

Financial Regulation: Weekly Update

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December 23, 2022

Highlights

1. BCBS publishes final standard on the prudential treatment of cryptoasset exposures
2. EC publishes guidance on reporting under the sustainable finance taxonomy
3. ECB publishes report on good practices for climate stress testing (CST)
4. ECB publishes updated floor methodology for assessing capital buffers for O-SIIs
5. EBA publishes final ITS on information requirements for non-performing loans

Global

- **BCBS publishes final standard on the prudential treatment of cryptoasset exposures**
It defines two groups of [cryptoassets](#) (group 1 and group 2) according to certain criteria and a specific capital treatment for each group. It also includes an overall limit on group 2 exposures. Implementation: Jan 1, 2025.
- **FSB publishes progress report on LIBOR and other benchmarks transition issues**
It [encourages](#) authorities and market participants to rely on benchmark rates that have a strong reference foundation, which means anchoring the financial system in overnight risk-free rates.
- **FSB publishes 2022 monitoring report on non-bank financial intermediation**
The [NBF sector](#) exhibited strong growth in 2021, largely due to higher valuations and inflows into investment funds, which benefited from the economic recovery.
- **IAIS publishes its 2022 global insurance market report**
It [highlights](#) key risks and trends facing the global insurance sector. Systemic risk on aggregate remains moderate and solvency and profitability positions improved in 2021.

Europe

- **EC publishes guidance on reporting under the sustainable finance taxonomy**
It provides [guidance](#) on the interpretation and implementation of the (i) Climate Delegated Act and (ii) Article 8 of the Disclosure Delegated Act under the Taxonomy Regulation.
- **EC updates its list of high-risk third-country jurisdictions from AML/FT perspective**
EC is involved in [monitoring](#) the progress of the listed jurisdictions and working with them to address shortcomings in AML/CFT and to help them to fully implement their action plans as agreed with the FATF.

- **Council agrees position to revise EU rules on central securities depositories**
The [agreement](#) will make EU securities settlement more efficient by simplifying requirements and clarifying authorization processes among other things. Next steps will be negotiations with the EP.
- **Council agrees negotiating mandate on MiFID & MiFIR Review**
It [aims](#) to improve transparency and availability of market data, improve the level-playing field between execution venues and ensure that EU market infrastructures can remain competitive at international level.
- **Council agrees position on the framework for recovery and resolution of insurance undertakings**
It will [reinforce](#) the Solvency II Directive to make the insurance and reinsurance sector more resilient. Next steps will be negotiations with the EP.
- **EBA publishes final ITS on information requirements for non-performing loans**
It [aims](#) to introduce information standardization to have efficient NPL secondary markets and to reduce entry barriers for smaller banks and smaller investors.
- **EBA publishes its closure report of Covid-19 measures**
It [provides](#) an overview of the wide range of policy measures taken on the back of the pandemic, their state of play and the path out of policy support.
- **EBA publishes updated list of diversified indices**
It [updates](#) the list of diversified indices that is part of the implementing technical standards (ITS) drafted to calculate the capital requirements for position risk in equities according to the standardized rules.
- **EBA publishes final RTS on the identification of a group of connected clients under CRR**
Together with the guidelines on [connected clients](#), it provides the complete framework for the identification of two or more natural or legal persons who are so closely linked that it is prudent to treat as a single risk.
- **EBA publishes updated list of capital instruments classified as Common Equity Tier 1**
It includes new [instruments](#) compliant with CRR and deletes those no longer used by institutions. For the first time, it also includes instruments issued by entities in the European Economic Area and not only the EU.
- **ESAs publish list of financial conglomerates for 2022**
The [2022 list](#) includes 63 financial conglomerates with the head of group located in the European Union or European Economic Area.
- **ECB publishes report on good practices for climate stress testing (CST)**
It [aims](#) to provide banks with examples and suggestions on how to improve their CST capabilities based on identified good practices from the 2022 ECB CST and to support banks in their transitional journey.
- **ECB publishes updated floor methodology for assessing capital buffers for O-SIIs**
It [increases](#) the number of buckets to which O-SIIs are allocated from four to six and raises the floor level for the highest bucket to 1.50%. The ECB will use it to assess buffers proposed by NCAs as of 1 January 2024.
- **ECB publishes list of supervised entities as of November 1, 2022**
It [displays](#) the significant supervised entities, which are directly supervised by the ECB (part A) and the less significant supervised entities which are indirectly supervised by the ECB (Part B).

