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## THE BANCO DE ESPAÑA'S PARTICIPATION IN INTERNATIONAL BANKING REGULATION AND SUPERVISION BODIES



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Participating in international banking supervision and regulation fora has been a strategic priority for the Banco de España for several years. This priority was bolstered in 2020 by the Strategic Plan 2024 which includes, as one of its objectives, boosting the Banco de España's influence within these organisations.

This year, the activity of these fora was affected significantly by the sudden and profound crisis triggered by COVID-19, both in their organisational aspects and, more notably, in the content of their agendas. Since the onset of the crisis, the focus has been on the different regulatory and supervisory measures needed in response, promoting the flexibility needed to mitigate the adverse effects of the crisis on the real economy while ensuring, in this climate of heightened uncertainty, close monitoring of its impact on the financial system in general, and on the banking system in particular.

The main international banking supervision and regulation fora in which the Banco de España participates are presented in Figure 7.1.

Figure 7.1

### THE BANCO DE ESPAÑA'S PARTICIPATION IN INTERNATIONAL BANKING REGULATION AND SUPERVISION FORA

 GLOBAL FORA	 EUROPEAN FORA	 OTHER FORA
<ul style="list-style-type: none"><li>- Financial Stability Board (FSB)</li><li>- Basel Committee on Banking Supervision (BCBS)</li></ul>	<ul style="list-style-type: none"><li>- European Banking Authority (EBA)</li><li>- European Systemic Risk Board (ESRB)</li></ul>	<ul style="list-style-type: none"><li>- FinCoNet</li><li>- Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS)</li><li>- Network of Central Banks and Supervisors for Greening the Financial System (NGFS)</li></ul>

SOURCE: Banco de España.

## 7.1 Global fora

### 7.1.1 Financial Stability Board

During 2020, the Financial Stability Board (FSB) prioritised the international coordination of the response to COVID-19, adapting its work programme

to support the real economy, maintain financial stability and minimise the risk of fragmentation. To this end, it drew up five principles, which were adopted by the G20 in April. These principles included recognising and using the flexibility built into international standards, acting consistently with these standards (and not rolling them back or compromising their underlying objectives) and coordinating on the timely unwinding of the measures taken.<sup>1</sup>

**Moreover, the stress observed in March 2020 prompted the FSB to undertake a holistic review of the risks related to non-bank financial intermediation.** The review concluded in November with the publication of a report underscoring the need to strengthen the resilience of non-bank financial intermediation and proposing a work programme to address the vulnerabilities identified (as regards money market funds and other open-ended funds, margining practices, etc.). In December, the FSB published its tenth annual monitoring report on the sector, which noted that growth therein in 2019 continued to outpace that of the banks (owing primarily to the performance of collective investment vehicles) and revealed data on the sector's performance in 2020 Q1.

**In addition to this unexpected coronavirus-related work, the FSB continued to carry out its agenda. It published a roadmap to enhance cross-border payments and a report on the regulatory, supervisory and oversight challenges raised by “global stablecoins”.**<sup>2</sup> This report detailed some high-level recommendations addressed to authorities in order to promote an early adoption of common standards that mitigate the risks of fragmentation and regulatory arbitrage.

**Moreover, the FSB worked actively on the risks related to the use of regulatory and supervisory technology (RegTech and SupTech).** Specifically, it published a report addressing, in addition to the risks of these technologies, their benefits, opportunities and challenges, and the extent to which they have been adopted by authorities and regulated institutions. The FSB also published a report on effective practices to respond to, and recover from, cyber incidents, aimed at financial institutions, supervisors and other authorities.

**Further, the FSB continued to monitor the implementation of the post-crisis reforms.** It published a progress report on the reforms to interest rate benchmarks, focused on the transition away from LIBOR, which seeks to ensure that firms and market participants are prepared to complete this transition at end-2021. As regards

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1 These principles were set out in the report of 15 April *COVID-19 pandemic: Financial stability implications and policy measures taken*, FSB (2020). In addition to the three principles mentioned, the report also includes: monitoring and sharing information on a regular basis to assess and address the risks arising from the pandemic, in order to maximise the global response, and seeking opportunities to temporarily reduce operational burdens on institutions and authorities, so as to assist them in focusing on the COVID-19 response.

