

March 2021

# GLOBAL REGULATORY UPDATE

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## COVID-19

### IIF COVID-19 Prudential Regulatory Database

Since March 2020, the COVID-19 health and related economic crisis has been met with an intense and unprecedented regulatory policy response. International and regional regulators have been adopting a range of prudential and broader regulatory measures to address the most important issues impacting the financial services sector.

In order to assist our members and the financial community in general, the IIF has compiled a table summarizing each of the prudential regulatory measures taken to date by G20 and other leading jurisdictions with links to the relevant regulator statements and releases. This table is being updated weekly and can be found [here](#).

On February 16, 2021 the IIF published a short report summarizing the banking regulatory measures taken in 2020. Between March and December 2020, the IIF recorded over 500 measures that were announced as part of the response to the COVID-19 crisis by the global standard setting bodies, G20 members and other leading financial jurisdictions. A variety of measures have been used, but the largest proportion are capital measures. The bulk of the measures were announced in March and April. However, there were noticeable increases in the number of announcements in September and December, including extending earlier short-dated measures. For more detail, please refer to the report [here](#).

#### Contact:

For more information, please contact Richard Gray ([rgray@iif.com](mailto:rgray@iif.com)), Takahiro Iwamoto ([tiwamoto@iif.com](mailto:tiwamoto@iif.com)) or Michaela Palmer ([mpalmer@iif.com](mailto:mpalmer@iif.com)).

## PRUDENTIAL CAPITAL

### BCBS Consultation on Securities Financing Transactions

In late January the BCBS issued a consultation paper on some proposed technical amendments to

the rules on haircut floors for securities financing transactions (SFTs).

The IIF contacted members to determine the level of member interest in this consultation and in response to that member feedback the IIF is working on a joint trades industry response to this consultation with our colleagues at ISDA. The consultation is inviting comments by March 31.

A link to the consultation paper can be found [here](#).

#### Contact:

For more information please contact Richard Gray ([rgray@iif.com](mailto:rgray@iif.com)) or Takahiro Iwamoto ([tiwamoto@iif.com](mailto:tiwamoto@iif.com)).

## EFFECTIVE REGULATION

### IBOR/Benchmark Transition

As members are aware in recent months a number of announcements were made by regulatory authorities and benchmark administrative bodies which should provide greater flexibility and clarity around the transition away from LIBOR, particularly with respect to the management of legacy contracts using LIBOR. This has been a significant issue for market participants and is a key issue which we have emphasized in our discussion with the authorities.

Also, on March 5<sup>th</sup> the UK Financial Conduct Authority (FCA) confirmed the date when all Libor settings will either cease or become non-representative. The FCA noted that this announcement is the “cessation event” under ISDA’s IBOR Fallbacks Supplement and the IBOR Fallbacks Protocol, which will fix the “spread adjustments” as of the date of the FCA announcement, March 5, 2021. The specific date of cessation for each currency settings are listed as Immediately after December 31, 2021 for all settings for sterling, euro, Swiss franc, Japanese yen and 1 week and 2-month US dollar. The remaining US dollar settings the cessation date is immediately after June 30, 2023.

The FCA also published several statements of policy in relation to the proposed new powers under Benchmarks Regulation (BMR), which confirm its

policy approach, explain its plans, and its proposal to use “a forward-looking term rate version of the relevant risk-free rate plus a fixed spread aligned with the spreads in ISDA’s IBOR fallback” for any synthetic rate. The FCA announced that it will consult in Q2 the use of new powers under the BMR to require continued publication of synthetic rate for some sterling and Japanese yen LIBOR settings. Separately, a consultation to determine which legacy contracts will be permitted to use any synthetic rate is scheduled in Q2.

A copy of the FCA announcement can be found [here](#).

In July of this year the FSB is expected to publish a Progress report on implementation of benchmark reform. The IIF working group and our joint trade association colleagues are currently evaluating the future intentions for the working group paper taking into account member feedback and in light of these numerous developments and the extent to which that work has already been reflected in other industry working group papers.

Contact:

For more information, please contact Richard Gray ([rgray@iif.com](mailto:rgray@iif.com)) or Takahiro Iwamoto ([tiwamoto@iif.com](mailto:tiwamoto@iif.com)).

## IIF Non-Bank Financial Intermediation (NBFI) WG

The Financial Stability Board (FSB), G-20 and IOSCO have laid out a comprehensive and ambitious work program for strengthening the resilience of Non-bank Financial Intermediation (NBFI), impacting funding and credit intermediaries and markets, including money market funds (MMFs), investment funds, bond markets, etc.

