

# 7

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

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### INTERNATIONAL BODIES

Participating in international banking regulation and supervision fora is a strategic priority for the Banco de España



### FINANCIAL STABILITY BOARD

The FSB worked on: i) resolution; ii) strengthening the non-bank financial intermediation sector; iii) analysing and monitoring vulnerabilities associated with digitalisation and climate change, and iv) improving cross-border payments



### BASEL COMMITTEE ON BANKING SUPERVISION

Progress was made, inter alia, on Pillar 3, the digitalisation of finance and the review of the Core Principles for Effective Banking Supervision. In addition, the full, consistent and timely implementation of the Basel III reforms continued to be promoted and a report assessing the March 2023 banking turmoil from a supervisory and regulatory standpoint was published



### EUROPEAN BANKING AUTHORITY

The EBA's priorities included: i) finalising implementation of Basel III in the EU; ii) running an enhanced EU-wide stress test; iii) putting its data infrastructure at the service of stakeholders; iv) delivering on the DORA and MiCA mandates; v) enhancing the capacity to fight ML/FT in the EU, and vi) executing the ESG roadmap



### EUROPEAN SYSTEMIC RISK BOARD

Among other issues, the ESRB worked on a cyber risk mitigation strategy, analysed the financial stability implications of developments in crypto-assets and decentralised finance, issued a report on vulnerabilities in the residential real estate sector, and prepared adverse scenarios for the climate risk analysis exercise



### OTHER

The Banco de España actively participated in FinCoNet, the Committee on Payments and Market Infrastructures and the Network of Central Banks and Supervisors for Greening the Financial System on climate change

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

Participating in international banking regulation and supervision fora is one of the Banco de España's strategic priorities, and one of its objectives is to have a greater say in these fora. The main international banking regulation and supervision 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>- International Financial Consumer Protection Organisation (FinCoNet)</li><li>- Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS)</li><li>- Network for Greening the Financial System (NGFS)</li></ul>

SOURCE: Banco de España.

## 7.1 Global fora

### 7.1.1 Financial Stability Board

The Financial Stability Board (FSB) is responsible for promoting international financial stability and, to this end, it coordinates national financial authorities and international standard-setting bodies. The turmoil of early 2023 marked the most significant stress episode for the banking sector since the financial crisis of 2008. Accordingly, the FSB published a report outlining the lessons learnt for the international resolution framework.

In addition, the FSB continued to monitor the risks associated with the non-bank financial intermediation (NBFIs) sector and published its annual progress report, describing the work carried out to strengthen this sector, which includes: i) a consultation on the revised recommendations to address vulnerabilities from the liquidity mismatch in open-ended funds; ii) measures to enhance margining practices, including recommendations relating to the liquidity of non-bank market participants; iii) analysis of the implementation by FSB

members of the proposals published in 2021 to strengthen money market funds; an assessment of the functioning and resilience of commercial paper and certificates of deposit, and v) the publication of a report on the financial stability implications of leverage in the NBFIs sector.

**The FSB continued to analyse vulnerabilities associated with other structural changes, particularly those relating to financial innovation and climate change.** The FSB updated its Cyber Lexicon and published recommendations for regulators and supervisors to achieve greater convergence in cyber incident reporting. Moreover, it is developing a common format for cyber incident reporting at international level. In response to the risks related to outsourcing, the FSB published a discussion paper with a toolkit to help financial institutions, supervisors and regulators identify critical services and comprehensively manage these risks. Regarding crypto-assets, the FSB completed the regulatory framework for crypto-asset activities, based on the principle of “same activity, same risk, same regulation”, which provides a strong basis for ensuring that crypto-asset activities and stablecoins are subject to consistent and comprehensive regulation, commensurate to the risks they pose, while continuing to support innovation. The FSB also collaborated with the International Monetary Fund (IMF) on the publication of a joint paper on crypto-assets that distils the FSB's perspective on financial stability, and the IMF's macro-financial view. In addressing financial risks stemming from climate change, the FSB published its annual progress report on its roadmap and the monitoring report on climate-related financial risk disclosures. The FSB also examined the inclusion of climate-related risk factors in compensation frameworks.

**Over the course of 2023, it continued to work on central counterparty (CCP) resolution** and established a framework with resources and tools that should be made available to the resolution authorities.