2 Stablecoins are cryptocurrencies whose value is linked to fiat currencies or other assets. See D. Arner, R. Auer and J. Frost (2020), “Stablecoins: risks, potential and regulation”, *Financial Stability Review*, No 39, Banco de España.

the resolution of financial institutions, the FSB published guidance with recommendations for CCP resolution, and the annual Resolution Report. This report contains a section dedicated to the lessons learnt during the pandemic. It underlines the importance of work to prepare for a potential resolution and estimates that G-SIIs already meet the 2022 TLAC requirement.

**As part of its programme to assess the effects of the reforms, the FSB published a consultation report on the evaluation of the too-big-to-fail reforms.** This report concludes that banks are now more resilient and resolvable than in the 2008-09 crisis and that the benefits of the post-crisis financial reforms adopted significantly outweigh the costs. However, it adds that there are still certain gaps that need to be addressed in order to remove the remaining obstacles to resolution.

**Lastly, the FSB addressed the implications of climate change for financial stability.** July 2020 saw the publication of a report taking stock of financial authorities' experience in including climate-related risks in their financial stability monitoring. In November, it published a report on the implications of climate change for financial stability, assessing the channels through which physical and transition risks could impact the financial system and how they might interact. In this document, the FSB also indicated that it will conduct work to assess the availability of data through which climate-related risks could be monitored. In December, the FSB published its response to the IFRS Foundation's consultation on sustainability reporting standards, in which the Board encouraged the Foundation to build on the work of the TCFD<sup>3</sup> for developing these standards.

### 7.1.2 Basel Committee on Banking Supervision

**As with other international organisations, the BCBS's work in 2020 was marked by the impact of COVID-19 and the response to its effects (see Box 7.1).** In this regard, the work of the Committee, which is chaired by the Governor of the Banco de España, served to coordinate the international response to the challenges posed by the pandemic for the global banking sector.

**Further, during 2020 the BCBS conducted a strategic review to optimise its structure and internal processes** in order to focus on emerging risks, including structural trends in the banking sector, the digitalisation of finance, and climate-related risks. Moreover, the Committee will monitor the implementation of Basel III through its Regulatory Consistency Assessment Programme and an evidence-based evaluation of the effectiveness of these reforms, also taking into consideration

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<sup>3</sup> Task Force on Climate-related Financial Disclosures, created by the FSB in 2015 to develop a series of recommendations applicable to firms on disclosures of the climate-related financial risks that they incur in their activity.

**THE BASEL COMMITTEE ON BANKING SUPERVISION AND THE CHALLENGE OF COVID-19**

During 2020, a large part of the activity of the Basel Committee on Banking Supervision (BCBS) was focused on coordinating the international response to the impact of COVID-19 on the banking sector. In light of the sudden and swift global spread of the pandemic in the early months of the year and its increasing effects on economic activity, the Committee agreed a series of regulatory relief measures and modified its work plan to give priority to monitoring possible risks and vulnerabilities and adopting measures.

In this setting, the Committee's response had three objectives:

- Ensuring that banks continued to lend to creditworthy households and businesses, thereby mitigating part of the economic impact.
- Safeguarding the financial and operational resilience of the global banking system.
- Ensuring that banks and authorities had sufficient operational capacity to address the most immediate financial stability priorities.

Governments in many jurisdictions have approved extraordinary support measures to alleviate the economic effects of the pandemic, such as State guarantee schemes and moratoria on the payment of credit obligations. Against this backdrop, the Committee issued technical guidance to ensure that these measures, and their impact on reducing risk, were reflected in banks' capital requirements, thus contributing to achieving their objectives.