Work in 2021 will focus on money market funds, open-ended funds, margining practices, liquidity, structure and resilience of core bond markets, and cross-border USD funding. The FSB will also launch an evaluation on the effects of G20 financial reforms on bond market liquidity.

To continue engaging with the FSB and other authorities, the IIF has launched a new IIF NBFI Working Group tasked with addressing regulatory issues and policies affecting actors and activities in NBFI, which held a kick-off meeting on March 3. This Working Group will advocate for risk-based policy measures based on reliable information and data and reflective of the diversity of NBFI institutions and business models. We encourage IIF member firms with an interest in this topic – including asset managers, banks and insurers – to nominate colleagues to join this new working group.

On February 4, the U.S. SEC requested comments on potential MMF reform options. Comments are due by April 12 and the working group is currently seeking to provide high-level response to this consultation.

A link to the consultation can be found [here](#).

Contact:

For more information, please contact Andres Portilla ([aportilla@iif.com](mailto:aportilla@iif.com)), Martin Boer ([mboer@iif.com](mailto:mboer@iif.com)) or Mary Frances Monroe ([mmonroe@iif.com](mailto:mmonroe@iif.com)).

## OPERATIONAL RESILIENCE

### Polymaking to Establish an Operational Resilience Regulatory Framework

On January 28, the IIF together with GFMA released a paper on “[2021 Priorities for Strengthening Global Operational Resilience Maturity in Financial Services](#).” The paper provides a forward-looking set of priorities on how to continuously improve and strengthen the level of operational resilience in the financial system for the benefit of customers, markets, and the broader economy in countries across the world. We have used this paper as part of our discussions with policymakers and supervisors, including at the 3rd IIF-GFMA-BPI Operational Resilience Symposium in a virtual format on February 9<sup>th</sup> and at external conferences.

In 2020, the Basel Committee consulted on global Principles for Operational Resilience and a number of jurisdictions are in the process of creating their

own frameworks, including Australia, the UK, U.S., European Union, Canada, and Singapore. We expect the final BCBS global principles to be released in Q1-Q2 2021.

As various authorities seek to establish how to assess operational resilience there is a risk that national-level approaches begin to diverge and become inconsistent. This potential for market fragmentation due to divergences in regulatory standards and supervisory oversight poses substantial risks and operational challenges for financial institutions that operate globally and, in turn, for the financial system. Therefore, the IIF continues to work in close cooperation with operational resilience experts in our member firms, and other trade associations, to engage regularly with the global standard setting bodies and the regulatory community on this important topic.

Contact:

For more information, please contact Martin Boer ([mboer@iif.com](mailto:mboer@iif.com)) or Katie Rismanchi ([krismanchi@iif.com](mailto:krismanchi@iif.com)).

## CYBER SECURITY

### IIF Paper on Cyber Incident Reporting

The IIF is finalizing a paper on Cyber Incident Reporting that analyzes how cyber events and cyber incidents are defined across industry and by authorities, and to compare how cyber incidents are reported across jurisdictions, at what materiality threshold, to which institutions, over what time frame and in what manner.

The IIF paper formulates, in cooperation with the IIF Cyber Security Working Group, a number of policy recommendations for how reporting can be done in a more consistent and coordinated way between and inside jurisdictions to help ensure incident reporting is effective and efficient, thereby contributing to our broader focus on avoiding market fragmentation.

An updated version will be circulated for member comment in late March.

Separately, the IIF is drafting a paper on priorities around Cyber Risk for the Biden administration, which will also be circulated for member feedback.

Contact:

For more information, please contact Martin Boer ([mboer@iif.com](mailto:mboer@iif.com)) or Melanie Idler ([midler@iif.com](mailto:midler@iif.com)).

## SUSTAINABLE FINANCE

### Developments in Sustainable Finance Policy & Regulation

The IIF, through the Sustainable Finance Working Group (SFWG) and regulatory affairs working groups – including the Special Committee on Effective Regulation (SCER) and Steering Committee on Regulatory Capital (SCRC) – is continuing to engage with public sector groups, such as the Network for Greening the Financial System (NGFS), the BCBS Task Force on Climate-related Financial Risks, the G20 and the UN, to promote aligned and consistent policymaking in different areas of sustainable finance.

On February 11, the IIF's Board of Directors reaffirmed their commitment to financing a climate-resilient future, and called for reliable, easily accessible and comparable datasets, metrics, methodologies, standards and frameworks to ensure that climate-related risks are appropriately managed and disclosed. To help advance these important goals, the Board of Directors published 10 recommendations for international regulators and policymakers. You can find the statement and recommendations [here](#).

