

Financial Regulation: Weekly Update

Matías Cabrera and Inés Criado

June 30, 2023

Highlights

1. ISSB issues global sustainability disclosure standards (IFRS S1 and IFRS S2)
2. EP and Council reach provisional agreement on the implementation of Basel III reforms
3. EC publishes the digital euro package
4. EC publishes financial data access and payments package
5. BdE holds the countercyclical capital buffer at 0% applicable to banks' credit exposures in Spain

Global

- **ISSB issues global sustainability disclosure standards (IFRS S1 and IFRS S2)**
They [create](#) a common language for disclosing the effect of climate-related risks and opportunities on a company's prospects. The ISSB will work with jurisdictions and companies to support their adoption.
- **IOSCO consults on treatment of goodwill**
It seeks [input](#) on good practices for addressing the risk of unrecognized impairment on accumulated goodwill balances and related disclosures arising from business combinations. Deadline: September 20, 2023.
- **FATF publishes updated report on the implementation of the FATF Standards on Virtual Assets (VA)**
It [finds](#) that jurisdictions continue to struggle with fundamental requirements such as undertaking risk assessments, enacting legislation to regulate VA Service Providers, and conducting a supervisory inspection.
- **IAIS consults in preparation for adoption of the Insurance Capital Standard (ICS) in 2024**
The [ICS](#), as a prescribed capital requirement, will provide a consolidated, risk-based measure of capital adequacy for Internationally Active Insurance Groups. . Deadline: September 21, 2023.
- **IAIS publishes updated global monitoring exercise document**
Key changes [are](#): updating of the insurer pool selection criteria; removal of the financial guarantees indicator; IIM indicator reweighting; updating currency exchange rates and fixing the rescaling factor.

Europe

- **EP and Council reach provisional agreement on the implementation of Basel III reforms**
The [EP](#) and the [Council](#) agreement includes among others, the output floor, a transitional treatment for crypto-asset exposures and the treatment of third country branches. The agreement still needs to be confirmed before it can formally be adopted.

- **EC publishes the digital euro package**
It [includes](#) two proposals to ensure that individuals can continue paying with euro banknotes and coins, and to set out a framework for a possible new digital form of the euro that the ECB could issue in the future.
- **EC publishes financial data access and payments package**
It [includes](#) proposals to improve consumer protection and competition in electronic payments and empower consumers to share their data in a secure way so that they can access better products and services.
- **EC publishes MoU on regulatory cooperation with the UK**
It establishes an [administrative framework](#) for voluntary and structured regulatory cooperation in the area of financial services. Among other issues, it sets up semi-annual meetings or the designation of contact points.
- **EP and Council reach an agreement on updated rules on central securities depositories (CSDs)**
The [new regulation](#) will improve the efficiency of securities settlement in the EU by reducing compliance costs and regulatory burdens for CSDs and will make it easier for CSDs to offer cross-border services.
- **EC publishes new rules on withholding tax procedures**
This [initiative](#), which is a key element of the EC's action plan on the Capital Markets Union, will promote fairer taxation, fight tax fraud, and support cross-border investment throughout the EU.
- **ECB publishes market risk SREP methodology**
The [key factors](#) considered relevant for the ECB are: i) size and materiality of market exposures, ii) risk factors, and iii) features of the position taken.
- **ESMA issues guidelines relevant for CCP recovery and resolution**
[Guidelines](#) on: i) arrangements and procedures for the functioning of resolution colleges, and ii) summary of resolution plans to assist resolution authorities on the information summaries shared with CCPs contain.
- **EIOPA issues statement on mystery shopping exercise**
It will coordinate the first joint [mystery shopping exercise](#) on the sale of insurance, to be conducted in 8 member states using a common methodology and criteria. The results will be available in the first half of 2024.
- **EIOPA publishes its 2023 financial stability report**
It [notes](#) that the European economy is experiencing a new period of high uncertainty and elevated financial stability risk. Although it sees a robust solvency position for European (re)insurers.

Spain

- **BdE holds the countercyclical capital buffer at 0% applicable to banks' credit exposures in Spain**
It has decided to maintain the [CCyB rate](#) at 0% in the third quarter of 2023 in light of the persistent uncertainty over the macro-financial environment and the no widespread signs of a build-up of systemic risk.

United Kingdom

- **PRA consults on the review of Solvency II**
It [includes](#): i) simplifications to the calculation of technical provisions, ii) new rules for internal models, iii) flexibility in solvency requirement calculation and iv) reporting requirements. Deadline: September 1, 2023.

- **PRA consults on solvent exit planning for non-systemic banks and building societies**
Its [proposal](#), if implemented, would add a new chapter to the Recovery Plan Part of its rulebook and introduce a new supervisory statement. Deadline: Oct 27, 2023.

United States

- **FRB publishes the results of annual bank stress test**
[Large banks](#) remained well above the minimum capital requirements during a hypothetical severe recession (projected decline of 2.3 pp). Additionally, trading books were resilient to the tested rising rate environment.
- **Agencies finalize policy statement on commercial real estate loan accommodations and workouts**
It reinforces and builds on the existing [supervisory guidance](#) calling for financial institutions to work prudently and constructively with creditworthy borrowers during times of financial stress.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *That's how investments under ESG criteria look like* (Spanish only). May 2023.
- [Press Article](#). *Europe leads the way in regulating of crypto markets* (Spanish only). Apr 2023.
- [Press Article](#). *European banking union: why is it so important to have a common deposit insurance fund?* (Spanish only). Apr 2023.
- [Press Article](#). *Banking regulation in Europe: Is it a good firewall?* (Spanish only). Apr 2023.

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

DISCLAIMER

The present document does not constitute an “Investment Recommendation”, as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (“MAR”). In particular, this document does not constitute “Investment Research” nor “Marketing Material”, for the purposes of article 36 of the Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (MIFID II).

Readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data or opinions regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorized by BBVA on its website www.bbvaresearch.com.

ENQUIRIES TO:

BBVA Research: Azul Street, 4. La Vela Building – 4th and 5th floor. 28050 Madrid (Spain).
Tel. +34 91 374 60 00 y +34 91 537 70 00 / Fax (+34) 91 374 25
www.bbvaresearch.com