At the same time, and to avoid excessive procyclicality, the Committee announced that it expected banks to use the flexibility inherent in expected loss accounting frameworks. It also provided greater flexibility in the transitional arrangements which provide for deferring the impact of the expected loss framework on regulatory capital.

A key aspect in the pursuit of these aims has been the decision by the Group of Central Bank Governors and Heads of Supervision (GHOS) to defer the implementation of the

outstanding Basel III standards by one year, up to January 2023, so that banks and supervisors have additional operational capacity to respond to the immediate impact of COVID-19. Both the GHOS and the BCBS have reiterated their expectations of a full, timely and consistent implementation of all Basel standards, based on the revised timeline.

Financial institutions now have tools they did not have in previous situations of economic stress: capital and liquidity buffers. These buffers are designed with the dual aim of ensuring that banks have loss-absorbing capacity without breaching their minimum requirements and of maintaining the flow of credit to the real economy by lending to creditworthy customers. Since the start of the crisis, the Committee has reiterated that a measured drawdown of existing buffers is in keeping with these objectives and indicated that supervisors will provide sufficient time for banks to restore these buffers, taking account of market and bank-specific conditions.

The impact of COVID-19 has accelerated some trends observed in recent years and underlined the importance of monitoring structural risks. The GHOS tasked the BCBS with continuing to pursue a coordinated response to the crisis, to preserve a level playing field and to avoid regulatory fragmentation, through:

- An ongoing monitoring and assessment of risks and vulnerabilities, together with the sharing of information and experiences among supervisors.
- The promotion of the use of the flexibility existing in the Basel framework, where relevant.
- The monitoring of the exceptional measures adopted by members, to ensure they are consistent with the objectives of the Basel framework and are unwound in a timely manner.
- The adoption, by the Committee, of additional measures, where necessary.

the lessons from the COVID-19 crisis. This new guidance brings to an end the post-crisis regulatory agenda of the last decade, and any potential adjustment to Basel III will therefore be limited and consistent with the Committee's evaluation work.

**Turning to the analysis of climate-related financial risks, the Committee published the results of the stocktake on regulatory and supervisory approaches.** It is also working on a series of reports covering matters such as the

methodologies for measuring these risks, the transmission channels of such risks to the banking system and the development of effective supervisory practices to mitigate them.

**As regards the standards for the capital requirements calculation, the Committee approved a technical amendment to the treatment of NPL securitisations and completed the review of the credit valuation adjustment (CVA) framework.**<sup>4</sup> The adjustment to NPL securitisations seeks to adapt the general securitisation framework to the specific features of this type of underlying exposure. To this end, a prudent and simple approach is adopted, introducing certain floors and a fixed risk weight for the senior tranche. The deadline for implementation is set for 2023. Turning to the review of the CVA framework, the Committee made adjustments to adapt it to the changes approved in 2019 to the market risk framework (i.e. the Fundamental Review of the Trading Book, or FRTB) and to introduce recalibrated capital requirements under the basic and standardised approaches.

**The Committee also published an update of its 2014 guidelines on the sound management of risks related to money laundering and financing of terrorism.** This update includes aspects relating to interaction and cooperation between prudential and AML/CFT supervisory authorities.

**Lastly, the Committee worked on matters relating to operational resilience and operational risk and on the transition to new benchmark rates.** Consultative documents were published on operational resilience principles, aimed at increasing the capacity of banks to withstand potentially severe events, and on principles for operational risk management. Moreover, the Committee worked on the regulatory and supervisory implications of the benchmark rate reforms, and it published, together with the FSB, recommendations for authorities to support financial institutions and clients in this transition.

## 7.2 European fora

### 7.2.1 European Banking Authority

**The EBA's agenda was also notably impacted by the COVID-19 crisis.** Of the work carried out, mention should be made of the Guidelines on legislative and non-legislative moratoria (see Box 7.2); the statement published on the use of capital and liquidity buffers, where it suggested that supervisors allow institutions to operate temporarily below the capital level defined in the Pillar 2 Guidance (P2G); the easing of the

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<sup>4</sup> The CVA capital requirement covers possible mark-to-market losses on derivative instruments as a result of the deterioration in the creditworthiness of a counterparty.

