU). These priorities include managing economic and financial uncertainties due to global market volatility and geopolitical changes, addressing digital challenges with a focus on Information and Communication Technologies (ICT) risk management and operational resilience amidst the digital transformation, and transitioning to Basel III and the EU banking package by ensuring robust information systems and capital planning. The EBA developed these priorities through consultations with EU authorities and its risk analysis work. Competent authorities are expected to integrate these topics into their supervisory activities, with the EBA monitoring their implementation to assess the convergence of supervisory practices across the EU. (**more detail**)

EBA · Consultation on criteria to assess the materiality of CVA risk exposures arising from securities financing transactions
(07/08) · Capital
The European Banking Authority (EBA) has launched a consultation on draft Regulatory Technical Standards (RTS) to specify the conditions and the criteria to assess whether the credit valuation adjustment (CVA) risk exposures arising from fair-valued securities financing transactions are material, as well as the frequency of that assessment. The concept of materiality set out in the draft RTS will determine whether fair-valued securities financing transactions can be exempted from own funds requirements for CVA risk. The consultation runs until 8 October 2024. (**more detail**)

EBA · Consultation on Liquidity Management Tools for funds
(07/08) · Liquidity
The European Securities and Markets Authority (ESMA) is seeking input on draft guidelines and technical standards under the revised Alternative Investment Fund Managers Directive (AIFMD) and the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive. These revisions aim to mitigate financial stability risks and promote harmonized liquidity risk management in the investment funds sector. The draft Regulatory Technical Standards (RTS) and guidelines outline the characteristics and application of Liquidity Management Tools (LMTs), providing detailed guidance for fund managers. The consultation aims to ensure that European Union (EU) fund managers are better prepared for market stress and to standardize practices such as the use of side pockets. Responses to the consultations are welcomed by October 8, 2024, with final RTS and guidelines expected by April 16, 2025. (**more detail**)

EBA · Technical package for its 3.5 reporting framework
(07/09) · Technology and AI
The European Banking Authority (EBA) has released a technical package for version 3.5 of its reporting framework, which includes validation rules, the Data Point Model (DPM), and XBRL taxonomies to support various reporting obligations. These obligations cover amendments to reporting standards for the Fundamental Review of the Trading Book (FRTB), diversity benchmarking guidelines, templates for information communication technologies (ICT) service provider arrangements under the Digital Operational Resilience Act (DORA), and changes to standards for minimum requirements for own funds, eligible liabilities, and total loss-absorbing capacity (MREL/TLAC). The package introduces a new format for DPM2.0 and an updated DPM Query

Tool. The FRTB amendments will be effective from January 1, 2026, following a postponed application, while the DORA package will be adjusted as needed based on the Commission's adoption process. (**more detail**)

ESMA · Consultation on rules to recalibrate the CSDR Refit Framework
(07/09) · Reporting and disclosure
The European Securities and Markets Authority (ESMA) has launched new consultations on the Central Securities Depositories Regulation (CSDR) Refit, addressing information requirements for European Union (EU) Central Securities Depositories (CSDs), notification obligations for third-country CSDs, and the scope of settlement discipline. The consultations propose harmonizing data shared by CSDs with national competent authorities (NCAs), streamlining reporting by third-country CSDs, and defining causes of settlement failures not attributable to transaction participants. These efforts aim to refine the CSDR framework. Stakeholders are invited to respond by September 9, 2024, with final proposals to be submitted to the European Commission (EC) in the first quarter of 2025. Further consultations are planned. (**more detail**)

ESMA · Third consultation package on MiFIR and MiFID II mandates
(07/10) · Compliance and conduct
The European Securities and Markets Authority (ESMA) has published a Consultation Paper (CP) containing amendments to the Markets in Financial Instruments Regulation (MiFIR) and the Markets in Financial Instruments Directive (MiFID II), published on 8 March 2024. This CP seeks stakeholder feedback on various proposed amendments, such as changes to equity transparency requirements, a new standard for notifying investment firms acting as Systematic Internalizers (SIs), amendments to volume cap specifications, organizational requirements for trading venues, and data requirements for the equity consolidated tape (CTP). Additionally, it proposes new post-trade transparency flags for non-equity instruments. All comments must be received by 15 September 2024 for sections 3, 4 and 8. For sections 5, 6 and 7 the deadline is 15 October 2024. ESMA intends to publish the final reports in December 2024 and March 2025, with the objective of aligning transparency requirements in a timely manner and bringing the equity CTP selection process to a successful conclusion. (**more detail**)

ESMA · 2024 ESEF Reporting Manual
(07/11) · Reporting and disclosure
The European Securities and Markets Authority (ESMA) has updated its Reporting Manual on the European Single Electronic Format (ESEF). This aims to ensure consistent preparation of annual financial reports. The manual includes technical improvements and guidance to enhance data analysis and comparability. Updates cover practices for tagging empty fields, requirements for extension elements, and improving data readability and uniqueness. ESMA aims for uniformity in financial reporting under the Regulatory Technical Standards (RTS) on ESEF, urging issuers to follow the guidance for their 2024 reports and software firms to integrate these standards into Inline extensible Business Reporting Language (XBRL) tools. ESMA also corrected errors in Annex II of the RTS to align with updates to International Financial Reporting Standards (IFRS) Taxonomy and XBRL specifications, promptly updating submissions to the European Commission (EC). (**more detail**)

EBA · Guidelines to standardize ART and EMT reporting under MiCAR
(07/12) Technology and AI · Reporting and Disclosure
The European Banking Authority (EBA) has published draft guidelines aimed at standardizing the templates used by issuers of asset referenced tokens (ART) and electronic money tokens (EMT) for reporting to competent authorities. They are a response to the MiCA Regulation, which mandates the reporting of certain data to ensure compliance with own funds and liquidity requirements. The guidelines address data gaps that impede effective supervision by specifying templates to be used by issuers to provide information on parameters such as number of holders, market capitalization and trading volume. The aim is to ensure harmonized supervision across the European Union (EU), enhancing consumer protection, market integrity and supervisory convergence. (**more detail**)

ESAS · Consultation on Guidelines under the Markets in Crypto-Assets Regulation
(07/12) · Technology
The three European Supervisory Authorities (ESAS) have published a consultation paper on Guidelines under the Markets in Crypto-assets Regulation (MiCAR). These guides establish templates for explanations and legal opinions regarding the classification of crypto-assets, with a standardized test to foster a common classification approach. The guidelines provide a framework for regulatory classification of asset-referenced tokens (ARTs) and other crypto-assets, ensuring that white papers for these assets include detailed legal opinions and explanations. This initiative aims to support market participants and supervisors in adopting a convergent approach to crypto-asset classification. The ESAs invite comments on the consultation paper by 12 October 2024 and will hold a virtual public hearing on 23 September 2024. (**more detail**)

EBA · Consultation on the Handbook on independent valuers for resolution purposes
(07/19) · Recovery and resolution
The European Banking Authority (EBA) has initiated a public consultation on its draft Handbook for independent valuers in resolution cases. The Handbook aims to standardize practices by offering methodologies for selecting and appointing valuers, and guidelines for managing conflicts of interest. It details procedures before, during, and after the valuer's appointment. The consultation runs until September 19, 2024, and feedback will be used to finalize the Handbook, which supports the EBA's goal of improving resolution practices for financial institutions. (**more detail**)

EBA · Consultation on technical standards on the joint decision process for internal model authorization
(07/16) · Capital, liquidity & leverage
The European Banking Authority (EBA) has published a consultation paper amending the Implementing Regulation concerning the joint decision process for the authorization of internal models under the Capital Requirements Regulation (CRR). The revised Implementing Technical Standards (ITS) incorporate changes in the European Union (EU) legal framework, including the reduced scope of internal models under CRR III and the updated framework on the overall functioning of supervisory colleges. This draft

amendment of the ITS is part of the first phase of the EBA's roadmap for implementing the EU banking package. This consultation will be open until October 16, 2024. (**more detail**)

EBA · Consultation on the Handbook on independent valuers for resolution purposes
(07/19) · Recovery & resolution
The European Banking Authority (EBA) has published a new consultation paper addressing the regulatory framework for crypto-assets within the European Union (EU) banking sector. This initiative aims to establish clear guidelines and standards for the management and supervision of crypto-assets, ensuring they are integrated safely into the traditional banking system. The consultation focuses on key areas such as risk management, capital requirements, and consumer protection, intending to provide a robust framework that balances innovation with regulatory oversight. Stakeholders are invited to contribute their views to shape the final regulations, which will be critical in guiding how banks interact with and manage crypto-assets. (**more detail**)

EBA · Peer review on the definition of default
(07/22) · Capital
The European Banking Authority (EBA) has published a Peer Review on its Guidelines on the application of the definition of default. The Review found that the effectiveness of supervision in this area is good, in particular as regards the monitoring of internal ratings-based approach (IRBA) credit institutions. Supervision of the definition of default of credit institutions using the standardised approach (SA) is also good but more varied, reflecting the more dispersed nature of credit institutions and the relative predominance of IRBA credit institutions in terms of size and assets in different jurisdictions. The Report identifies a set of follow-up measures/recommendations for certain competent authorities as well as best practices that would be of benefit for other competent authorities to adopt. (**more detail**)

EC · Updated Guidance on recovery and resilience plans
(07/23) · Capital
The European Commission (EC) has updated the guidance on recovery and resilience plans emphasizes the strategic use of the Recovery and Resilience Facility (RRF) by European Union (EU) Member States to advance reforms and investments aligned with EU priorities, particularly in response to the COVID-19 crisis and the challenges posed by Russia's aggression in Ukraine. By April 2024, EUR 232 billion had been disbursed, and significant milestones were met. The RRF, now incorporating the REPowerEU and Support to the Energy Transition and Public Investment (STEP) components, plays a crucial role in enhancing EU competitiveness and addressing critical challenges like energy security, technological advancements, and labor shortages. The guidance outlines procedures for amending Recovery and Resilience Plans (RRPs), encourages streamlined administration, and stresses the importance of timely implementation and flexibility to address emerging challenges. It also introduces measures to simplify the implementation process, reduce administrative burdens, and ensure effective use of funds. (**more detail**)

EBA · Joint Final Guidelines on complaints handling in the banking and securities sectors
(07/24) · Conduct
The European Banking Authority (EBA) has issued final Guidelines extending the existing Joint Committee Guidelines on complaints handling to include credit servicers, under the new Credit Servicers Directive. These Guidelines require credit servicers to adopt effective and transparent procedures for managing complaints, mirroring those used in the banking, insurance, and securities sectors. They detail policies for complaints management, registration, reporting, internal follow-up, and communication with complainants. The EBA also made minor adjustments to align the Guidelines with changes in the EBA Regulation from 2020, removing outdated procedural requirements. The consolidated Guidelines will be available in all 24 European union (EU) languages in 2025, coinciding with the enforcement of the new EU Payment Services Regulation. (**more detail**)

ECB · Cyber resilience stress test
(07/26) · Resolution
The European Central Bank (ECB) has completed its cyber resilience stress test, assessing how banks would respond to and recover from severe cybersecurity incidents. The test, launched in January 2024, involved a fictitious scenario where preventive measures failed, focusing on banks' response and recovery capabilities rather than prevention. It covered 109 directly supervised banks, with 28 undergoing more detailed testing, including Information Technology (IT) recovery tests and on-site evaluations. Results showed that while banks have frameworks in place, there are areas needing improvement. The findings will be integrated into the 2024 Supervisory Review and Evaluation Process (SREP), highlighting the need for robust crisis management, communication, and recovery plans. The ECB plans to continue working with banks to enhance their cyber resilience, ensuring they meet supervisory expectations and address any identified weaknesses. (**more detail**)

EBA · Consultation on ITS for reporting under the Single Euro Payments Area Regulation
(07/31) · Reporting and disclosure
The European Banking Authority (EBA) initiated a public consultation on draft Implementing Technical Standards (ITS) for standardized reporting templates under the Single Euro Payments Area (SEPA) Regulation. These templates aim to unify reporting by Payment Service Providers (PSPs) to their National Competent Authorities (NCAs) regarding charges for credit transfers and the rate of rejected transactions. The EBA's draft proposes detailed breakdowns of charges by transfer type, payment user type, initiation channel, and charge party, along with data on rejected transactions due to EU-wide restrictions. The consultation seeks stakeholder feedback on the clarity and balance of the proposed reporting requirements, aiming to facilitate robust data collection while minimizing the industry's reporting burden. Comments are open until 31 October 2024, and a public hearing will be held on 9 October 2024. (**more detail**)

EIOPA · Consultation on the capital treatment of insurers' direct exposure to central clearing counterparties in the standard formula
(07/31) · Capital, liquidity & leverage

The European Insurance and Occupational Pensions Authority (EIOPA) has initiated a public consultation on capital requirements for insurers' direct exposure to qualified central counterparties (CCPs) within the standard formula, with comments due by 23 October 2024. Traditionally, European Economic Area (EEA) (re)insurers have used CCPs indirectly through intermediaries, with Solvency II covering these arrangements. Direct exposures to CCPs are currently treated as bilateral, leading to higher capital requirements. EIOPA's consultation assesses new access models like the 'sponsored model' and proposes three options: maintaining the current regime, extending indirect exposure treatment to direct exposures, or aligning default fund contributions with the Capital Requirements Regulation, the preferred choice. Feedback will shape EIOPA's final advice to the European Commission, due by 31 January 2025. (**more detail**)

EIOPA · Consultation on the future implementation of the new proportionality framework under Solvency II
(08/02) · Capital
The European Insurance and Occupational Pensions Authority (EIOPA) has launched a public consultation on the future implementation of the new proportionality framework under Solvency II. The consultation covers two aspects, namely, the fine-tuning of the methodology for classifying insurance undertakings as small and non-complex – who would stand to benefit from proportionality measures – as well as the conditions for granting similar proportionality measures (i.e. certain reduced requirements) to insurers that do not by default fall in the small and non-complex category. (**more detail**)

EC · Implementing Regulation laying down technical information for the calculation of technical provisions and basic own funds for the purpose of the reporting of information on the taking-up and pursuit of the business of insurance and reinsurance
(08/07) · Capital
The European Commission (EC) has issued Implementing Regulation (EU) 2024/2147, effective from June 30, 2024, to September 29, 2024, detailing the technical information required for insurance and reinsurance companies to calculate their technical provisions and basic own funds. This regulation, aligned with Directive 2009/138/EC (Solvency II), mandates the use of specific risk-free interest rate term structures, fundamental spreads, and volatility adjustments based on market data from the end of June 2024. It ensures consistency across reporting entities and was adopted urgently to provide legal clarity and uniformity in financial reporting within the EU. (**more detail**)

OJEU · Corrigendum to Implementing Regulation (EU) 2024/1618 on supervisory reporting and public disclosure of information on the minimum requirement for own funds and eligible liabilities
(08/08) · Reporting and disclosure
The Official Journal of the European Union (OJUE) has published a Corrigendum to Implementing Regulation (EU) 2024/1618. This corrigendum includes a new Annex IV, which provides detailed instructions on the disclosure of information regarding the minimum requirement for own funds and eligible liabilities (MREL) and the total loss-absorbing capacity (TLAC) requirement. The new guidelines are structured in three main templates and specify key abbreviations and disclosure procedures, ensuring consistent and accurate presentation of MREL and TLAC data at the level of resolution entities and other relevant companies. (**more detail**)

EBA · Implementing Technical Standards (ITS) amending the Implementing Regulation on the benchmarking of credit risk, market risk and IFRS9 models for the 2025 exercise
(08/09) · Reporting and disclosure
The European Banking Authority (EBA) has published final draft Implementing Technical Standards (ITS) amending data collection requirements for the 2025 benchmarking exercise on credit risk, market risk, and IFRS9 models. The key change is the expansion of the alternative standardized approach (ASA) validation portfolios to all asset classes in market risk. Due to a delay in the European Union's (EU) Fundamental Review of the Trading Book (FRTB), internal model templates are not implemented, and data collection deadlines have been postponed. Minor adjustments clarify reporting requirements for credit risk, focusing on probability of default (PD), loss given default (LGD), and internal model IDs. These amendments are mandated by Article 78 of the Capital Requirements Directive (CRD) and support supervisory assessment of internal models used in calculating capital requirements. (**more detail**)

EBA · Final draft technical standards on market risk
(08/13) · Capital, liquidity and leverage
The European Banking Authority (EBA) has published final amendments to its Regulatory Technical Standards (RTS) on the fundamental review of the trading book (FRTB), aligning them with the Capital Requirements Regulation (CRR3) as part of its roadmap for implementing the Banking Package in the EU. These amendments address changes introduced by CRR3, including updates to the RTS on foreign-exchange and commodity risk in the banking book, the profit and loss attribution test, and risk factor model lability assessment. Key revisions include the removal of the aggregation formula for market risk capital requirements in line with CRR3, provisions for assessing reliance on third-party vendors in risk factor model lability, and ensuring that translation risk in non-trading book positions is adequately captured. (**more detail**)

ESMA · Recognition of CDS Clearing and Depository Services as Tier 1 Central Counterparty (CCP)
(08/13) · Capital, liquidity and leverage
The European Securities and Markets Authority (ESMA) has recognized CDS Clearing and Depository Services Inc. (CDSC) as a Tier 1 Central Counterparty (CCP) under the European Markets Infrastructure Regulation (EMIR). This recognition follows a Memorandum of Understanding (MoU) signed with the British Columbia Securities Commission on July 18, 2024, allowing cooperation and information exchange regarding Canadian CCPs. The MoU builds on a 2015 European Union (EU) equivalence decision for Canada's regulatory framework and complements agreements with Ontario and Québec. ESMA now has 26 cooperation arrangements with non-EU authorities across 21 countries worldwide. (**more detail**)

EBA · 2025 Priorities for Resolution Authorities and Review 2023 Progress
(08/13) · Supervisory expectations

The European Banking Authority (EBA) has released its 2025 European Resolution Examination Programme (EREP) Report, highlighting three key priorities for resolution authorities and banks: operationalizing resolution tools, enhancing liquidity strategies during resolution, and improving management information systems for valuation. These priorities build on the 2024 focus areas, reflecting ongoing policy and market developments. The EBA noted that most banks have met their minimum requirements for own funds and eligible liabilities (MREL), shifting the focus to the qualitative aspects of MREL. The report also reviewed 2023 progress, showing increased European Union (EU) convergence in resolution planning and identifying ongoing challenges, particularly in liquidity and valuation testing. The EBA is working on a Handbook for the independence of valuers, currently under public consultation, to support these efforts. (**more detail**).

