

Financial Regulation: Weekly Update

Matías Cabrera and Inés Criado
July 04, 2025

Highlights

1. ESAs consult on the integration of ESG risks in the stress tests for banks and insurers
2. EBA consults on guidelines on the application of the definition of default under CRR
3. EBA publishes guidelines on Acquisition, Development and Construction (ADC) exposures
4. EBA consults on guidelines on the methodology to estimate Credit Conversion Factors (CCF)
5. US Agencies consult on proposal to modify certain regulatory capital standards

Global

FATF urges stronger global action to address illicit finance risks in virtual assets

It [finds](#) that jurisdictions have made progress towards developing AML/CFT regulation and taking enforcement actions, but it also indicates the need for further work on licensing and registration.

IAIS consults on the insurance sector operational resilience

It [supports](#) supervisors and insurers in understanding how to address operational resilience in light of insurance risk management and other relevant requirements. Deadline: September 29, 2025.

IAIS publishes high-level principles for the development of the Insurance Capital Standard

The ICS [serves](#) as a group-wide prescribed capital requirement, representing a solvency control level below which supervisors will intervene on group capital adequacy grounds.

Europe

ESAs consult on the integration of ESG risks in the stress tests for banks and insurers

It [aims](#) to harmonize methodologies and practices among supervisors to ensure proportionality and to enhance the effectiveness and efficiency of ESG stress testing. Deadline: September 19, 2025.

EBA consults on guidelines on the application of the definition of default under CRR

It [proposes](#) to maintain the existing 1% threshold for the net present value loss in debt restructuring with the objective of a more proactive debt restructuring. Deadline: Oct 15, 2025.

EBA publishes guidelines on Acquisition, Development and Construction (ADC) exposures

They [specify](#) the credit risk-mitigating conditions under which banks may apply a risk weight of 100% instead of 150% to ADC exposures and offer flexibility for public housing projects.

EBA consults on guidelines on the methodology to estimate Credit Conversion Factors (CCF)

It [consults](#) on the methodology institutions shall apply for their own estimation and application of CCF under the IRB approach according to the CRR3. Deadline: October 15, 2025.

ECB approves plan to enable settling DLT transactions using central bank money

It [follows](#) a two track approach: 1) “Pontes”: which provides a short-term offering to the market, including a pilot phase; 2) “Appia”: which focuses on a potential long-term solution.

EBA and ECB support harmonized implementation of updated NACE classification

They [welcome](#) the advice of the Joint Bank Reporting Committee in favor of a harmonized implementation of the revised statistical classification of economic activities, NACE Rev. 2.1.

ECB and AMLA sign agreement on cooperation

It [sets out](#) a framework to cooperate and exchange information, with a view to enhancing supervisory effectiveness, maximizing efficiency, and avoiding duplication of effort.

ESMA publishes report on sustainability risks in the investment management sector

It [finds](#) improvements are needed in the integration of sustainability risks, entity level SFDR disclosures and product level SFDR disclosures.

EBA publishes its spring 2025 risk assessment report

It [notes](#) that at the end of 2024, banks maintained a solid capital and liquidity base, while profits were at historically high levels. Uncertainty and market volatility could challenge these levels.

ESMA issues report on the scope of CSDR settlement discipline

It specifies the scope of CSDR [cash penalties](#), supporting the simplification and burden reduction in post-trading. It provides technical advice to the EC on these issues.

ESMA promotes clarity in sustainability-related communications

It [outlines](#) four guiding principles on making sustainability claims and offers practical do's and don'ts, illustrated through concrete examples, based on observed market practices.

ESMA publishes results of the common supervisory action on pre-trade controls under MiFIDII

It is [aimed](#) at understanding investment firms' use of pre-trade controls. Most firms have integrated these controls, but practices and governance vary and are sometimes weak.

ESRB publishes opinions on Swedish macroprudential measures

It justifies the extension of the period of application of stricter national measures for [residential](#) and [commercial](#) real estate in accordance with Article 458 of the CRR for institutions using IRB models.

SRB publishes its annual report

It details its work during 2024 highlighting [key milestones](#). It explains that MREL remained within target, the SRF did not raise contributions, and that advancements were made in crisis readiness.

SRB issues operational guidance to Solvent Wind-Down of trading books

The [updated guide](#), which replaces the 2021 version, introduces greater proportionality and flexibility. It sets out the scope and main expectations for SWD planning and potential execution.

ECB publishes list of supervised entities as of May 1, 2025

It directly [supervises](#) 114 significant entities. It maintains a list of all significant banks under its direct supervision (Part A) and less significant banks under indirect supervision (Part B).

EIOPA consults on revised guidelines on the supervisory review process

It [aims](#) to update the guidelines by clarifying existing instructions as necessary in light of the Solvency II review and by bringing emerging risks within their scope.

EIOPA publishes report on tools to identify, measure and manage biodiversity risks

It [notes](#) promising market practices among (re)insurers and points to areas where further engagement is key to strengthening the industry's ability to respond to biodiversity-related risks.

United Kingdom

PRA publishes policy statement to update UK policy framework for capital buffers

It [streamlines](#) some policy materials to enhance usability and clarity, but is not proposing changes to its policy approach on the implementation of capital buffers.

United States

US Agencies consult on proposal to modify certain regulatory capital standards

It would set the [enhanced supplementary leverage ratio](#) for both bank holding companies and their depository institution subsidiaries so that it is based on a banking organization's overall systemic risk. Deadline: Aug 16, 2025.

FRB publishes the results of its annual bank stress test

They show that [large banks](#) are well positioned to weather a severe recession, while staying above minimum capital requirements and continuing to lend to households and businesses.

SEC issues statement on crypto asset exchange-traded products

It [shares](#) its views on the application of certain disclosure requirements under the federal securities laws to offerings and registrations of securities by issuers of crypto asset exchange-traded products

OCC issues its semiannual risk perspective report for spring 2025

It [shows that](#): i) commercial credit risk is increasing, ii) retail credit risk remains stable, iii) market risk improved, iv) operational risk is elevated, and v) compliance risk remains elevated.

US Agencies issue exemption order to customer identification program requirements

It [permits](#) a bank or credit union to use an alternative collection method to obtain taxpayer identification number (TIN) information from a third-party rather than from the customer.

SEC extends period to comply with the broker-dealer customer protection rule

The new rule requires certain [broker-dealers](#) to increase the frequency of required reserve computations from weekly to daily. New deadline: Jun 30, 2026.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *Financial conglomerates: It really depends*. May 2025
- [Press Article](#). *Launch of the European Savings and Investment Union*. May 2025
- [Press Article](#). *Achievements and challenges following a decade of European resolution*. February 2025
- [Press Article](#). *What we ask from Von der Leyen's Omnibus initiative*. February 2025

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.bbvarresearch.com.