**Lastly, the FSB remains focused on enhancing cross-border payments, in order to make them faster, cheaper, more transparent and more inclusive.** In 2023, the roadmap moved into a practical phase with the publication of a list of priority actions: payment system interoperability and extension, legal, regulatory and supervisory frameworks, and cross-border data exchange and message standards.

### 7.1.2 Basel Committee on Banking Supervision

**The Basel Committee on Banking Supervision (BCBS), which was chaired by the Governor of the Banco de España until June 2024, is the international body responsible for setting global standards for the prudential regulation of internationally active banks, while acting as a forum for cooperation on banking supervision matters.**

**The BCBS published a report on the events of March 2023, providing an assessment of the causes of the banking turmoil and the regulatory and supervisory responses. The report also outlines the lessons learnt and takeaways for supervision and regulation.** In this respect, the Committee will undertake follow-up initiatives, prioritising work to strengthen

supervisory effectiveness and identifying issues that may warrant additional guidance at a global level. Furthermore, it will carry out analytical work based on empirical evidence to evaluate whether specific features of the Basel framework were fit for purpose during the March 2023 turmoil and, if necessary, assess the need to explore regulatory policy options over the medium term.

**In relation to financial digitalisation, the BCBS published a discussion paper on the supervisory and financial stability implications of digital fraud.** The BCBS continues to work on the implications of digitalisation for the banking system and supervision, focusing on technological developments. This includes considerations relating to the emergence of new operators and providers, the use of artificial intelligence and other innovations. Following the 2022 report on the prudential treatment of banks' exposures to crypto-assets, the BCBS issued a consultative document in December 2023 on specific amendments to the framework and a proposal on disclosure requirements (see Box 7.1). Additionally, the BCBS continues to monitor developments in this area, in particular, the role of banks as issuers of stablecoins and tokenised deposits, safekeeping activities and other potential interconnections.

**In 2023, the BCBS continued its efforts to address financial risks arising from climate change from a regulatory, supervisory and disclosure perspective.** As regards Pillar 3, it published a consultative document on the disclosure of climate-related financial risks (see Box 7.1).

**As recommended by the Group of Central Bank Governors and Heads of Supervision, the Committee's work on monitoring and reviewing the standards currently in place was limited to a set of specific initiatives.** A public consultation on the review of the Core Principles for Effective Banking Supervision was issued in 2023. The work of the BCBS also includes analysing banks' interconnections with the NBFIs sector and developing updated supervisory principles on banks' outsourcing practices.

**Regarding the implementation and evaluation of the reforms, the BCBS continued to promote the full and consistent application of Basel III and monitored its status across member jurisdictions through the Regulatory Consistency Assessment Programme.** It also published a report on the implementation of the principles for risk data aggregation, which provides an update on the progress made by 31 global systemically important banks, ten years after the principles were published.

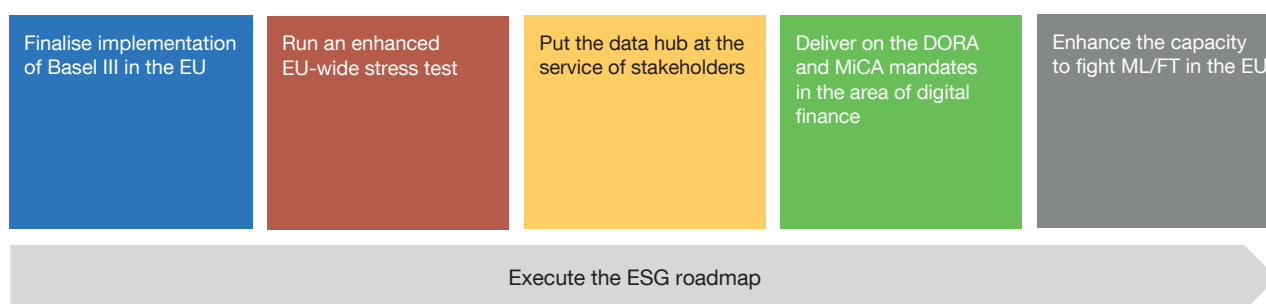
## 7.2 European fora

### 7.2.1 European Banking Authority

**The European Banking Authority (EBA) is an independent European Union (EU) authority that plays a key role in safeguarding the integrity and robustness of the EU banking sector to support financial stability.** The Banco de España is represented on the

Figure 7.2

### THE EBA'S STRATEGIC PRIORITIES IN 2023



SOURCE: EBA.