EBA · Postposition of the application of the market risk framework in the EU
(08/13) · Capital, liquidity and leverage
The European Banking Authority (EBA) has issued a no-action letter following the European Commission's decision to delay the application of the revised market risk framework (Fundamental Review of the Trading Book, FRTB) in the EU to January 2026. In the letter, the EBA recommends that authorities should deprioritize supervisory or enforcement actions related to the boundary between banking and trading books, as well as internal risk transfers. The EBA argues that front-loading these provisions would create operational complexity and regulatory fragmentation. Additionally, the EBA addressed technical issues to ensure harmonized implementation during the postponement. (**more detail**)

ECB · Harmonization of rules for Euro system collateral management
(08/14) · Others
The European Central Bank (ECB) has introduced harmonized rules and arrangements for the mobilization and management of collateral in Euro system credit operations, a move aimed at advancing financial integration in the euro area and fostering a European capital markets union. These new rules, outlined in Guideline ECB/2024/22, will take effect with the launch of the Euro system Collateral Management System (ECMS) on November 18, 2024. The ECMS will unify the management of collateral across the Euro system, replacing individual national central bank systems. Key updates include the adoption of market standards from the Single Collateral Management Rulebook for Europe (SCoRE), alignment of domestic and cross-border procedures, and the implementation of a single operational method—pooling—for collateral management. Additionally, the General Documentation has been updated to reflect these changes, including adjustments to credit assessment processes and the handling of external costs. (**more detail**)

EFRAG · XBRL taxonomy for Set 1 of the European Sustainability Reporting Standards (ESRS)
(08/30) · Sustainability, Reporting & disclosure
The European Financial Reporting Advisory Group (EFRAG) has published the XBRL taxonomy for Set 1 of the European Sustainability Reporting Standards (ESRS). This taxonomy will enable the digital tagging of sustainability reports in a machine-readable format, facilitating digital interoperability and enhancing the usefulness of reports on environmental, social, and governance (ESG) risks. This tool is intended for adoption by the European Securities and Markets Authority (ESMA) and the European Commission (EC). Companies are encouraged to use it from the outset. (**more detail**)

EPA · Update on Recommendations for Purchasing Sustainable Products
(09/10) · Sustainability · Conduct
The Environmental Protection Agency (EPA) has proposed updating its Recommendations for Specifications, Standards, and Ecolabels for federal purchasing with the aim of facilitating the acquisition of more environmentally sustainable products. The proposal includes adding fourteen new standards and ecolabels, categorized into three groups: healthcare, laboratories, and clothing and uniforms. The updates aim to enhance the identification of products that conserve resources and reduce the use of harmful substances. Seven standards that do not meet the new criteria will be removed. The EPA will accept public comments for thirty days following the publication of these recommendations.(**more detail**)

Spain

BdE · Compendium of good banking conduct practices
(06/28) · Compliance and Conduct
The Bank of Spain (BdE) has published the Compendium of criteria for good banking practices, which sets out the criteria for good practices drawn up by the Entities' Conduct Department, based on the analysis of complaints and the results of conduct supervision. The good practice criteria, previously included in the Complaints Report, will now be published separately to facilitate their use and systematization. (**more detail**)

BdE · Application of the Regulation on crypto-asset markets with respect to the issuance of ARTs and EMTs
(07/10) · Technology and AI
The Bank of Spain (BdE) has published a statement on the implementation of the Regulation concerning cryptoasset markets (MiCAR), specifically in relation to the issuance of asset-backed tokens (ART) and electronic money tokens (EMT). As of June 30, 2024, only authorized legal entities or credit institutions with the approval of the Bank of Spain may issue ARTs. Existing issuers must apply for authorization by July 30, 2024, to continue operating. EMTs can only be issued by authorized credit or electronic money institutions. The Bank of Spain will monitor and sanction compliance with MiCAR, recommending interested parties to contact before initiating formal procedures. In addition, potential purchasers of ART or EMTs are urged to verify the relevant authorizations and consents prior to acquisition. (**more detail**)

CNMV · Authorization manual and information notification template for providing crypto-asset services
(23/07) - Reporting and Disclosure
The Spanish Securities and Exchange Commission (CNMV) has published new information and documents related to the upcoming entry into force of the European Regulation on cryptoasset markets (MiCA). Specifically, these are the Manual for the application for the authorization of cryptoasset service providers (CSPs) and the Model notification of the information to be

submitted by certain financial entities to provide cryptoasset services. Both documents are intended to facilitate the processes of authorization of cryptoasset service providers and notification of financial entities wishing to provide these services. The manual and the template provide guidance on the documentation and information required from interested parties. Interested parties will be able to submit their applications as of September 2024. (**more detail**)

MINECO · Consultation on Ministerial Order approving the quantitative information models in the insurance field
(08/05) · Reporting
The Ministry of Economy, Trade and Enterprise has launched a consultation on the Ministerial Order that establishes the new quantitative and qualitative information models that insurance and reinsurance companies must periodically submit to the Directorate General of Insurance and Pension Funds for supervisory, statistical and accounting purposes. This regulation unifies and updates the previous regulation, extending the information required on distribution channels, organisational structures and group consolidation. In addition, it imposes an obligation on reinsurance entities to submit quarterly reports, which will improve supervision. The order comes into force the day after its publication in the BOE. (**more detail**)

CNMV · Adoption of the EBA guidelines on the application of the group capital test to groups of investment services firms
(09/19) · Capital
The Comisión Nacional del Mercado de Valores (CNMV) has informed the European Banking Authority (EBA) of its compliance with the "EBA Guidelines on the application of the group capital test to groups of investment firms in accordance with Article 8 of Regulation (EU) 2019/2033." These guidelines, effective from January 1, 2025, clarify how competent authorities should apply the group capital test and provide flexibility for authorizing investment firm groups to hold a lower amount of own funds under specific conditions. The guidelines also detail criteria for evaluating group simplicity and risk. The CNMV will review, update, or revoke existing authorizations as necessary. (**more detail**)

UK

BoE · Life Insurance Stress Test (LIST) 2025
(07/10) · Capital · Supervisory expectations
The Bank of England (BoE) has published and approach to Life Insurance Stress Test (LIST) 2025, which sets out the main elements of the stress testing framework for the 2025 life insurance exercise. Firms are required to include a qualitative report, referred to as the Results and basis of preparation (RBP), which will complement the quantitative results and is an integral part of the LIST exercise. This report is essential for providing context and explanations that complement the numerical data, offering insights into how the results were prepared and the underlying assumptions. The RBP serves as an integral component of the overall reporting process, ensuring transparency and clarity in understanding the firm's financial performance and decisions. Alongside publication of the approach document, the BoE opens the request for technical input on proposed scenario specifications, guidelines and instructions, and templates. (**more detail**)

FCA · PS24/8: Access to cash
(07/24) · Others
The Financial Conduct Authority (FCA) has published a policy statement establishing new rules to introduce a consumer duty in financial services. This duty aims to enhance consumer protection, focusing on ensuring good outcomes for retail customers. The document includes feedback to Consulting Paper (CP) 23/29 , final rules, and guidance for firms to comply with these requirements. The new rules emphasize fair treatment, clear communication, and the prevention of foreseeable harm to consumers. (**more detail**)

FCA · Consultation on the new Public Offers and Admissions to Trading Regulations regime (POATRs)
(07/29) · Others
The FCA has published Consultation Paper CP24/12, which seeks feedback on proposed updates to the rules governing the disclosure of information for investment products. The consultation aims to enhance the clarity and transparency of product information provided to consumers, ensuring they receive comprehensive and easily understandable details about investment risks and terms. Key proposals include standardizing disclosures to improve comparability and implementing new requirements for clearer communication of potential risks. The FCA is inviting stakeholders to comment on these proposals to help refine regulatory standards and better protect investors. (**more detail**)

FCA · Consultation on the derivatives trading obligation and post-trade risk reduction services
(07/29) · Compliance and conduct
The FCA has published Consultation Paper CP24/14, which seeks feedback on proposed changes to the regulatory framework for firms providing consumer credit products. This consultation focuses on enhancing consumer protection by introducing stricter rules and requirements for firms, including improved disclosure of product risks, clearer communication of terms and conditions, and measures to prevent irresponsible lending practices. The FCA aims to ensure that consumers are better informed and safeguarded against potential financial harm, and it invites stakeholders to review and comment on the proposed amendments to strengthen regulatory standards and promote fair treatment in the consumer credit market. (**more detail**)

FCA · Consultation on the regulation of commercial and bespoke insurance business
(07/29) · Compliance and conduct
The Financial Conduct Authority (FCA) has published a discussion paper, DP24/1, addressing the regulation of high-risk investments and products. This paper seeks input on how to better protect consumers from potential harm associated with complex and risky financial products, such as cryptocurrencies and other speculative investments. It explores the need for enhanced consumer warnings, clearer product information, and possibly more stringent regulatory measures to ensure that

investors are adequately informed and can make more secure investment decisions. The FCA invites stakeholders to provide feedback on various proposals aimed at improving market integrity and consumer protection. (**more detail**)

BoE · Leverage ratio treatment of omnibus account reserves and minor amendments to the leverage ratio framework
(07/29) · Capital
The Bank of England (BoE) has published a policy statement outlining changes to the leverage ratio treatment of omnibus account reserves. This update aims to refine the regulatory framework to better accommodate central counterparties' (CCPs) omnibus accounts, ensuring that the leverage ratio more accurately reflects the risk associated with these reserves. The policy statement details the revised approach and seeks to enhance the prudential standards and financial stability by aligning the leverage ratio framework with the actual risks posed by these accounts. This move is part of the BoE's ongoing efforts to adapt regulatory measures to evolving market practices and financial instruments (**more detail**)

BoE · Consultation on SS5/21 update for international companies and new branch office reporting requirements
(07/30) · Reporting & disclosure
The Bank of England (BoE) has published updates to its Supervisory Statement (SS) 5/21 and is consulting on new branch reporting requirements. These changes aim to enhance the regulatory framework for international banks operating in the UK, ensuring they meet robust prudential standards. The consultation paper outlines the proposed revisions and invites feedback from stakeholders by October 31, 2024, to refine and finalize the guidelines. (**more detail**)

FCA · Additional guidance on good and poor practices in crypto-assets
(08/07) · Compliance and conduct
The Financial Conduct Authority (FCA) has published additional guidance on good and poor practice for the implementation of the cryptoasset financial promotions rules. These rules, introduced in June 2023, aim to protect UK consumers and raise standards in the cryptoasset industry. The guidance addresses key areas such as mandatory cooling-off period, personalised risk warnings, client categorisation, appropriateness, record keeping and due diligence. (**more detail**)

FCA · Consultation on new rules and guidance for a value for money framework for savers in default arrangements of workplace defined contribution pension schemes
(08/08) · Reporting & disclosure
The Financial Conduct Authority (FCA) is consulting on new rules and guidance for a value for money (VFM) framework for savers in default arrangements of workplace defined contribution (DC) pension schemes. The proposed framework aims to enhance transparency and competition by requiring firms to consistently measure and publicly disclose investment performance, costs, and service quality. Key elements include a standardized approach for firms to publish data in a machine-readable format, public disclosure of VFM ratings, and mandated actions for underperforming arrangements. This consultation seeks feedback from various stakeholders, including pension firms, governance bodies, and consumer representatives, by October 17, 2024. (**more detail**)

FCA · Consultation on proposed changes to the National Storage Mechanism
(08/09) · Reporting & disclosure
The Financial Conduct Authority (FCA) is consulting on proposed changes to the National Storage Mechanism (NSM), a free online archive of company information crucial for UK market regulation. The consultation seeks to enhance the NSM by introducing stricter data requirements for regulated information, aiming to improve data quality and searchability. Key proposals include the standardization of metadata requirements and the use of a uniform schema and API for data submissions by Primary Information Providers (PIPs). While these changes may impose costs on issuers and PIPs, they are expected to benefit users through easier access to accurate information. The consultation is open until September 27, 2024, with final rules anticipated by the end of the year and implementation scheduled for the second half of 2025. (**more detail**)

FCA · General insurance and pure protection product governance thematic review
(08/21) · Compliance and conduct
The Financial Conduct Authority (FCA) has published a thematic review revealing that many general insurance and pure protection firms are not meeting their obligations under PROD 4 to ensure products deliver fair value and good outcomes. Key findings show that manufacturers often fail to assess or demonstrate product value, and most distributors do not fully understand how their remuneration affects product value, leading to potential consumer harm. In response, the FCA is urging all manufacturers and distributors to urgently review their product governance arrangements. Firms are expected to assess whether these issues apply to their activities and take prompt corrective action, including providing redress to affected customers. The FCA also plans further supervisory actions, which could include setting action plans, withdrawing products from the market, and holding firms and senior managers accountable where significant harm has occurred. The FCA has made it clear that ongoing failures to meet these obligations will result in regulatory intervention. (**more detail**)

FCA · Consultation on Push Payment Fraud
(09/09) · Conduct
The Financial Conduct Authority (FCA) has published Guidance Consultation GC24/5, focusing on the regulation of digital financial services. This consultation seeks feedback on proposed updates to guidance for companies offering digital financial products and services. Key aspects include ensuring clear communication about product features, risks, and costs to consumers, and enhancing protection for vulnerable customers in the digital environment. The FCA aims to address challenges arising from technological advancements and evolving market practices, emphasizing the need for companies to adapt their practices to maintain consumer trust and ensure fair treatment. Stakeholders are required to submit their comments by December 4, 2024. The FCA will review responses and adjust the guidance to strengthen security and trust in digital financial services. (**more detail**)

FCA · Temporary Measures for Companies on Sustainability Rules
(09/09) · Conduct · Sustainability

The Financial Conduct Authority (FCA) has published new rules on sustainability disclosure and investment labeling to improve transparency and protect investors. These measures aim to maintain the United Kingdom's position as a leader in sustainable investment and combat greenwashing to prevent misleading practices in the advertising of sustainable investments. They will come into force on December 2, 2024, and require that funds reflect at least 70% sustainable characteristics to use sustainability-related terms in their names. A temporary flexibility has been established until April 2, 2025, for companies that need more time to comply with the new rules, as long as they have requested changes before October 1, 2024. (**more detail**)

Gov.uk · Public Consultation on the TCFD Exposure Draft Phase 3
(09/10) · Sustainability · Disclosure
His Majesty's Treasury (HM) has initiated a public consultation on the TCFD-aligned Disclosure Exposure Draft for Phase 3, which provides guidelines for climate-related financial disclosures in the UK public sector. The document focuses on governance, strategy, risk management, and metrics, with a particular emphasis on climate risk and opportunity analysis. Comments are invited before September 26, 2024, with full implementation planned for April 2025. (**more detail**)