We anticipate a large number of policy developments throughout 2021 in the run up to COP26 in November. A summary of the latest global developments, analysis of policy and regulatory initiatives, market trends and IIF events on sustainable finance is produced on a regular basis in a dedicated IIF publication, the *IIF Sustainable Finance Monitor*. The February 2021 edition is available [here](#), which includes a discussion of the initial actions taken on climate policy in the first few weeks of the Biden Administration.

#### Contact:

For more information, please contact Andres Portilla ([aportilla@iif.com](mailto:aportilla@iif.com)), Katie Rismanchi ([krismanchi@iif.com](mailto:krismanchi@iif.com)), Stefan Gringel ([sgringel@iif.com](mailto:sgringel@iif.com)) or Robert Priester ([rpriester@iif.com](mailto:rpriester@iif.com)).

#### IIF Report on Supervisory and Regulatory Approaches to Climate-related and Environmental Risks

On January 21, the IIF published a report '[Prudential Pathways: Industry Perspectives on Supervisory and Regulatory Approaches to Climate-related and Environmental Risks](#)' to communicate global industry perspectives on supervisory and regulatory approaches to climate-related and environmental risks, including priorities and key challenges.

Key topics were discussed on an IIF webinar, which included panelists from the Bank of England, ECB and Monetary Authority of Singapore; the webinar can be replayed [here](#). The IIF continues to use the paper to engage with the global standard-setting bodies and multiple regional prudential authorities that are currently exploring or consulting on these issues.

#### Contact:

For more information, please contact Andres Portilla ([aportilla@iif.com](mailto:aportilla@iif.com)), Katie Rismanchi ([krismanchi@iif.com](mailto:krismanchi@iif.com)) or Stefan Gringel ([sgringel@iif.com](mailto:sgringel@iif.com)).

#### EBA Consultation on draft technical standards on Pillar 3 disclosures of ESG risks

On March 1, the European Banking Authority (EBA) launched a public consultation on draft technical standards for Pillar 3 disclosures of Environmental, Social and Governance (ESG) risks. The consultation paper and draft Implementing Technical Standards (ITS) can be found on the EBA website [here](#).

Acting on a mandate from the EU Capital Requirements Regulation, the EBA is proposing specific templates for quantitative and qualitative disclosures on climate-change-related transition and

physical risks as well as financial institutions' mitigating actions and adaptation plans. Among their proposals is a newly developed 'Green Asset Ratio (GAR)', which is derived from the EU Taxonomy and is intended to show the proportion of an institution's assets that are environmentally sustainable. The deadline for comments on the EBA proposals is June 1, 2020.

The IIF is planning to respond to the EBA consultation, concurrently engaging members of the IIF's Steering Committee on Regulatory Capital (SCRC) and Disclosure Working Group as well as members of the IIF Sustainable Finance Working Group (SFWG) on the response. Given the significance of a major jurisdiction such as the EU moving ahead with Pillar 3 disclosure proposals before the Basel Committee on Banking Supervision (BCBS) has done so at the global level, we believe there will be value in the IIF responding to the EBA consultation with high-level comments on behalf of our global membership, emphasizing the international implications of the EBA's work and the need to remain flexible and principles-based before a truly global approach emerges.

#### Contact:

For more information, please contact Andres Portilla ([aportilla@iif.com](mailto:aportilla@iif.com)), Katie Rismanchi ([krismanchi@iif.com](mailto:krismanchi@iif.com)), Stefan Gringel ([sgringel@iif.com](mailto:sgringel@iif.com)) or Robert Priester ([rpriester@iif.com](mailto:rpriester@iif.com)).

#### Climate Scenario Analysis Stock-Taking Project

In February, the IIF kicked off a Climate Scenario Analysis Stock-Taking Project. The IIF-led industry project aims to advance industry perspectives on how supervisory-led scenario exercises can be best designed, conducted, and coordinated internationally.

This will be informed by members' experiences with these exercises to date and identification of common experiences and pain points, and feedback on what worked well or what could be refined in future exercises. The project findings will be published in



a report to supervisors, global standard setting bodies and the NGFS by the middle of 2021.

Contact:

For more information, please contact Andres Portilla ([aportilla@iif.com](mailto:aportilla@iif.com)), Katie Rismanchi ([krismanchi@iif.com](mailto:krismanchi@iif.com)) and Stefan Gringel ([sgringel@iif.com](mailto:sgringel@iif.com)).

