4Q24
Regulation Outlook

R&D

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Index

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

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

Executive Summary

In Q4 2024, key guidance on counterparty credit risk management was issued by the BCBS. In Europe, the EBA published the methodology for the 2025 stress test, and technical standards on material changes to IRB models. In addition, ESMA published for consultation the conditions for the active account requirement, in line with EMIR 3. The SRB consulted on the resolvability self-assessment and the UK on the Green Taxonomy. In Chile, regulatory adjustments in line with Basel III were proposed.

- **[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; ii) develop a comprehensive credit risk mitigation strategy; iii) measure, control and limit CCR; 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). This broader scope and the introduction of proportionality features aim to enhance efficiency, relevance, and transparency. (EBA, November 2024).

- **[EU**] **New rules on the revision of the EMIR 3 Regulation and Directive and consultation on AAR after the EMIR 3 Regulation review**. 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. (Council/ESMA, November 2024)

- **[EU] 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. (EIOPA, December 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).

- **[EU] Consultation Paper on draft RTS on assessment of materiality of extensions and changes of IRB models**. 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. (EBA, December 2024)

- **[EU] SREP 2024 methodology update**. 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). (ECB, 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 channelling capital in support of the Government's sustainability goals. (HM Treasury, November 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) Q1 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) Q1 2025:**
  - EBA: i) Guidelines specifying the terms substantial cash deposits, appropriate amount of obligor-contributed equity and significant portion of total contracts; ii) RTS 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 centre.
  - ESAs: Establishment of the EU-wide Oversight Framework of critical ICT third-party service providers.
  - ECB: ii) Final guidance on Governance and Risk Culture.
- **(UK) Q1 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) Q1 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.
- **(Colombia) Q1 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) Q3 2025:**
  - EBA: Publication of EU-wide stress test results.
  - ESMA: Final report and publication 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).
- **(Chile) Q2 2025**

  - 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).

3. More than a year

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

Entry into force dates

1. Next quarter

- **(Global) Q1 2025:**
  - BCBS: Implementation of the requirements on the Disclosure of Cryptoasset Exposures.
- **(Europe) Q1 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.
- **(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: Regulations establishing the standardised methodology for the computation of consumer placements.

2. Next year

- **(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.
- **(Europa) 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
- **(CH) Q2 2025:**
  - CMF: Application of IFRS 17 and 9 to the Chilean insurance market.

3. More than a year

- **(Global) 2026:**
  - BCBS: Implementation of FRTB.
- **(Global) January 2027:**
  - 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 2026:**
    - 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.
- **(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

Index of this quarter's most important publications

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Global	IAIS	E	Strategic Plan for 2025–2029	25/10/2024	15
Global	IAIS	P	Consultation on the exposure draft of proposed amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	14/11/2024	16
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UE	EBA	CL	Consultation Paper on draft RTS on assessment of materiality of extensions and changes of IRB models	12/12/2024	22
UE	ESMA	E	Work Programme 2025	03/10/2024	23
UE	ESMA	E	2024 European Common Enforcement Priorities for corporate reporting	25/10/2024	24
UE	EIOPA	CL	First batch of consultations on technical standards after Solvency II Review	07/10/2024	25
UE	EIOPA	E	Revised single programming document for 2025-2027	08/10/2024	26
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CL	CMF	CL	Public consultation on the new version of regulatory adjustments related to the additional capital requirements for banks	16/10/2024	52

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 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

<u>Scope, proportionality and risk-based application</u>

- 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.

<u>Due diligence and monitoring sound practices</u>

- 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.

<u>Margining and risk mitigation of CCR exposure</u>

- 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.

<u>Exposure measurement</u>

- 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.

<u>Governance</u>

- 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.

Infraestructure, 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.

22/11/2024

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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.

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 behaviour. 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 ammendments 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 those 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. Contexto

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:

- **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:

  - 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.
  - 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.
  - 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:

  - 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.
  - Targeted reviews of risk management frameworks for outsourcing risks and of cyber resilience frameworks and risk controls.
  - Follow-up work on findings from the cyber resilience stress test.
  - Targeted OSIs on operational risk and IT resilience frameworks.
  - Implementation of Digital Operational Resilience Act (DORA) in the supervisory framework.

- **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:

  - 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.
  - Horizontal assessment of banks' compliance with Pillar 3 ESG.
  - Deep dives on banks' ability to address reputational and litigation risks associated with Climate and Environment (C&E)-related commitments.
  - Review of banks' transition planning in line with Capital Requirements Directive (CRD) VI.
  - 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:

- 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.
- Targeted OSIs looking at overarching governance and IT infrastructure issues, risk data aggregation capabilities and risk reporting practices.
- 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.

- **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:

  - 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
  - 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:

- **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.
- **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.
- **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.
- **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.
- **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.
- **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.
- **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.

- **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

R **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

E

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

R **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 determines 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**.

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 its 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.
- **Securitization requirements.** The consultation proposes several targeted changes to the rules governing securitization. One significant update is the introduction of a formulaic p-factor for calculating capital requirements under the Securitization Standardized 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) securitizations, which is important for risk management practices in securitization 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 securitizations 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 suggesting the creation of additional guidance to harmonize the new standards with local regulations.

5. Main points

The main points addressed in the document include:

- **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.
- **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.
- **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.
- **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).
- **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. Contexto

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 authorization 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 realized 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 authorization pathway**. Proposes an accelerated pathway for authorizing 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 optimized 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.
- **Comittee 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.

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 modernizing 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 optimize 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:

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**)

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) · Sustainabilty
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 thier 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 crypto assets

(12/16) · Capital · Crypto assets

The Financial Conduct Authority (FCA) has released Discussion Paper DP24/4 on Regulating crypto assets, admissions and disclosures and market abuse regime for crypto assets. This paper seeks input to develop a regulatory framework aimed at enhancing transparency and integrity in the UK's crypto asset 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**)

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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Main organisms being monitored

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

1) At the moment the publication of alerts in *FinRegAlerts* concerning the American region is limited to US publications

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