PRA · Review of Leverage Ratio Thresholds
(09/10) · Leverage
The Prudential Regulation Authority (PRA) has informed that it is reviewing the leverage ratio requirement thresholds and is offering a consent modification to temporarily suspend certain rules in the PRA Rulebook until the review is complete. The review focuses on the leverage ratio that relates capital resources to entity exposures. Entities with retail deposits exceeding £50 billion or non-UK assets exceeding £10 billion must maintain a minimum ratio of 3.25% plus buffers. The modification is available to entities that did not meet the criteria before September 10, 2024, but expect to do so before December 31, 2025. The modification will end on June 30, 2026, although the PRA may revoke it earlier if the review is completed sooner. (**more detail**)

FCA · Consultation on Consumer Credit Regulatory Returns
(09/12) · Conduct · Reporting
The Financial Conduct Authority (FCA) has announced a consultation on the introduction of a new regulatory reporting return for consumer credit firms engaged in credit broking, debt adjusting, debt counselling, and providing credit information services. The consultation seeks to enhance the quality of information collected to improve the FCA's ability to identify risks and supervise firms more proactively. Firms must respond to the consultation by 31 October 2024. A prototype of the reporting return will be shared with firms by the end of September for testing. The final Policy Statement is expected in Spring 2025. (**more detail**)

Gov.UK · Reforms to Financial Services retail-disclosure requirements
(09/19) · Conduct
The UK Government and Financial Conduct Authority (FCA) have announced plans to reform retail disclosure rules, aiming to replace EU-inherited regulations with a tailored framework for UK markets. The new Consumer Composite Investments (CCI) regime will address industry concerns with current disclosure requirements, offering more flexible rules, particularly around cost transparency. The new framework, expected in the first half of 2025, will help retail investors make better-informed decisions. In response to feedback from the investment trust sector, investment trusts will be temporarily exempt from existing Packaged Retail and Insurance-based Investment Products (PRIIPs) regulations, with new legislation to address this. Pending long-term reform, the FCA will not enforce current disclosure requirements for investment trusts from September 19, 2024. (**more detail**)

Q3 Other publications of interest
American Region

US

SEC · Adoption of Update EDGAR Filer Manual
(07/01) · Reporting and Disclosure
The Securities and Exchange Commission (SEC) is adopting amendments to Volume II of the Electronic Data Gathering, Analysis, and Retrieval system Filer Manual (EDGAR Filer Manual). These amendments include updates to related rules and forms, aiming to enhance the procedures for electronic filings. The updated manual is incorporated by reference into the Code of Federal Regulations, providing essential guidance for filers on submission requirements to ensure timely processing of electronic documents. The document also addresses the administrative and statutory basis for these changes, noting that they do not significantly alter the rights and obligations of non-agency parties, and therefore, do not require public notice and comment. (**more detail**)

Federal Reserve · Statement on Potential Risks Associated with Third Party Depository Arrangements
(07/25) · Others
Federal bank regulatory agencies have issued a statement to remind banks of the potential risks involved with third-party arrangements for delivering deposit products and services. While supporting responsible innovation, the agencies highlight concerns related to safety, compliance, and consumer issues that have emerged from supervisory experience. The statement outlines potential risks, effective risk management practices, and existing legal requirements without introducing new supervisory expectations. Additionally, the agencies are seeking input on a wide range of bank-fintech arrangements, including those related to deposits, payments, and lending, to evaluate whether further steps are needed to ensure effective risk management. (**more detail**)

FDIC · Consultation on Bank-Fintech Arrangements Involving Banking Products and Services
(07/31) · Supervisory expectations
The Office of the Comptroller of the Currency (OCC), the Federal Reserve Board, and the Federal Deposit Insurance Corporation (FDIC) are seeking public comments by September 30, 2024, on bank-fintech arrangements that distribute banking products and services to consumers and businesses. These agencies have reviewed such arrangements, noting both benefits and risks. They support responsible innovation, ensuring these partnerships comply with safe banking practices and relevant laws, including consumer protection and anti-fraud measures. The request seeks input on the nature and risks of bank-fintech collaborations, effective risk management practices, and potential enhancements to supervisory guidance. This initiative aims to better understand these arrangements' implications on banks' risk management, safety, soundness, and regulatory compliance. (**more detail**)

FDIC · Consultation on the review under the Economic Growth and Regulatory Paperwork Reduction Act of 1996
(08/01) · Supervisory expectations
The Office of the Comptroller of the Currency (OCC), the Federal Reserve, and the Federal Deposit Insurance Corporation (FDIC) issued their second notice under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) in the Federal Register, seeking public comments on regulations related to Consumer Protection, Directors, Officers, and Employees, and Money Laundering. This review aims to identify outdated or burdensome rules for insured depository institutions. Comments are due by October 30, 2024, and will guide the agencies' ongoing review, which will continue over the next two years with additional notices and outreach meetings. (**more detail**)

Agencies · Consultation on proposed data standards to enhance interagency financial regulatory interoperability
(08/02) · Reporting & disclosure
Several U.S. financial regulatory agencies, including the Office of the Comptroller of the Currency (OCC), the Federal Reserve (FED), and the Securities and Exchange Commission (SEC), have launched a public consultation on a proposed rule to create data standards aimed at enhancing the interoperability of financial regulatory data across these agencies. This initiative, mandated by the Financial Data Transparency Act of 2022, will lead to the adoption of final data standards, which will be applied to specific information collections through future rulemakings or other actions by the agencies. (**more detail**)

Agencies · Final joint guidance to help large banks further develop their resolution plans
(08/05) · Recovery & resolution
The Federal Reserve Board, in collaboration with the Federal Deposit Insurance Corporation (FDIC), has finalized guidance to help banks with over $250 billion in assets, develop their resolution plans. The guidance, updated from an August 2023 proposal, addresses key vulnerabilities like capital, liquidity, and operational capabilities, and applies to both domestic and foreign banks, excluding the largest institutions. The deadline for banks to submit these plans has been extended to October 1, 2025, to allow time for incorporating the final guidance. (**more detail**)

FDIC · Consultation on Anti-Money Laundering and Countering the Financing of Terrorism Program Requirements
(08/09) · Technology and AI
The Office of the Comptroller of the Currency (OCC), Federal Reserve Board, Federal Deposit Insurance Corporation (FDIC), and National Credit Union Administration (NCUA) are seeking comments on a proposed rule to update Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) programs for supervised banks. This proposal aligns with the Anti-Money

Laundering Act of 2020 and changes from the Financial Crimes Enforcement Network (FinCEN). It introduces a risk-based assessment process, incorporates national AML/CFT priorities, and adds customer due diligence requirements. The amendments aim to clarify expectations and ensure compliance with recent legislative updates. Comments must be received on or before October 8, 2024. (**more detail**)

FDIC · Guidance for Resolution Plan Submissions of Foreign Triennial Full Filers
(08/15) · Recovery & resolution
The Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) have issued final guidance for the 2025 and subsequent resolution plan submissions required of certain foreign banking organizations (FBOs) under the Dodd-Frank Act. This guidance applies to foreign Category II and III banking organizations and supersedes previous guidance for foreign-based covered companies. It provides expectations for these firms' resolution plans, addressing key vulnerabilities such as capital, liquidity, governance, and legal entity separability under the U.S. Bankruptcy Code. The final guidance has been refined based on public comments, further analysis, and an assessment of the firms' risk profiles and will take effect on August 15, 2024. (**more detail**)

SEC · Final rule on qualifying venture capital funds inflation adjustment
(08/21) · Others
The Securities and Exchange Commission (SEC) has adopted a rule that adjusts for inflation the dollar threshold used to define a "qualifying venture capital fund" under the Investment Company Act of 1940. The final rule raises the threshold from $10 million in aggregate capital contributions and uncalled committed capital to $12 million, and it also grants the SEC the authority to adjust this threshold for inflation every five years by order, specifying the method for these adjustments. This rule fulfills the inflation adjustment requirements set by the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (EGRRCPA) concerning qualifying venture capital funds. (**more detail**)

NIST · Consultation on second public draft of digital identity guidelines
(08/21) · Technology and AI
The National Institute of Standards and Technology (NIST) has released the second public draft of its updated Digital Identity Guidelines, which provide guidance on various methods for proving identity, including digital wallets, passkeys, and traditional physical IDs The revised guidelines aim to improve security, privacy and accessibility in identity verification processes for accessing government services, although they can be applied to other uses, and include measures to prevent fraud and cyber threats. The updates incorporate extensive feedback from previous consultations, addressing the use of modern technologies like syncable authenticators and digital wallets, while ensuring that traditional methods remain accessible. NIST is seeking public comments on the draft until October 7, 2024, to finalize the guidelines, which balance fraud prevention with broad access to essential services. (**more detail**)

FDIC · Proposed revisions to regulations related to the brokered deposits restrictions
(08/23) · Compliance and conduct
The Federal Deposit Insurance Corporation (FDIC) has published proposed revisions to its regulations related to brokered deposit restrictions, which apply to insured depository institutions that are not well capitalised. The rules are intended to revise the definitions and application processes related to brokered deposit and primary purpose exceptions for insured depository institutions (IDIs). They seek to improve the safety and soundness of the industry by eliminating certain exceptions, simplifying definitions, and updating application processes to reduce the misclassification of brokered deposits. They include changes such as adjusting the principal purpose exception from 25% to 10%, clarifying the roles of third parties in the placement of deposits and ensuring that only IDIs can submit applications on behalf of third parties. Comments must be received no later than October 22, 2024.(**more detail**)

SEC · New Rules Proposal to Enhance Transparency and Oversight in Private Fund Industry
(08/28) · Conduct · Reporting and disclosure
The Securities and Exchange Commission (SEC) has published a proposal for new rules aimed at enhancing transparency and oversight in the private fund industry. The proposal includes requirements for private fund advisers to provide detailed quarterly statements to investors on fund performance, fees, and expenses, as well as to conduct annual financial statement audits. Additionally, the proposal seeks to prohibit certain practices by all private fund advisers, including preferential treatment of investors, which could disadvantage others, and mandates standardized reporting and more comprehensive disclosure. (**more detail**)

Brazil

BCB · Resolution establishing the accounting concepts and criteria applicable to financial instruments
(06/26) · Accounting and NPL
The Central Bank of Brazil (BCB) has published a resolution establishing accounting criteria for financial instruments and hedge accounting in financial institutions authorised by the BCB. The changes include new definitions and procedures for characterising problematic financial assets and valuation adjustments and expected loss provisions. It also clarifies exceptions for credit unions and establishes new rules for the restructuring of credit operations in response to weather events in Rio Grande do Sul. The resolution enters into force on 1 August 2024. (**more detail**)

BCB · Resolution to maintain harmony with the calculation of the RWA-weighted portion of assets
(06/26) · Capital
The Central Bank of Brazil (BCB) has amended several previous resolutions to harmonise the calculation of the risk-weighted asset share (RWA) on credit risk exposures of financial instruments of entities classified in the trading book (APRCKD). These amendments establish exposure limits per client, definition of single client, and procedures for netting between positions in the trading book. The definitions and treatment of exposures to credit risk and derivatives are also adjusted, with new obligations for financial institutions according to their segmentation. The resolution enters into force on 1 July 2024, except for some provisions which enter into force on the day of its publication. (**more detail**)

BCB · Evaluation of the expected loss for the calculation and constitution of the allowance for expected losses associated with the credit risk
(05/07) · Provisions and NPLs
The Central Bank of Brazil (BCB) has published a resolution that establishes the procedures for requesting authorization to use the complete methodology for the evaluation of expected loss and for the calculation and constitution of the provision for expected losses associated with credit risk, provided to financial institutions and other institutions authorized to operate by the BCB. (**more detail**)

BCB · Instruction on applications for authorization related to the operation of institutions
(07/22) · Government
The Central Bank of Brazil (BCB) has published a Normative Instruction establishing new procedures, documents, deadlines and information for the authorization and operation of certain financial institutions. It introduces specific changes in the articles referring to the declarations and documentation required from controlling shareholders, credit unions and other financial institutions. It also updates the annexes and repeals previous provisions to simplify and streamline processes. In addition, the need for regulatory impact analysis is excluded as it does not add additional requirements to the current regulations. The Regulatory Instruction will enter into force on the date of its publication, July 22, 2024. (**more detail**)

BCB · Resolution in the Pix Instant Payment Agreement
(07/22) · Technology
The Central Bank of Brazil (BCB) has published a resolution amending an August 2020 resolution and its regulations, which establish the Pix instant payment agreement. The amendments include updating the operational and liquidity risk management structure, implementing a more robust cybersecurity policy, and procedures for the application of sanctions imposed by United Nations Security Council resolutions. In addition, the rules for the initiation and receipt of Pix transactions, the participation of other financial institutions and payment institutions, and fraud management in the system are adjusted. The resolution takes effect immediately for most of the provisions, while the amendments related to risk management will be effective as of November 1, 2024. (**more detail**)

BCB · Accounting standards for financial institutions updated
(07/26) · Compliance and conduct
The Central Bank of Brazil has published BCB Normative Instruction No. 500, dated 26 July 2024, which amends BCB Normative Instruction No. 433, dated 1 December 2023. This regulation updates the accounting headings of the Liability Clearing group in the Chart of Accounts of Financial System Institutions (Cosif), specifying subgroups and detailed codes in Annexes I to III. In addition, it establishes that the accounting heading "Other" must have a zero balance in the balance sheets. The regulation will enter into force on 1 August 2024. (**more detail**)

BCB · Update on credit risk capital requirement calculation
(08/01) · Capital, liquidity and leverage
The Central Bank of Brazil has issued BCB Resolution No. 404, dated 1 August 2024, which amends Circular No. 3,862 of 2017. This resolution establishes new procedures for the calculation of risk-weighted assets, specifically for credit risk exposures under the RWARCSimp methodology. The amendments include the inclusion of gold exposures, the incorporation of credits guaranteed by the Guarantee Fund for Investments (FGI) within the Emerging Access to Credit Programme (Peac), and the consideration of credit claims in payment transactions with and without substantial transfer of risks and benefits. This resolution will enter into force on 2 September 2024. (**more detail**)

BCB · Regulatory Instruction on updating procedures for banking statistics
(08/05) · Reporting and disclosure
The Central Bank of Brazil has published BCB Normative Instruction No. 502 of 5 August 2024, which amends BCB Normative Instruction No. 194 of 2022. This regulation establishes procedures for the submission of Banking Statistics by commercial banks, multiple banks with commercial portfolios and the Caixa Econômica Federal. The main modifications include the update of the accounting headings, the replacement of the field "facility ID" by "agency code", the change of the submission format to XML, and the elimination of document 4510 - Global Banking Statistics. These new provisions will enter into force on 1 January 2025. (**more detail**)

FDIC · Proposed revisions to regulations related to the brokered deposits restrictions
(08/23) · Compliance and conduct
The Federal Deposit Insurance Corporation (FDIC) has published proposed revisions to its regulations related to brokered deposit restrictions, which apply to insured depository institutions that are not well capitalised. The rules are intended to revise the definitions and application processes related to brokered deposit and primary purpose exceptions for insured depository institutions (IDIs). They seek to improve the safety and soundness of the industry by eliminating certain exceptions, simplifying definitions, and updating application processes to reduce the misclassification of brokered deposits. They include changes such as adjusting the principal purpose exception from 25% to 10%, clarifying the roles of third parties in the placement of deposits and ensuring that only IDIs can submit applications on behalf of third parties. Comments must be received no later than October 22, 2024.(**more detail**).

