

Toronto Centre Publications Monitoring Report

March 2021

A synopsis of recently issued supervisory guidance, news releases, working papers and related documents from over 50 global and regional standard setting bodies, national regulators, international organizations and industry groups as well as the latest TC Notes. This report is prepared monthly for the TC Community. With the exception of the TC Notes, the summaries are taken from the organizations' web sites. Toronto Centre does not hold the copyright to these abstracts.

TC Notes

Date	Organization	Title & Abstract
March 2021	Toronto Centre	<p><u>Integrating Microprudential Supervision with Macroprudential Policy</u></p> <p>Toronto Centre Note explains why the macro and microprudential approaches and disciplines have to be integrated for the effective oversight of individual institutions and the financial system as a whole. It explains why the microprudential authority will need to be deeply involved in the macroprudential approach and how the macroprudential approach modifies the approach to microprudential supervision. It outlines a framework for integrating microprudential supervision with macroprudential policy.</p>

TC Podcasts/Webcasts/Videos

Date	Organization	Title & Abstract
March 2021	Toronto Centre	<p><u>Impact of Changes in USA Climate Policy for Supervisors and Regulators</u></p> <p>Toronto Centre podcast discusses changes in United States' climate policy and the potential impact for domestic and international supervisors and regulators.</p>

Standard Setting Bodies

Date	Organization	Title & Abstract
March 31, 2021	BCBS	<p><u>Basel Committee Issues Principles for Operational Resilience and Risk</u> The BCBS issued <i>Principles for Operational Resilience</i>, which aim to make banks better able to withstand, adapt to and recover from severe adverse events. The Committee is also issuing revisions to its <i>Principles for the Sound Management of Operational Risk</i> (PSMOR) reflecting the natural relationship between operational resilience and operational risk.</p>
March 31, 2021	EBA	<p><u>EBA Launched Public Consultation on Regulatory Technical Standards on Disclosure of Investment Policy by Investment Firms</u> The EBA published a consultation paper on draft regulatory technical standards (RTS) on disclosure of investment policy by investment firms. The draft RTS put forward comparable disclosures that should help stakeholders understand investment firms' influence over the companies in which they have voting rights and the impact of investment firms' policies on aspects such as the governance or management of those companies.</p>
March 22, 2021	EBA	<p><u>The EBA Takes Steps to Address 'De-Risking' Practices</u> The EBA published three regulatory instruments to address de-risking practices based on evidence gathered in its call for input. The instruments clarify that compliance with anti-money and countering terrorist financing (AML/CTF) obligations in EU law does not require financial institutions to refuse, or terminate, business relationships with entire categories of customers that they consider to present a higher ML/TF risk.</p>
March 18, 2021	EBA	<p><u>EBA Consults on its Revised Guidelines on Recovery Plan Indicators</u> The EBA published a consultation paper on its revised guidelines on recovery plan indicators. While maintaining overall stability to the current recovery plan indicators framework, the revised guidelines provide additional guidance on indicators' calibration, monitoring and breaches notifications. The amendments aim at strengthening the quality of recovery indicators framework and contributing to effective crisis preparedness of institutions.</p>
March 17, 2021	EBA	<p><u>EBA Consults on Changes to its Guidelines on Risk-based AML/CFT Supervision</u> The EBA launched a public consultation on changes to its Guidelines on Risk-Based Supervision of credit and financial institutions' compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) obligations. The proposed changes address the key obstacles to effective AML/CFT supervision that the EBA has identified during its review of the existing guidelines, including the effective use of different supervisory tools to meet the supervisory objectives.</p>
March 17, 2021	EBA	<p><u>EBA Consults on its Draft Guidelines for Institutions and Resolution Authorities on Improving Resolvability</u> The EBA published a consultation on guidelines for institutions and resolution authorities on improving resolvability. These guidelines aggregate existing international standards, leverage on existing EU best practices and implement them into an EU-wide legal document.</p>