Board of Supervisors and the Management Board by the Director-General Financial Stability, Regulation and Resolution.

**In 2023, its work was structured around five vertical strategic priorities and one horizontal priority** (see Figure 7.2). However, its work programme was disrupted by unforeseen events. As a result of the March banking turmoil and the high interest rate environment, the EBA spent much of its time assessing the risks faced by the EU banking sector. Thus, in July 2023, it published the findings of an analysis of unrealised losses on European banks' bond holdings, which concluded that these losses had been contained.

**In the area of regulation and prudential supervision, the EBA prioritised the implementation of Basel III.** In 2023, it began work on the mandates provided for in the amendments to Regulation (EU) No 575/2013 (CRR-III) and Directive 2013/36 (CRD-VI) focusing on market risk, credit risk, operational risk, supervisory reporting and Pillar 3. In addition, it performed other key tasks, such as monitoring the implementation of the regulatory package on interest rate risk in the banking book (IRRBB)<sup>1</sup> published a year earlier.

**It also continued working to ensure transparent and effective banking supervision in the EU.** In 2023, the EBA continued to conduct peer reviews of the supervisory activities of competent authorities.<sup>2</sup> In October, the three European Supervisory Authorities (ESAs) – the EBA, the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) – published a framework for supervisory independence<sup>3</sup> based on four key principles: operational independence, financial independence, personal independence and transparency and accountability. Despite its non-binding nature, this framework will serve as a benchmark for the ESAs to assess the degree of independence of supervisory authorities in Europe.

<sup>1</sup> See the EBA's statement on the monitoring of the IRRBB framework (EBA/REP/2024/02).

<sup>2</sup> <https://www.eba.europa.eu/supervisory-convergence/peer-reviews>.

<sup>3</sup> See the joint European Supervisory Authorities' criteria on the independence of supervisory authorities (JC 2023 17).

**Lastly, in the area of resolution, in addition to monitoring the level of equity and eligible liabilities, the EBA approved Guidelines on resolvability testing in 2023.** These Guidelines are part of a trilogy<sup>4</sup> of EBA Guidelines aimed at verifying the preparedness of resolution authorities and institutions for the resolution process and ensuring the effectiveness of the planned strategy.

**In July 2023, addressing its second priority, the EBA published the results of the stress testing conducted on a total of 70 banks in 16 European countries.** This stress test exercise included a number of improvements such as an increased sample or, for the first time, the introduction of top-down elements in the analysis (see Chapter 2, section 2.4.3).

**In relation to its third priority, the EBA continued to work on building an EU-wide data infrastructure that will enhance both its analytical capabilities and the information available to stakeholders.** In 2023, it launched the Pillar 3 Data Hub,<sup>5</sup> a strategic project for enhancing transparency and centralising the Pillar 3 disclosures of all European credit institutions. Moreover, in collaboration with the European Central Bank (ECB), the EBA is developing an integrated system for statistical, prudential and resolution reporting that will make reporting processes more efficient and less costly.

**Efforts in the digital finance and financial innovation area focused on the legislative developments deriving from the MiCA and DORA Regulations, which are due for completion in 2024.** As far as DORA is concerned, the ESAs have worked on the various regulatory policy mandates (13) received from the co-legislators, as well as on a practical exercise seeking to understand the current landscape of technological providers in the EU.<sup>6</sup> As regards the MiCA Regulation, Figure 7.3 details the numerous technical standards and guidelines open to public consultation in 2023. The EBA has also begun preparing for the structural changes to its supervisory functions ushered in by the two Regulations.<sup>7</sup>

**Over 2023, the EBA also contributed to the effective implementation of the EU's AML/CFT framework (its fifth strategic priority).** The EBA developed new Guidelines and continued to review the approaches taken by the competent authorities to address these risks. Lastly, it continued to foster cooperation and the exchange of information between the EU's financial services supervisors to strengthen cross-border supervision.

**In the area of conduct and the protection of financial services users, the EBA oversaw the first ever mystery shopping exercise<sup>8</sup> conducted by the competent authorities.** Aside from

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4 These comprise the [Resolvability Testing Guidelines](#) (EBA/GL/2023/05), the [Resolvability Guidelines](#) (EBA/GL/2022/01) and the [Transferability Guidelines](#) (EBA/GL/2022/11).

