

Financial Regulation: Weekly Update

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Highlights

1. EBA and ECB publish the results of the 2023 stress tests
2. EBA issues ad-hoc analysis on banks' debt securities held at amortized cost
3. EBA consults on RTS to identify extraordinary circumstances to waive certain requirements
4. EBA issues statement on IRB roadmap and final supervisory handbook on IRB system validation
5. US Agencies issue consultation on long-term debt requirements and on resolution planning

Global

- **FSB consults on the effects of G20 financial regulatory reforms on securitization**
To [evaluate](#) which reforms are achieving their intended objectives, which ones have had the greatest impact on originators, sponsors and investors and what the broader effects of these reforms are. Deadline: Sep 22.
- **FSB issues thematic peer review on MMF reforms**
It seeks to [take stock](#) of the progress made by jurisdictions on the reforms seeking to address MMF vulnerabilities (part of its program to enhance the non-bank financial intermediation sector). Deadline: Sep 8.
- **CPMI and IOSCO issue report on CCP practices to address Non-Default Losses (NDL)**
The report presents a more thorough description of the [current practices](#) that CCPs employ to address NDL, but it does not create additional standards nor does it provide guidance on existing standards.

Europe

- **EBA and ECB publish the results of the 2023 stress tests**
EBA published the results of the [stress tests](#) of 70 European Union credit institutions. The ECB following [criteria consistent](#) with those applied in the EBA exercise, has conducted a parallel stress test on another 41 euro area medium-sized significant institutions.
- **EBA issues ad-hoc analysis on banks' debt securities held at amortized cost**
Targeted risk [assessment](#) on the potential evolution of unrealized losses on debt securities at amortized cost. Potential losses are limited, and losses under the 2023 adverse stress test scenario appear manageable.
- **EBA consults on RTS to identify extraordinary circumstances to waive certain requirements**
It seeks to identify extraordinary [circumstances](#) of market disruption, permitting to waive certain requirements for the calculation of own funds requirements for market risk on the basis of internal models. Deadline: Nov 3.

- **EBA issues statement on IRB roadmap and final supervisory handbook on IRB system validation**
It [updates](#) the roadmap for implementation of the IRB model requirements to limit compliance costs, and issues supervisory handbook on the validation of IRB rating systems.
- **EBA consults on amendments to guidelines regarding systemic importance indicators**
The [proposed changes](#) aim to update the EBA methodology to identify G-SIIs in line with the internationally agreed standards issued by the BCBS, which were reviewed in January 2023. Deadline: Sept 1, 2023.
- **EBA publishes final ITS on supervisory reporting on IRRBB and statement on data collection**
[ITS](#) sets new reporting requirements to provide supervisors with the appropriate data to monitor risks arising from changes in interest rates. Additionally, EBA [will collect](#) IRRBB data from institutions based on the final ITS.
- **ECB and SRB sign MoU to share confidential data**
It provides a [general framework](#) for sharing certain types of confidential statistical information, to improve analysis related to bank resolution, supporting tasks such as valuation or the public interest assessment.
- **EBA issues decision over disagreement between deposit guarantee schemes**
Binding [mediation decision](#) stipulating that the Belgian DGS should transfer to the Spanish DGS the last contribution it has received from a credit institution that had changed its affiliation.
- **EBA issues report on the use of Machine Learning for internal ratings-based models**
The report [updates](#) and discusses the interaction with GDPR and the AI Act, and calls for some clarifications in order to reduce legal uncertainty and avoid unintended consequences of the AI Act.
- **EBA issues report on the functioning of AML/CFT colleges**
It [finds](#) that competent authorities have taken important steps to improve the functioning of AML/CFT colleges. Nevertheless, many colleges have not reached full maturity and highlight good practices that will be useful.
- **EBA issues report on the implementation of the European Resolution Examination Programme**
The report finds that, overall, [resolution authorities](#) have incorporated the work priorities set by the EBA, with MREL monitoring being a key area.
- **EBA and ESMA issue report on the implementation of the Shareholder Rights Directive 2**
It identifies areas for further progress providing [detailed suggestions](#) for policy action, regarding the directive's effectiveness, difficulties in practical application and the appropriateness of the scope of application.
- **ESMA publishes technical data under MiFID and MiFIR**
It has [published](#) i) the new quarterly liquidity assessment of bonds, ii) the data for the quarterly systematic internalizer calculations and iii) the consolidated tape provider (CTP) under MiFID and MiFIR.
- **EBA issues updates guidance on the reporting of Financial Soundness Indicators to the IMF**
It [harmonizes](#) methodology across the EU when compiling and reporting FSIs to the IMF including additional metadata recommendations, which EU national authorities should consider.
- **EBA issues report on mystery shopping exercise into personal loans and payment accounts**
[Mystery shopping](#) is a tool of high value to the supervision of NCAs as it delivers first-hand information about the conduct of financial Institutions towards consumers visiting a branch or using a digital channel.

