

Financial Regulation: Weekly Update

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Highlights

1. EBA issues a consultation on Pillar 3 disclosures of ESG risks and issues advice to the EC on KPIs for environmentally sustainable activities including a Green Asset Ratio (GAR)
2. ECB issues guidelines for assessing penalties for regulatory breaches
3. EBA issues final guidelines on ML/TF risk factors, and a biennial opinion with an interactive tool
4. European Commission adopts regulatory technical standards to identify economic downturns
5. IOSCO issues its work program for 2021

GLOBAL

■ IOSCO issues its work program 2021

Focused on: i) assessing financial stability and systemic risks of non-bank financial intermediation activities; and ii) risks exacerbated by the COVID-19 pandemic: misconduct risks, fraud, and operational resilience.

EUROPE

■ EBA consults on Pillar 3 disclosures of ESG risks

It aims at: i) achieving comparable disclosures on how climate change may aggravate other risks within balance sheets, ii) how institutions are mitigating those risks, and iii) showing their taxonomy-aligned exposures through some Key Performance Indicators (KPIs) covering a Green Asset Ratio (GAR). Deadline: Jun 1, 2021.

■ EBA issues advice to the EC on KPIs for environmentally sustainable activities including a GAR

It has to be considered jointly with the Pillar 3 consultation and stresses the relevance of the GAR and the KPIs in understanding how institutions are financing sustainable activities as per the EU taxonomy, and consistent with the European Green Deal and the Paris Agreement goals (ESMA and EIOPA have also released their advice).

■ ECB issues guidelines for assessing penalties for regulatory breaches

It establishes principles and methods for calculating penalties for banks for breaches of prudential requirements. Their severity would depend on the impact of the breach and the degree of misconduct.

■ EBA issues final guidelines on ML/TF risk factors, and a biennial opinion with interactive tool

i) Updates the 2017 guidelines to address new risks and harmonize supervisory approaches. ii) Opinion reviewing the risks associated with virtual currencies and innovative financial services. It sets out recommendations for competent authorities aimed at closing these gaps. It also develops an interactive tool to give access in a user friendly manner to ML/TF risks covered in the opinion.

■ **EC adopts regulatory technical standards to identify economic downturns**

Regarding the identification of the nature, severity and duration of an [economic downturn](#) under “A-IRB” models. Effective date: 20 days after its publication in OJEU, and shall apply from Jan 1, 2021.

■ **SRB publishes report on banking union resolution and access to FMIs**

Provides an [overview](#) of the resolution tools available in the Banking Union and their impact on the access to Financial Market Infrastructures (FMIs).

■ **ESMA consults on regulation crowdfunding**

New [rule](#) regulates lending-based and equity-based crowdfunding services at EU level. It introduces a single set of requirements applicable to CSPs across the EU, including strict rules to protect investors. Deadline: May 28, 2021.

■ **ESMA issues letter to the EC with proposals to improve the transparency directive**

Proposes [concrete actions](#) to enhance cooperation between authorities across the EU and at national level, as well as to strengthen the independence of NCAs and to reinforce harmonized supervision of information across the EU.

■ **ESMA issues guidelines on disclosure requirements under prospectus regulation**

It seeks to help market participants comply with the [disclosure requirements](#) set out in the commission delegated regulation and to enhance consistency across the EU. Effective date: two months after publishing the translations.

■ **ESMA issues results of annual transparency calculations**

[Results](#) from calculations of equity and equity-like instruments will apply from Apr 1, 2021. They are based on data provided to the Financial Instruments Transparency System by trading venues and publication arrangements.

■ **EC consults on the review of crisis management and deposit insurance framework**

It releases a [general consultation](#) consisting of a subset of the questions previously released in the corresponding targeted consultation. Deadline: May 20, 2021.

UNITED KINGDOM

■ **FCA issues statement on the end of LIBOR**

All [LIBOR settings](#) will cease to be provided or no longer be representative by: i) Dec 31, 2021 (Sterling, Euro, Swiss Franc, Japanese Yen, and 1-week and 2-month US Dollar); and ii) Jun 30, 2023 (remaining US Dollar).

SPAIN

■ **BdE adopts TIBER-EU cybersecurity test framework for financial sector**

This [new local framework](#), “TIBER-ES”, aims to strengthen the cyber resilience of financial institutions operating in Spain and to contribute to the stability of the Spanish financial sector.

UNITED STATES

- **FDIC issues Q2 and Q3 2021 CRA Evaluation Schedule, and list of banks recently evaluated**

[Examinations](#) are scheduled based on an institution's asset size and CRA rating. They have also issued the [list](#) of non-member banks recently evaluated for CRA compliance (rating from dec 2020).

Recent publications of interest (in English and Spanish):

- [Interview](#). *Post COVID-19 regulation is key for economic recovery*. January 2021.
- [Press Article](#). *Financial regulation in 2020: At key points... regulators face risks*. January 2021.
- [Press Article](#). *Procyclical financial regulation: What can be done?* October 2020.
- [Press Article](#). *Europe | One step closer to the Capital Markets Union*. October 2020

Previous edition of our Weekly Financial Regulation Update in [English](#)

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