

Financial Regulation: Weekly Update

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Highlights

1. FSB publishes report on how COVID-19 has accelerated digitalization of retail financial services
2. EBA publishes guidelines on SREP and supervisory stress testing
3. EBA publishes final RTS on PD and LGD for default risk model under IMA for market risk
4. ECB announces gradual phase out of temporary pandemic collateral easing measures and publishes non-binding guide on the notification of securitization transactions
5. EBA publishes findings on AML/FT supervision of banks

Global

- **FSB publishes report on how COVID-19 has accelerated digitalization of retail financial services**
[Acknowledges](#) that Big Tech and fintech firms' expansion into financial services can bring improved cost efficiencies and wider financial inclusion. It cautions over the potential for market dominance.
- **IOSCO consults on recent retail investor trends and related conduct implications**
[Seeks](#) feedback on the development of a regulatory toolkit to consider when addressing emerging retail market conduct issues in today's rapidly changing retail investment landscape. Deadline: May 23, 2022.
- **IOSCO publishes report on how decentralized finance (“DeFi”) is cloning financial markets**
[Includes](#) a comprehensive review of DeFi market and highlights that most of the new services replicate traditional financial services and activities but with weaker regulation and increased risks for investors.

Europe

- **EBA publishes guidelines on SREP and supervisory stress testing**
[Aims](#) at implementing the amendments to the SRDV and CRRII and promoting convergence towards best supervisory practices. It does not alter the overall SREP framework.
- **EBA publishes final RTS on PD and LGD for default risk model under IMA for market risk**
The RTS specify the [requirements](#) for estimating PDs and LGDs using an institution's internal methodology or external sources. They are part of the roadmap for the new market and counterparty credit risk approaches.

- **ECB announces timeline to gradually phase out temporary pandemic collateral easing measures**
The [measures](#) were introduced in April 2020 to mitigate the effect on collateral availability of possible rating downgrades resulting from COVID-19 and will be gradually phased out between July 2022 and March 2024.
- **ECB publishes non-binding guide on the notification of securitization transactions**
[Sets](#) out the notification practices of those significant institutions (SIs) acting as originators or sponsors and recommends following this Guide for all securitization transactions originated after April 1, 2022.
- **EBA publishes findings on AML/FT supervision of banks**
[Highlights](#) that significant challenges remain in important areas such as the identification and assessment of ML risks that hampered the implementation of an effective risk-based approach to AML supervision.
- **EBA updates list of institutions involved in the 2022 supervisory benchmarking exercise**
Updates the list of [institutions](#) which have a reporting obligation for the purpose of the 2022 supervisory benchmarking exercise. The sample will include 115 banks from 16 countries across the EU and EEA.
- **EC announces that “PEPP” Regulation, adopted in 2019, starts to apply**
[Offers](#) a new voluntary EU-wide scheme for people to save for their retirement, and a broad range of financial institutions across the EU will be able to offer it. It is a key part of the EC’s Action Plan to strengthen the CMU.
- **EIOPA issues recommendations based on the learnings of its 2021 insurance stress test**
[Highlights](#) the need to decrease undertakings’ dependence on transitional measures and recommends NCAs assess if the risks that caused a significant drop in (re)insurers’ SCR ratios are adequately managed.

Spain

- **BdE, CNMV and DG Seguros issue joint press statement on the risks of crypto-assets**
They subscribe to the [warning](#) of European financial regulators on the risks of crypto-assets for consumers in the EU, which make them inappropriate investments or means of payment for most retail consumers.

United Kingdom

- **BoE confirms its intention to consult on Basel 3.1 implementation in the 4Q2022**
Provides more [clarity](#) on their intended timetable to implement this last set of international standards, with the intention that the changes will become effective on Jan 1, 2025.
- **BoE renews its commitment to adhere to the FX global code**
[Sets](#) principles of good practice in the FX market. Aims to support the objective of the Code for a fair, transparent and robust FX market underpinned by high standards.
- **PRA issues policy statement regarding the Financial Services Compensation Scheme**
Following a previous consultation, it sets a Management Expenses [Levy Limit](#) of £110.5 million for 2022/23, which will cover management expenses, and an unlevied reserve to deal with unexpected events.

United States

- **SEC consults on new rules to enhance climate-related disclosures**
It requires the inclusion of certain [climate-related disclosures](#) in registration statements, and other periodic reports (climate-related risks and financial statement metrics among others). Deadline: 30 days after the date of publication in the Federal Register or 60 days after publication on its webpage — whichever is later.
- **SEC consults on changes to Regulation M**
[Proposes](#) to remove references to credit rating agencies from existing exceptions in Rule 101 and Rule 102 of Regulation M (designed to prevent market manipulation by distribution participants). Deadline: 30 days after the date of publication in the Federal Register or 60 days after publication on its webpage.
- **CFPB issues policy on contractual “gag” clauses and fake review fraud**
It seeks to ensure that customers are able to write [honest reviews](#) about financial products and services, forbidding clauses that prevent this. It also highlights practices like posting fake reviews or review manipulation.
- **Agencies consult on proposal regarding administrative proceedings for supervised institutions**
It updates [policies and procedures](#) governing administrative proceedings, modernizing these rules, and facilitating the use of electronic communications. Deadline: 60 days after publication in the Federal Register.

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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