Date	Organization	Title & Abstract
March 15, 2021	EBA	<p><u>EBA Reports on the Monitoring of the LCR Implementation in the EU</u> The EBA published its second report on the monitoring of liquidity coverage ratio (LCR) implementation in the EU. The report highlights areas in which further guidance is deemed useful for banks and supervisors in order to foster a common understanding and harmonization of the application of the liquidity standard across the EU, as well as to reduce some level playing field issues.</p>
March 11, 2021	EBA	<p><u>EBA Launches Public Consultation on Draft Revised Guidelines on Stress Tests of Deposit Guarantee Schemes (DGSs)</u> The EBA launched a public consultation on its revised guidelines on the stress tests conducted by national DGSs under the <i>Deposit Guarantee Schemes Directive</i> (DGSD). The proposed revision will extend the scope of the DGS stress testing, by requiring more tests that will cover additional aspects of DGS interventions.</p>
March 10, 2021	EBA	<p><u>EBA Assesses Consumer Trends for 2020/2021</u> The EBA published today its <i>Consumer Trends Report</i> for 2020/2021. The Report identifies topical issues including irresponsible lending, creditworthiness assessments, and digitalization, as well as others such as selling practices and access to bank account, which it has recently started to work on. The report also explains the measures the EBA has taken to mitigate the impact of the COVID-19 pandemic on consumers.</p>
March 10, 2021	EBA	<p><u>The EBA Consults on Guidance on How to Grant Authorisation as Credit Institution</u> The EBA published a consultation paper on its guidelines on a common assessment methodology for granting authorization as a credit institution. The draft guidelines are addressed to all competent authorities across the EU in charge of granting authorization as a credit institution, and cover the authorization requirements set out in the <i>Capital Requirements Directive</i> (CRD).</p>
March 5, 2021	EBA	<p><u>EBA Issues New Supervisory Reporting and Disclosures Framework for Investment Firms</u> The EBA published its final draft Implementing Technical Standards (ITS) on the supervisory reporting and disclosures of investment firms. These final draft ITS will ensure a proportionate implementation of the new prudential framework for investment firms taking into account the different activities, sizes and complexity of investments firms.</p>
March 3, 2021	EBA	<p><u>The EBA Highlights Key Money Laundering and Terrorist Financing Risks Across the EU</u> The EBA published its biennial opinion on risks of money laundering and terrorist financing (ML/TF) affecting the EU's financial sector. The ML/TF risks identified by the EBA include those that are applicable to the entire financial system, for instance the use of innovative financial services, while others affect specific sectors, such as de-risking. The list also includes ML/TF risks that emerge from wider developments such as the COVID-19 pandemic that has an impact on both firms' AML/CFT compliance and competent authorities' supervision.</p>
March 1, 2021	EBA	<p><u>EBA Publishes Final Revised Guidelines on Money Laundering and Terrorist Financing Risk Factors</u> The EBA published its final revised guidelines on ML/TF risk factors. In addition to strengthening financial institutions' risk-based approaches to AML/CFT, the revision supports the development of more effective and consistent supervisory approaches where evidence suggested that divergent approaches continue to exist.</p>