## IFRS Foundation's Sustainability Reporting Consultation

On March 8, the Trustees of the IFRS Foundation [announced](#) the next steps in their sustainability reporting project based on feedback to last year's consultation to which the IIF Sustainable Finance Working Group (SFWG) and the IIF Senior Accounting Group (SAG) submitted a [response](#) in December 2020.

According to the announcement, the yet to be established "Sustainability Standards Board" would take an investor focus on information that is material to the decisions of investors, lenders and other creditors, and initially prioritize climate-related reporting. It would build on existing frameworks, such as the TCFD for climate-related risks, and establish a building blocks approach by providing a globally consistent reporting baseline to which jurisdictions can flexibly add.

The Trustees will soon publish a summary of the responses to the consultation as well as proposed changes to the IFRS Foundation's constitution for public comment. The IIF will monitor these developments and continue to provide feedback on behalf of members as appropriate.

Contact:

For more information, please contact Andres Portilla ([aportilla@iif.com](mailto:aportilla@iif.com)), Katie Rismanchi ([krismanchi@iif.com](mailto:krismanchi@iif.com)) and Stefan Gringel ([sgringel@iif.com](mailto:sgringel@iif.com)).

## INSURANCE

### IIF Responding to IAIS Application Paper on Supervision of Control Functions

On January 25, the IAIS issued an Application Paper for public consultation on the Supervision of Control Functions. The Application Paper describes practices aimed at helping supervisors address issues related to the supervision of control functions. In particular, the Application Paper supports observance of ICP 8 (Risk Management and Control Functions) and is relevant to ICP 5 (Suitability of Persons) and ICP 7 (Corporate Governance).

We will be convening calls of the IWG to discuss a response to this consultation; responses are due by March 26. The IAIS Application Paper can be found [here](#).

Contact:

For more information, please contact Mary Frances Monroe ([mmonroe@iif.com](mailto:mmonroe@iif.com)) or Melanie Idler ([midler@iif.com](mailto:midler@iif.com)).

### IIF Responding to IAIS Application Paper on Macroprudential Supervision

On March 8, the IAIS issued an Application Paper for public consultation on Macroprudential Supervision. The Application Paper aims to help with practical application of the supervisory material related to macroprudential supervision in ICP 24, which was revised in 2019 to more explicitly address, among other topics, the build-up and transmission of systemic risk at the individual insurer and sector-wide level.

We will be convening calls of the IWG to discuss a response to this consultation; responses are due by May 7. The IAIS Application Paper can be found [here](#).

Contact:

For more information, please contact Mary Frances Monroe ([mmonroe@iif.com](mailto:mmonroe@iif.com)) or Melanie Idler ([midler@iif.com](mailto:midler@iif.com)).

## EIOPA Open Insurance Discussion Paper

On January 28, EIOPA issued a public consultation on open insurance, which focuses on access to and sharing of insurance-related data. In the paper, EIOPA explores questions on whether and how far insurance value chains should be "opened" up by the sharing of insurance-related and specific policyholder data amongst insurance and non-insurance firms, to protect policyholder rights and to allow for innovation in products and services.

EIOPA will assess the feedback to this discussion paper to better understand open insurance developments, and they're related risks and benefits. It states that this could also help to provide informed insurance supervisory specific input for the upcoming legislative initiatives foreseen in the European Commission Data Strategy and Digital Finance Strategy. In addition, it could supplement EIOPA's ongoing work on areas such as (re)insurance value chain and new business models arising from digitalization, insurance platforms and ecosystems, digital ethics, RegTech/SupTech and blockchain.

We will be convening calls of the IWG to discuss a response to this consultation; responses are due by April 28. The EIOPA Discussion Paper can be found [here](#).

### Contact:

For more information, please contact Mary Frances Monroe ([mmonroe@iif.com](mailto:mmonroe@iif.com)) or Melanie Idler ([midler@iif.com](mailto:midler@iif.com)).

## IIF/EY Insurance Series: Climate Risk and Opportunities

The IIF and EY held a Two-Part Webinar Series on insurance climate risks moderated by Mary Frances Monroe (Director, Insurance Regulation and Policy, IIF) and Isabelle Santenac (Global Insurance Leader, EY).