5 See the [discussion paper on the Pillar 3 Data Hub processes and practical implications](#) (EBA/DP/2023/01).

6 See the [ESAs Report on the landscape of ICT third-party providers in the EU](#) (ESA 2023 22), which sets out the lessons learned to help the design of the regulatory technical standards (RTS) and the implementing technical standards (ITS) deriving from DORA.

7 Under the DORA and MiCA Regulations, the EBA must contribute to the effective supervision of the providers of ICT services to the financial system, and of the issuers of asset-referenced tokens (ART) and electronic money tokens (EMT).

8 Mystery shopping refers to an investigative approach used by the supervisory authorities to better understand the conduct of financial institutions towards their customers.

Figure 7.3

**WORK BY THE EBA ON DEVELOPING THE LEVEL 2 AND 3 MEASURES INCLUDED IN THE MiCA REGULATION**

Authorisations	RTS and ITS on information for authorisation as issuers of ARTs RTS on information for assessment of a proposed acquisition of qualifying holdings in issuers of ARTs
Own funds	RTS on the procedure and timeframe to adjust own funds requirements for 'significant' issuers. RTS on the adjustment of own funds requirements and design of stress testing programmes for issuers
Governance	EBA-ESMA Guidelines on the suitability assessment of the members of the management body of issuers of ARTs and of CASPs Guidelines on internal governance arrangements for issuers of ARTs RTS on requirements for policies and procedures on conflicts of interest for issuers of asset-referenced tokens (ARTs)
Liquidity	Guidelines on liquidity stress testing RTS specifying the liquidity requirements of the reserve of assets RTS specifying the highly liquid financial instruments in the reserve of assets RTS specifying the minimum contents of the liquidity management policy and procedures
Reporting	ITS on the reporting on ARTs and EMTs denominated in a non-EU currency RTS on the use of ARTs and EMTs denominated in a non-EU currency as a means of exchange
Conduct	RTS on the procedure for the approval of white papers of ARTs issued by credit institutions RTS on complaints handling procedures for issuers of ARTs
Other	RTS on supervisory colleges Guidelines on recovery plans for issuers of ARTs and EMTs
Call for advice	Delegated act on criteria for the classification of ARTs and EMTs as significant Delegated act on the supervisory fees to be charged to issuers of significant ARTs and EMTs

**SOURCE:** Banco de España.

**NOTE:** Of all of the mandates attributed to the EBA under the MiCA Regulation, only the consultation paper of guidelines on redemption plans has yet to be published. Also pending is a joint mandate for the three ESAs to develop crypto-asset classification guidelines.

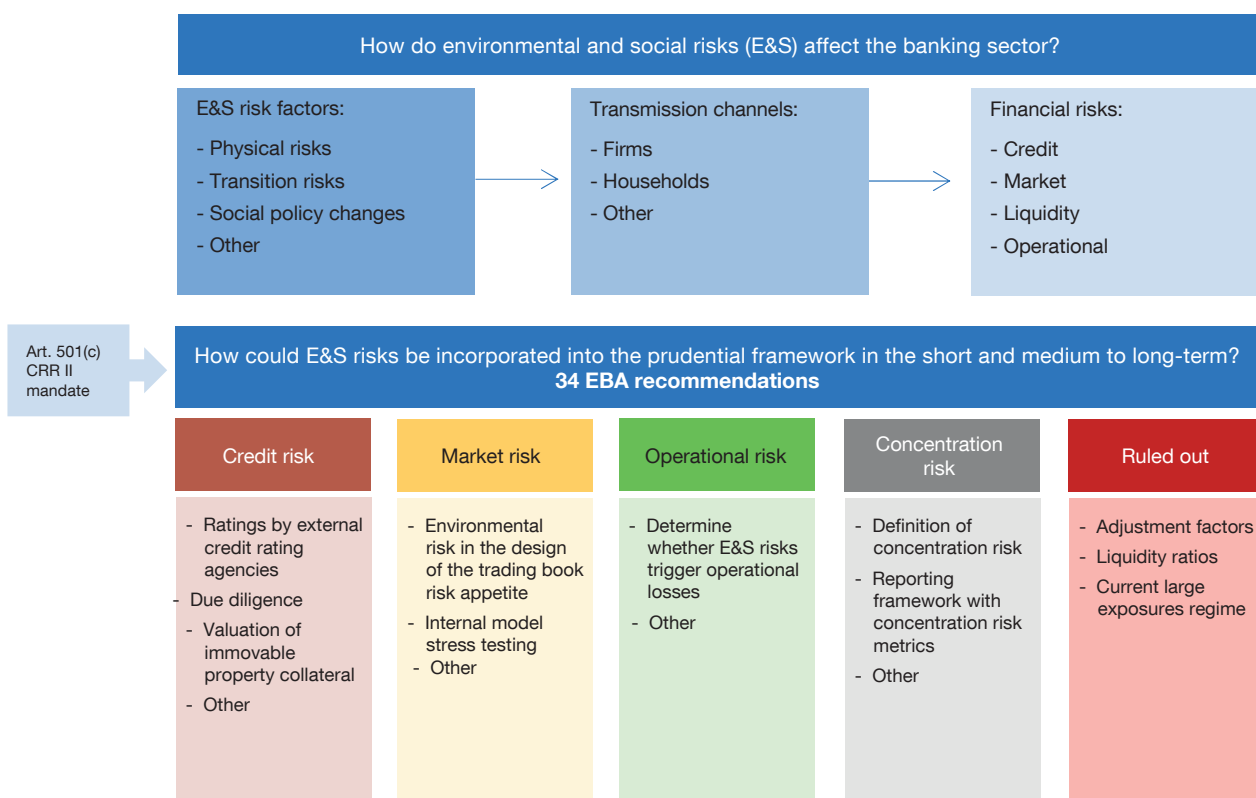
delivering on various mandates, the EBA set in place a work stream to analyse the extent to which the procedures for assessing the solvency of non-bank lenders may contribute to the problem of consumer overindebtedness.

