

Financial Regulation: Weekly Update

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Highlights

1. ISDA issues papers on ESG Standards and Accounting Practices
2. IOSCO issues guidance on Artificial Intelligence and machine learning
3. BIS and several central banks issue statement on the use CBDCs for international settlements
4. ESAs issue second joint risk assessment report for 2021
5. ESRB issues Non-bank Financial Intermediation risks report 2021

Global

- **ISDA issues two papers on ESG Standards and Accounting Practices**
In order to establish robust [standards](#) and practices, these papers are focused on: i) KPIs for sustainability-linked derivatives; and ii) the accounting treatment for ESG transactions.
- **IOSCO issues guidance on Artificial Intelligence (AI) and machine learning (ML)**
It [considers](#) the use of AI and ML to be beneficial for market intermediaries, asset managers and investors by increasing efficiency of processes, although it may pose risks to consumers and other market participants.
- **BIS and several central banks issue statement on the use CBDCs for international settlements**
The joint project seeks to [develop prototypes](#) for shared platforms to enable international settlements with digital currencies issued by multiple central banks.
- **IOSCO issues thematic note on exchange traded funds (ETF) during Covid-19**
It [explores](#) the impact of the stress on the ETF structure and functioning, the causes of pricing differences, and outlines some challenging circumstances for some derivatives-based ETFs.

Europe

- **ESAs issue second joint risk assessment report for 2021**
[Highlights](#) the increasing vulnerabilities in the financial sector, the rise seen in terms of cyber risks and the materialization of event-driven risks.
- **ESRB issues Non-bank Financial Intermediation risks report 2021**
Based on data up to end-2020, it [focuses](#) on vulnerabilities for real estate funds, the role of insurers in credit intermediation and issues from interconnectedness; and identifies cyclical and structural risks.
- **ESMA issues the second report on trends, risks and vulnerabilities 2021**
It [highlights](#) elevated risks and fragile fundamentals, with an outlook for continued high risk and uncertainty over the sustainability of corporate and public debt as well as rising inflation expectations.

- **EBA issues its annual update on EU banking funding plans**
The [plans](#) point to a gradual ‘normalisation’ of banks’ sources of funding over the next three years. This implies, in particular, a partial replacement of central bank funding with market-based funding.
- **ESMA issues guidance on notifications of major holdings under the Transparency Directive**
[Summarizes](#) main rules applicable across the European Economic Area to support market participants and shareholders with notification obligations under national law in accordance with the Transparency Directive.
- **EC updates Q&A on NGEU’s green bond framework and the funding plan**
It [provides](#) information on how investments in green bonds will be used. Based on four main pillars: i) use of proceeds; ii) process for expenditure evaluation and selection; iii) management of proceeds; and iv) reporting.
- **OJEU publishes several technical standards**
i) RTS on the content of the contractual terms on recognition of [resolution stay](#) powers, ii) RTS on criteria to require changes to the compliance statement of [non-significant benchmarks](#), iii) RTS on criteria for the authorities’ compliance assessment regarding [mandatory administration](#) of a critical benchmark, iv) RTS on conditions to ensure that the [methodology](#) to determine benchmarks complies with the quality requirements.

United Kingdom

- **PRA consults the definition of insurance holding company**
[Proposes](#) an approach to interpreting and applying the definition of an insurance holding company with the purpose of distinguishing it from a mixed-activity insurance holding company. Deadline: Dec 6, 2021.
- **PRA consults on the identification of material risk takers (MRTs)**
[Proposes](#) changes to the Remuneration Part of the PRA Rulebook, to insert the criteria for identifying MRTs and relevant definitions and updates to Supervisory Statement. Deadline: Nov 8, 2021.

United States

- **Agencies extend the consultation period on risk guidance for third-party relationships**
The comment period on proposed guidance to help banks manage risks associated with third-party relationships, including financial technology-focused entities is [extended](#). New deadline: Oct 18, 2021.
- **FRB issues a report on partnerships between community banks and fintech companies**
[Captures](#) insights gathered from outreach with community banks, fintechs, and other stakeholders. The involved discussions focused on the strategic and tactical decisions that support effective partnerships.
- **OCC and FDIC issue CRA evaluations and list of banks examined for its compliance**
OCC [releases](#) CRA evaluations for 19 National Banks and Federal Savings Associations for the period of Aug 1 to 31, 2021. FDIC [issues](#) the list of state nonmember banks, which covers evaluation ratings from Jun 2021.
- **OCC consults a proposal to rescind its 2020 CRA rules**
In order to promote consistency for all insured depository institutions, [proposes](#) to rescind its current CRA rules and replace them with rules adopted jointly by the Federal banking agencies in 1995. Deadline: Oct 29, 2021.

Recent publications of interest (in English and Spanish)

- [Press Article](#). *The banking system, prepared for the default to come*. August 2021.
- [Press Article](#). *Post-Covid banking regulation*. July 2021.

- [Press Article](#). *The challenge of restructuring sovereign debt*. June 2021.
- [Press Article](#). *What do we expect on European financial regulation for the semester ahead?* June 2021.

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

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