### EBA GUIDELINES ON LEGISLATIVE AND NON-LEGISLATIVE MORATORIA ON LOAN REPAYMENTS APPLIED IN THE LIGHT OF THE COVID-19 CRISIS

On 2 April 2020, the EBA published the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), in order to clarify the prudential treatment of moratoria and to prevent a sudden increase in non-performing loans that would undermine their effectiveness.

These guidelines specify the prudential treatment of the moratoria and set the relevant qualifying criteria, which were initially as follows:

- I They must either be based on national law or be private moratoria that form part of an industry- or sector-wide agreement.
- II They have to apply to a broad range of customers and allow the borrower to take advantage of the moratorium without an ex ante assessment of their ability to pay.
- III They change only the schedule of payments and offer the same conditions to all the exposures subject to the moratorium.
- IV They do not apply to new loans granted after the date when the moratorium was announced.
- V They were launched in response to COVID-19 and applied before 30 June 2020.

As regards the prudential treatment, the guidelines interpret how to apply the prudential definitions of “default” and “forbearance” to transactions subject to eligible moratoria.

Starting with the definition of “default”, the guidelines provide that, when an exposure is subject to an eligible moratorium, the instalments in question will not be considered past due, and days past due will be counted on the basis of the schedule resulting from the application of the moratorium.

The guidelines also indicate that, throughout the duration of the moratorium, banks must continue to analyse their borrowers’ creditworthiness and unlikelihood to pay in accordance with their relevant prevailing general policies.

When banks conclude that borrowers are unlikely to pay, they will be classified as defaulted. It is therefore a matter of distinguishing between those borrowers with viable businesses that are experiencing one-off liquidity difficulties owing to the measures imposed by governments and those with fundamental solvency problems. In the case of the latter, banks should not delay classification as defaulted or the recognition of losses.

Turning to the definition of “forbearance”, the guidelines provide that transactions subject to an eligible moratorium should not automatically be reclassified as forborne. This flexibility is allowed, inter alia, because eligible moratoria are granted, as part of a general scheme, to borrowers meeting certain criteria, without said borrowers being subject to an individual ex ante assessment of their creditworthiness. Moreover, as the exposures are not considered forborne, they are also exempt from the distressed restructuring test set out in the EBA Guidelines on the definition of default (EBA/GL/2016/17).

Although these guidelines were originally to expire on 30 June 2020, the EBA decided to extend them for a further three months. As a result, the new maturity extensions agreed by banks would no longer be subject to the guidelines, but instead would have to be analysed on a case-by-case basis.

In late November, the new restrictions imposed by some European governments to address the second wave of the pandemic led the EBA to reconsider its decision and agree to reactivate its guidelines – retroactively from 1 October – until 31 March 2021. Two further conditions were imposed: i) a nine-month cap was set on the period during which an exposure subject to moratoria can benefit from the prudential treatment under the guidelines (except for moratoria granted before 30 September); and ii) the mechanism of the unlikelihood to pay assessment was reinforced, and institutions were requested to submit to their competent authorities their plans for applying this criterion.



supervisory reporting and disclosure requirements; the postponement to 2021 of the stress test exercise scheduled for 2020; and an extraordinary transparency exercise, whose results were published in June. Further, the supervisor was recommended to take a pragmatic approach in the SREP (for more details, see Section 2.2.1), and banks were urged to adopt a prudent approach to dividend payment and other distribution policies, including variable remuneration.

**Brexit also had a significant impact on the EBA's work.** The EBA published several statements warning institutions of the need to be ready for a possible “no-deal” Brexit and encouraging them to appropriately inform their customers of their contingency plans and services offered in the EU.