SEC · New Rules Proposal to Enhance Transparency and Oversight in Private Fund Industry
(08/28) · Conduct · Reporting and disclosure
The Securities and Exchange Commission (SEC) has published a proposal for new rules aimed at enhancing transparency and oversight in the private fund industry. The proposal includes requirements for private fund advisers to provide detailed quarterly statements to investors on fund performance, fees, and expenses, as well as to conduct annual financial statement audits. Additionally, the proposal seeks to prohibit certain practices by all private fund advisers, including preferential treatment of investors, which could disadvantage others, and mandates standardized reporting and more comprehensive disclosure. (**more detail**)

BCB · Regulatory Instruction Establishing Procedures for Adherence, Updates, and Participation in the Instant Payment System (Pix)
(08/30) · Technology
The Central Bank of Brazil (BCB) has published Regulatory Instruction BCB No. 511, dated August 30, 2024, which establishes the procedures for various processes related to the Pix instant payment system. This includes adherence, changes in participation modalities, updating access to the Directory of Transactional Account Identifiers (DICT) and the Instant Payment System (SPI), changing the responsible participant or service provider in the DICT, and offering additional products and services. This regulation applies to all institutions that want to join or already participating in Pix. (**more detail**)

Mexico

CONAMER · Requirements Reform of the Credit Institutions Law
(07/12) · Compliance and Conduct
The National Commission for Regulatory Improvement (CONAMER) has published a resolution that modifies various general provisions related the Credit Institutions Law. It introduces new accounts for Small and Medium-sized enterprises (SMEs), migrants, and refugees, and implements automated systems for alerts on transactions involving persons on the Blocked Persons or Politically Exposed Persons Lists, as well as sanctioned jurisdictions. It also updates the internal compliance manuals to include risks of terrorist financing and ensures that the internal accounts of institutions are not used for direct client operations without the corresponding registration. Additionally, the role of an interim compliance officer is incorporated. (**more detail**)

Chile

CMF · Amendments to Circular No. 1835 on instructions on the form and content of investment information of insurance companies
(07/30) · Capital
The Financial Market Commission (CMF) has published a regulation amending Circular No. 1835, with the aim of strengthening supervision of financial risks associated with insurance companies' investments. The changes include obtaining detailed information on loans, leased real estate, mortgage and leasing delinquencies, as well as on real estate investments and derivatives collateral. The regulation also adjusts the reporting files and facilitates the incorporation of future regulatory changes. This amendment will be effective for the December 2024 information, which must be reported in January 2025. (**more detail**)

CMF · Policy Document on Financial Market Development Mandate
(09/03) · Supervisory Expectations · Sustainability
The Commission for the Financial Market (CMF) has released a Policy Document that delineates the scope of its institutional mandate for financial market development and the tools utilized to achieve its objectives. The document presents metrics to assess the state of the Chilean financial market and identifies areas for improvement to ensure that the financial sector effectively meets citizens' needs and contributes to economic growth and resilience. The identified challenges include financial inclusion, access to digital services, promotion of savings, coverage of the credit market, and financing for small enterprises. Additionally, the document proposes measures to enhance corporate governance, improve financial infrastructure, and foster competition. (**more detail**)

CMF · Public consultation on parametric insurance regulation
(09/16)
The Financial Market Commission (CMF) has put out for consultation a proposal to regulate parametric insurance with the aim of regulating the marketing of parametric insurance in Chilean insurance companies. This proposal is in line with the provisions of the Law that promotes competition and financial inclusion (Fintec Law) and aims to broaden the type of insurance products available, while ensuring consumer protection and rights. The regulations under consultation seek to define the applicable rates, insurable risks and policy characteristics. The consultation process will be open until 4 November 2024. (**more detail**)

Q4 Other publications of interest

Global

FSB · Format for Incident Reporting Exchange (FIRE)
(10/17) · Technology
The Financial Stability Board (FSB) published for consultation a Format for Incident Reporting Exchange (FIRE), a common format for financial firms' reporting of operational incidents, including cyber incidents. FIRE aims to promote convergence in reporting practices, to address operational challenges arising from reporting to multiple authorities, and to foster better communication within and across jurisdictions. The FSB is inviting comments on the consultation package and the questions set out. Responses should be submitted by 19 December 2024. (**more detail**)

IAIS · The aggregate report on the peer review process on ICP 16
(10/24) · Capital
The International Association of Insurance Supervisors (IAIS) has published the aggregate assessment results and observations on the topic of "Enterprise Risk Management for Solvency Purposes", covering standards set out in Insurance Core Principle (ICP) 16. The peer review process (PRP) assesses the standards which apply to insurance supervision in all jurisdictions regardless of the level of development or sophistication of insurance sectors, or the type of insurance products or services being supervised. A total of 67 jurisdictions participated in the PRP, with every IAIS region represented. (**more detail**)

ISSB · SASB Standards Taxonomy
(10/28) · Market risk
The International Sustainability Standards Board (ISSB) has issued updates to the Sustainability Accounting Standards Board (SASB) Standards Taxonomy to reflect disclosure requirements arising from recent amendments to the SASB Standards. In particular: i) the consequential amendments made in connection with issuing the International financial reporting standards (IFRS) S2 in June 2023; and ii) the amendments to improve the international applicability of the SASB standards project in December 2023. (**more detail**)

NGFS · Enhanced climate scenarios for central banks and supervisors
(11/05) · Sustainability - Risk Management - Climate
The Network for Greening the Financial System (NGFS) has released the fifth edition of its long-term scenarios for central banks and supervisors, updated with the latest climate and economic data. This new framework includes an enhanced damage function to model physical risks, providing a more accurate assessment of climate change impacts on the economy. The scenarios emphasize the importance of early, coordinated policy action to limit global warming to 1.5°C, highlighting the economic benefits of an orderly transition to net-zero emissions by 2050. (**more detail**)

BCBS · Technical amendment on counterparty credit risk exposures
(11/26) · Counterparty risk
The Basel Committee on Banking Supervision (BCBS) has issued a proposal for technical amendments to the Basel Framework, focused on the coverage of counterparty credit risk (CCR) exposures in derivatives. These changes aim to clarify the treatment of guarantees and credit default swaps used to hedge such risks. The public consultation is open until January 31, 2025, inviting stakeholders to submit their feedback before the deadline. (**more detail**)

BCBS · Finalization of technical amendments relate to the standardized approach to credit risk and crypto asset exposures
(11/27) · Counterparty risk · Crypto assets
The Basel Committee on Banking Supervision (BCBS) has finalized several technical amendments to the Basel Framework, specifically concerning the standardized credit risk approach (CRE20.48) and exposures to crypto assets (SCO60.80). These amendments, proposed in July 2024, have been adopted as originally outlined. The BCBS members have agreed to implement these changes as soon as possible, with a maximum timeframe of three years. Notably, the technical amendment to section SCO60.80 will apply starting January 1, 2026, coinciding with the implementation of the final standard on crypto-asset exposures. (**more detail**)

IAIS · Public consultation on ancillary risk indicators in the Global Monitoring Exercise
(11/27) · Systematic risk
The International Association of Insurance Supervisors (IAIS) has launched a public consultation on incorporating ancillary risk indicators into the Global Monitoring Exercise (GME). This initiative is part of IAIS's Holistic Framework for assessing and mitigating systemic risk in the insurance sector. The consultation seeks feedback on selecting and using these additional indicators to improve the identification of potential risks that could impact global financial stability. Stakeholders may submit comments until January 31, 2025. (**more detail**)

IOSCO · Final Report on Regulatory Implications and Good Practices on the Evolution of Market Structures

(11/29) · Supervisory expectations · Markets

The International Organization of Securities Commissions (IOSCO) issued a final report on the evolution in the operation, governance and business models of exchanges. The final report analyzes the structural and organizational changes in exchanges, highlighting their shift from traditional models to competitive, cross-border operations within larger corporate groups, leading to resource-sharing and consolidation. It explores regulatory challenges, including potential conflicts of interest in matrix structures, supervision of multinational exchange groups, and the complexities of overseeing individual exchanges within these groups. The report also outlines good practices for regulators to enhance supervision, particularly for exchanges offering multiple services or operating as part of a broader exchange group. Regulators could consider adopting the following six good practices: i) ensuring exchanges retain autonomy in regulatory decision-making, even within larger groups; ii) verifying that exchanges have adequate expertise and policies for independent compliance; iii) addressing conflicts of interest between regulatory obligations and commercial goals; iv) monitoring governance, transparency, and conflict management processes in market operations; v) leveraging tools like supervisory networks for effective cross-border cooperation; and vi) tracking structural and ownership changes in exchanges and multinational groups to maintain robust oversight. (**more detail**)

FSB · Advances in global resolution regimes and new list of key insurers for resolution planning

(12/05) · Recovery and resolution

The Financial Stability Board (FSB) has published its 2024 Resolution Report. The report takes stock of the FSB resolution-related work of the past year as well as of the progress made by FSB members in implementing resolution reforms and enhancing resolvability across the banking, financial market infrastructure, and insurance sectors. It also sets out the FSB's 2025 priorities in the resolution area. (**more detail**)

FSB · Recommendations related to data flows and regulation and supervision of cross-border payments

(12/12) · Payments

The Financial Stability Board (FSB) has published its finalised recommendations to promote greater alignment in data frameworks related to cross-border payments and consistency in the regulation and supervision of bank and non-bank payment service providers. These recommendations advance key actions from the G20 Roadmap to address legal, supervisory, and regulatory issues in cross-border payments. As part of these efforts and to enhance private sector engagement, the FSB is inviting market stakeholders in cross-border payments to join its Taskforce on Legal, Regulatory, and Supervisory matters (LRS Taskforce). (**more detail**)

FSB · Policy recommendations to enhance non-bank market participants' preparedness for margin and collateral calls

(12/10) · Liquidity

The Financial Stability Board (FSB) has published policy recommendations to enhance the liquidity preparedness of non-bank market participants for margin and collateral calls in centrally and non-centrally cleared derivatives and securities markets. The recommendations are intended to build on and complement rules and regulations for liquidity risk management and governance that already exist in many sectors and jurisdictions, as well as stress testing and scenario design, and collateral management practices of non-bank market participants. (**more detail**)

FSB · Consultation on recommendations to address financial stability risks from leverage in non-bank financial intermediation

(12/18) · Capital markets

The Financial Stability Board (FSB) has released a consultation report with recommendations to address financial stability risks arising from leverage in non-bank financial intermediation. These recommendations aim to enhance the ability of authorities and market participants to identify, monitor, and mitigate risks associated with leverage in this sector, which has grown significantly in recent years. The FSB invites stakeholders to submit their comments on these proposals by 18 February 2025. (**more detail**)

Q4 Other publications of interest

European Region

EFRAG · Draft comment letter on the IASB exposure draft on climate-related and other uncertainties in financial statements
(09/20) · Disclosure
The European Financial Reporting Advisory Group (EFRAG) provided comments on the International Accounting Standards Board's (IASB) July 2024 Exposure Draft (ED), which proposes illustrative examples for reporting climate-related and other uncertainties in financial statements under International Financial Reporting Standards (IFRS). While EFRAG supports these examples to address inadequacies in climate risk reporting, they emphasize that they are only a first step and suggest further refinement. EFRAG calls for more realistic examples, such as those relating to impairments under IAS 36 (International Accounting Standard 36) and decommissioning and restoration provisions under IAS 37. They also advocate for additional examples that go beyond climate risks to include governance and social risks. EFRAG underscores the importance of connectivity between financial statements and sustainability reports, such as those adhering to the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB) standards. They recommend future standard-setting for areas like expected credit loss (ECL) models under IFRS 9 and further guidance for cash generating units (CGUs) under IAS 36. Additionally, EFRAG suggests a clearer delineation of sustainability reporting (SR) and financial reporting (FR) to avoid duplication and gaps. (**more detail**)

EIOPA · Public consultation on measures aimed at strengthening the supervision of occupational pension funds' liquidity management
(26/09)
The European Insurance and Occupational Pensions Authority (EIOPA) has released a consultation paper seeking feedback on proposed measures to strengthen the supervision of liquidity risk management in institutions for occupational retirement provision (IORPs). The paper highlights the significant liquidity risks IORPs face due to their use of derivative instruments to hedge interest rate and foreign exchange risks, which can trigger short-term margin calls during market fluctuations. EIOPA's draft Opinion calls for a risk-based, forward-looking approach, encouraging supervisors to monitor and stress-test IORPs' liquidity risks, ensure proper contingency planning, and maintain sufficient liquid assets. Stakeholders are invited to provide feedback by 20 December 2024. (**more detail**)

ESMA · New consultations in the framework of the MiFIR review
(10/03) · Compliance
The European Securities and Markets Authority (ESMA) has launched two consultations on amendments to trade reporting and order book data under the revised Markets in Financial Instruments Regulation (MiFIR). These consultations focus on the revision of the regulatory technical standards (RTS 22 and RTS 24) to improve the accuracy, scope and harmonisation of data reporting. Key changes include new reporting fields such as 'effective dates' and the Trading Venue Transaction Identification Code (TVTIC) to streamline data collection, increase transparency and enhance supervisory capabilities. The amendments aim to align reporting requirements with the revised MiFIR rules, in particular for derivatives and equity instruments, and to reduce the reporting burden for market participants. ESMA is seeking detailed comments on the proposed revisions, encouraging respondents to provide specific information on technical challenges or difficulties by January 2025. After reviewing the comments, ESMA will publish a final report and submit the draft technical standards to the European Commission by mid-2025. (**more detail**)

EBA · Guidelines on redemption plans under the Markets in Crypto-Assets Regulation (MiCAR) published
(10/09) · Compliance and conduct
The European Banking Authority (EBA) has issued final Guidelines on the orderly redemption of token holders in the event of an issuer's crisis, focusing on asset-referenced tokens (ARTs) and e-money tokens (EMTs). These Guidelines, under the Markets in Crypto-Assets Regulation (MiCAR), detail the requirements for issuers' redemption plans, including asset liquidation strategies, critical activity mapping, redemption claims, and the process to trigger the plan. After public consultation, adjustments were made for clarity, including flexibility in using asset liquidation strategies for EMTs. Developed under MiCAR Article 47(5), the Guidelines also extend to EMT issuers under Article 55. (**more detail**)

EBA · Consultation on draft technical standards for Pillar 3 Data Hub
(10/11) · Reporting and disclosure
The European Banking Authority (EBA) has launched a consultation on draft technical standards for the Pillar 3 data hub, a centralized platform for European Union (EU) institutions' prudential disclosures. The proposed IT solutions build on the EBA's past work in disclosures and reporting, enabling institutions to submit their Pillar 3 data in a standardized format via the EBA website. The initiative is part of the EU's Banking Package under the

Capital Requirements Regulation (CRR3) and Directive (CRD6), aimed at centralizing disclosures to enhance transparency. The consultation, which runs until 11 November 2024, invites feedback from institutions and users, while the EBA continues testing the process through a pilot exercise. Final standards will be submitted to the European Commission (EC) for adoption. (**more detail**)

EIOPA · Consultation on criteria for selecting insurers to run macroprudential analyses
(10/17) · Capital
The European Insurance and Occupational Pensions Authority (EIOPA) has opened a consultation regarding the criteria based on which national supervisors may request (re)insurers and insurance groups to perform macroprudential analysis in their Own Risk and Solvency Assessments (ORSA) and in their application of the Prudent Person Principle (PPP). The quantitative criterion foresees a threshold of €12 billion in total assets, which aligns with the criteria used in identifying undertakings for financial stability reporting. Further qualitative criteria are proposed to allow enough leeway for supervisory judgement and to incorporate risk-based considerations into the selection process. These criteria are expected to be used by national supervisors to remove or add (re)insurers to the list of undertakings that need to perform macroprudential analyses. EIOPA invites stakeholders to provide their feedback on the Consultation Paper (CP) by responding to the questions via the online surveys no later than 9 January 2025. (**more detail**)

EBA · Clarification of the procedure for the classification of asset-linked tokens and e-money tokens as significant and the transfer of supervisory powers
(10/22) · Technology & AI
The European Banking Authority (EBA) has clarified the procedure for classifying asset-referenced tokens (ARTs) and e-money tokens (EMTs) as significant under the markets in crypto-assets regulation (MiCAR). It has established a harmonized reporting schedule, rules for setting up supervisory colleges, and requirements for transferring supervisory responsibilities between the EBA and national authorities. The decision aims to ensure consistent and effective oversight of significant issuers, with shared responsibilities between the EBA and national regulators where applicable. (**more detail**)

OJEU · ELTIF Regulation delegated act
(10/25) · Capital
The Official Journal of the European Union (OJEU) has published a Commission Delegated Regulation (EU) 2024/2759 of 19 July 2024 supplementing Regulation (EU) 2015/760 of the European Parliament and of the Council (EP/Council) with regard to regulatory technical standards specifying when derivatives will be used solely for hedging the risks inherent to other investments of the European long-term investment fund (ELTIF), the requirements for an ELTIF's redemption policy and liquidity management tools, the circumstances for the matching of transfer requests of units or shares of the ELTIF, certain criteria for the disposal of ELTIF assets, and certain elements of the costs disclosure. (**more detail**)

EBA · Public consultation on Draft technical standards for structural foreign exchange positions
(10/28) · Capital
The European Banking Authority (EBA) has launched a public consultation on its draft Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) on structural foreign exchange (FX), under the Capital Requirements Regulation (CRR). This document outlines criteria for defining and managing structural positions, specifying how institutions should calculate and report their exposures to mitigate FX risk across the European Union (EU). The consultation, aimed at enhancing regulatory consistency in these operations, will remain open until February 7, 2025. (**more detail**)

