

Financial Regulation: Weekly Update

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Highlights

1. BCBS publishes report on the impact and effectiveness of the implemented Basel reforms
2. EC launches climate resilience dialogue to implement the green deal
3. EBA publishes its roadmap on sustainable finance
4. EBA consults on guidelines on the overall recovery capacity in recovery planning
5. ESAs publish joint advice to the EC on the review of the securitization prudential framework

Global

- **BCBS publishes report on the impact and effectiveness of the implemented Basel reforms**
The implemented [reforms](#) are an important driver of the increase in bank resilience and the report does not find any considerable evidence of negative side effects of the reforms on banks' lending and capital costs.
- **FSB endorses an improved framework for systemic risk in the insurance sector**
It has decided to [discontinue](#) the annual identification of G-SIIs. It will continue to receive the IAIS annual update on systemic risk in the global insurance sector and will inform its considerations if needed.
- **FSB publishes report on the effectiveness of its 2017 recommendations on liquidity for OEFs**
It [finds](#) authorities have made progress in implementing them and looks at progress in four areas: structural liquidity mismatch, the use of liquidity management tools, adequacy of stress testing and regulatory reporting.
- **IAIS publishes reports on digital innovation in the insurance sector**
The first [report](#) is on FinTech developments in the insurance sector. The second is a joint note on the role of supervisory technology in insurance supervision. It will continue monitoring these trends and their impact.

Europe

- **EC launches climate resilience dialogue to implement the green deal**
It will [explore](#) how insurance and other risk mitigation actions can contribute to climate resilience, from increasing climate risk insurance penetration, to incentives and investment in good adaptation solutions.
- **EBA publishes its roadmap on sustainable finance**
It outlines the [objectives](#) for mandates in sustainable finance and ESG risks over the next 3 years, to integrate ESG risks considerations in the banking framework and support the transition to a more sustainable economy.

- **EBA consults on guidelines on the overall recovery capacity in recovery planning**
It [provides](#) guidance on the relevant steps to set-up a reliable overall recovery capacity framework and harmonizes the core elements of the competent authorities' assessment. Deadline: March 14, 2023.
- **ESAs publish joint advice to the EC on the review of the securitization prudential framework**
It [proposes](#) to improve the consistency and risk sensitivity of the capital framework for banks but the liquidity framework for banks and the prudential framework for insurers should be maintained as it currently stands.
- **ECB publishes its supervisory priorities and assessment of risks and vulnerabilities**
It defines its [priorities](#) as: i) strengthening bank resilience to macro and geopolitical shocks; ii) addressing digitalization; iii) addressing climate change. It also identifies main vulnerabilities in each priority area.
- **EBA publishes its annual risk assessment of the European banking system**
Bank [capital](#) and liquidity ratios remain high but have declined slightly and profitability has improved. Nevertheless, the report warns about the impact of a deteriorating macroeconomic environment.
- **EBA publishes thematic review on transparency and fees level for retail banking products in the EU**
It [finds](#) that fees and charges vary in terms of level and type across the EU and across financial Institutions within the same jurisdiction, causing different levels of detriment to consumers.
- **ECB publishes report on the supervision of less significant institutions**
It [highlights](#) that less significant institutions represent around 18% of total banking assets in Europe while the number of LSIs has declined by about 1,000 since the inception of the SSM.
- **ESMA publishes guidance for supervision of cross border activities for investment firms**
It [covers](#): i) the authorization of firms with cross-border plans; ii) the processing of passport notifications; iii) the arrangements to carry out supervisory activities; iv) the carrying out of supervision and inspections.
- **ESMA publishes statement to promote clarity to market participants on best execution reporting**
It [expects](#) NCAs not to prioritize supervisory actions towards execution venues relating to the periodic reporting obligation to publish the RTS 27 reports, temporarily suspended until February 28, 2023.
- **ESRB publishes its quarterly risk dashboard**
It is a set of quantitative and qualitative [indicators](#) of systemic risk in the EU financial system. It is published quarterly, accompanied by two annexes that explain the methodology and describe the indicators.
- **EBA publishes revised list of ITS validation rules**
Revised list of [validation rules](#) for reporting standards, highlighting those which have been deactivated for incorrectness or for triggering IT problems
- **EIOPA publishes the results of its first climate stress test**
It [indicates](#) that institutions for occupational retirement provisions (IORPs) have a material exposure to transition risks and experience hurdles in allocating investments to climate risk-sensitive categories.
- **EIOPA publishes updated representative portfolios that will be used for Solvency II calculations**
It has updated [representative portfolios](#) that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures in March 2023.

Spain

- **BdE maintains the countercyclical capital buffer at 0%**
In light of the current macro-financial environment and lending and real estate market developments, BdE has decided to hold the [CCyB rate](#) applicable to banks for their credit exposures in Spain at 0% for the Q1 2023.
- **BdE publishes its analysis and research priorities**
It [updates](#) its strategic plan 2020-2024 that will concentrate mainly on: i) the present inflationary episode, ii) the risks of global financial and trade fragmentation and the European response iii) the structural reforms in Spain and NGEU implementation, iv) risks and opportunities posed by various technological (digital euro).
- **MinECO publishes order regulating movements of means of payment under AML scope**
It [regulates](#) the declarations of means of payment in relation to AML to adapt the Spanish regulations to the AML Regulation of 2018.

United Kingdom

- **FCA consults on how to improve information provided to retail investors**
The standards for the information disclosed to potential investors are included in the PRIIPs regime, already changed by FCA post-Brexit. Now it seeks views on when and in what format [information](#) can be delivered to consumers to ensure that what is provided is useful. Deadline: March 7, 2023.
- **BoE publishes its financial stability report**
It [sets out](#) the Financial Policy Committee's view on the stability of the UK financial system and what it is doing to remove or reduce any risks to it.

United States

- **SEC proposes Regulation Best Execution**
If adopted, it would [create](#) the first SEC-established rule concerning best execution for brokers, dealers, government securities brokers, government securities dealers, and municipal securities dealers.
- **SEC proposes rules to amend pricing increments, access fee caps and transparency of orders**
The aim is to [adopt](#) variable minimum pricing increments, reduce access fee caps for protected quotations, and accelerate the transparency of the best priced orders available in the market.
- **SEC proposes rule to enhance competition for individual investor order execution**
It would [require](#) certain orders of individual investors to be exposed to competition in open auctions before such orders could be executed internally by any trading center that restricts order-by-order competition.
- **CFPB proposes registry to detect repeat offenders**
It has proposed [requiring](#) certain nonbank financial firms to register with the CFPB when they become subject to certain local, state, or federal consumer financial protection agencies or court orders.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Whither international Banking Regulation?* Nov 2022.
- [Press Article](#). *Basilea III en Europa: Ajuste a la realidad* (only in Spanish). Aug 2022.
- [Press Article](#). *The first climate stress tests for European banks have arrived*. May 2022.
- [Press Article](#). *What is the European Union's social taxonomy for sustainable finance?* April 2022.

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

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