**In prudential regulation, the EBA continued to advise the European Commission on the implementation of the final Basel III reform package in Europe.** The decision to defer the implementation of Basel III by one year (until 1 January 2023) and the delay in the European Commission's draft legislative proposal led the Commission to request the EBA to update the 2019 impact study, including an impact analysis of different alternatives for implementation in Europe and an assessment of the effects of COVID-19. In its December 2020 report, the EBA continues to take a favourable view of the implementation of Basel III in Europe and estimates a slight decrease in the negative impact on capital. This, together with the transitional period for some aspects of the reform, will help lessen the effects of the pandemic on the final implementation of Basel III.

**Moreover, the EBA worked actively on developing a regulatory technical standard on the prudential treatment of software assets,** establishing a prudential amortisation framework in this respect.

In the prudential area, mention should also be made of the work to implement the FRTB, revive the securitisation market, and review its production on remuneration and internal governance to adapt it to CRD V and to the new regulation and directive on investment firms.

**The Guidelines on loan origination and monitoring were also published,** aimed at improving practices, mechanisms, processes and procedures in relation to credit granting, while respecting and protecting the interests of consumers (see Box 7.3).

**In the reporting and transparency area,** significant headway was made in the EUCLID project (see Box 7.4) and in the study to determine the costs that institutions incur when complying with the supervisory reporting requirements and whether these costs are proportionate compared to the benefits. The purpose of the study is to make recommendations to enable costs to be reduced by around 10%-20%, at least for small and non-complex institutions. The findings will be submitted to the European Commission in 2021.

**EBA GUIDELINES ON LOAN ORIGINATION AND MONITORING**

The Guidelines on loan origination and monitoring of 29 May 2020 (EBA/GL/2020/06) were drawn up under a mandate from the Council of the European Union, as part of its action plan to tackle non-performing loans in Europe.

The guidelines specify the requirements of the Capital Requirements Directive<sup>1</sup> (CRD) and introduce special requirements relating to the creditworthiness assessment of consumers, as envisaged in the Mortgage Credit Directive (Directive 2014/17/EU) and the Consumer Credit Directive (Directive 2008/48/EC).

The objective of the guidelines is to improve practices, mechanisms, processes and procedures in relation to credit granting, in order to ensure that institutions have robust and prudent approaches to credit risk taking, management and monitoring, while respecting and protecting the interests of consumers. Consequently, they have a dual scope: prudential and conduct.

The guidelines are structured into different sections. These include overall internal governance arrangements for the credit-granting and monitoring process; the handling and use of the information and documentation required from borrowers and for the assessment of their creditworthiness; a section on the risk-based pricing of loans; a section on loan collateral valuation; and a loan monitoring framework.

The guidelines are addressed to competent authorities and financial institutions. They were adopted by the Banco de España in July 2020 and are applicable in full to lending by credit institutions and specialised lending institutions.

The sections on granting procedures, pricing and collateral valuation also apply to payment institutions and electronic money institutions (and, in the case of granting procedures, to real estate credit lenders) operating in more than one region, in respect of transactions within the scope of the Mortgage Credit Directive and the Consumer Credit Directive.

As regards the target scope of application, debt securities, derivatives and securities financing transactions are excluded, as are forborne and non-performing exposures. The sections on granting procedures and pricing only apply to loans to consumers and enterprises, i.e. excluding loans granted to financial institutions, sovereigns and public entities.

The implementation of the guidelines is also subject to the principle of proportionality, and specific criteria are established for each section.

The guidelines will enter into force on 30 June 2021 and will apply, in general and with exceptions, to loans granted as from that date, whereupon the EBA Guidelines on the creditworthiness assessment of consumers (EBA/GL/2015/11) will be repealed.

<sup>1</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

**Turning to conduct and consumer protection, this year the EBA's efforts once again focused on achieving greater supervisory convergence, in particular in the implementation and application of the Guidelines on product oversight and governance arrangements for retail banking products.** Different lines of work were also launched to fulfil the new consumer protection mandates recently included in the EBA Regulation<sup>5</sup> (in force since January 2020).