**Lastly, it continued using the roadmap set in place in relation to environmental, social and governance (ESG) risks, the EBA's only horizontal priority.** Worth noting here is the publication



Figure 7.4

**EBA REPORT ON THE ROLE OF ENVIRONMENTAL AND SOCIAL RISKS IN THE PRUDENTIAL FRAMEWORK**



SOURCE: Banco de España.

of a report on the inclusion of these risks in Pillar 1.<sup>9</sup> The report sets out specific short-term improvements (see Figure 7.4) to the current standards alongside broader changes to be considered in the medium to long-term, in line with developments at an international level. The EBA also responded to two calls for advice from the European Commission: a progress report on greenwashing<sup>10</sup> and a report on green loans and mortgages.<sup>11</sup> Lastly, in collaboration and coordination with the other ESAs, the ECB and the ESRB, it worked on preparing the climate change stress test that aims to assess the resilience of the financial system in line with the “Fit for 55” package of measures,<sup>12</sup> to be conducted in 2024.

9 EBA report on the role of environmental and social risks in the prudential framework (EBA/REP/2023/34).

10 EBA progress report on greenwashing monitoring and supervision (EBA/REP/2023/16).

11 EBA report on green loans and mortgages (EBA/REP/2023/38).

12 The “Fit for 55” framework refers to the target of reducing greenhouse gas emissions by at least 55% by 2030 with respect to those recorded in 1990. To this end, the co-legislators have approved a package of measures to bring EU legislation into line with the 2030 goal.

## 7.2.2 European Systemic Risk Board

**The European Systemic Risk Board (ESRB), of which the Banco de España is a member institution, is entrusted with the macroprudential oversight of the EU financial system and the prevention and mitigation of systemic risk.**<sup>13</sup> The General Board of the ESRB brings together the heads of central banks and authorities with responsibility for banking, securities and insurance regulation and supervision from across the EU. The Banco de España's Governor and Director General Financial Stability, Regulation and Resolution<sup>14</sup> sit on the General Board. The General Board is supported and guided by an Advisory Technical Committee, chaired by the Banco de España's Governor, Pablo Hernández de Cos, since 2019.

**The ESRB continuously monitors the risks to financial stability in the EU and assesses the domestic macroprudential policies.**<sup>15</sup> In 2023 the ESRB's work took place against a backdrop of systemic risks relating to high inflation and tighter financial conditions (although these did not ultimately materialise, and banks in the EU continued to post healthy profits and NPL ratios). The ESRB centred much of its efforts on financial stability-related issues concerning cyber resilience, financial innovation and developments in the residential real estate market. It also advised the European co-legislators on the technical review of the EU market infrastructure regulations, issuing recommendations on the voluntary reciprocity of the macroprudential policy measures adopted in several countries and designing the macro-financial scenarios for the stress testing conducted by the EBA (on the banking sector) and the ESMA (on central counterparties).

