

# Financial Regulation: Weekly Update

Inés Criado

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## Highlights

1. BCBS reiterates its commitment to implementing Basel III framework
2. ESAs publish joint report to ensure the EU's financial services remain fit-for-purpose in the digital age
3. EC extends equivalence for UK CCPs and consults on expanding central clearing activities in the EU
4. ECB publishes results of the SREP process for 2021 and announces that will not extend capital and leverage relief for banks
5. ESMA publishes a consultation on ESG ratings and a report on the divergence in disclosure of ESG factors in credit ratings

## Global

- **BCBS reiterates its commitment to implementing Basel III framework**  
States that the [reforms](#) have ensured that the banking system remains resilient during the COVID-19 crisis. Addressing the remaining weaknesses of the regulatory framework is as important today as it was pre-pandemic.

## Europe

- **EC extends equivalence for UK CCPs and consults on expanding central clearing activities in the EU**  
i) [Extends](#) the equivalence of UK CCPs until Jun 30, 2025, to ensure EU's financial stability in the short term. ii) Consults on ways to expand central clearing activities and improve the attractiveness of EU CCPs in order to reduce over-reliance on systemic third-country CCPs. Deadline: Mar 8, 2022.
- **ESAs recommend to ensure the EU's financial services remains fit-for-purpose in the digital age**  
EBA, EIOPA and ESMA publish a [joint report](#) in response to the EC call for advice on digital finance. The use of innovative technologies opens up a range of opportunities, but also poses new risks.
- **ECB will not extend capital and leverage relief for banks**  
Sees no need to allow [banks](#) to operate below the level of capital defined by their Pillar 2 guidance beyond Dec 2022 and nor to extend beyond Mar 2022 the possibility to exclude central bank exposures from the leverage ratio.
- **ECB publishes results of the SREP process for 2021**  
Findings [indicate](#) that significant institutions have maintained solid capital and liquidity positions, with most banks operating above minimum capital requirements and guidance. Also highlights some of the challenges that lie ahead.

- **ESMA consults on ESG ratings**  
To [develop](#) a picture of the size, structure, resourcing, revenues and product offerings of the different ESG rating providers operating in the EU. Deadline: Mar 11, 2022.
- **ESMA publishes report on the divergence in disclosure of ESG factors in credit ratings**  
[Indicates](#) that the overall level of disclosures has increased since the introduction of its guidelines, but that a high level of divergence across CRAs means there is still room for further improvement.
- **ESMA becomes supervisor of EU data reporting service providers (DRSPs)**  
Its [new role](#) gives ESMA direct authorization and supervisory powers over DRSPs, except for those entities that, due to more limited market impact, will continue to be supervised by their Member State authority.
- **ESMA launches common supervisory action with NCAs on MiFID II costs and charges**  
The [common supervisory](#) action will be conducted during 2022 and the focus of the CSA will be on information provided to retail clients to assess the application by firms of the MiFID II requirements on costs and charges.
- **ESMA publishes report on liquidity concerns for alternative investments funds (AIFs)**  
[Indicates](#) that AIFs with a liquidity deficit would face challenges if large redemptions were to occur. This is particularly the case for real estate funds and funds of funds.
- **ESMA publishes its Sustainable Finance Roadmap 2022-2024**  
[Identifies](#) three priorities: i) Tackling greenwashing and promoting transparency; ii) Building NCAs and ESMA's capacities in the sustainable finance field; iii) Monitoring, assessing and analysing ESG markets and risks.
- **EIOPA publishes its supervisory convergence plan for 2022**  
[Identifies](#) its priorities around the following three main areas: common supervisory culture and tools, risks to the internal market and level playing field and supervision of emerging risks.

## United Kingdom

- **PRA consults on rules and supervisory expectations on capital requirements**  
[Sets out](#) the proposed approach to transferring the UK Technical Standards for own funds requirements for institutions into PRA rules, with amendments to reflect revisions to the CRR. Deadline: May 2, 2022.
- **BoE launches the second scenario exercise on financial risks from climate change**  
It [explores](#) participants' strategic responses to the scenarios published as part of the first round and the associated implication for their business models. Deadline: Mar 31, 2022.
- **BoE and FCA publish a joint report on the finalization of LIBOR transition**  
[Reflects](#) on achievements in sterling markets on the transition efforts towards alternative risk-free reference rates and sets out what more needs to be done in the future.

## United States

- **SEC publishes proposal to enhance private fund investor protection**  
The [proposed rules](#) would increase transparency by requiring registered private fund advisers to provide investors with quarterly statements detailing certain information regarding fund fees, expenses, and performance.

- **SEC publishes proposal on cybersecurity risk management rules**  
The [proposed rules](#) would require advisers and funds to adopt and implement written cybersecurity policies and procedures and to report significant cybersecurity incidents affecting the adviser or its fund or private fund clients.
- **SEC publishes proposal to reduce risks in clearance and settlement**  
These [amendments](#) would shorten the standard settlement cycle and would require clearing agencies that provide central matching services to have policies and procedures to facilitate straight-through processing.

### **Recent publications of interest (in English and Spanish):**

- [Press Article](#). *Regulating the digital economy: a list of obligations and prohibitions for large platforms*. January 2022.
- [Press Article](#). *How should artificial intelligence be regulated?* January 2022.
- [Press Article](#). *Seven keys to financial regulation in 2022*. January 2022.
- [Press Article](#). *The EU must have a framework on cryptos as soon as possible*. January 2022

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

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