

# Financial Regulation: Weekly Update

Matias Cabrera and Salvador Portillo

April 5, 2024

## Highlights

1. ESRB issues report on climate-related risks and IFRS financial statements
2. ESMA issues consultation on amendments to the Credit Rating Agencies regulatory framework
3. ESMA clarifies application of certain MIFIR provisions
4. ESMA issues consultation under MiCA
5. BoE and FCA issue joint consultation and draft guidance on the Digital Securities Sandbox (DSS)

## Global

- **IOSCO issues consultation on the evolution of market structures and proposed good practices**  
It [analyzes](#) structural changes within exchanges, highlighting shifts towards more competitive, cross-border, and diversified operations. It discusses regulatory considerations and good practices for regulators to consider. Deadline: Jul 3, 2024.
- **ISDA issues report on Interest Rate Derivatives (IRD) in Europe**  
It [analyzes](#) IRD trading activity reported in 2023. The analysis is based on transactions publicly reported by 30 European approved publication arrangements (APAs) and trading venues (TVs).
- **IAIS issues consultation on draft revisions to supervisory material related to the Holistic Framework**  
It [changes](#) guidance related to liquidity risk, counterparty risk appetite, contingency funding plans and standards and updates guidance related to recovery and resolution plans. Deadline Jun 27, 2024.

## Europe

- **ESRB issues report on climate-related risks and IFRS financial statements**  
It [considers](#) that while IFRS generally enable entities to effectively reflect climate-related risks in their financial statements, minor amendments would have positive implications for financial stability.
- **ESMA issues consultation on amendments to the Credit Rating Agencies regulatory framework**  
The [objective](#) is to ensure a better incorporation of ESG factors in the credit rating methodologies and disclosure to the public, as well as to enhance transparency and credibility in the credit rating process.
- **ESMA clarifies application of certain MIFIR provisions**  
It [covers](#) guidance on equity and non-equity transparency, the systematic internalizer regime, designated publishing entities and reporting. ESMA will develop the draft technical standards.

- ESMA issues consultation under MiCA**

It seeks [inputs](#) on four sets of proposed rules and guidelines, covering: i) detection and reporting of suspected market abuse; ii) policies and procedures for transfer services; iii) suitability requirements and iv) ICT operational resilience. Deadline: June 15, 2024.
- EBA issues Q4 2023 Risk Dashboard**

It [finds](#) banks capitalisation stands at record levels, liquidity has improved, while ROE stood at 10.3%. Yet, early signs of credit quality deterioration have become more apparent.
- ESMA issues guidance on the clearing obligation for trading with 3rd country Pension Schemes**

It [issues](#) a public statement on deprioritizing supervisory actions linked to the clearing obligation for third-country pension scheme arrangements, pending the finalization of the review of EMIR.
- EBA issues revised list of ITS validation rules**

Highlights the [rules](#) that have been deactivated either for incorrectness or for triggering IT problems.
- ESMA issues communication on the transition to the revised MiFID rulebook**

It [acknowledges](#) the need for guidance particularly on the application of Article 54(3) MiFIR which foresees the continued application of the delegated acts in place beyond Mar 28, 2024.
- ESMA finalizes first rules on crypto-asset service providers (CASPs)**

It includes [proposals](#) on: authorization requirements for CASPs; notification of the intention to provide crypto-asset services; management of complaints and assessment of acquisitions of qualifying holdings.
- ESMA issues letter on DLT Pilot Regime**

Letter [addressed](#) to the EC, the Parliament and the ECOFIN with an interim update on the DLT Pilot Regime. It includes a list of challenges and the opportunities identified.
- EIOPA consults on natural catastrophe risk reassessments in the standard formula**

It [aims](#) to better capture the risks stemming from perils such as earthquakes based on new insights, new data and new models that have come online since the last reassessment in 2018. Deadline: Jun 20, 2024.
- EIOPA stress tests European insurers' resilience)**

It [aims](#) to assess how European insurers would cope with the wide-ranging economic and financial market consequences of a re-intensification or prolongation of geopolitical tensions.

## United Kingdom

- BoE and FCA issue joint consultation and draft guidance on the Digital Securities Sandbox (DSS)**

It invites [views](#) from interested parties on how the DSS will operate in practice, to maximize the potential benefits of the technology while protecting financial stability and market integrity, Deadline: May 29, 2024.
- PRA issues policy statement on Financial Services Compensation Scheme (FSCS)**

It provides feedback to a previous consultation, and contains the [final rule](#) for the FSCS Management Expenses Levy Limit for 2024/2025.
- BoE, FCA, PRA and Payment System Regulator (PSR) issue review of MoU on payment systems**

It [continues](#) to set out the high-level framework the Authorities use to cooperate in relation to payment systems in the UK, which is required annually in the Financial Services Act 2013.
- BoE publishes external MREs for 2024**

MREL requirement for all firms with a [resolution entity](#) in the UK. It includes supporting assumptions and firm-specific information for bail-in and partial transfer resolution strategy.

- **BoE consults its proposed changes to statements of policy and procedure**  
It [follows](#) the recent enactment of legislation creating additional responsibilities for the Bank (including the PRA) in relation to enforcement.
- **FPC issues macroprudential approach to operational resilience**  
It will [review](#) the existing policies on operational resilience, monitoring for new threats, changes in technology, and changes in the way vital services are provided.
- **FCA issues guidance on the use of social media ads**  
It [sets out](#) how adverts across social media channels must be fair, clear and not misleading, meaning they must have balance and carry the right risk warnings

## United States

- **CFPB issues circular on international money transfers**  
It warns remittance [transfer providers](#) about false claims regarding cost and speed, highlighting several marketing practices that may violate regulations prohibiting deceptive acts or practices.
- **CFPB issues report on banking in video games and virtual worlds**  
It [examines](#) the growth of financial transactions in online video games and virtual worlds. These platforms increasingly resemble traditional banking and payment systems that facilitate the storage and exchange of billions of dollars in assets, including virtual currencies
- **FinCEN issues request for information on requirements regarding customer identification**  
It relates to the [requirement](#) for banks to collect a taxpayer identification number from a customer prior to opening an account. The objective is to modernize the AML/CFT regime. Deadline: 60 days following publication in the Federal Register.

## Recent publications of interest (in English and Spanish):

- [Press Article](#). *Will the European Artificial Intelligence Regulation favor the development of this technology?*. (Spanish only). March 2024.
- [Press Article](#) *Priorities of European authorities for 2024: Sustainable and digital finances*. (Spanish only). February 2024
- [Press Article](#). *Basel III, ESG regulation and digital finance... the plans for global regulators for 2024* (Spanish only). February 2024
- [Press Article](#). *Keys to digital and banking regulation for 2024* (Spanish only). January 2024

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

## DISCLAIMER

The present document does not constitute an “Investment Recommendation”, as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (“MAR”). In particular, this document does not constitute “Investment Research” nor “Marketing Material”, for the purposes of article 36 of the Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (MIFID II).

Readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data or opinions regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorised by BBVA on its website [www.bbva.com](http://www.bbva.com).