- **ECB publishes an overview of key observations in the annual horizontal analysis of IT and cyber risk**
It is based on an annual [IT risk](#) questionnaire and on-site inspections. Deficiencies in IT outsourcing and cyber resilience have been identified as a key vulnerability and a supervisory priority.
- **ESMA publishes guidance to applicants under the DLT pilot regime**
[Includes](#) templates to be used by market participants to apply for specific permission to operate any type of distributed ledger technology market infrastructure under the DLT Pilot Regulation.
- **ESMA publishes Q&A on several topics**
Updates [Q&A](#) on: i) the application of AIFMD; ii) DLT pilot regime, iii) European crowdfunding service providers for business regulation and iv) MiFID and MiFIR market structures.
- **ESMA issues opinion on EC's review of pre- and post-trade transparency requirements under MiFIR**
It [aims](#) to clarify and improve the pre- and post-trade transparency regime for equity and non-equity instruments, particularly in view of the establishment of a consolidated tape.
- **ESMA publishes guidelines and technical documentation on reporting under EMIR refit**
To [enhance](#) the harmonization and standardization of reporting under EMIR contributing to the high quality of data necessary for the effective monitoring of systemic risk.
- **ESMA issues opinion on the proposed position limits for title transfer facility (TTF) gas futures**
It [supports](#) position limits for TTF gas futures and finds that those limits are consistent with the objectives established in MiFID II and with the methodology developed for setting the limits.
- **ESMA publishes technical standards on cross border activities under UCITS directive and the AIFMD**
It [specifies](#) the information to be provided to inform competent authorities of the cross-border marketing and management of investment funds and the cross-border provision of services by fund managers.
- **EIOPA publishes its December 2022 Financial Stability report**
Despite the challenging environment, insurers and pension funds have weathered the shocks well. Entities have [optimized](#) risk management processes via portfolio transfer and product design.
- **EIOPA publishes report on recent developments in the cross-border arrangements of IORPS**
It [shows](#) that most cross-border Institutions for Occupational Retirement Provision are still concentrated in a small number of countries. There is a slight decrease of active cross-border IORPs compared to 2020.
- **EIOPA publishes annual report on annual sanctions under the Insurance Distribution Directive**
It [shows](#) administrative sanctions imposed during 2021 by NCAs under the IDD. 70% of sanctions were for breaches of the professional and organizational requirements of the IDD.

Spain

- **BdE consults on draft circular regarding information on capital structure**
It [updates](#) and harmonizes the information about the structure of capital to be reported by the aforementioned entities to BdE applying the principle of proportionality. Deadline: Jan 10, 2023.

- **BdE designates a GSII and establishes its macroprudential capital buffer rate for 2024**
It has [designated](#) one bank on a consolidated basis, as a global systemically important institution and has established its capital buffer for 2024 on the basis of the list of G-SIBs published by the FSB.
- **CNMV adopts EBA guidelines on disclosure of high remuneration practices and gender pay gap**
It will take into account these two [guidelines](#) and within the scope of its supervisory powers, it will oversee its compliance by the entities to which they apply.

United Kingdom

- **PRA and FCA consult on the ratio between fixed and variable components of total remuneration**
They [aim](#) to strengthen the effectiveness of the remuneration regime by increasing the proportion of compensation at risk that can be subject to the incentive setting tools. Deadline: Mar 31, 2023.
- **PRA and FCA publish policy statement on margin requirements for non-centrally cleared derivatives**
It [includes](#) the treatment of third-country funds as eligible collateral, a fall-back transition period to address practical issues and updated criteria for a central counterparty (CCP) to be excluded from the requirements.
- **PRA publishes policy statement on Insurance special purpose vehicles**
It [contains](#) PRA's final policy on the authorization and supervision of insurance special purpose vehicles and will take effect from December 23, 2022.
- **BoE publishes its 2022 annual report on the supervision of financial market infrastructure firms**
It sets out how the BoE has exercised its [responsibilities](#) in respect of supervising financial market infrastructures since the last report.
- **HM Treasury, CMA, FCA and PSR publish joint statement on open banking**
It provides an [update](#) on its work, including emerging thinking on the vision and design of a future open banking entity, ahead of a further statement in Q1 2023 setting out the common authorities' views and recommendations.

United States

- **Agencies extend comment period on proposed rulemaking on large bank resolvability**
It [extends](#) until January 23, 2023 the comment period on an advance notice of proposed rulemaking to enhance regulators' ability to resolve large banks in an orderly way should they fail.
- **FRB adopts final rule that implements Adjustable Interest Rate (LIBOR) Act**
It [implements](#) the Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on SOFR (Secured Overnight Financing Rate) that will replace LIBOR in certain financial contracts after June 30, 2023.
- **Agencies publish results of resolution plan review for certain domestic and foreign banks**
It [announces](#) results of the joint review of resolution plans for 71 domestic and foreign banking organizations identifying two deficiencies in the 2021 plan submission of two banks and a shortcoming in another.
- **FRB publishes technical updates to provision of intraday credit in accounts at Federal Reserve Banks**
The [update](#) includes a new rule establishing settlement times for debits and credits to institutions' Federal Reserve accounts for certain transactions.

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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