

Financial Regulation: Weekly Update

Matias Cabrera and Inés Criado

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Highlights

1. BCBS publishes press release on the expected implementation of Basel III and other topics
2. FSB calls on G20 leaders to implement agreed reforms fully
3. ESAs and ECB publish results of the one-off “Fit-For-55” climate stress test
4. EBA updates its list of Common Equity Tier 1 instruments
5. MinECO publishes that financial institutions can already join the ICO DANA guarantee line

Global

- **BCBS publishes press release on the expected implementation of Basel III and other topics**
The committee [reaffirms](#) expectation to implement Basel III consistently and timely, finalizes guidelines on counterparty credit risk and progresses work on supervisory effectiveness following the 2023 turmoil.
- **FSB calls on G20 leaders to implement agreed reforms fully**
It [warns](#) of ongoing vulnerabilities within the global financial system. It emphasizes that authorities must put policies into national laws and regulations, and also build the capacity to operationalize them.
- **FSB publishes report on legal and regulatory challenges to the use of compensation tools**
It looks at progress made by jurisdictions in implementing [compensation tools](#), and finds that there is complexity and variability in their implementation. It highlights practical solutions to address challenges.
- **FSB publishes its annual financial stability report**
It [provides](#) an overview of the FSB’s work in the main regulatory areas. It also looks at progress in implementing G20 reforms and outlines work to be undertaken in 2025.
- **IOSCO issues consultation report regarding the practice of pre-hedging**
The report assesses potential [conduct](#) and market integrity issues associated with the practice of pre-hedging and issues a series of recommendations. Deadline: Feb 21, 2025.
- **IOSCO publishes roadmap to enhance retail investor online safety**
It seeks to safeguard [retail investors](#) from fraud, excessive risk and misinformation as digital trading and social media reshape the financial market. It delivers three consultation reports on [finfluencers](#), copy [trading](#) and digital [engagement](#) practices. Deadlines: Jan 20, 2025.

- **IAIS consults on application paper regarding the supervision of artificial intelligence**
It reinforces the importance of the [Insurance Core Principles](#), outlining how expectations around governance and conduct remain essential for supervisors and insurers using AI. Deadline: Feb 17, 2025.

Europe

- **ESAs and ECB publish results of the one-off “Fit-For-55” climate stress test**
It was [conducted](#) against three scenarios which incorporate transition risks as well as macroeconomic factors, under the assumption that the Fit-for-55 package is implemented as planned.
- **EBA updates its list of Common Equity Tier 1 instruments**
Since the last update (Dec 2022), it [eliminates](#) the reference to the grandfathered instruments, adds few new instruments, deletes some others no longer in use and reflects changes in national legislative provisions.
- **ESAs publish timeline to collect information of critical ICT third-party service providers under DORA**
It [requires](#) NCAs to report by the register of information on contractual arrangements of the financial entities with ICT third party service providers Apr 30, 2025.
- **EBA publishes two sets of guidance to ensure the implementation of Union and national sanctions**
The [first](#) for all institutions and the second for payment service providers and crypto-asset service providers on the governance arrangements and the policies, procedures and controls that these institutions should have in place to be able to comply with EU and national measures.
- **ESAs publish joint guidelines on the exchange of information relevant to fit and proper assessments**
ESAs [have developed](#) a F&P Information System to enhance the information exchange and the Joint Guidelines clarify its use and how data can be exchanged between EU supervisory authorities.
- **EBA publishes opinion on EC’s proposed amendments to its ITS on reporting and disclosure**
It [acknowledges](#) that the EC proposal (to include the templates in the package to be published in the OJEU) provides some flexibility compared to the current version of the ITS and accepts it as an intermediate step.
- **ESMA consults on the conditions of the active account requirement (AAR) under EMIR**
It wants [input](#) on operational conditions, counterparties’ representativeness, and reporting requirements to assess compliance with the AAR. Deadline: Jan 27, 2025.
- **ECB publishes its November 2024 financial stability review**
It [states](#) that Euro area financial stability vulnerabilities remain elevated in a volatile environment. The economic growth remains fragile and there are concerns on global trade outlook and geopolitical uncertainty.
- **ESMA publishes final report on technical advice for the EC on the penalty mechanism under CSDR**
It [aims](#) at incentivizing all actors in the settlement chain to improve settlement efficiency, also in view of the potential move to T+1 in the EU.
- **ESMA publishes final report on assessment of the shortening of the settlement cycle in the EU**
It [highlights](#) that the increased efficiency and resilience of post-trade processes prompted by a move to T+1 would facilitate achieving the objective of further promoting settlement efficiency in the EU.
- **ESRB publishes climate-related scenarios for the one-off Fit-for-55 scenario analysis exercise**
It [sets out](#) one baseline scenario and two adverse scenarios. All the scenarios reflect the European Commission’s request that the climate objectives of the Fit-for-55 package are achieved by 2030.

