

Financial Regulation: Weekly Update

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Highlights

1. EBA proposes a voluntary EU green loan label to help spur markets
2. EBA publishes ITS on disclosures and reporting on MREL and TLAC
3. ESMA issues methodology for climate risk stress testing and financial impact of greenwashing
4. FSB publishes global monitoring report on non-bank financial intermediation (NBFI) 2023
5. SSM publishes SREP results and supervisory priorities

Global

- **FSB publishes global monitoring report on non-bank financial intermediation (NBFI) 2023**
It [highlights](#) a decrease in the size of the NBFI sector in 2022, the first notable decrease since 2009, largely due to the impact of higher interest rates on asset valuations.
- **FSB and IOSCO issue policies to address vulnerabilities from liquidity mismatch in open-ended funds**
The revised [recommendations](#) set out the key objectives for an effective regulatory and supervisory framework and to strengthen the liquidity management of open-ended funds compared to current practices.
- **IOSCO publishes its recommendations on accounting for goodwill**
It is [destined](#) to issuers, audit committees, and external auditors aimed at enhancing the reliability, faithful representation and transparency of goodwill recorded and disclosed in the financial statements.
- **IOSCO finalizes its policy recommendations for decentralized finance (DeFi)**
It [aims](#) to address market integrity and investor protection concerns arising from DeFi by supporting greater consistency of regulatory frameworks and oversight in member jurisdictions.
- **IOSCO issues statement on online harm**
It [seeks](#) to: i) warn retail investors about online harm, ii) serve as a call to action for regulators to respond to online harm, and iii) invite other relevant stakeholders to support global efforts to reduce online harm.
- **IOSCO issues consultation report on market outages**
It [aims](#) to identify lessons learnt from recent market outages and develop good practices for trading venues to improve market-wide resilience in the event of an outage. Deadline: Mar 1, 2024.

Europe

- EBA proposes a voluntary EU green loan label to help spur markets**
It [proposes](#) that the definition and labeling framework, while based on the Taxonomy, incorporate a degree of flexibility to facilitate market participants' credible efforts in contributing to environmental objectives.
- EBA publishes ITS on disclosures and reporting on MREL and TLAC**
The [amendments](#) reflect, among other issues, the new requirement to deduct investments in eligible liabilities of entities from the same resolution group (daisy-chain). These will apply for the reference date of June 2024.
- SSM publishes SREP results and supervisory priorities**
It [shows](#) banks have solid capital and liquidity positions and increased profitability. The supervisory priorities will focus on building resilience to short-term risk outlook, strengthening governance and climate and environmental risk management, as well as digital transformation and operational resilience.
- EBA publishes report on liquidity measures**
It [highlights](#) that the EU banks' liquidity coverage ratio declined but remained comfortably above the minimum requirement in domestic currency, but EU banks' LCR in foreign currencies remained below 100%.
- ESMA consults on draft guidelines for supervision of corporate sustainability information (CSRD)**
It [aims](#) to establish consistency in the supervision of listed companies' sustainability and financial information, to increase its connectivity. It expects to publish the final Guidelines in Q3 2024.
- ESMA issues methodology for climate risk stress testing and financial impact of greenwashing**
It [presents](#) a methodological approach to modeling climate-related shocks in the fund sector and explores the use of ESG controversies for the purpose of monitoring greenwashing risks.
- ESMA publishes market report on the costs and performance of EU retail investment products**
It [considers](#) the average cost of retail investment products declines but significant differences remain between Member States in the EU.
- ESMA consults on potential changes to the CSDR penalty mechanism**
It [aims](#) to collect evidence and data from stakeholders on the effectiveness of the current penalty mechanism in discouraging settlement failures and incentivizing their rapid resolution. Deadline: Feb 29, 2024.
- EBA publishes guidance on experience of the management or administrative organ of credit servicer**
It [specifies](#) criteria for the assessment of the organs' collective knowledge and experience to ensure that the organs are capable of conducting the business of the credit servicer in a competent and responsible manner.
- ESAs propose extending the EMIR equity option exemption**
They [published](#) the joint draft RTS under the EMIR where they are proposing a two-year extension to the equity option exemption from bilateral margining, as well as issuing a no-action [opinion](#).
- SRB issues statement on the General Court's judgments on ex-ante contributions to the SRF**
It takes notes on the [ruling](#), stating that the General Court did not find flaws affecting the substance of the decisions, even if it considered that the SRB did not provide sufficient reasons in setting the annual target level. The SRB will carefully consider the content of the judgment to determine the next steps.
- EBA report on the deposit coverage level and coverage of public authorities' deposits**

Finds that a potential [change](#) to current coverage would have positive but limited impact on financial stability and depositor protection. It would also be costly and could have a negative impact on moral hazard.