Moreover, within its financial innovation action plan, a line of work was launched to analyse digital platform-based business models and their potential impact on the financial sector,

<sup>5</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

**PROJECT EUCLID TO EXTEND EBA SUPERVISORY REPORTING TO ALL INSTITUTIONS**

Project EUCLID (European Centralised Infrastructure for Supervisory Data) was launched in 2017 with the aim of implementing a new technological platform in the EBA that will serve as a single point of entry for all institutions' supervisory data. This platform will extend the current sample of institutions that report to the EBA, comprising the 200 largest institutions in the European Economic Area (EEA), to all EEA entities and banking groups (over 4,500 entities), at both individual and consolidated level.

Since early 2018, the EBA, the ECB and the NCAs have been working to achieve an efficient implementation of the project, from the standpoint of both process harmonisation and cost optimisation. To this end, criteria alignment, process automation, the minimisation of manual actions and, as far as possible, the removal of overlaps between the EBA and the ECB have been prioritised. Moreover, technical support has been given to areas such as institutions' qualitative information, the classification of institutions and the development of reporting requirements and data quality control and acceptance policies.

In mid-2019, two significant milestones were reached, with the integration of the Payment Institutions Register and the Credit Institutions Register in the EUCLID platform. The EBA also decided to incorporate credit institutions' resolution data into EUCLID.

Lastly, in preparation for the launch of the EUCLID platform, on 5 June 2020 the EBA published several decisions aimed at providing a legal basis for the new requirements derived from the project.

The EUCLID platform was launched in the summer of 2020, when the resolution data and, subsequently, the supervisory data of the institutions classified as large by the EBA were collected.

The project will conclude in 2021 Q1, when the December 2020 supervisory data of all EEA banking sector institutions (large and small) are collected. This will enable the EBA to advance towards its strategic objective of creating an "integrated data hub" of supervisory and resolution data at the service of competent authorities and the general public.

so as to strengthen supervisory knowledge and support the European Commission in the work on "platformisation", as part of the European Digital Strategy and the Digital Single Market.

**In the area of payment services, the EBA's efforts focused on access to payment accounts by third party payment service providers and on the migration to strong customer authentication solutions under PSD2 in e-commerce card-based payment transactions.** With regard to payment account access, in June the EBA issued an opinion identifying some aspects of specific interfaces as the main obstacles, with 31 December 2020 set as the deadline for their removal, except in duly justified, isolated cases. As regards the work on the migration to strong customer authentication solutions, the EBA cancelled the June quarterly report on progress made, owing to complications arising from COVID-19 and the concerns raised by the industry as to possible compliance with the migration plans agreed in late 2019. Nevertheless, the European authorities have not extended the period of supervisory flexibility set to end in December 2020.

**As regards sustainable finance, in November the EBA published a discussion paper on the possible inclusion of environmental, social and governance (ESG) risks in the SREP.** It is also developing implementing technical standards on the

disclosure on ESG risks, to be submitted to public consultation in early 2021, and has begun the groundwork for complying with the mandate set out in Article 501c of CRR 2 as regards the potential inclusion of these exposures in Pillar 1.

**Lastly, on 1 January 2020, the mandate of the three ESAs to contribute to preventing the use of the financial system for the purposes of money laundering and terrorist financing was consolidated within the EBA.** To this end, the EBA was given new powers to lead, coordinate and monitor the AML/CFT efforts of all financial sector agents and competent authorities. A new AML/CFT Standing Committee was set up, in which both SEPBLAC and the Banco de España are represented. Notable among the documents drawn up by the Committee this year is the opinion on the future of European AML/CFT regulation.