**In 2023 the ESRB continued to work on a strategy for mitigating potentially systemic cyber risks.** In its report<sup>16</sup> it calls on the EU authorities to make further progress in three areas: i) cyber resilience and stress testing; ii) setting systemic impact tolerance objectives; and iii) financial crisis management tools. The ESRB's work encompasses the financial system as a whole and supplements the activities (targeted at individual institutions) pursued by the three ESAs within the framework of the digital operational resilience regulations.

**The ESRB also turned its attention to the financial stability implications of the latest developments in crypto-assets and decentralised finance.** The ESRB analysed the initiatives in place in various jurisdictions to address the challenges posed by the rapid growth of crypto-assets and decentralised finance. Various lines of action are proposed in its report,<sup>17</sup> aimed, inter alia, at improving the EU's capacity to monitor the potential channels of contagion, as well as analysing the available options for addressing the risks from crypto-asset conglomerates, leverage using crypto-assets, the new operational challenges and crypto-asset-related services.

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13 For an introductory overview of the ESRB's remit and its work to date, see "The first ten years of the European Systemic Risk Board (2011-2021)". *Financial Stability Review* - Banco de España, 42, pp. 119-152.

14 Pablo Hernández de Cos (voting member) and Ángel Estrada (non-voting member), respectively.

15 See the *Annual Report 2022* and *EU Non-bank Financial Intermediation Risk Monitor 2023*, both from July 2023.

16 See *Advancing macroprudential tools for cyber resilience*, report of 14 February 2023.

17 See *Crypto-assets and decentralised finance*, ESRB report of 25 May 2023.

**As far as the residential real estate sector is concerned, the ESRB prepared a follow-up report on vulnerabilities in the residential real estate sectors of the European Economic Area (EEA) countries.** This report<sup>18</sup> reveals that the level of accumulated risks remains significant in most EEA countries, although Spain is not among them. If the vulnerabilities in this sector were to increase again, the countries that have received recommendations or warnings in the past should continue addressing them with macroprudential policies, alongside other potentially useful measures.

**In 2023, the ESRB worked on preparing the adverse scenarios for the “Fit for 55” climate risk analysis.** The European Commission tasked the ESAs with conducting this one-off exercise in cooperation with the ECB and the ESRB. The aim is to assess in 2024 the resilience of the EU financial system, as well as its capacity to support the EU's green transition strategy so as to meet the climate targets set for 2030. The various adverse macro-financial scenarios designed by the ESRB for this exercise were based on the methodologies used in the ESAs' stress tests.

### 7.3 Other fora

**In the conduct and consumer protection area, the Banco de España is a member of the Governing Council of the International Financial Consumer Protection Organisation (FinCoNet) and it participates actively in various working groups.** These working groups analyse the risks to consumers and the regulatory and supervisory approach to “Buy Now, Pay Later” products, reviewing the framework for conduct supervision and analysing the efficacy of the different supervisory models and conduct supervision in challenging times. Worth noting was the publication in 2023 of the reports on sales incentives in the marketing of mortgage loans; the impact of remote working on supervision after the COVID-19 pandemic and the use of suptech tools in this context; and the supervisory implications of non-traditional financial institutions (such as bigtechs or fintechs) offering financial services, especially payments.

**The Banco de España also sits on the Committee on Payments and Market Infrastructures (CPMI)<sup>19</sup> of the Bank for International Settlements (BIS).** In 2023 the Banco de España contributed to the CPMI's work on the G20 roadmap for the cross-border payments programme. Here, in collaboration with the FSB, it worked on a series of priorities, such as improving (direct) access to payment systems, extending and aligning the operating hours of the main payment systems and seeking to interconnect or better harmonise such systems. In general, the sector has been encouraged to play a more active role in this area.

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<sup>18</sup> See *Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries*, ESRB report of 1 February 2024.

<sup>19</sup> The primary function of the CPMI is to promote the safety and efficiency of payment, clearing, settlement and related arrangements, thereby supporting financial stability and the wider economy. Made up of senior officials from 25 central banks, the Committee oversees and analyses such arrangements both within and across the different jurisdictions.