ESMA · Consultation on amendments to the research provisions in the MiFID II
(10/28) · Compliance & conduct
The European Securities and Markets Authority (ESMA) has launched a consultation on amendments to the research provisions in the Directive on Markets in Financial Instruments II (MiFID II) following changes introduced by the Listing Act. The Listing Act introduces a new option allowing joint payments for execution services and research for all issuers, regardless of market size. To align with this, the Consultation Paper proposes amending Article 13 of the MiFID II Delegated Directive. ESMA's proposals focus on ensuring a robust annual assessment of research quality and a remuneration method for joint payments that upholds best execution standards. The consultation targets research providers, investment firms, and investors. ESMA will consider the feedback received to this consultation by 28 January 2025 and aims to provide its technical advice to the European Commission (EC) in Q2 2025. (**more detail**)

ESAs · Rules to facilitate access to financial and sustainability information on the ESAP
(10/29) · Reporting and disclosure
The European Supervisory Authorities (ESAs) have published the Final Report on the draft implementing technical standards (ITS) regarding certain tasks of the collection bodies and functionalities of the European Single Access Point (ESAP). These standards are designed to make financial and sustainability information easily accessible and usable for future users on a centralised platform. The ESAP is foreseen in Level 1 legislation to be a two-tier system, where information is first submitted by entities to the Officially Appointed Mechanisms (OAMs), offices and agencies of the European Union (EU), national authorities, among others and then made available by the collection bodies to the ESAP. These ITS are the first milestone for the successful establishment of a fully

operational ESAP. The ESAP is set to begin collecting information in July 2026, with the publication starting by July 2027. The Final Report has been submitted to the European Commission (EC) for adoption. (**more detail**)

EBA · Survey to entities falling within the scope of IM model authorisation under the EMIR 3
(10/29) · Compliance
The European Banking Authority (EBA), in cooperation with the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA), have launched a short survey addressed to entities within the scope of the initial margin (IM) model authorisation regime introduced by the upcoming revised European Market Infrastructure Regulation (EMIR 3). The survey aims to gather information from entities about their readiness and capacity to comply with the new initial margin model authorization requirements under the upcoming EMIR 3 revision. The deadline for submitting responses is Friday 29 November 2024. (**more detail**)

ESAs · Joint Report on principal adverse impacts disclosures under the Sustainable Finance Disclosure Regulation
(10/30) · Sustainability
The European Supervisory Authorities (ESAs) have published their third annual report on disclosures of principal adverse impacts under the Sustainable Finance Disclosure Regulation (SFDR), which assesses both entity and product-level Principal Adverse Impact (PAI) disclosures under the SFDR. These disclosures aim at showing the negative impact of financial institutions' investments on the environment and people and the actions taken by asset managers, insurers, investment firms, banks and pension funds to mitigate them. Responses should be submitted by Friday, 29 November 2024. (**more detail**)

ESMA · Recommendations on the application of IFRS 17 Insurance Contracts
(10/25) · Supervisory expectations
The European Securities and Markets Authority (ESMA) has published a report on first application of International financial reporting standards (IFRS) 17 Insurance Contracts. This Report provides: i) An overview of ESMA's and National Competent Authorities' (NCAs) observations regarding the first-time application of IFRS 17 Insurance Contracts in the 2023 financial statements of a sample of European insurance companies; ii) Examples of disclosures which may enable issuers to visualise the application of certain IFRS 17 requirements; and iii) Recommendations to issuers on how the IFRS 17 disclosures can be improved. ESMA considers that this document, together with the recently published European Common Enforcement Priorities (ECEP) Statement, will assist issuers, auditors, and supervisory bodies in the process of improving 2024 annual financial reports and help investors to better understand these reports. (**more detail**)

Council · Request for the closure of the ODR and its replacement with a more effective tool
(11/19) · Conduct
The Council of the European Union (Council) has issued a statement requesting the closure of the current online dispute resolution platform (ODR) and its replacement with a more modern and efficient tool. The proposal aims to address the limitations of the current platform by improving accessibility, speed, and quality in resolving disputes between consumers and traders in the digital environment. This initiative underscores the Council's commitment to protecting consumer rights and adapting to the growing demands of e-commerce in the EU, ensuring a fairer and safer environment for all parties involved. (**more detail**)

Council · Approval of new regulation on ESG rating
(11/19) · Sustainability
The Council of the European Union has published a new regulation aimed at enhancing the transparency and integrity of environmental, social, and governance (ESG) rating activities. This measure seeks to strengthen investor confidence in sustainable products by establishing clear requirements for ESG rating providers, including the need for authorization and supervision by the European Securities and Markets Authority (ESMA). The regulation also addresses the prevention of conflicts of interest and promotes the comparability of ESG ratings, thereby contributing to a more sustainable and reliable financial market. (**more detail**)

Council · Extension of the EU Deforestation Law application timeline
(11/20) · Sustainability
The Council of the European Union (EU) has published confirmation of its agreement to extend the application timeline of the EU deforestation Regulation by 12 months. This decision allows third countries, member states, operators, and traders to adequately prepare to meet due diligence obligations, ensuring that certain commodities and products sold or exported from the EU are deforestation-free. The extension aims to ensure a smooth and effective implementation of the rules, maintaining the objective of minimizing the EU's contribution to global deforestation and forest degradation. (**more detail**)

EBA · Joint guidelines on information exchange for fit and proper assessments
(11/20) · Corporate governance
The European Supervisory Authorities (ESAs) have published joint guidelines to establish a system for exchanging information relevant to the fit and proper assessments of holders of qualifying holdings, directors, and key function holders in financial institutions. These guidelines aim to harmonize supervisory practices and enhance

cooperation among competent authorities, facilitating a more efficient and consistent process in evaluating the suitability of individuals in key positions within the financial sector. (**more detail**)

OJEU · ITS for the application related to asset-referenced tokens and e-money tokens
(11/28) · Crypto assets
The Official Journal of the European Union (OJEU) has published the Implementing Regulation (EU) 2024/2902, which establishes implementing technical standards (ITS) for the application of Regulation (EU) 2023/1114 of the European Parliament (EP) and Council regarding notifications related to asset-referenced tokens (ART) and electronic money tokens (EMT) denominated in currencies other than an official currency of a Member State. This Regulation details the procedures and formats that issuers of such tokens must follow when informing competent authorities, aiming to ensure transparency and effective supervision of these financial instruments in the EU market. (**more detail**)

ECB · Advances in the development of the digital euro through new guidelines and the incorporation of user and expert perspectives
(12/02) · Payments · Central Bank Digital Currencies (CBDC)
The European Central Bank (ECB) has published its second progress report on the preparation phase of a digital euro, which was launched on 1 November 2023 and is laying the foundations for the potential issuance of a digital euro. Since the publication of the first progress report, the ECB has updated its digital euro scheme rulebook, aimed at harmonising digital euro payments across the euro area and concluded a call for applications for selecting potential providers of digital euro components and related services. The ECB has also concluded a call for applications to select external providers and published an invitation to tender. Additionally, the ECB has launched new research to integrate users' preferences into the digital euro design. Engaging stakeholders across the euro area remains a key priority to support ongoing legislative discussions. (**more detail**)

EBA · RTS on the criteria to appoint a central contact point for crypto-asset service providers
(12/04) · Compliance · Crypto-assets
The European Banking Authority (EBA) has published a public consultation on draft Regulatory Technical Standards (RTS) specifying the criteria according to which crypto-asset service providers (CASPs) should appoint a central contact point to ensure compliance with local anti-money laundering and countering the financing of terrorism (AML/CFT) obligations of the host Member State. The EBA proposes to retain the structure and approach set out in European Commission (EC) Delegated Regulation (EU) 2018/1108 and extend existing provisions to CASPs while also introducing new provisions for CASPs where this is necessary in light of their business model and operation. This consultation runs until 4 February 2025. (**more detail**)

Council · Agreement on proposed FIDA framework
(12/04) · Transactional banking · Information management and processing
The European Council has announced their agreement on a proposed framework for Financial Data Access (FIDA) that aims to open the access of financial institutions to each other’s customer data. Better data sharing would allow market participants to target consumers with highly personalised financial products and services, for example investment opportunities, streamlined loan application processes or lower interest rate products. With this agreement, the Council is ready to negotiate the final shape of the legislation with the European Parliament (EP). Once an agreement has been found, both institutions would have to formally adopt the new legislation, before it would be published on the European Union’s Official Journal (OJEU) and entered into force. (**more detail**)

EBA · Final draft RTS on the specification of long and short positions under the derogations for market and counterparty risks
(12/06) · Capital, liquidity and leverage
The European Banking Authority (EBA) has published its final draft Regulatory Technical Standards (RTS) on the method for identifying the main risk driver and determining whether a transaction represents a long or a short position. These RTS are part of the Phase 1 deliverables of the EBA roadmap on the implementation of the European Union (EU) banking package in the area of market risk. The proposed general method to identify the main risk drivers hinges on sensitivities defined under the market risk standardized approach (FRTB-SA) or on add-ons defined under the standardized approach for counterparty credit risk (SA-CCR). For the determination of the direction of the positions, the methodology is aligned with the one set out in the RTS on SA-CCR. The draft RTS 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 (EP/Council) before being published in the Official Journal of the European Union (OJEU). (**more detail**)

EBA · Guidelines to facilitate consistency in the regulatory classification of crypto-assets by industry and supervisors
(12/10) · Crypto assets
The three European Supervisory Authorities (ESAs) have published joint Guidelines intended to facilitate consistency in the regulatory classification of crypto-assets under the Markets in Crypto-Assets Regulation (MiCAR). The Guidelines include a standardised test to promote a common approach to classification as well as templates market participants should use when communicating to supervisors the regulatory classification of a crypto-asset. The overall aim of these Guidelines is to promote convergence in classification for the consistent

application of MiCAR across the European Union (EU). In turn, this is intended to contribute to enhancing consumer and investor protection, securing a level playing field, and mitigating risks of regulatory arbitrage. The guidelines will apply from three months after the publication of their translations on the relevant ESAs' websites. (**more detail**)

ESMA · Consultation on open-ended loan originating alternative investment funds
(12/12) · Markets
The European Securities and Markets Authority (ESMA), has published a consultation paper (CP) on draft regulatory technical standards (RTS) on open-ended loan originating Alternative Investment Funds (AIFs) under the revised AIF Managers Directive (AIFMD). The consultation aims to receive feedback on the draft RTS that set out the requirements with which loan-originating AIFs shall comply to maintain an open-ended structure. AIFMD review has introduced some harmonised rules on loan originating funds. The goal of these rules is to provide a common implementing framework for AIFMs and the national competent authority (NCAs) by determining the elements and factors that AIFMs need to consider when making the demonstration to their NCAs that the loan originated AIFs they manage can be open-ended. ESMA will receive responses to this consultation until 12 March 2025 and intends to finalise the draft RTS by Q3/Q4 2025. (**more detail**)

Council · Deal to streamline benchmark authorization and registration requirements, and to alleviate the burden on EU companies
(12/12) · Asset management
The European Council and the European Parliament (EP) have reached a provisional agreement on a proposal to streamline benchmark authorization and registration requirements, and to alleviate the burden on European Union (EU) companies, particularly smaller benchmark administrators and benchmark users (SMEs). As part of the agreement, the co-legislators removed benchmarks defined as non-significant in the EU from the scope of the new rules. Accordingly, only critical or significant benchmarks, EU Paris aligned benchmarks, EU Climate Transition benchmarks and certain commodity benchmarks should remain under the scope of the regulation. The provisional agreement needs to be confirmed by both institutions before being prepared for formal adoption. Once formally adopted, the final text will be published in the Official Journal of the EU (OJEU), enter into force, and apply from 1 January 2026. (**more detail**)

OJEU · Regulation on the transparency and integrity of ESG rating activities
(12/12) · Sustainability
The Official Journal of the European Union (OJEU) has published Regulation (EU) 2024/3005 of the European Parliament and of the Council (EP and Council) of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance (ESG) rating activities, and amending Regulations (EU) 2019/2088 and (EU) 2023/2859. The Regulation aims to strengthen the reliability and comparability of ESG ratings by introducing a common regulatory approach improving the transparency and integrity of the operations of ESG ratings providers and preventing potential conflicts of interests. The Regulation, effective from 2 July 2026, mandates ESG rating providers operating in the Union as of 2 January 2025 to notify ESMA by 2 August 2026 if they intend to continue operating, with applications for authorisation or recognition required within four months of the Regulation's application date, by 2 November 2026. Failure to comply will result in the cessation of their activities. (**more detail**)

Council/EP · Agreement on Financial Benchmark Regulation for Greater Transparency and Stability
(12/12) · Capital markets · Compliance
The Council of the European Union (EU) has announced that it has reached a provisional agreement with the European Parliament (EP) to strengthen the regulation of financial benchmarks. This measure aims to enhance the integrity and transparency of benchmarks used in financial markets, ensuring their reliability, accuracy, and resilience against manipulation. The agreement establishes new requirements for the development, oversight, and management of benchmarks, including stricter standards for providers and more robust supervisory mechanisms. This regulation seeks to protect investors, foster confidence in financial markets, and ensure the stability of the financial system across the EU. Once formally adopted, the final text will be published in the Official Journal of the EU (OJEU), enter into force and apply from 1 January 2026. (**more detail**)

Council · Report on the supervision of less significant institutions in 2024
(12/13) · Capital markets
The Council of the European Union has released its position on the proposed directive to harmonize insolvency rules across Member States, as part of the Capital Markets Union. This initiative aims to streamline cross-border asset recovery, reduce the costs associated with insolvency proceedings, and create a more investment-friendly environment within the European Union. The harmonized approach is intended to boost confidence among investors and businesses, ensuring a more efficient system for handling insolvency cases. (**more detail**)

ECB · Report on the efficiency and sustainability of financial systems in the euro area
(12/16) · Capital markets
The European Central Bank (ECB) has published Occasional Paper No. 363 on the evolution of the supervisory reporting framework for the EU banking sector. This paper examines the historical development and current state of the supervisory reporting framework in the European Union, highlighting the roles of the European Banking Authority (EBA) and the Single Supervisory Mechanism (SSM). It also discusses potential future enhancements,

such as integrating statistical and supervisory reporting requirements, and proposes design principles to guide this evolution, including the application of the Basel Committee on Banking Supervision (BCBS) 239 principles and alignment with Pillar 3 disclosures. (**more detail**)

ESMA · Final Report on equity transparency under MiFID II
(12/16) · Capital markets
The European Securities and Markets Authority (ESMA) has published the Final Report on Equity Transparency under MiFID II, proposing amendments to enhance regulatory technical standards related to equity market transparency. The proposals include changes to the definition of a liquid market for equity instruments, specifications on information to be disclosed for pre-trade transparency purposes, a review of pre-trade transparency requirements for Systematic Internalisers, and improvements in post-trade transparency reports. The aim is to contribute to a more informative and efficient transparency regime in the European Union (EU) financial markets. (**more detail**)

ESMA · Technical standards on CTPs and other DRSPs
(12/16) · Capital markets · Reporting and disclosure
The European Securities and Markets Authority (ESMA) has published new and revised technical standards for Consolidated Tape Providers (CTPs) and other Data Reporting Services Providers (DRSPs). These standards cover areas such as data quality and reporting, revenue redistribution, and authorization requirements for CTPs. Additionally, they update provisions on the authorization and organizational requirements for Approved Publication Arrangements (APAs) and Authorized Reporting Mechanisms (ARMs), as well as the synchronization of business clocks across market infrastructures. (**more detail**)

ESMA · Update on rules for financial risk management in banks
(12/16) · Capital markets · Reporting and disclosure
The Office of the Comptroller of the Currency (OCC) has released its Semiannual Risk Perspective for Fall 2024, outlining key risks facing the federal banking system. The report emphasizes that while the banking system remains robust, institutions must proactively address risks related to the economic environment, technological advancements, and cyber threats. Additionally, the OCC highlights the importance of maintaining prudent practices across all risk areas, including liquidity, credit, and operations, to ensure the system's stability in a dynamic and challenging environment. (**more detail**)

EBA · No action letter on the application of the EMIR 3
(12/17) · Conduct
The European Banking Authority (EBA) has issued a no-action letter in the context of the implementation of the European Market Infrastructure Regulation (EMIR 3). In this document, the EBA advises competent authorities not to prioritize supervisory or enforcement actions related to the processing of initial margin (IM) model authorization applications. This measure aims to ease the transition to the new regulatory requirements, providing financial institutions with the necessary time to adapt their processes and models while maintaining the stability of the financial system. (**more detail**)

