Financial Regulation: Weekly Update
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Highlights
1. BCBS and EBA publish Basel III monitoring reports
2. FSB publishes consultative report on data standards relevant to cross-border payments
3. ESAs analyze the extent of voluntary disclosure of principal adverse impacts (PIAs) under the SFDR
4. BdE holds the countercyclical capital buffer at 0% in the fourth quarter of 2023
5. PRA updates timings of Basel III implementation in the UK

Global
- BCBS publishes Basel III monitoring report
  Capital ratios have increased to above pre-pandemic levels. Liquidity ratios have decreased but remain above pre-pandemic levels. BIS III impact for Group 1 banks was 3% compared to 2.8% at previous reporting date.
- FSB publishes consultative report on data standards relevant to cross-border payments
  It invites feedback on how requirements applicable to data frameworks affect the cost, speed, access, transparency and interoperability of cross-border payments networks. Deadline: Oct 20, 2023.
- IAIS publishes comment letter with feedback on the implementation review of IFRS 9
  It provides feedback with a focus on: impairment requirements, recognition of expected credit losses, determining significant increase in credit risk, transition, and credit disclosures etc.

Europe
- EBA publishes Basel III monitoring report
  The increase in minimum capital requirements is estimated at 12.6% and 9% considering European specificities. Main contributing factors to these impacts are the output floor and credit risk.
- ESAs analyze the extent of voluntary disclosure of principal adverse impacts (PAI) under the SFDR
  In their second annual report, they have developed a preliminary, indicative and non-exhaustive overview of good practices and areas that need improvement, based on a survey launched to NCAs.
- EBA issues statement on 2023 transparency exercise
  It launches the annual EU-wide transparency exercise to monitor risks and vulnerabilities, and to reinforce market discipline. It expects to publish the results at the beginning of December.
• **ESAs publish report on the information & communication technology third-party providers in the EU**
  The analysis aims to map the provisions of ICT services by TPPs to financial entities in the EU and to support the ESA's policy making process.

• **ESRB publishes advice on the prudential treatment of environmental and social risks**
  It considers that the macroprudential framework can be used in its current form to address climate risks, through systemic risk buffers and borrower-based measures, although some adjustments are needed.

• **EC publishes joint EU/OECD framework on financial literacy for youth under the CMU initiative**
  The aim is to establish a shared understanding among Member States and practitioners of the essential financial literacy skills that children and youth need to take well-informed personal finance decisions.

• **ESRB publishes letter with feedback on the post implementation review of IFRS 9**
  Based on the previous reports issued on the topic, and adding evidence from the implementation of IFRS 9, it focuses the feedback on the issues most related to financial stability.

• **ESMA publishes its work program for 2024**
  It will be focused on i) digital change in relation to the MiCA and DORA regulation and ii) the green transition, mainly the European Green Bond Regulation and the final report on greenwashing.

**Spain**

• **BdE holds the countercyclical capital buffer at 0% in the fourth quarter of 2023**
  In view of indicators trends and the absence of systemic vulnerabilities in the Spanish economy, it has decided to hold the CCyB rate applicable to banks for their credit exposures in Spain at 0% in the 4Q of 2023.

**United Kingdom**

• **PRA updates timings of Basel III implementation in the UK**
  It announces a 6-month delay in the implementation of Basel 3.1 from January 1st, 2025 to July 1st, 2025 and the intention to reduce the phase-in period in the same amount of time.

• **PRA consults on capitalization of foreign exchange positions for market risk**
  It sets out the proposed clarifications and amendments when capitalizing foreign exchange exposures under the market risk capital framework. Deadline: Jan 31, 2024.

• **HM Treasury and PRA issue consultations on ring-fenced bodies (RFB)**
  i) Consultation to allow RFB to establish entities in third countries, allowing them to compete with international and domestic banking groups. ii) Consultation to ensure that RFBs’ third-country businesses within its sub-consolidation group do not pose a material risk to the provision of core services in the UK. Deadlines: Nov 26, 2023.

• **PRA consults on the reform of the matching adjustment under Solvency II**
  It sets out reforms to enable broader and quicker investment by insurers in their matching adjustment portfolios, while improving responsiveness to risk. Deadline: Jan 5, 2024.

• **PRA consults on diversity and inclusion in PRA-regulated firms**
  It seeks to advance the PRA's objectives of safety and soundness and policyholder protection by improving diversity and inclusion outcomes in PRA-regulated firms. Deadline: Dec 18, 2023.
Recent publications of interest (in English and Spanish):

- **Press Article.** *Lessons from the latest financial turmoil* (Spanish only). September 2023.
- **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.

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