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March 1, 2021	EBA	<p><u>EBA Launches Public Consultation on Draft Technical Standards on Pillar 3 Disclosures of ESG Risks</u> The EBA published a consultation paper on draft implementing technical standards (ITS) on Pillar 3 disclosures on Environmental, Social and Governance (ESG) risks. The draft ITS put forward comparable disclosures that show how climate change may exacerbate other risks within institutions' balance sheets, how institutions are mitigating those risks, and their green asset ratio on exposures financing taxonomy-aligned activities, such as those consistent with the Paris agreement goals.</p>
March 1, 2021	EBA	<p><u>EBA Advises the Commission on KPIs for Transparency on Institutions' Environmentally Sustainable Activities, Including a Green Asset Ratio</u> The EBA published an opinion in response to the Commission's call for advice on KPIs and related methodology for the disclosure by credit institutions and by investment firms of information on how and to what extent their activities qualify as environmentally sustainable in accordance with the EU Taxonomy. In the advice, the EBA underlines the importance of the green asset ratio, supported by other KPIs, as a key means to understand how institutions are financing sustainable activities and meeting the Paris agreement targets.</p>
March 31, 2021	EBA EIOPA ESMA	<p><u>The European Supervisory Authorities Issue a Report on the Application of their Guidelines on Complaints-Handling</u> The three ESAs published a report on the application of their guidelines on complaints-handling. The report concludes that the guidelines have contributed to a consistent approach to complaints-handling across the banking, insurance and securities sectors and have resulted in better outcomes for consumers.</p>
March 17, 2021	EBA EIOPA ESMA	<p><u>ESAs Consult on Taxonomy-related Product Disclosures</u> The three European Supervisory Authorities have issued a consultation paper seeking input on draft Regulatory Technical Standards (RTS) regarding disclosures of financial products investing in economic activities that contribute to an environmental investment objective.</p>
March 2021	FATF	<p><u>Guidance for a Risk-Based Approach to Supervision</u> This non-binding guidance clarifies and explains how supervisors should apply a risk-based approach to their activities in line with the FATF Standards. It identifies innovative practices that can help to improve the effectiveness of AML/CFT supervision and thus the overall AML/CFT system. This guidance focuses on the general process by which a supervisor, according to its understanding of risks, should allocate its resources and adopt risk-appropriate tools to achieve effective AML/CFT supervision.</p>
March 31, 2021	FSB	<p><u>FSB Publishes Final Report of the Evaluation of Too-Big-to-Fail Reforms for Banks</u> The FSB published the final report on its evaluation of the effects of too-big-to-fail (TbTF) reforms for systemically important banks (SIBs). The evaluation examines the extent to which the reforms have reduced the systemic and moral hazard risks associated with SIBs, as well as their broader effects on the financial system.</p>
March 5, 2020	IOSCO	<p><u>IOSCO Reviews Implementation of Liquidity Risk Management Recommendations and Market Participants' Responses to COVID-19 Induced Market Stresses</u> IOSCO launched its <i>Thematic Review of the Recommendations for Liquidity Risk Management for Collective Investment Schemes</i> issued by IOSCO in 2018. The recommendations are meant to ensure that liquidity risk is managed to safeguard and protect the interests of investors, including in stressed market conditions.</p>

National Regulators

Date	Organization	Title & Abstract
March 11, 2021	OSFI	<p><u>Advancing a More Resilient and Proportional Banking Regulatory Framework in Canada</u> OSFI has launched an industry consultation on proposed regulatory changes to introduce the latest and final round of Basel III reforms into its capital, leverage and related disclosure guidelines for banks. OSFI is also proposing changes to enhance proportionality in its capital and liquidity regimes so they remain appropriate for smaller, less-complex banks.</p>
March 29, 2021	PRA	<p><u>Operational Resilience: Impact Tolerances for Important Business Services – PS 6/21, CP 29/19, DP 1/18</u> This policy statement provides feedback to responses to CP 29/19 <i>Operational Resilience: Impact Tolerances for Important Business Services</i>. It also contains the PRA’s final policy.</p>
March 29, 2021	PRA	<p><u>Operational Resilience: Impact Tolerances for Important Business Services – SS 1/21</u> This supervisory statement sets out the PRA’s expectations for the operational resilience of firms’ important business services, for which they are required to set impact tolerances. The policy objective is to improve the resilience of both firms and the wider financial sector to operational disruptions.</p>
March 29, 2021	PRA	<p><u>Outsourcing and Third Party Risk Management – PS 7/21</u> This policy statement provides feedback to responses to CP 30/19 <i>Outsourcing and Third Party Risk Management</i>. It also contains the PRA’s final SS 2/21 <i>Outsourcing and Third Party Risk Management</i>.</p>
March 29, 2021	PRA	<p><u>Outsourcing and Third Party Risk Management – SS 2/21</u> This supervisory statement sets out the PRA’s expectations of how PRA-regulated firms should comply with regulatory requirements and expectations relating to outsourcing and third party risk management.</p>
March 9, 2021	PRA	<p><u>Margin Requirements for Non-centrally Cleared Derivatives: Amendments to BTS 2016/2251— CP 6/21</u> This consultation paper sets out the PRA’s and FCA’s proposals to establish or extend exemptions for some products subject to bilateral margining requirements, and to align implementation phases and thresholds to the BCBS and the IOSCO standards.</p>
March 31, 2021	Federal Reserve	<p><u>Federal Reserve Board Adopts Final Rule Outlining and Confirming the Use of Supervisory Guidance for Regulated Institutions</u> The Federal Reserve Board adopted a final rule outlining and confirming the use of supervisory guidance for regulated institutions.</p>
March 29, 2021	Federal Reserve CFPB FDIC OCC NCUA	<p><u>Agencies Seek Wide Range of Views on Financial Institutions’ Use of Artificial Intelligence</u> The five federal financial regulatory agencies are gathering insight on financial institutions’ use of artificial intelligence (AI). They seek information from the public on how financial institutions use AI in their activities, including fraud prevention, personalization of customer services, credit underwriting, and other operations.</p>
March 4, 2021	Securities & Exchange Commission	<p><u>SEC Announces Enforcement Task Force Focused on Climate and ESG Issues</u> The SEC announced the creation of a Climate and ESG Task Force in the Division of Enforcement. The Task Force will develop initiatives to proactively identify ESG-related misconduct.</p>