EBA · Final draft RTS on the conditions for determining whether an instrument attracting residual risk acts as a hedge
(12/17) · Capital markets
The European Banking Authority (EBA) has released the final draft regulatory technical standards outlining the conditions under which an instrument bearing residual risk can be classified as an eligible hedge. These standards, part of the first phase of implementing the European Union (EU) banking package in the market risk area, aim to provide clarity and consistency in applying capital requirements for financial institutions. Specifically, the standards address how hedging instruments can effectively be used to mitigate residual risks, ensuring that entities maintain adequate capital levels while prudently and efficiently managing their risk exposures. (**more detail**)

EFRAG · Release of the voluntary sustainability reporting standard for non-listed SMEs
(12/17) · Solvency
The European Financial Reporting Advisory Group (EFRAG) has released the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME), designed for companies outside the mandatory scope of the Corporate Sustainability Reporting Directive (CSRD). This standard includes two modules: a basic one, allowing minimal information disclosure, and a comprehensive one, for companies with more complex business relationships such as banks or investors. The aim is to provide a standardized framework for SMEs to report on sustainability, reducing their administrative burden and facilitating access to green financing, thus supporting the transition to a more sustainable economy. (**more detail**)

EBA · Further guidance on reporting requirements under the markets in crypto-assets regulation
(12/18) · Crypto assets
The European Banking Authority (EBA) has issued its final guidelines on reporting requirements under the Markets in Crypto Assets Regulation (MiCAR). These guidelines provide technical and operational details to assist both competent authorities and crypto-asset service providers in complying with MiCAR's reporting obligations. Key aspects include specifications for submitting data related to crypto-asset issuance, operations, and relevant

financial information. The aim is to ensure consistent and transparent supervision of crypto-asset markets across the European Union, enhancing investor protection and promoting market integrity. (**more detail**)

EBA · Handbook published on independent valuers for resolution purposes
(12/19) · Recovery and resolution
The European Banking Authority (EBA) has published a Handbook on independent valuers for resolution purposes. This Handbook provides best practices, high-quality methodologies, and processes for the selection and appointment of independent valuers in the context of financial institution resolution, along with examples of how these methodologies apply in various scenarios. The aim is to enhance the selection process for independent valuers and facilitate its implementation by resolution authorities, also identifying safeguards to mitigate potential conflicts of interest that may affect the valuer's independence. (**more detail**)

ESMA · Consultation on the internal control framework for Credit Rating Agencies and Benchmark Administrators, and Market Transparency Infrastructures
(12/19) · Government
The European Securities and Markets Authority (ESMA) has launched a consultation on the draft Guidelines for the Internal Control Framework for some of its supervised entities. These Guidelines extend the existing rules for Credit Rating Agencies to also include Benchmark Administrators and Market Transparency Infrastructures (Trade Repositories, Data Reporting Services Providers, and Securitisation Repositories). The document outlines ESMA's expectations for the components of an effective internal control system, focusing on risk management, compliance, and internal audits. It also reflects the growing impact of technology on the operations of supervised entities. (**more detail**)

EBA · Final technical package for version 4.0 of its reporting framework
(12/19) · Reporting and disclosure
The European Banking Authority (EBA) has published the final technical package for version 4.0 of its reporting framework, which will apply as of the first half of 2025. The technical package outlines standard specifications, including validation rules, the Data Point Model (DPM), and XBRL taxonomies, to support reporting obligations for issuers of asset-referenced tokens (ARTs) and electronic money tokens (EMTs). It incorporates new Implementing Technical Standards (ITS) amending supervisory reporting frameworks (COREP templates) to address immediate changes from Capital Requirements Regulation (CRR3) and Capital Requirements Directive (CRDVI). Additionally, it includes minor updates to COREP templates for class 2 investment firms to align with CRR3/CRDVI, as well as updated requirements for information registers under the Digital Operational Resilience Act (DORA), reflecting the European Commission's (EC) Implementing Regulation 2024/2956. This draft technical package includes a version of the data dictionary contents in both formats the DPM 1.0 and the new format DPM 2.0. (**more detail**)

ECB/EIOPA · Decision on monetary policy interest rates in the euro area
(12/17) · Sustainability · Solvency
The European Central Bank (ECB) and the European Insurance and Occupational Pensions Authority (EIOPA) have released a joint proposal to mitigate the economic impact of natural catastrophes in Europe. The initiative suggests establishing a European framework that combines private insurance with public financial support mechanisms, aiming to enhance economic resilience against natural disasters and reduce associated economic losses. (**more detail**)

EIOPA · Previous guidelines revoked to avoid duplications and overlaps with DORA
(12/19) · Solvency
The European Insurance and Occupational Pensions Authority (EIOPA) has announced that it will withdraw two previously published Guidelines and amend an Opinion to the use of information communication technology (ICT) by undertakings. This decision comes in anticipation of the Digital Operational Resilience Act (DORA) coming into application. By taking this step, EIOPA aims to eliminate overlaps and foster a unified regulatory framework for digital operational resilience in the European insurance and occupational pension funds sectors. Recognising the comprehensive nature of DORA, which fully encompasses the objectives and provisions of two previous EIOPA Guidelines and a subsection of an Opinion by the authority, EIOPA has decided to withdraw the Guidelines on Information Communication Technology Security and Governance and the Guidelines on Outsourcing to Cloud Service Providers, both issued under Solvency II. Additionally, it will amend the Opinion on the Supervision of the Management of Operational Risks Faced by Institutions for occupational retirement provision (IORPs), under IORP II by removing the section on cyber risks, along with all related references and annexes. The changes will take effect from 17 January 2025. (**more detail**)

Spain

AEPD · Introduction to LIINE4DU 1.0, a new methodology for threat modeling
(10/24) · Sustainability
The Spanish Data Protection Agency (AEPD) has published the document "Introduction to LIINE4DU 1.0: a new methodology for privacy and data protection threat modeling", aimed at data controllers, data managers and data protection officers (DPOs). The AEPD's technical note focuses on privacy threat modeling, the systematic

process of identifying, understanding and communicating threats, and their corresponding prevention methods. Privacy threat modeling involves understanding, in a systematic way, what can go wrong through a proactive and structured approach. (**more detail**)

MINECO · The draft Law on Business Information on Sustainability

(10/29) · Sustainability

The Ministry of Economy, Trade and Enterprise (MINECO) has approved the draft Law on Business Information on Sustainability to be submitted to Parliament, which amends the Commercial Code, the Capital Companies Act and the Audit Act. Additionally, the preliminary draft of a law has been introduced to adjust the criteria for classifying companies by size regarding corporate reporting obligations. This transposes two European directives (Directive (EU) 2022/2464 and Directive (EU) 2021/2167) that improve the framework for the presentation and verification of information on environmental, social and governance issues (ESG), and streamlines corporate reporting obligations for companies. The Corporate Sustainability Reporting Act will be applicable to all large companies and groups of companies, as well as to medium-sized and small listed companies (except micro-enterprises). Its entry into force will be staggered in order to facilitate the adaptation of companies to the new European regulations. (**more detail**)

CNMV · Report on the disclosures related to the European Taxonomy of financial institutions

(10/30) · Sustainability

The Spanish Securities and Exchange Commission (CNMV) has published the report on the breakdowns on the European environmental taxonomy of financial institutions for the 2023 financial year. The report describes the information published by financial institutions issuing securities on the degree of environmental sustainability of their financial activities, in accordance with the sustainability taxonomy established by the European Union (EU) framework. This is the first year in which financial issuers have had to provide information on the extent to which their financing, investment, management or underwriting activities are aligned with one of the two objectives related to climate change, mitigation or adaptation. The data reported show that the alignment indicators published by financial entities have been considerably low when compared to their eligibility indicators. (**more detail**)

AEPD · Technical note on the introduction to LIINE4DU 1.0: a new methodology for privacy and data protection threat modeling

(11/08) · Technology

The Spanish Data Protection Agency (AEPD) has published the technical note "Introduction to LIINE4DU 1.0, which presents a new methodology for privacy threat modeling. It is based on Linkability, Identifiability, Non-repudiation, Detectability, Disclosure of Information, Unawareness, and Non-compliance (LINDDUN), a methodology that helps identify and mitigate risks in personal data processing through categorized threats. LIINE4DU adapts these categories to focus on protecting individual rights in the context of the GDPR and Data Protection Impact Assessments (DPIA), serving as a useful tool to enhance proactive risk management. However, it does not replace the DPIA. (**more detail**)

BdE · Public consultation on amendments to Circular 5/2016 on the calculation method for the contributions of member institutions to the Deposit Guarantee Fund for Credit Institutions to be proportional to their level of risk

(12/16) · Capital, liquidity and leverage

The Bank of Spain (BdE) has launched a public consultation on the revision of the framework for setting the Countercyclical Capital Buffer (CCB) and the proposal to establish a positive percentage for the fourth quarter of 2024. This initiative seeks feedback on the proposed changes aimed at enhancing the resilience of the Spanish financial system against cyclical risks. Interested parties can access the documentation and submit their comments through the Bank of Spain's website. (**more detail**)

MINECO · Public consultation on the draft law for the digitalization and modernization of the financial sector

(12/19) · Technology

The Ministry of Economic Affairs and Digital Transformation (MINECO) has launched a regulatory package in the digital finance sector with the aim of transposing obligations derived from European law and updating national regulations to mitigate the risks of new technologies while leveraging their opportunities. Key measures include transposing the Directive of the DORA Regulation to ensure cyber resilience, updating the crypto asset regulations with the (Markets in Crypto-assets) MiCA Regulation, developing distributed ledger technology for financial instruments, improving payments with the Instant Transfer Regulation and oversight by the Bank of Spain, modernizing Iberpay, updating the Sandbox, and transposing the Directive on the European Single Access Point (PAUE) to centralize publicly disclosed financial and non-financial information from companies. (**more detail**)

UK

FCA · Policy Statement on extending the temporary changes to handling rules for motor finance complaints

(09/24) · Conduct
The Financial Conduct Authority (FCA) has published Policy Statement PS24/11, extending the temporary changes to handling rules for motor finance complaints related to Discretionary Commission Arrangements (DCAs). Initially set to expire in September 2024, the FCA has proposed extending the pause on firms' requirement to provide a final response to DCA complaints until December 2025. This extension is meant to allow the FCA to complete its assessment of potential widespread misconduct in motor finance agreements, including the outcome of ongoing litigation, such as the Barclays Partner Finance judicial review. The policy aims to protect consumers while ensuring a fair and consistent approach to redress is developed. While some stakeholders support the extension, others raised concerns about delays in compensation and increased operational costs. Despite mixed feedback, the FCA is proceeding with the proposed extension. (**more detail**)

FCA · Public consultation on changes to the safeguarding regime for payments and e-money firms
(24/09) · Technology
The Financial Conduct Authority (FCA) has put out for consultation a proposal to amend the safeguarding regime for payments and e-money firms. This regime applies to payments institutions, e-money institutions and credit unions that issue e-money in the UK. The proposal responds to shortcomings in current safeguarding practices, identified following insolvency cases that resulted in significant consumer detriment. The rules under consultation seek to strengthen the protection of consumer funds in the event of a firm's failure by minimizing the risks of shortfalls in safeguarded funds. Proposed changes include enhanced record-keeping and fund reconciliation requirements, mandatory external audits and the implementation of a statutory trust over safeguarded funds. The consultation process will be open until 17 December 2024 and the FCA will publish final rules within the first six months of 2025. (**more detail**)

Gov.UK · Amendments to setting a minimum requirement for own funds and eligible liabilities (MREL)
(10/15) · Recovery & Resolution
The Bank of England (BoE) has published a consultation paper on amendments to its approach to setting a minimum requirement for own funds and eligible liabilities (MREL). The consultation brings together proposals relating to the BoE's statement of policy (SoP) on its approach to setting MREL. These updates aim to simplify and consolidate the framework, making it easier to navigate and implement. They also ensure the framework remains responsive to changes in financial regulation and markets, stays aligned with international standards, and adapts over time based on lessons learned from its application. The deadline for responses to the consultation is 15 January 2025. (**more detail**)

Gov.UK · Consultation on proposals for a new 6-year Climate Change Agreements scheme to begin in 2025
(10/17) · Sustainability
The Department for Energy Security and Net Zero has launched a consultation on a new Climate Change Agreements scheme starting in 2025. It has proposed a six-year program with three target periods running until 2030 and the potential extension of certification to 2033. The scheme will maintain Climate Change Levy reductions for eligible participants, while assessing the inclusion of new sectors and enhancing reporting and target-setting. The consultation remains open until December 31, 2024. (**more detail**)

Gov.UK · Consultation Paper (CP) 5/24 Review of Solvency II – statement on proposed permission requirement for the calculation of loss-absorbing capacity of deferred taxes under the standard formula
(10/23) · Capital
The Prudential Regulation Authority (PRA) has reviewed permission requirements for calculating the loss-absorbing capacity of deferred taxes under the Solvency II standard formula. It has proposed a permission requirement within the framework of the Financial Services and Markets Act 2023, aimed at improving the accuracy in evaluating deferred tax assets. The PRA is considering a potential delay in implementation to allow firms more time to submit relevant applications. The PRA will publish its final policy on CP5/24 proposals in mid-November. (**more detail**)

FCA · Multi-firm review of consumer credit firms and non-bank mortgage lenders
(10/23) · Supervisory expectations
The Financial Conduct Authority (FCA) has published its findings following a multi-firm review (MFR) of the financial resilience of consumer credit firms and non-bank lenders. The MFR was conducted during the second half of 2023 and the first half of 2024 and involved a sample of consumer credit firms and non-bank mortgage lenders. The FCA found that the majority of firms could improve their approach to risk governance and risk management. In particular, firms did not always identify and monitor their firm's risks and financial metrics to give a greater insight into the challenges they face. The FCA expects consumer credit firms and non-bank lenders to review their arrangements against the findings of the MFR and make any improvements that may be necessary. (**more detail**)

Gov.UK · The Data (Use and Access) Bill
(10/24) · Technology & AI
The UK Government has introduced a new data bill in Parliament. The Data Bill amends the UK General Data Protection Regulation (GDPR) and the 2018 Data Protection Act on certain aspects of individual rights, purpose

limitation, scientific research and automated decision-making. The Bill will legislate on digital verification services that will be delivered against the government's trust framework of standards. It will also modernize the Initial Coin Offerings (ICO) structure and add to its enforcement powers. The 250+ page Data Bill covers many new subjects of immediate interest to the private and public sectors. The Bill will also enable National Health Service (NHS) data sharing across platforms. (**more detail**)

BoE · Policy statement in response to occasional consultation paper CP6/24
(10/31) · Capital
The Bank of England (BoE) has published the Prudential Regulation Authority (PRA) policy statement 17/24 (PS). The PS provides feedback to responses the PRA received to consultation paper (CP) 6/24 Occasional consultation paper (OCP). It also contains PRA's and the Financial Conduct Authority's (FCA) final policy in the form of amendments to Binding Technical Standards (BTS) 2016/2251. The implementation date for the rules covered by this PS was on the 4 of November 2024. The amendments to BTS 2016/2251 came into effect on the 1 of November 2024, which is when the final Technical Standards instrument by the PRA and FCA came into force. (**more detail**)

BoE · Policy statement on prudential assessment of acquisitions and increases in control
(11/01) · Capital
The Bank of England (BoE) has published the policy statement (PS) by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), policy statement (PS) 18/24, which provides feedback to responses received to consultation paper (CP) 25/23 on supervisory statement (SS) 10/24 on the prudential assessment of acquisitions and increases in control. The consultation set out proposals to replace the European Union (EU) guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector. The PRA's SS10/24 and the FCA guidance took effect on 1 November 2024. (**more detail**)

FCA · Reopened Questions on the Regulation of Commercial and Bespoke Insurance Business
(11/04) · Compliance and conduct
The Financial Conduct Authority (FCA) has published Discussion Paper (DP) 24/1, reopening key questions regarding the regulation of commercial and bespoke insurance businesses. This paper seeks additional feedback on the potential impact of regulatory changes in this sector, including associated costs and financial effects on involved firms. The FCA invites stakeholders to respond to specific questions to improve cost-benefit analysis, with an extended deadline until January 10, 2025, to promote a more comprehensive understanding of how these regulations will affect the insurance market. (**more detail**)

FCA · Consultation on payment options for investment research for fund managers
(11/05) · Conduct
The Financial Conduct Authority (FCA) has issued Consultation Paper (CP) 24/21, which proposes changes to allow fund managers the option of using joint payments for investment research, making its acquisition easier and promoting greater operational efficiency. These proposals aim to reduce barriers and costs, particularly for growing firms and new entrants, while maintaining consumer protection and transparency in payments. The FCA invites stakeholders to submit feedback by December 16, 2024, assessing the impact of these changes on competition and access to research in international markets. (**more detail**)