### 7.2.2 European Systemic Risk Board

**The profound macroeconomic and financial impact arising from COVID-19 has been the most important challenge faced by the European Systemic Risk Board (ESRB) since its creation in 2010.** The ESRB adapted its work programme, temporarily focusing its attention on five priority areas, under the coordination of its Advisory Technical Committee:<sup>6</sup> i) implications for the stability of the financial system of public guarantee schemes and other fiscal measures to protect the real economy; ii) market illiquidity and implications for asset managers and insurers; iii) procyclical impact of ratings downgrades for the financial system; iv) restraints on dividend payments, share buybacks and other pay-outs by financial institutions; and v) liquidity risks arising from margin calls.

**The ESRB's work in 2020 in response to the pandemic led to a series of recommendations for authorities with supervisory and macroprudential policy responsibilities in EU Member States.**<sup>7</sup> In particular, the Banco de España, in its dual capacity as designated authority and competent authority for the microprudential supervision of LSIs in Spain, adopted the recommendations relating to the banking system:

- Recommendations ESRB/2020/7 and ESRB/2020/15 on temporary restrictions of dividends and variable remuneration. The Banco de España issued its own recommendations, in coordination with the ECB and the SSM national authorities (see Section 2.2.4).

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<sup>6</sup> The ESRB Advisory Technical Committee has been chaired by the Governor of the Banco de España since July 2019.

<sup>7</sup> For a broader summary, see Box 3.2 "The response of the European Systemic Risk Board to the COVID-19 crisis", *Financial Stability Report, Autumn*, Banco de España (2020).

- Recommendation ESRB/2020/6 on liquidity risks arising from margin calls, which seeks to: i) limit cliff effects in relation to the demand for collateral; ii) improve stress scenarios for the assessment of CCPs; iii) limit liquidity constraints related to margin collection; and iv) promote international standards on mitigating procyclicality. This recommendation affects the Banco de España, as supervisor of credit institutions that are CCP members.
- Recommendation ESRB/2020/8 on the financial stability implications of debt moratoria, and public guarantee schemes and other measures of a fiscal nature taken in response to COVID-19. The Spanish authority to which this recommendation is addressed is AMCESFI. As a member institution of AMCESFI, the Banco de España participates actively in the development of an analytical framework for assessing the measures.

**Aside from coronavirus-related work, in 2020 the ESRB issued a recommendation for promoting the use of the legal entity identifier (LEI) for regulated entities involved in financial transactions.**

## 7.3 Other fora

**In the area of conduct and consumer protection, the Banco de España is a member of the Governing Council of the International Financial Consumer Protection Organisation (FinCoNet).** This organisation's activity in 2020 centred on tasks relating to the assessment of customer creditworthiness in responsible lending, financial products and services advertising, product governance, and the impact of COVID-19 on transparency and consumer protection. A report on the main SupTech tools developed by the authorities to oversee conduct was also published.

**The Banco de España is also a member of the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS).** The bulk of the CPMI's work in 2020 was focused on monitoring the regulatory and supervisory measures taken as a result of the pandemic and on the ways to address the problems and challenges in financial market infrastructures posed by the crisis. It also continued to work on the strategy for reducing the risk of wholesale payment fraud at endpoints and monitored the degree of implementation of the PFMI across jurisdictions, publishing the assessment report for Brazil.

In the area of innovation, the CPMI continued to analyse large-value digital tokens. It monitored the matters described on global stablecoins in the 2019 report, having regard to the course and development of the projects (such as the Libra project) and examining the challenges, risks and benefits these initiatives could entail (in particular, their impact on financial stability). Based on the prior financial inclusion report, in 2020 the CPMI published a report analysing the opportunities and challenges of new technologies in

the FinTech era, and another on the development of tools for helping national authorities undertake diagnostic studies to measure and track progress in financial inclusion from a payments perspective.

**Lastly, the work carried out by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) was noteworthy.** The purpose of this network of supervisors and central banks from across the world, including the Banco de España, is to contribute to the financial system's global response to achieving the goals of the 2015 Paris Agreement. In 2020, this organisation published a guide for banking and insurance supervisors on integrating environmental and climate-related risks into supervisory practices.