- **EBA updates data used in the identification of G-SIIs**
The [disclosure](#) includes updated data items specific to the recognition of the Banking Union and of institutions that are part of the Single Resolution Mechanism. The EBA updates this data on a yearly basis.
- **SRB issues MREL dashboard for Q1.2023**
[Highlights](#): i) increased reliance on senior debt, ii) slight increase in MREL targets and reduction of shortfalls, iii) significant increase in issued instruments, and iv) better market conditions from May onwards.

Spain

- **CNMV updates questions and answers on collective investment vehicles and venture capital entities**
It [clarifies](#) the interpretation criteria for a proper application of the obligations derived from Law 35/2003 on CIIIs and Law 22/2014 on venture capital entities.

United Kingdom

- **BoE issues consultation on its approach to discretionary payments by CCPs**
It sets its [approach](#) to the power to temporarily restrict or prohibit discretionary payments to shareholders or employees of recognized UK CCPs (not applicable to third country CCPs in the UK). Deadline: Nov 17.
- **PRA issues documents with its approach to supervision**
It sets out the way in which it carries out the [supervisory role](#) in practice with respect to banks and insurance companies.
- **FCA issues statement regarding the Financial Services Market Act 2023**
The Act gives the FCA [new powers](#) to maintain a reasonable provision of cash deposit and withdrawal services. Therefore, the FCA will develop new rules to ensure this goal.

United States

- **Agencies issue consultation on long-term debt requirements**
To require large banks (at least \$100 billion in total assets) to maintain a minimum layer of [long-term debt](#). It seeks to address issues specific to large banks which are not GSIBs, without materially changing the existing requirements for GSIBs. Deadline: Nov 30.
- **Agencies issue consultation on resolution planning**
Proposal so that bank holding companies and foreign banking organizations with more than \$250 billion in assets develop [resolution plans](#) (the largest and most complex ones are already subject to resolution planning). It addresses risks specific to these companies. Deadline: Nov 30.
- **Agencies update guidance on liquidity risks and contingency planning**
It highlights institutions should regularly evaluate and update their contingency funding plans, encouraging them to incorporate the [discount window](#) as part of their plans (for which operational readiness is needed).
- **FRB issues statement with the individual capital requirements for all large banks**
Following the latest [stress test results](#), it announces individual capital requirements for all large banks. These provide a risk-sensitive and forward-looking assessment of capital needs. Effective date: Oct 1.

- **FRB issues statement on supervision program of novel activities**
It provides information on its [program to supervise](#) novel activities, such as complex, technology-driven partnerships with non-banks to provide banking services or activities involving DLTs and crypto-assets.
- **SEC issues final rule on exemption for certain exchange members**
It narrows the [exemption](#) requiring brokers/dealers registered with the Commission to become members of a national securities association, unless it effects transactions solely on an exchange of which it is a member.
- **SEC issues final rule on private fund advisers**
Rules to [protect investors](#) by increasing disclosure on compensation schemes, sales practices, and conflicts of interest; setting requirements to address such practices; and restricting certain other practices.
- **Agencies issue updated Bank Secrecy Act/Anti-Money Laundering examination manual**
It updates sections to reinforce the [risk-focused approach](#) to BSA/AML examinations and better align it with the corresponding regulation.
- **FDIC issues its 2023 risk review**
The report provides a [comprehensive summary](#) of key developments and risks in the US economy, financial markets and the banking industry, with a focus on the effects on community banks.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Madrid, European capital against money laundering: benefits and opportunities* (Spanish only). July 2023.
- [Press Article](#). *That's how investments under ESG criteria look like* (Spanish only). May 2023.
- [Press Article](#). *Europe leads the way in regulating 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.

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

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