FinTech regulatory developments

**EBA: consultation on guidelines on ICT and security risk management**

On 13 December 2018, the European Banking Authority (EBA) launched a consultation on its draft Guidelines on ICT and Security Risk Management. These Guidelines establish requirements for credit institutions, investment firms and payment service providers (PSPs) on the mitigation and management of their information and communication technology (ICT) risks and aim to ensure a consistent and robust approach across the Single market. The consultation runs until 13 March 2019.

**BCBS: cyber-resilience – range of practices report**

On 4 December 2018, the Basel Committee on Banking Supervision (BCBS) published the report, *Cyber-Resilience: Range of Practices*. It identifies, describes and compares the range of observed bank, regulatory and supervisory cyber-resilience practices across jurisdictions. Based on analysis of authorities’ responses to previous international surveys and on exchanges between international experts, the report gains insight into the effective practices and expectations in place. It also benefited from industry participants’ input. The current challenges and initiatives to enhance cyber-resilience are summarised in 10 key findings and illustrated by case studies which focus on concrete developments in the jurisdictions covered.

**ECB: publication of the cyber resilience oversight expectations**

On 3 December 2018, the European Central Bank (ECB) published the *Final Cyber Resilience Oversight Expectations for Financial Market Infrastructures (FMIs)*. Cyber resilience is an important aspect of FMIs’ operational resilience and is thus also a factor affecting the overall resilience of the financial system and the broader economy. The cyber resilience oversight expectations are based on the global guidance on cyber resilience for financial market infrastructures. This guidance was published by the Committee on Payments and Market Infrastructures and the Board of the International...
Organisation of Securities Commissions (CPMI-IOSCO) in June 2016.

**IMF: casting light on central bank digital currencies**

On 12 November 2018, the International Monetary Fund (IMF) published the report, *Casting Light on Central Bank Digital Currencies* (Staff Discussion Notes No. 18/08). Digitalisation is reshaping economic activity, shrinking the role of cash, and spurring new digital forms of money. Central banks have been pondering whether and how to adapt. One possibility is central bank digital currency (CBDC) - a widely accessible digital form of fiat money that could be legal tender. This discussion note proposes a conceptual framework to assess the case for CBDC adoption from the perspective of users and central banks. It discusses possible CBDC designs, and explores potential benefits and costs, with a focus on the impact on monetary policy, financial stability, and integrity. This note also surveys research and pilot studies on CBDC by central banks around the world.

**ESMA SMSG advice: own initiative report on initial coin offerings and crypto assets**

On 19 October 2018, ESMA’s Securities and Markets Stakeholder Group (SMSG) issued its *Own Initiative Report on Initial Coin Offerings and Crypto-Assets*. The goal of this report was to give advice to ESMA on steps it can take to contain the risks of ICOs and crypto assets, on top of existing regulation. Since there are no obvious stability risks yet in this respect, this report mainly focuses on risks for investors. The first part of the report provides necessary background information. It first defines the relevant concepts. The report then provides a taxonomy of crypto assets, distinguishing between payment tokens, utility tokens, asset tokens and hybrids. In order to inspire potential regulatory initiatives, the report further provides an overview of recent ICOs of crypto assets and of the most important existing regulations of crypto assets in the EU. The second part of the report builds up to advice to ESMA on the question whether and how ICO’s and/or crypto assets should be regulated.

**IMF and World Bank: launch of the Bali FinTech Agenda**

On 11 October 2018, the International Monetary Fund (IMF) and the World Bank launched the *Bali FinTech Agenda*, a set of 12 policy elements aimed at helping member countries to harness the benefits and opportunities of rapid advances in financial technology that are transforming the provision of banking services, while at the same time managing the inherent risks. The Agenda proposes a framework of high-level issues that countries should consider in their own domestic policy discussions and aims to guide staff from the two institutions in their own work and dialogue with national authorities. The 12 elements were distilled from members’ own experiences and cover topics relating broadly to enabling FinTech; ensuring financial sector resilience; addressing risks; and promoting international cooperation.

**FSB: crypto asset markets - potential channels for future financial stability implications**

On 10 October 2018, the Financial Stability Board (FSB) published *Crypto-Asset Markets: Potential Channels for Future Financial Stability Implications*. This report sets out the analysis behind the FSB’s proactive assessment of the potential implications of crypto-assets for financial stability. The report follows up on the initial assessment set out in the *FSB Chair’s March 2018 letter to G20 Finance Ministers and Central Bank Governors*, and the summary of the work of the FSB and standard-setting bodies on crypto-assets the FSB published in July. The FSB’s report includes an assessment of the primary risks present in crypto assets and their markets, such as low liquidity, the use of leverage, market risks from volatility, and operational risks. Based on these features, crypto assets lack the key attributes of sovereign currencies and do not serve as a common means of payment, a stable store of value, or a mainstream unit of account. Based on the available information, crypto assets do not pose a material risk to global financial stability at this time. However, vigilant monitoring is needed in light of the speed of market developments.

**Contact:** Gabriel Callsen
gabriel.callsen@icmagroup.org