

Financial Regulation: Weekly Update

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Highlights

1. IOSCO publishes report on supervisory practices to address greenwashing
2. ESAs publish final report on amendments to Sustainable Finance Disclosure Regulation (SFDR)
3. Council and Parliament reach an agreement on Daisy Chains
4. BoE consults on step-in risk, shadow banking entities and groups of connected clients
5. ESAs consult on the system for the exchange of information relevant to fit and proper assessments

Global

- **IOSCO consults on integrity and orderly functioning of the Voluntary Carbon Markets (VCMs)**
It [outlines](#) a proposed set of good practices that build on the key considerations of the discussion paper published in Nov 2022, to foster sound and effective VCMs. Deadline: Mar 3, 2024.
- **FSB publishes report on enhancing third-party risk management and oversight**
It includes a [toolkit](#) for authorities and institutions with common terms and definitions to improve clarity and consistency, tools to identify critical third-party services and to supervise third-party risk management.
- **IOSCO publishes report on supervisory practices to address greenwashing**
It [provides](#) an overview of initiatives undertaken in various jurisdictions to address greenwashing, in line with IOSCO recommendations (Nov 2021) and presents the challenges hindering their implementation.
- **IAIS issues global insurance market report 2023**
It [finds](#) that aggregated systemic risk scores have declined slightly since last year. It also shows in depth analysis on interest rate, liquidity and credit risk and on structural shifts in the life insurance sector.

Europe

- **EBA reaffirms its commitment to enhance climate-related and broader sustainability considerations**
It [highlights](#) its efforts to integrate sustainability aspects in many areas of its work, including risk management, disclosures, supervisory practices, climate stress testing and the Pillar 1 framework, in the context of COP28.
- **ESAs publish final report on amendments to Sustainable Finance Disclosure Regulation (SFDR)**
They [propose](#) adding new social indicators, streamlining the framework for the disclosure of principal adverse impacts and suggest new product disclosures regarding “greenhouse gas emissions reduction” targets.
- **ESAs publish fact sheet to provide clarity and tips to consumers on sustainable finance**

Before choosing financial products with sustainability features, consumers are [encouraged](#) to decide how important sustainability is for them, what their financial goals are and keep in mind that they are not risk-free.

- **ESAs consult on the system for the exchange of information relevant to fit and proper assessments**
It [aims](#) to increase the efficiency of the information exchange between sectoral supervisors by harmonizing practices and covering both natural and legal persons. Deadline: Jan 15, 2024.
- **EBA consults on conflicts of interest for issuers of asset-referenced tokens (ARTs) under MiCAR**
It [consults](#) to ensure that issuers of ARTs consider all the circumstances which may influence or affect their ability or the ability of their connected parties to take impartial and objective decisions. Deadline: Mar 7, 2024.
- **Council reaches agreement on improvements to EU clearing services**
It [adopted](#) its mandate to start negotiations with the EP on updates to the EMIR. It aims to make EU clearing services more attractive and resilient and to preserve the EU's financial stability.
- **Council and Parliament reach an agreement on Daisy Chains**
The [agreement](#) is a targeted amendment of the BRRD and the SRMR to include selected proportionality requirements to the treatment of 'internal MREL' in bank resolution groups.
- **EIOPA updates representative portfolios to calculate volatility adjustments to the Solvency II**
It [published](#) the updated representative portfolios that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures in 2024 for Solvency II.

United Kingdom

- **BoE publishes 7th edition of the Regulatory Initiatives Grid**
It [enables](#) the financial services industry and other stakeholders to understand – and plan for – the timing of the initiatives that may have a significant operational impact on them.
- **BoE consults on the codes of practices for wholesale cash distribution market oversight**
It sets out [proposals](#) for the market oversight codes of practice (CoPs), which provide transparency on the minimum standards of conduct and practice that recognised firms must meet. Deadline: Jan 31, 2024.
- **PRA statement on liquidity and disclosure requirements for simpler-regime firms**
Includes PRA's [final policy](#) on amendments to the liquidity, reporting and disclosure rules for simple-regime firms and it updates PRA's approach to supervising liquidity and funding risk.
- **PRA statement on operating the Small Domestic Deposit Taker (SDDT) regime**
It [covers](#) how UK firms and CRR consolidated entities that are part of groups based outside of the UK could access the SDDT regime.
- **BoE consults on step-in risk, shadow banking entities and groups of connected clients**
It sets out the [proposed rules](#) on assessment of step-in risk; the proposal to transfer EBA guidelines on limits on exposure to shadow banking entities and on connected clients. Deadline: Mar 5, 2024.
- **FCA consults on regulatory approach for overseas funds**
The [objective](#) is to provide a streamlined process that allows non-UK domiciled funds to market to UK retail customers where the government has found a jurisdiction equivalent.
- **FCA sets out forbearance measures for investment company cost disclosure**

The [aim](#) is enabling funds, on a temporary basis, to provide additional context where they are concerned that the aggregate figure currently required by legislation does not accurately reflect ongoing costs.

- **FCA statement on communications in relation to PRIIPs and UCITS**

It sets out an [interim measure](#) to give investment companies greater ability to explain their costs and charges to help consumers make better informed investment decisions.

- **HM Treasury publishes draft statutory instrument on Money Market Funds**

It [explains](#) the government's approach to establishing a new legislative framework for MMFs, and will facilitate the delivery of new FCA rules to replace detailed requirements for MMFs. Deadline: Jan 24, 2024.

United States

- **CFTC issues proposed guidance regarding the listing of voluntary carbon credit derivative contracts**

It [consults](#) on the listing for trading of voluntary carbon credit derivatives contracts. It outlines factors that should be considered when addressing CEA and CFTC regulations. Deadline: Feb 16, 2024.

- **OCC issues guidance on 'Buy Now, Pay Later' lending**

It focuses on the [risk management](#) of these loans, noting that banks should maintain underwriting, repayment terms, pricing and safeguards that minimize adverse customer outcomes and ensure clear disclosure.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Global regulatory standards in a fragmenting financial system*. November 2023
- [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.

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

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