- **Council adopts new regulation on ESG rating activities**
It [aims](#) to make rating activities in the EU more consistent, transparent and comparable in order to boost investors' confidence in sustainable financial products.
- **Council adopts new rules on clearing services that revise EMIR**
It lays down [rules](#) on OTC derivatives, CCPs and trade repositories. It aims to streamline and shorten procedures, improving consistency between rules and strengthening CCP supervision.
- **EIOPA welcomes international agreement on a new global capital standard for insurers**
It [welcomes](#) the approval of the global Insurance Capital standard by the International Association of Insurance Supervisors as a prescribed capital requirement for internationally active groups.
- **EIOPA publishes opinion on the scope of DORA in light of the review of the Solvency II framework**
It [calls](#) on the EC to take the necessary actions to avoid disproportionate compliance efforts from small insurance undertakings in the transition period prior to the application of the revised Solvency II Directive.

Spain

- **MinECO publishes that financial institutions can already join the ICO DANA guarantee line**
It [establishes](#) an allocation of 5 billion euros in guarantees that will help affected households, the self-employed and companies to access financing under the best conditions.

United Kingdom

- **BoE consults on rules for UK financial market infrastructures (FMIs) and how to supervise them**
The [aim](#) is to increase transparency by setting out the Bank's expectations of FMIs. It has also published an updated approach document to set out how it supervises these critical firms. Deadline: Feb 19, 2025
- **PRA consults on UK insurance special purpose vehicles regulatory framework**
It [proposes](#) to allow the UK non-life insurance sector to play a bigger role in the global Insurance Linked Security market, while continuing to offer policyholders a level of protection consistent with the PRA's objectives. Deadline: Feb 14, 2025.
- **PRA publishes policy statement on recovery period for insurers to restore their SCR**
It [sets out](#) factors to be considered when determining if an insurer should be permitted to have an extension of the permissible recovery period to restore full SCR including adverse situations declared.
- **PRA publishes policy statement on insurance own funds permission under Solvency II**
It [sets out](#) its approach to granting the regulatory permissions on own funds and also the circumstances in which it may take the decision to revoke an own funds permission.
- **PRA publishes policy statement on volatility adjustment permissions under Solvency II**
It [sets out](#) its approach to granting regulatory permissions in relation to the volatility adjustment, as well as variations to those permissions, and the circumstances in which the PRA may consider revoking them.
- **PRA publishes policy statement on the restatement of assimilated law under Solvency II**
It [concludes](#) an important step in the adaptation of the UK's prudential regime for insurers inherited from the EU into a framework consistent with the UK's approach to financial services regulation.

- **PRA publishes supervisory statement on the calculation of technical provisions under Solvency II**
It [sets out](#) its expectations in respect of insurers applying simplifications to the best estimate and risk margin elements of the technical provisions, expanding on the rules set out in the PRA Rulebook.
- **PRA publishes supervisory statement on the pension scheme risk under Solvency II**
It [sets out](#) its expectations of firms to define benefit pension schemes and provides further clarity to firms that are part of a group that contains a company which sponsors a defined benefit pension scheme.
- **PRA publishes policy statement on the standard approach to calculate SCR under Solvency II**
It [sets out](#) its approach to adaptations relating to the standard formula, which is the default methodology for the calculation of the Solvency Capital Requirement by UK Solvency II firms, as set out in the PRA Rulebook.

United States

- **FDIC issues statement on consultation regarding deposit insurance recordkeeping**
It announces an [extension](#) to the public comment period for the proposal on recordkeeping for custodial accounts, which seeks to address risks related to certain third-party arrangements. Deadline: Jan 16, 2025.

Recent publications of interest (in English and Spanish):

- [Press Article](#). *How should banks integrate climate in their risk management* (only in Spanish). August 2024
- [Press Article](#). *Basel III: good news for the prudent financial 'drivers'* (only in Spanish). June 2024
- [Press Article](#). *Lessons and reforms one year after the financial turmoil* (only in Spanish). May 2024
- [Press Article](#). *Will the European Artificial Intelligence Regulation favor the development of this technology?* (Spanish only). March 2024.

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

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