FCA · Policy statement on Regulatory framework for pensions dashboard service firms
(11/07) · Conduct
The Financial Conduct Authority (FCA) has published policy statement 24/15 (PS) which sets out the regulatory framework for firms that operate pensions dashboard services. Pension dashboards will be secure digital interfaces that allow consumers to find their pensions and to view basic information about them. Any entity, other than the Money and Pensions Service (MaPS), that wants to operate a pensions dashboard service (PDS firms) will need to ensure that they obtain the regulatory permission to carry out this specific activity, and if they are not already, will also need to become FCA authorised. PDS firms will also need to adhere to Government regulations as well as design standards issued by the pensions dashboard delivery group on behalf of MaPS. By publishing their rules now allows firms to start considering and preparing their prospective business models, service design, research and testing well in advance of our gateway opening to accept applications for the new permission. (**more detail**)

BoE · Publication of joint foreword on critical third parties to the UK financial sector
(11/12) · Capital
The Bank of England, the Prudential Regulation Authority (PRA), and the Financial Conduct Authority (FCA) have published a set of measures to oversee critical third parties (CTPs) in the UK's financial sector. These measures aim to manage systemic risks that could arise from failures or disruptions in services provided by these third parties, which will be designated by His Majesty's Treasury (HMT). The objective is to enhance the operational resilience of the financial sector, ensuring that regulated entities maintain stability and confidence in the UK's financial system. (**more detail**)

PRA/FCA · Consultation on senior bankers' pay
(11/26) · Governance

The Bank of England (BoE) has issued a joint consultation by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) on senior bankers' remuneration. The proposals aim to streamline bonus payments, allowing a portion to be awarded in the first year instead of waiting for three, and reducing deferral periods for the most senior executives from seven years to five. Additionally, it proposes allowing bankers to receive dividends on share-based bonuses while they remain deferred. These measures seek to simplify rules, promote responsible risk-taking, and support economic growth without compromising financial stability. The consultation is open until March 2025. (**more detail**)

FCA · Consultation paper on MiFID Organizational Regulation

(11/27) · Conduct · Compliance

The Financial Conduct Authority (FCA) has published a consultation paper (CP) 24/24, addressing organizational regulation under the Markets in Financial Instruments Directive (MiFID). This consultation is part of the FCA's efforts to review and update regulations governing financial services organizations, ensuring alignment with current market standards and consumer protection. Stakeholders are invited to submit comments and observations on the proposals outlined in the paper by the 28 of February 2025. (**more detail**)

FCA · Quarterly Consultation Paper No 46 on minor amendments to the Anti-greenwashing Rule and the Sustainability Disclosure Requirements

(12/06) · Sustainability

The Financial Conduct Authority (FCA) has published Consultation Paper 24/26: Quarterly Consultation Paper No 46 (CP24/26). The FCA proposes miscellaneous amendments to the Handbook, including adjustments to the anti-greenwashing rule and Sustainability Disclosure Requirements (SDR), clarifications in consumer credit product sales data reporting, an inflation-linked increase to the £100 trigger for medical condition premium signposting, and limits on directory entries for medical cover firms. It also removes certain compliance requirements for UK insurance special purpose vehicles, updates references to the UK Corporate Governance Code, and addresses a gap allowing debt management firms to avoid submitting a Client Assets Sourcebook (CASS) audit. Comments are due no later than 13 January 2025, except for Chapter 4 on amendments to the rules on travel insurance for consumers with pre-existing medical conditions, for which the deadline for comments is 27 January. (**more detail**)

BoE · Closing liquidity reporting gaps and streamlining Standard Formula reporting

(12/11) · Capital, liquidity and leverage

The Bank of England (BoE) has published a consultation paper (CP) 19/24. This CP sets out the Prudential Regulation Authority's (PRA) proposals to close liquidity reporting gaps for large insurance firms with significant exposure to derivatives or securities involved in lending or repurchase agreements. These gaps impede sound supervision of liquidity risk management as has been evidenced during recent market liquidity stresses. This CP also sets out the PRA's proposals to remove the expectation for life insurers with internal model (IM) permissions to annually submit the SF.01 template containing Solvency Capital Requirement (SCR) information calculated using the Standard Formula (SF). The proposals complement recent Solvency II reforms, which streamline reporting obligations by ensuring they are tailored to the PRA's supervisory needs. This consultation closes on Monday 31 March 2025. (**more detail**)

FCA · Discussion paper on regulating cryptoassets

(12/16) · Capital · Crypto assets

The Financial Conduct Authority (FCA) has released Discussion Paper DP24/4 on Regulating cryptoassets, admissions and disclosures and market abuse regime for cryptoassets. This paper seeks input to develop a regulatory framework aimed at enhancing transparency and integrity in the UK's cryptoasset markets, addressing areas such as admission requirements, disclosures, and the prevention of market abuse. The FCA invites stakeholders to submit their feedback by 14 March 2025. (**more detail**)

Gov.UK · Consultation on exposure draft for TCFD-aligned disclosure in phase 3

(12/19) · Sustainability

The United Kingdom's Government has launched a consultation on the Phase 3 Exposure Draft for TCFD-aligned disclosures. This consultation aims to gather feedback on new climate-related financial disclosures to be included in entity-level annual reports, aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The proposals focus primarily on disclosures related to strategy, including climate scenario analysis and transition risks, and aim to integrate environmental considerations more effectively into financial reporting. (**more detail**)

PRA · Supervisory statement on solvent exit planning for insurers

(12/18) · Solvency

The Prudential Regulation Authority (PRA) of the Bank of England (BoE) has issued Supervisory Statement SS11/24 on solvent exit planning for insurers. This document outlines the PRA's expectations for UK insurers to prepare, as part of their regular business activities, detailed plans that facilitate an orderly market exit should they choose to cease regulated activities while remaining solvent. The statement provides guidance on how insurers should develop and execute these solvent exit plans, aiming to minimize the impact on policyholders and maintain financial market stability. (**more detail**)

Q4 Other publications of interest

American Region

US

OCC · Finalization of revisions to recovery planning guidelines
(10/22) · Recovery and resolution
The Office of the Comptroller of the Currency (OCC) has finalized revisions to its recovery planning guidelines for large insured national banks, federal savings associations, and federal branches with at least $100 billion in assets. It has incorporated a testing standard for recovery plans, clarified the role of non-financial risks (operational and strategic), and set staggered compliance deadlines. The revisions will take effect on January 1, 2025, aiming to enhance preparedness against systemic risks. (**more detail**)

FRB · Statement on elder financial exploitation
(12/04) · Financial crimes
Five federal financial regulatory agencies, the Financial Crimes Enforcement Network (FinCEN), and state financial regulators have issued a statement to provide supervised institutions with examples of risk management and other practices that may be effective in combatting elder financial exploitation. The statement outlines key practices supervised institutions can adopt to address elder financial exploitation, emphasizing governance, employee training, and consumer engagement. These include implementing robust oversight policies, training staff to recognize and respond to exploitation, and using transaction holds or delays as legally appropriate. Institutions are encouraged to establish processes for trusted contact designations, file timely reports to FinCEN, and report suspicions to law enforcement and relevant agencies. Collaboration with fraud prevention networks and enhancing consumer awareness through outreach are also highlighted, alongside sharing financial records with authorities in line with legal requirements. (**more detail**)

SEC · Adoption of the rule on Covered Clearing Agency Resilience and Recovery and Wind-Down Plans
(10/25) · Restructuring and resolution
The Securities and Exchange Commission (SEC) has adopted amendments to certain rules in the Covered Clearing Agency Standards (CCA) under the Securities Exchange Act of 1934 (Exchange Act) and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The amendments strengthen existing rules by adding new requirements related to the collection of intraday margins by a CCA and the use of substantive inputs in its risk-based margin system. The SEC is also adopting a new rule to establish the required elements of a CCA's recovery and orderly wind-down plan (RWP). (**more detail**)

SEC · Final resolution on technical amendments to private fund adviser rules
(11/07) · Conduct
The U.S. Securities and Exchange Commission (SEC) has adopted technical amendments to various rules under the Investment Advisers Act of 1940 to reflect a federal court's vacatur of new rules and amendments that the Commission had adopted on August 23, 2023. These rules, known as the "Private Fund Adviser Rules," were designed to protect investors who directly or indirectly invest in private funds. The vacatur, effective as of June 5, 2024, had the legal effect of invalidating the new rules and related amendments, leading the SEC to revise the Code of Federal Regulations to reflect this court decision. (**more detail**)

FED · Public consultation on the impact report of a proposed international capital standard
(11/13) · Capital
The Federal Reserve Board (FRB) has released a report that examines the impact of a proposed international capital standard, as required by law. This report assesses how the implementation of such a standard could affect financial institutions and the financial system as a whole. The Board invites public comment on the report to consider various perspectives before making final decisions. Comments will be accepted until January 15, 2025. (**more detail**)

FRB · Statement on elder financial exploitation
(12/04) · Financial crimes
Five federal financial regulatory agencies, the Financial Crimes Enforcement Network (FinCEN), and state financial regulators have issued a statement to provide supervised institutions with examples of risk management and other practices that may be effective in combatting elder financial exploitation. The statement outlines key practices supervised institutions can adopt to address elder financial exploitation, emphasizing governance, employee training, and consumer engagement. These include implementing robust oversight policies, training staff to recognize and respond to exploitation, and using transaction holds or delays as legally appropriate. Institutions are encouraged to establish processes for trusted contact designations, file timely reports to FinCEN, and report suspicions to law enforcement and relevant agencies. Collaboration with fraud prevention networks

and enhancing consumer awareness through outreach are also highlighted, alongside sharing financial records with authorities in line with legal requirements. (**more detail**)

OCC · Semiannual Risk Perspective on the key risks facing the federal banking system
(12/16) · Capital, liquidity and leverage
The Office of the Comptroller of the Currency (OCC) has published its Fall 2024 Semiannual Risk Perspective, highlighting the key risks facing the federal banking system. The report emphasizes that, although the federal banking system remains sound, banks must be proactive in managing risks associated with factors such as the economic environment, technological evolution, and cybersecurity risks. Additionally, the OCC underscores the importance of maintaining prudent practices in all areas of risk, including liquidity, credit, and operations, to ensure the stability of the system in a dynamic and challenging environment. (**more detail**)

SEC · Daily computation of Customer and Broker-Dealer Reserve Requirements under the Broker-Dealer Customer Protection Rule
(12/20) · Capital, liquidity and leverage
The Security and Exchange Commission (SEC) has adopted amendments to the broker-dealer customer protection rule to require certain broker-dealers to perform their reserve computations for accounts of customers and proprietary accounts of broker-dealers and make any required deposits into their reserve bank accounts daily rather than weekly. The SEC also is adopting amendments to the broker-dealer net capital rule and customer protection rule to permit certain broker-dealers that perform a daily reserve computation for accounts of customers to reduce aggregate debit items (i.e., customer-related receivables) by 2% rather than 3% as part of the computation. Finally, SEC is adopting technical amendments to the Financial and Operational Combined Uniform Single Report, FOCUS Report, to conform it to the amendments with respect to the lowering the debit reduction from 3% to 2%. (**more detail**)

Brazil

SUSEP · Resolution on risk and solvency self-assessment (ORSA) and capital management
(10/01)
The Superintendency of Private Insurance (SUSEP) has published the Resolution of the National Council of Private Insurance (CNSP) No. 471, dated 25 September 2024, which regulates the risk and solvency self-assessment (ORSA) and capital management for insurers, private provident societies, capitalisation societies and local reinsurers. This new framework requires supervised firms to regularly conduct a comprehensive risk and solvency assessment, linking risk management with capital management, based on their strategic planning. The measure will initially apply to S1 and S2 entities, with adaptation deadlines set until December 2025 and 2026. (**more detail**)

BCB · Provisional measure on the tax treatment of losses incurred from unpaid credits by financial institutions
(10/02) · NPL
The Central Bank of Brazil (BCB) has published Medida Provisória nº 1.261, which amends Law nº 14.467/2022 concerning the tax treatment of losses incurred from unpaid credits by financial institutions. The measure stipulates that losses identified as of 1 January 2025 from credits delinquent by 31 December 2024 can only be deducted from net income, for tax purposes, in 84 monthly installments starting in January 2026. Institutions may opt, by the end of 2025, to extend the deduction period to 120 months. The provision also restricts deductions exceeding real profit in 2025, with non-deducted losses carried forward under the same terms. (**more detail**)

BCB · Normative instruction on the «Demonstrativo de Limites Operacionais» (DLO)
(10/02) · Reporting y disclosure
The Central Bank of Brazil (BCB) has published Instrução Normativa BCB nº 528, which modifies the instructions and layout for submitting the «Demonstrativo de Limites Operacionais» (DLO) under previous guidelines. Effective from December 2024, these updates aim to enhance the reporting of financial limits and regulatory standards, particularly related to credit risk exposure and capital requirements. Key changes include new categories for specific exposures, risk mitigators, and capital instruments, along with adjustments to the periodic reporting framework, shifting from semiannual to monthly data submissions. These measures are designed to improve financial system monitoring and stability. (**more detail**)

BCB · Regulatory update to enhance transparency in financial governance
(10/24) · Corporate governance
Brazil's Central Bank (BCB), through Instruction No. 532, has introduced guidelines aimed at strengthening governance in financial institutions. The regulation outlines requirements for risk management, organizational structures, and transparency practices, ensuring a robust governance framework. These measures are intended to enhance the resilience of Brazil's financial system, protect consumer interests, and enable effective monitoring of potential risks, thereby reinforcing public confidence in the country's financial stability. (**more detail**)

CMV · Resolution on mandatory climate disclosures for public companies

(10/29) · Sustainability · Disclosure
The Securities and Exchange Commission (CVM) has published Resolution CVM Nº 218, dated October 29, 2024, which approves Technical Pronouncement CBPS Nº 02 – Climate-Related Disclosures, issued by the Brazilian Committee of Sustainability Pronouncements (CBPS). This resolution mandates that publicly traded companies disclose information on governance, strategy, risk management, metrics, and climate-related targets, aligning with international sustainability standards. The resolution will come into effect on November 1, 2024, and will apply to fiscal years beginning on or after January 1, 2026, allowing for early adoption under certain conditions. (**more detail**)

BCB · Resolution on deadlines and methodology for submission of financial documents in 2025
(11/07) · Accounting
The Central Bank of Brazil (BCB) has published Resolution BCB Nº 428, dated November 7, 2024, which sets the deadlines for the submission of accounting documents for January and February 2025 by financial institutions and other entities authorized to operate by the BCB. Additionally, the resolution defines the method for calculating the amount to be allocated to federal public securities and other financial instruments, aiming to ensure stability and transparency in the Brazilian financial system. (**more detail**)

BCB · Resolution on restriction of participation in the Pix payment system to authorized institutions
(11/11)
The Central Bank of Brazil (BCB) has published Resolution BCB Nº 429, dated November 11, 2024, which amends Resolution BCB Nº 1, of August 12, 2020, concerning the Pix payment system. This new resolution stipulates that only institutions authorized by the BCB can participate in Pix and sets deadlines for unauthorized entities to comply with this regulation. Additionally, it introduces adjustments to the Pix regulations to enhance its operation and security. (**more detail**)

BCB · Amends Resolution which consolidates the general criteria for the preparation and disclosure of individual
(11/21)
The Central Bank of Brazil (BCB) has published Resolution from the National Monetary Council (CMN) No. 5,185. It amends Resolution No. 4,818, dated May 29, 2020, which consolidates the general criteria for the preparation and disclosure of individual and consolidated financial statements by financial institutions and other institutions authorized for operation of the BCB. This Resolution enters into force on January 1, 2025. (**more detail**)

BCB · Resolution classifying as Type 1, Type 2 or Type 3 single institutions authorised to operate
(11/28) · Compliance
The Central Bank of Brazil (BCB) has published Resolution No. 436 of 28/11/2024. This Resolution classifies as Type 1, Type 2 or Type 3 the single institutions authorised to operate by the BCB and the prudential conglomerates led by these institutions and establishes the segmentation of the institutions and conglomerates classified as Type 3. This Resolution enters into force on 1 January 2025. (**more detail**)

BCB · Changes to BCB Resolution on procedures related to the portion of risk-weighted assets related to credit risk calculated using a standardized approach
(11/28) · Capital
The Central Bank of Brazil (BCB) has issued Resolution No. 438, amending Resolution No. 229 of 2022 to update procedures for calculating the portion of risk-weighted assets (RWA) related to credit risk using a standardized approach (RWA CPAD). The modifications include adjustments to the methods and criteria for calculation to better align with international practices. The new regulation will come into force on January 2, 2025, aiming to enhance credit risk assessment and contribute to the stability of Brazil's financial system. (**more detail**)