- **EBA issues guidelines on the benchmarking of diversity practices**
Aims to ensure a higher level of [transparency](#) on the EBA's work on the topic of diversity and gender equality, to improve the quality of the collected data as well as the awareness of stakeholders in this area.
- **ESMA finalizes technical standards under the revised ELTIF regulation**
It [covers](#) the circumstances: i) under which ELTIF is considered compatible with the life cycles of each of the individual assets; and ii) for the use of the matching mechanism. It also covers the costs of disclosure.
- **ESMA updates the parameters and methodology for MMF stress testing**
It [combines](#) an update of the methodology to implement the scenario related to the hypothetical changes in the level of liquidity of the assets held in the MMF portfolio, with the annual calibration of the risk parameters.
- **EIOPA report on the costs and past performance of retail investment products**
It [analyzes](#) the costs of insurance and pension policies in 2022. Unit-linked and hybrid products offered overall negative returns, while profit participation products, given their features, provided positive returns.
- **EIOPA consultation on its proposed methodology for setting value-for-money benchmarks**
It [develops](#) a methodology for value-for-money benchmarks in unit-linked and hybrid products of the toolkit EIOPA has been developing to effectively deal with these risks. Deadline: Mar 15, 2024

Spain

- **CNMV publishes its annual report on NBFi in Spain**
The NBFi sector [maintains](#) its share within the financial system at 6%, but its assets in Spain have decreased by 8.6% compared to 2021. The risk assessment does not reveal any substantial changes.
- **CNMV consultation on the revision of the technical guide for audit committees**
It [seeks](#) to contribute to the proper functioning of audit committees in public-interest entities. The essential element is the handling of information on sustainability and its associated risks. Deadline: Mar 18, 2024.

United Kingdom

- **FCA, BoE and PRA publish report on cyber resilience good practice for firms**
It [contains](#) cyber resilience good practices and highlights the importance to build strong cyber hygiene and the need for firms to simulate a range of cyber testing scenarios to remain resilient to threats.
- **FCA issue new rules on market listing**
The [proposal](#) aims to make the UK's listing regime more accessible, effective and competitive, with a simplified regime with a single listing category.
- **FCA issues update to ancillary activities exemption for commodity derivatives**
The authority will continue to apply its [current approach](#), allowing firms to continue the use of the ancillary activities exemption for 2024-2025 where they were able to rely on the exemption for 2022-2023.
- **PRA consultation on leverage ratio treatment of omnibus account reserves**
It introduces new [rules](#) to exclude reserves held in omnibus accounts from the leverage ratio, subject to specific conditions. Deadline: Apr 8, 2024.

- **HM Treasury issues statement on actions regarding open banking**

It provides an [overview](#) of the progress made since April 2023 to enable the next phase of open banking in the UK.

United States

- **Agencies issue statement on annual asset-size threshold under CRA**

It updates the [asset-size thresholds](#) used to define “small bank” (less than \$1.564 billion) and “intermediate small bank” (between \$391 million and \$1.564 billion) under the CRA. Effective date: Jan 1, 2024.

- **FDIC issues statements on transactions following the failure of Signature Bank**

It presents information on [different](#) transactions [following](#) the marketing of the \$33 billion Commercial Real Estate loan portfolio retained in receivership after the failure of Signature Bank.

- **CFTC approves its amendments on real-time public reporting and swap data recordkeeping**

The [measures](#) are part of its continued efforts towards international data harmonization and to ensure it continues to receive accurate, complete, and high-quality data on swap transactions.

- **Agencies issue statement on the extension of no-action positions regarding Regulation O**

It extends the [temporary](#) no-action position to allow more time to consider potential unintended consequences on companies that sponsor, manage or advise investment funds. New deadline: Jan 1, 2025.

- **CFTC consultation on rules to amend capital and financial reporting requirements in the swap market**

It [proposes](#) rule changes to enhance financial reporting for Swap Dealers and Major Swap Participants, aiming to streamline compliance and align with minimum capital requirements. Deadline: Feb 13, 2024.

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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