Meanwhile, the Banco de España also took part in projects concerning infrastructure risk management. Notable examples include the creation of a work stream on operational resilience, which, together with the International Organization of Securities Commissions (IOSCO), is revising the CPMI-IOSCO guidance on cybernetic resilience. Given its strategic importance, work continued, in partnership with IOSCO, on analysing the management of CCP risks. Specifically, the way in which CCPs use margin requirements and auctions for default management was analysed, as were the available instruments for hedging losses not deriving from a default on the part of a clearing member.

Also in partnership with IOSCO, in 2023 the CPMI worked on identifying and evaluating potential problems that may emerge with innovations concerning digitalisation in the payments area, focusing on the future of payments in a tokenised financial ecosystem and opening discussions on the technical capacities of central banks in relation to collaboration on cross-border functionalities relating to a central bank digital currency.

**The Network for Greening the Financial System (NGFS)<sup>20</sup> continued working to improve the management of the financial risks associated with climate change and the environment.**

Worth noting in 2023 were the following publications: i) a report on transition plans, which has helped to better understand this new tool;<sup>21</sup> ii) a note on short-term scenarios<sup>22</sup> aimed at making climate scenarios more granular; and iii) a report on the micro-prudential supervision of the litigation risk<sup>23</sup> deriving from climate change-related activity, in which, among other matters, a series of supervision tools for addressing this risk are proposed. The NGFS also made significant strides in analysing nature-related financial risks, such as biodiversity loss, developing a possible conceptual framework.<sup>24</sup>

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20 Network of supervisors and central banks from all over the world. At November 2023 it had 129 members and 21 observers. The Banco de España has been a member since April 2018.

21 *Stocktake on Financial Institutions' Transition Plans and their Relevance to Micro-prudential Authorities.*

22 *Conceptual note on short-term climate scenarios.*

23 *Report on micro-prudential supervision of climate-related litigation risks.*

24 *Nature-related Financial Risks: a Conceptual Framework to guide Action by Central Banks and Supervisors.*

## PROGRESS IN IMPLEMENTING THE BASEL PILLAR 3 FRAMEWORK: CONSULTATIVE DOCUMENTS ON BANKS' EXPOSURES TO CRYPTO-ASSETS AND CLIMATE-RELATED FINANCIAL RISKS

The Basel Committee on Banking Supervision (BCBS) published two consultative documents on disclosures in 2023.

### Consultative document on banks' exposures to crypto-assets

In December 2022 the BCBS published the global standard on the prudential treatment of banks' exposures to crypto-assets. Subsequently, in October 2023, the Committee issued for consultation a set of templates and a standardised disclosure table to facilitate the consistency and comparability of banks' disclosures to the market of their crypto-asset exposures.

Specifically, the proposal published by the BCBS includes one qualitative table and three quantitative templates.

- **Qualitative disclosure on a bank's activities related to crypto-assets and the approach used in assessing the classification conditions (CAEA):** includes qualitative information on a bank's activities related to crypto-assets and how these activities translate into components of the bank's risk profile. Information is requested about risk management policies, along with a description of the most significant emerging risks associated with crypto-assets, and a description of the approach used in assessing the classification conditions for Group 1, which includes tokenised traditional assets (Group 1a) and stablecoins with an effective stabilisation mechanism and a regulated and supervised issuer (Group 1b).
- **Crypto-asset exposures and capital requirements (CAE1):** for each type of crypto-asset, a breakdown is requested of credit risk and market risk capital requirements and of the market value of the crypto-assets that the bank holds in custody for clients. Information is also requested about the Group 2 exposure limit (1%-2% Tier 1) and, where the authorities apply to Group 1 crypto-assets the add-on to cover possible operational weakness stemming from the infrastructure used, the banks must disclose the amount of the resulting risk-weighted assets.
- **Accounting classification of exposures to crypto-assets (CAE2):** for each type of crypto-asset, a breakdown of the exposure is requested depending on how the crypto-assets have been classified in the financial statements.

- **Liquidity requirements for exposures to crypto-assets (CAE3):** for each type of crypto-asset a breakdown of its prudential treatment is requested, according to the liquidity standards (LCR and NSFR), distinguishing between when a bank acts as an investor with crypto-asset exposures and when it acts as an issuer with a crypto-liability on its balance sheet.

Once the standard has been finalised, the definitive tables and templates will be incorporated into the Basel disclosure framework.

### Consultative document on climate-related financial risks

As part of its holistic approach to address climate-related financial risks, the BCBS published, in November 2023, a consultative document on the disclosure requirements for such risks. The consultative document includes two qualitative tables and five quantitative templates (see Figure 1). In order to incorporate a reasonable level of flexibility into a future framework, the Committee will consider which elements would be mandatory and which subject to national discretion.