Part One of the Series, 'Climate Risks and Opportunities for Property/Casualty Insurers and Reinsurers,' took place on March 5, opening with a keynote address from IIF President and CEO, Tim Adams, on the new climate landscape in the U.S. and what to expect at COP26. Speakers included Kabari Bhattacharya (Partner, EY), Anna-Lise Bontemps-Chanel (Head of Insurance Risk Analysis Division, ACPR, and Sustainable Finance Project Group Leader, EIOPA), Yue (Nina) Chen (Director of Sustainability and Climate Initiatives, New York Department of Financial Services), Alison Martin (CEO EMEA, Zurich), Kelly Hereid (Director, Catastrophe Research and Development, Liberty Mutual), and Jennifer Waldner (Chief Sustainability Officer, AIG). The panelists discussed how the financial risks of climate change can be incorporated into insurers' underwriting and investment practices, as well as their governance structure, risk management, and business strategies. Other topics covered by the panelists included the role of public-private partnerships, reducing the protection gap, and increasing climate resilience among the most vulnerable communities.

Part Two of the Series, 'Climate Risks and Opportunities for Life and Retirement Insurers and Asset Managers,' took place on March 12. It opened with a keynote address from Victoria Saporta (Executive Director, Prudential Policy Directorate, Bank of England and Chair, International Association of Insurance Supervisors), who discussed the systemic nature of climate risk and the importance of coordination and enhanced transparency between supervisors and insurers when managing this risk. Speakers included Simon Abrams (Director, Sustainable Finance, EY), Sarah Chapman (Global Chief Sustainability Officer, Manulife), James Shuck (Head of European Equity Research, Citigroup), Steve Waygood (Chief Responsible Investment Officer, Aviva Investors), and Claudia Bolli (Head of Responsible Investments, Swiss Re). Discussions ranged from the collaborative efforts between insurers, asset managers, and policymakers, to the way market mechanisms are being harnessed to support the transition to a greener, low-carbon economy.

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Please find the recordings for Part One [here](#), and Part Two [here](#).

Contact:

For more information, please contact Mary Frances Monroe ([mmonroe@iif.com](mailto:mmonroe@iif.com)) or Melanie Idler ([midler@iif.com](mailto:midler@iif.com)).

Save the Date: IIF Presentation on Insurance Investment Performance

On April 27, the IIF will hold a special presentation for its insurance members on investing in the 'new normal' market environment. IIF Deputy Chief Economist, Sergi Lanau, will walk members through topics including persistently low interest rates and prevailing central bank stance against tightening in the near term; increased market volatility; new government debt issuances and liquidity support; concern about potential inflationary pressures; and prospects for 2021 and forward. Registration details can be found [here](#).

Contact:

For more information, please contact Mary Frances Monroe ([mmonroe@iif.com](mailto:mmonroe@iif.com)) or Melanie Idler ([midler@iif.com](mailto:midler@iif.com)).



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## Upcoming Events

(A full list of IIF events can be found [here](#))

### MARCH

March 19 (virtual)

- IIF Talking Policy: Discussion with Mike Gibson, Director, Division of Banking Supervision and Regulation, U.S. Federal Reserve Board

March 22 (virtual)

- FinTech Regulation with FSI Chairman Fernando Restoy

March 25 (virtual)

- 2021 IIF Washington Policy Summit

March 30 (virtual)

- IIF MENA Risk and Regulatory Session on Approaches to Climate Risk

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If you would like to know more about the subjects covered in this publication or our services, please contact:

Andres Portilla	<a href="mailto:aportilla@iif.com">aportilla@iif.com</a>
Martin Boer	<a href="mailto:mboer@iif.com">mboer@iif.com</a>
Richard Gray	<a href="mailto:rgray@iif.com">rgray@iif.com</a>
Mary Frances Monroe	<a href="mailto:mmonroe@iif.com">mmonroe@iif.com</a>
Robert Priester	<a href="mailto:rpriester@iif.com">rpriester@iif.com</a>
Matthew Ekberg	<a href="mailto:mekberg@iif.com">mekberg@iif.com</a>
Stefan Gringel	<a href="mailto:sgringel@iif.com">sgringel@iif.com</a>
Takahiro Iwamoto	<a href="mailto:tiwamoto@iif.com">tiwamoto@iif.com</a>
Katie Rismanchi	<a href="mailto:krismanchi@iif.com">krismanchi@iif.com</a>
Melanie Idler	<a href="mailto:midler@iif.com">midler@iif.com</a>
Hillary Veals	<a href="mailto:hveals@iif.com">hveals@iif.com</a>
Michaela Palmer	<a href="mailto:mpalmer@iif.com">mpalmer@iif.com</a>
Dara Lydon	<a href="mailto:dlydon@iif.com">dlydon@iif.com</a>

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