

Financial Regulation: Weekly Update

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Highlights

1. BCBS consults on Core Principles for Effective Banking Supervision
2. BCBS publishes newsletter on credit risk issues
3. FSB and IOSCO consult on policies to address liquidity mismatch vulnerabilities in open-ended funds
4. ECB publishes opinion on crisis management and deposit insurance framework (CMDI)
5. ESMA and NCAs assess disclosures and sustainability risks in the investment fund sector

Global

- **BCBS consults on Core Principles for Effective Banking Supervision**
The [review](#) has been informed by several topics, including among others: i) financial risks, ii) operational resilience, iii) systemic risk and macroprudential supervision, and iv) new risks. Deadline: Oct 6, 2023.
- **BCBS publishes newsletter on credit risk issues**
It provides [detail](#) on internal discussion on credit risk. Main challenges for entities are: i) quality assessment of borrowers, ii) governance controls on model risk management, and iii) capturing economic uncertainty.
- **FSB and IOSCO consult on policies to address liquidity mismatch vulnerabilities in open-ended funds**
To provide greater clarity on the [redemption terms](#) they can offer investors, based on the liquidity of their asset holdings, and a greater use of liquidity management tools, particularly [anti-dilution tools](#). Deadline: Sept 4.
- **IOSCO publishes statement on alternatives to USD Libor**
It [confirms](#) regulatory authorities' concerns that credit sensitive rates currently in use exhibit some of the same inherent "inverted pyramid" weaknesses as the LIBOR, and their use may threaten market integrity.

Europe

- **ECB publishes opinion on crisis management and deposit insurance framework (CMDI)**
It [welcomes](#) that CMDI's proposal widens the scope in relation to failures of smaller and medium-sized credit institutions, improves the early intervention regime and expansion of the resolution but remarks that it must be accompanied by adequate resolution funding.
- **ESMA and NCAs assess disclosures and sustainability risks in the investment fund sector**
Using a common methodology developed by ESMA, NCAs will [share](#) knowledge and experiences on how to foster convergence regarding how they supervise sustainability related disclosures.

- EP and Council reach an agreement on proposal to strengthen market data transparency**
It [aims](#) to empower investors by making consolidated market data easily available at EU level through a centralized platform that will provide the price of instruments and the volume and the time of the transactions.
- ESMA publishes report on the implementation of the intra-day volatility management mechanism**
It [finds](#) that the IVM has been adequately calibrated, with the caveat of the assessment having been done in a period with no evidence of protracted volatility episodes affecting energy commodity derivatives trading.
- ESMA publishes second report of national rules governing fund marketing**
It [provides](#) an overview of the marketing requirements across Member States, and analyzes the effects of national laws and administrative provisions governing the marketing communications for investment funds.
- ESMA publishes statement on areas for improvement under MiFID II disclosure requirements**
Overall, firms comply with most of the requirements under MiFID II, but there are [certain shortcomings](#) in information provided to retail clients and areas for improvement regarding disclosure format and content.
- ESRB publishes conclusions of its general board and its quarterly risk dashboard**
It has [concluded](#) that financial stability risks in the EU remain severe and has presented the [set of quantitative and qualitative indicators](#) of systemic risk in the EU financial system.
- ESRB publishes its annual report for 2022**
It [summarizes](#) its contributions to the macroprudential policy framework and financial stability from April 1, 2022 to March 31, 2023.
- SRB publishes annual report for 2022**
It [focuses](#) on areas such as bank testing and crisis readiness dry-runs and begins to publicly communicate just how resolvable SRB banks are by publishing its first resolvability heat-map.
- EIOPA consults on the reasons for the limited uptake of natural catastrophe insurance in Europe**
It [explores](#) 'demand-side' barriers that can prevent consumers from buying NatCat insurance and identifies a number of potential solutions that could lead to an increased uptake of the insurance. Deadline: October, 5.
- EIOPA publishes its draft RTS which adapt the base amount in euro under the IDD**
It [publishes](#) changes to the minimum amount of professional indemnity insurance (PII) cover and financial capacity to be held by intermediaries under the Insurance Distribution Directive (IDD).
- EIOPA publishes monthly technical information for Solvency II**
Technical information with reference to the end of June on: i) the [risk-free interest rate](#) term structures used for the calculation of the technical provisions, and ii) the symmetric [adjustment of the equity capital charge](#).

Spain

- BdE consults on a draft circular regarding information on capital structure**
It establishes information [requirements](#) on acquisitions, increases and reductions of capital holdings in banks and other financial institutions as well as information on their capital structure. Deadline: July 28, 2023.

United Kingdom

- **HM Treasury consults on anti-money laundering and counter-terrorism financing supervision reform**
It [sets out](#) four possible models for a future AML/CTF supervisory system and seeks views regarding the potential benefits and disbenefits of each potential reform model. Deadline: Sept 30, 2023
- **PRA consults on the policymaking process when reviewing its rules**
It seeks [comments](#) on: i) how should the PRA inform its reviews, ii) how to prioritize and select the rules to revise, iii) review method, and iv) stakeholder engagement. Deadline: Sept 29, 2023.
- **PRA publishes policy statement on depositor protection and deposit guarantee scheme**
It implements the final rules on [depositor protection](#) and the risk based levies for the financial services compensation scheme. They will be effective as of July 1, 2023.
- **FCA publishes that the US dollar LIBOR panel has now ceased**
It [remarks](#) that overnight and 12-month US dollar LIBOR settings have now been permanently ceased. 1, 3 and 6-month US dollar LIBOR settings will continue to be published using a synthetic methodology until Sep 24.
- **FCA publishes statement on liquidity management in funds**
There is a wide disparity in the quality of compliance with regulatory standards and depth of [liquidity risk management](#) expertise and a minority of firms has inadequate frameworks to manage liquidity risk.
- **FCA sets out further reforms to improve markets and bolster competitiveness**
It [proposes](#) to set up a consolidated tape, to help all investors make better, more timely decisions as they will be able to access clear and low-cost trading data.

United States

- **Agencies finalize policy statement on commercial real estate loan accommodations and workouts**
The [updates](#) reinforce and build on 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](#).

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