International Organizations

Date	Organization	Title & Abstract
March 2021	BIS	<u>The Fintech Gender Gap</u> Using novel survey data for 28 countries, this paper finds a large 'fintech gender gap': while 29% of men use fintech products and services, only 21% of women do. The paper concludes by suggesting potential explanations for the gender gap and implications for challenges in fostering financial inclusion with new technology.
March 2021	FSI	<u>Big Techs in Finance: Regulatory Approaches and Policy Options</u> This paper provides an overview of the current regulatory landscape for big techs operating in finance and discusses avenues for improvement.
March 2021	FSI	<u>The Universe of Supervisory Mandates - Total Eclipse of the Core?</u> This paper outlines a range of initiatives that some supervisory authorities take to deliver on their core safety and soundness (S&S) remit, while minimizing potential tensions with other objectives.
March 2021	FinDev Gateway	<u>Catalyzing Women's Bank Account Use Through COVID-19 Relief</u> Report discusses lessons from India on leveraging government transfers to drive women's financial inclusion.
March 2021	FinDev Gateway	<u>Elevating the Collective Consumer Voice in Financial Regulation</u> This paper explores the potential impact of incorporating the collective voice of consumers into financial sector policy and regulation, and opportunities for funders to help elevate these voices.
March 2021	FinDev Gateway	<u>Empowering Women on a Journey Towards Digital Financial Capability</u> This report focuses on building the knowledge, skills, and attitudes necessary for customers to engage with digital financial services – and with that, goes beyond the work to date on financial literacy, financial capability and digital literacy. It also offers practical tools to develop DFC initiatives that promote women's active engagement in digital financial services and their economic empowerment.
March 2021	FinDev Gateway	<u>Narrowing the Gender Gap in Mobile Banking</u> This publication presents evidence from two connected field experiments in Bangladesh designed to encourage the adoption and use of mobile banking by poor, illiterate households.
March 2021	IMF	<u>Strengthening Bank Regulation and Supervision: National Progress and Gaps</u> The paper employs two complementary strategies. First, it pursues textual analysis (text mining) of the assessment reports to identify successes and challenges the authorities are facing. Second, it analyzes the grades in the Basel Core Principles assessments, including their evolution and association with bank fragility.

Other

Date	Organization	Title & Abstract
January 2021	Alliance for Financial Inclusion	<u>A Policy Framework for Women-Led MSME Access to Finance</u> The Framework provides guidance to regulators and policymakers from the AFI network and beyond, in developing policies and regulation to advance women-led MSMEs' access to finance.