The qualitative tables (CRFRA and CRFRB) incorporate aspects on governance, strategy, risk management and concentration risk in relation to climate-related financial risks. Most of these requirements are in line with the standard of the International Sustainability Standards Board (ISSB).

The quantitative templates request information about the following:

- **Exposures by sector and financed emissions (CRFR1):** the Committee's analytical reports highlighted that the economic and financial impacts of transition risks may vary depending on the sector in which an obligor is operating, as certain sectors will have greater sensitivity to the transition to a low-carbon economy. The BCBS proposes that banks disclose exposures to non-financial corporates by sector, using the Global Industry Classification Standard (GICS), as well as information about the credit quality and maturity ladder of these exposures. In addition, information is requested about greenhouse gas (GHG) financed emissions (Scopes 1, 2 and 3).

**PROGRESS IN IMPLEMENTING THE BASEL PILLAR 3 FRAMEWORK: CONSULTATIVE DOCUMENTS ON BANKS' EXPOSURES TO CRYPTO-ASSETS AND CLIMATE-RELATED FINANCIAL RISKS (cont'd)**

Figure 1  
CONSULTATIVE DOCUMENT ON CLIMATE-RELATED FINANCIAL RISKS

	Qualitative tables		Quantitative tables				
	CRFRA	CRFRB	CRFR1	CRFR2	CRFR3	CRFR4	CRFR5
	Governance, strategy and risk management	Physical, transition and concentration risk	Exposures and financed emissions by sector	Exposures subject to physical risk	Energy efficiency of exposures collateralised by immovable property	Emission intensity per physical output	Facilitated emissions
<b>Scope of application</b>	To be determined following consultation	To be determined following consultation	To be determined following consultation	To be determined following consultation	Subject to national discretion	Subject to national discretion	Subject to national discretion
<b>Type of risk</b>	Physical risk	Physical risk		Physical risk			
	Transition risk	Transition risk	Transition risk		Transition risk	Transition risk	Transition risk

SOURCE: Banco de España.

- **Exposures subject to physical risk (CRFR2):** the Committee requests disclosure of exposures to non-financial corporates and exposures collateralised by immovable property subject to physical risk by geographical area. The aim is for users of Pillar 3 disclosures to better understand a bank’s risk profile based on the geographical split of its exposures.
- **Real estate exposures in the mortgage portfolio by energy efficiency level (CRFR3):** loans secured by immovable property are subject to transition risk insofar as jurisdictions implement legislation to reduce real estate emissions. The BCBS proposes that these exposures be disclosed by energy efficiency levels (for example, in kWh/m<sup>2</sup>).
- **Emission intensity per physical output (CRFR4):** physical activity emission intensity metrics could provide users of Pillar 3 disclosures with useful and comparable information about emission intensity, as opposed to only considering absolute emissions. The Committee therefore proposes a template for banks

to disclose their emission intensity metrics and their emission reduction targets. The chosen metrics must be relevant to the disclosed sector (for example, tonnes of CO<sub>2</sub> per passenger distance in the transportation sector).

- **Facilitated emissions (CRFR5):** facilitated emissions refer to those attributed to a bank providing capital markets and financial advisory services (for example, equity underwriting, securitisation, etc.) to a counterparty. The Committee requests the disclosure of emissions linked to these activities which generally generate fees, do not provide direct financing and are material for investment banks.

In short, the proposed framework is a first step towards harmonising Pillar 3 requirements for the disclosure of climate-related risks for internationally active banks. The BCBS recognises that jurisdictions’ varying degree of preparedness and the need to evolve in terms of data and methodologies means that the development of a definitive Pillar 3 framework for these risks is likely to be an iterative

**PROGRESS IN IMPLEMENTING THE BASEL PILLAR 3 FRAMEWORK: CONSULTATIVE DOCUMENTS ON BANKS' EXPOSURES TO CRYPTO-ASSETS AND CLIMATE-RELATED FINANCIAL RISKS (cont'd)**

process. Moreover, the consultation notes that the Committee, based on the feedback received through this process, must decide which templates are mandatory and which subject to national discretion. The proposed

implementation date for the framework is 2026, one year after the effective date proposed by the ISSB and after the expiration of the ISSB's transitional arrangements, which include financed emissions.