SUSEP · New regulation on sustainable insurance and pension plans
(11/28) · Sustainability
The Superintendency of Private Insurance (Susep) has published the Resolution of the National Council of Private Insurance (CNSP) No. 473/2024, which provides for the classification of insurance and open supplementary pension plans as sustainable, to be observed by insurance companies and open supplementary pension entities. Provided for in the Regulatory Plan for 2023 and 2024, the new CNSP Resolution is a further step by the Susep in the incorporation of sustainability issues in the regulatory agenda, following the issuance of Susep Circular No. 666 of 2022, which establishes requirements of this nature to be observed by the supervised market. This Resolution enters into force 180 days after the date of its publication. (**more detail**)

BCB · Regulatory Instruction establishing the procedures for assessing and reporting the use of deposits
(12/02) · Reporting and disclosure · Compliance
The Central Bank of Brazil (BCB) has published BCB Normative Instruction No. 558 of 2/12/2024. It discloses the procedures for assessing compliance with the requirement to apply demand deposits, collected by financial institutions, in productive oriented microcredit operations, and establishes the procedures for the submission of

information related to the operations. This Regulatory Instruction enters into force on 1 January 2025. (**more detail**)

Susep · President of the Republic approves Insurance Contract Law
(12/10) · Conduct
The Superintendency of Private Insurance (Susep) has announced that the President of the Republic has sanctioned Bill Nº 2597/2024, known as the Insurance Legal Framework. The new law aims to modernise and improve the rules of insurance contracts in order to provide greater legal certainty for transactions. It prohibits unilateral cancellation of the contract by the insurer. The law determines that the insured must not intentionally and materially increase the risk covered by the insurance, under penalty of losing the guarantee. To avoid legal uncertainty in contracts, the risks and interests excluded from coverage must be described in a clear and unambiguous manner. The Law was published on 10 December 2024 in the Official Journal of the Union (DOU) and will enter into force 1 year after its publication. (**more detail**)

BCB · Regulatory Instruction foreseeing the deadline for the submission of the January and February 2025 base dates
(12/16)
The Central Bank of Brazil (BCB) has published BCB Regulatory Instruction No. 563 of 12 December 2024. It establishes the January and February 2025 base dates for the code documents listed below: i) 2060 on the Statement of Market Risk (DRM); ii) 2061 on the Statement of Operating Limits (DLO); iii) 2062 on the Statement of Individual Operating Limits (DLI); iv) 2160 on the Statement of Liquidity Risk (DRL); v) 2170 on the Statement of Long-Term Liquidity Indicator (LTD); vi) 3040 on the Credit Risk Data; and vii) 3050 on the Credit and Leasing Statistics Data, as referred to in the BCB's Regulatory Instructions, respectively: i) No. 101 of 26 April 2021; ii) No. 81 of 23 February 2021; iii) No. 85 of 10 March 2021; iv) No. 399 of 29 June 2023; v) No. 107 of 17 May 2021; and vi) Circular No. 3,869 of 19 March 2018. This Regulatory Instruction came into force on 13 December 2024. (**more detail**)

BCB · Amendment to the regulatory instruction defining the accounting items of the Offsetting Liabilities group of the Accounting Standard's list of accounts
(12/16)
The Central Bank of Brazil (BCB) has published BCB Regulatory Instruction No 565 of 16 December 2024. It amends BCB Normative Instruction No. 433, which defines the accounting items of the Liability Clearing group of the list of accounts of the Accounting Standard for Institutions Regulated (Cosif) by the BCB for use by financial institutions and other institutions authorised to operate by the BCB. This Regulatory Instruction is effective as of 1 January 2025. (**more detail**)

Ecuador

JPRF · Regulatory Instruction establishing the procedures for assessing and reporting the use of deposits
(11/29) · Conduct · Markets
The Financial Policy and Regulation Board (JPRF) of Ecuador has published Resolution No. JPRF-V-2024-0125, which amends the rules related to stock market trading mechanisms in the securities market. It introduces definitions and methodologies for trading, including auctions and adjudication processes. It also establishes new procedures for the operation of the electronic trading floor and serialised auctions, ensuring transparency and efficiency in transactions. It also sets deadlines for the relevant actors to adapt their systems and operating rules, under the supervision of the Superintendent of Companies, Securities and Insurance (SuperCias). This Resolution shall enter into force on 28 February 2025, without prejudice to its publication in the Official Gazette. (**more detail**)

Mexico

DOF · Amendments to the Regulations of the Law on Retirement Savings Systems
(09/27) · Reporting and disclosure
The Ministry of Finance and Public Credit, through a decree published on 27 September 2024, has reformed several provisions of the Regulations of the Law on Retirement Savings Systems. The amendments seek to improve the transparency, efficiency and supervision of the savings systems, with adjustments to account registration, reporting and auditing processes. Notable changes include new rules for the identification of inactive accounts and the management of accounts of deceased workers, as well as the implementation of a new sanctioning procedure. It also specifies measures for the publication of financial statements and limits on market participation by fund managers. These reforms aim to strengthen the protection of savers' rights and guarantee the correct administration of retirement funds. (**more detail**)

DOF · Modification of the General Provisions Applicable to Credit Institutions
(09/30) · Compliance and conduct

The Ministry of Finance and Public Credit, through the National Banking and Securities Commission (CNBV), has published a resolution amending the general provisions applicable to credit institutions. This amendment incorporates a temporary regulatory facility that had been implemented in March 2023, derived from the COVID-19 health contingency, which allows for more flexible requirements for the origination of loans to small businesses. The resolution seeks to promote financial inclusion by facilitating access to loans of up to four million Investment Units (UDIs), simplifying documentation processes and maintaining the healthy development of the financial system. With these modifications, it is intended that more small businesses can access bank financing, thus promoting their growth and financial stability. (**more detail**)

CNSF · Amending Circular 5/24 of the Unified Insurance and Bonding Law on registration, cancellation and legal changes of foreign reinsurers

(10/07)

The National Insurance and Bonding Commission (CNSF) of Mexico has published Circular Modificatoria 5/24 on 7 October 2024, updating the Circular Única de Seguros y Fianzas. This update modifies Annex 34.1.21-b, which covers the registration, cancellation, and legal changes of foreign reinsurers in Mexico, and Annex 34.4.3, listing the authorized offices of foreign reinsurers as of July 2024. These changes are intended to ensure that foreign reinsurers operating in Mexico meet solvency and stability requirements, supporting the diversification of liabilities by Mexican insurance and bonding institutions. (**more detail**)

CNSF · Amending Circular 6/24 of the Sole Insurance and Bonding Circular on the list of authorised reinsurance intermediaries

(10/07)

The Comisión Nacional de Seguros y Fianzas (CNSF) has issued the Circular Modificatoria 6/24 de la Única de Seguros y Fianzas, which updates Annex 35.1.9. This annex contains the list of authorised reinsurance intermediaries. This update, based on several articles of the Ley de Instituciones de Seguros y de Fianzas, will enter into force the day after its publication in the Diario Oficial de la Federación. (**more detail**)

CNSF · Amending Circular 7/24 of the Sole Circular on Insurance and Bonds on assets covering the investment base

(10/07)

The Comisión Nacional de Seguros y Fianzas (CNSF) has published Modifying Circular 7/24 of the Única de Seguros y Fianzas, with the aim of expanding the assets that insurance institutions can use to cover their investment base. This amendment updates Provision 8.2.3. and allows the inclusion of reinsurance recoverable amounts corresponding to life operations, provided that the insurance contracts have a term of less than or equal to one year. The measure will enter into force the day after its publication in the Official Journal of the Federation. (**more detail**)

Conamer · Resolution Amending the General Provisions Applicable to Securities Issuers and Other Market Participants

(10/21) · Compliance

The National Banking and Securities Commission (CNBV) has amended the regulations for securities issuers and market participants. It has removed the maximum debt limit for issuers of real estate trust certificates, allowing the holders' assembly to set the limit and debt service coverage ratio. Additionally, it updated disclosure requirements and coverage ratio calculations to enhance financial efficiency and protect investors' interests. (**more detail**)

CONSAR · Amendments to the general provisions on the capital regime of Afores, PENSIONISSSTE, and specialized investment companies in retirement funds

(10/29)

The National Commission of the Retirement Savings System (CONSAR) has published a proposal to amend the general provisions regarding the capital regime applicable to Retirement Fund Administrators (Afores), the National Pension Fund for State Employees (PENSIONISSSTE), and Specialized Investment Companies in Retirement Funds. The primary goal of this amendment is to reduce the requirements for the special reserve, enabling a more flexible and efficient management of reserve funds in line with current financial sustainability needs within Mexico's retirement savings system. These changes are anticipated to strengthen the capacity of Afores to manage workers' assets more effectively. (**more detail**)

DOF · Regulatory Instruction establishing the procedures for assessing and reporting the use of deposits

(12/02) · Solvency

Mexico's Official Journal of the Federation (DOF) has published amendments to the General Provisions that establish the equity regime to which the retirement fund managers, the body of the ISSSTE (Institute of Social Security and Services for State Workers) that manages retirement savings for government employees in Mexico. (PENSIONISSSTE) and the specialised investment companies of retirement funds and the special reserve will be subject. The purpose of the amendments is to strengthen the financial stability of the Retirement Savings System, gradually reducing the special reserve, optimising risk management and improving the technical quality of the systems and the staff of the fund managers to ensure operational continuity and sound corporate governance. These amendments will enter into force on the first working day of 2025. (**more detail**)

DOF · Amendments to Circular 39/2020 on the updating of the correspondence of ratings issued by rating agencies
(11/14)
Mexico's Official Gazette (DOF) has published the Circular 12/2024 on the update of the correspondence of ratings assigned by securities rating agencies, amending Circular 39/2020 on the correspondence of the rating scales that securities rating agencies carry out, for those assumptions of the general provisions or resolutions from the Bank of Mexico (BANXICO) itself that makes a reference to a specific rating grade, since the National Banking and Securities Commission (CNBV) left without effect the authorization for the organization and operation of Dominion Bond Rating Service (DBRS) México, Securities Rating Institution (ICV), and established companies with Variable Capitals (S. A de C.V), without submitting these amendments to public consultation, as this would not be convenient for its purpose, considering that it is only the elimination of the reference to said company. The Regulation will now be published in the Official Journal of the EU (DOUE) and will enter into force twenty days after its publication. It will then be directly applicable in all EU Member States. (**more detail**)

Chile

CMF · Adjustments to the capital requirements regulation for banks
(10/11) · Capital
The Financial Market Commission (CMF) has launched a public consultation on the new version of regulatory adjustments related to the additional capital requirements for banks under Pillar 2 of Basel III, focusing on improving the supervisory process and risk assessment. With respect to the previous version under consultation, the main concerns that were raised are clarified and specified. In addition, in this new proposal, the adjustment on the inherent risk profile is incorporated and it is stated that the CMF may suggest the amount that the banking entities must have with respect to their internal objective (OI). In relation to the effective terms, the proposal considers that the adjustments to Annex 1 (point 1 of the new proposal) will start to apply as from the reports that are required to be reported as from May 2025, with the situation of April of the same year, while the adjustments to points 2, 3, 4, 5 and 6 will be applied as from the review process of the Equity Self-Assessment Report (IAPE) to be delivered in April 2026. Finally, the suggestion that may be made by the CMF (point 4) regarding the level of additional capital that the bank will have to constitute as part of the internal effective net worth objective, may be made as of the IAPE review process to be delivered in April 2027. (**more detail**)

CMF · Modifications to General Rule No. 502
(10/14) · Technology
The Financial Market Commission (CMF) has announced that it will submit for consultation, until November 6, 2024, a regulatory proposal that improves certain rules applicable to the registration and authorization of financial service providers under the Fintec Law (No. 21,521), as well as their obligations. This initiative is part of the CMF's commitment to permanently evaluate its regulations in order to make the financial market an inclusive, innovative and safe space for all market agents. (**more detail**)

CMF · Regulatory Project about Instructions for the submission of information for the supervision of entities authorized to provide the services under Title II of Law 21.521
(10/21) · Reporting & disclosure
The Financial Market Commission (CMF) has launched a public consultation for a proposed regulation establishing the Fintec Information System Manual, outlining requirements for reporting information to oversee entities authorized under Law 21.521. It has detailed the reporting requirements, including frequency, format, and types of data financial technology service providers must submit. The consultation is open until November 15, 2024, to gather input from the public and relevant entities. (**more detail**)

CMF · Public consultation on the "Fintec Information System Manual" and guidelines for submitting information from supervised entities
(10/22) · Reporting and disclosure
The CMF has released a public consultation on a regulatory proposal to establish the "Fintec Information System Manual," which outlines specific guidelines for data submission by supervised entities in the fintech sector. This manual aims to standardize and enhance the transparency of information provided to the regulator, allowing for more effective monitoring of the financial market. Stakeholders may submit their feedback by December 15, 2024, contributing to the development of a more robust and accessible regulatory framework for the fintech sector in Chile. (**more detail**)

CMF · Resolution of the Financial Market Commission Board approving the issuance of regulations amending General Standard No. 507
(12/23) · Capital, liquidity and leverage
The Financial Market Commission (CMF) has published a regulation introducing amendments to General Rule No. 507, which establishes key guidelines on corporate governance and comprehensive risk management for General Fund Administrators (AGF). The main objective of this agreement is to strengthen supervision and self-regulation

standards within these entities, ensuring greater transparency and operational efficiency. Additionally, an accompanying regulatory report has been attached, outlining the rationale behind the need for this update and providing a technical and regulatory context to support its implementation. This report, which forms an integral part of the resolution, explains the reasons for the changes, aligning them with international best practices and market demands, with the aim of protecting investors and promoting financial system stability. (**more detail**)

CMF · Rules on the assessment of the quality of risk management of General Fund Managers and minimum capital and collateral requirements
(12/23) · Capital, liquidity and leverage
The Financial Market Commission (CMF) has published regulations detailing the way in which the quality of the risk management of the General Fund Managers and the minimum equity and guarantee requirements for these entities and for those that manage third-party portfolios will be assessed. The regulation amending NCG No. 507 on corporate governance and risk management describes the evaluation process to be carried out by the CMF regarding the quality of corporate governance and the risk management system of the fund managers, which is part of the Commission's risk-based supervision process. The new minimum assets and guarantees regulation, applicable to general fund managers and to entities that manage third-party portfolios, establishes minimum assets requirements based on a risk-weighted assets methodology, in line with international best practices and by virtue of the amendments introduced by the Fintec Law. The risk management regulations are effective immediately, with the exception of the self-assessment in section VI, which applies from 1 July 2027, while the minimum net worth regulations come into force on 1 January 2026, with the exception of section III, which also applies from 1 July 2027. (**more detail**)

Perú

FCA · Proposes that financial institutions must offer loan products with and without credit loss insurance so that users can exercise their right to choose
(10/14) · Compliance and conduct
The Superintendence of Banking, Insurance and AFP (SBS) has published a project that proposes modifications to the market conduct regulations of the financial system and the insurance system on issues related to credit loss insurance. Its objective is to protect the interests of the users of the financial and insurance systems and as part of a permanent work to review the regulatory framework of the entities under its supervision. In the event of the debtor's death, the bank's interests are protected. In this way, in the event of death, the financial institution collects the remainder of the debt through the aforementioned policy and releases the lender's heirs from their obligations. The draft is available for comments and suggestions from the industry and the general public until November 13, 2024. (**more detail**)

Colombia

SFC · Guidelines on the role of responsible actuaries in insurance entities
(11/05)
The Financial Superintendence of Colombia (SFC) has issued External Circular nº 17 of 2024, dated November 5, which provides instructions regarding the role of responsible actuaries in insurance entities. This circular establishes guidelines on the functions and responsibilities of actuaries, emphasizing the importance of their independence and objectivity in risk assessment and the determination of technical reserves. Additionally, it details the training and experience requirements that these professionals must meet to ensure proper actuarial management within insurance companies. (**more detail**)

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Alert System on Regulation

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Global

FSB, BCBS, IASB, IOSCO, IAIS, IFRS

European region

Europe	EC, EP, Consejo, EBA, ESMA, EIOPA, ECB, SRB
UK	BoE, PRA, FCA
Spain	BdE, Gobierno, Cortes Generales, CNMV

American region (1)

US	Fed, SEC, OCC, FDIC
Mexico	CONAMER, DOF, SHCP, CNBV, CNSF
Brazil	BCB, Susep, CVM
Argentina	BCRA
Peru	SBS, Diario Oficial, SMV
Colombia	SFC, Banrep
Chile	CMF, Diario Oficial, BCC

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

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