

## *Basel iii News, April 2025*

The Basel III Monitoring Report is a key publication issued by the Basel Committee on Banking Supervision (BCBS), designed to track the implementation, impact, and progress of the Basel III regulatory framework across global banking systems. It serves as a critical tool for assessing how banks are adapting to the standards introduced under Basel III.



### **Basel III monitoring report - March 2025**

The report sets out the impact of the Basel III framework, including the December 2017 finalisation of the Basel III reforms and the January 2019 finalisation of the market risk framework.

#### *Highlights of the Basel III monitoring exercise as of 30 June 2024*

*Basel III risk-based capital ratios increase while leverage ratio and NSFR remain stable for large internationally active banks*

To assess the impact of the Basel III framework on banks, the Basel Committee on Banking Supervision monitors the effects and dynamics of the reforms. For this purpose, a semiannual monitoring framework has been set up for the risk-based capital ratio, the leverage ratio and liquidity metrics, using data collected by national supervisors on a representative sample of institutions in each country.

Since the end-2017 reporting date, this report has also captured the effects of the Committee's finalisation of the Basel III reforms. This report summarises the aggregate results using data as of 30 June 2024. The Committee believes that the information contained in the report will provide relevant stakeholders with a useful benchmark for analysis.

## Overview of results (unbalanced sample)

Table 1

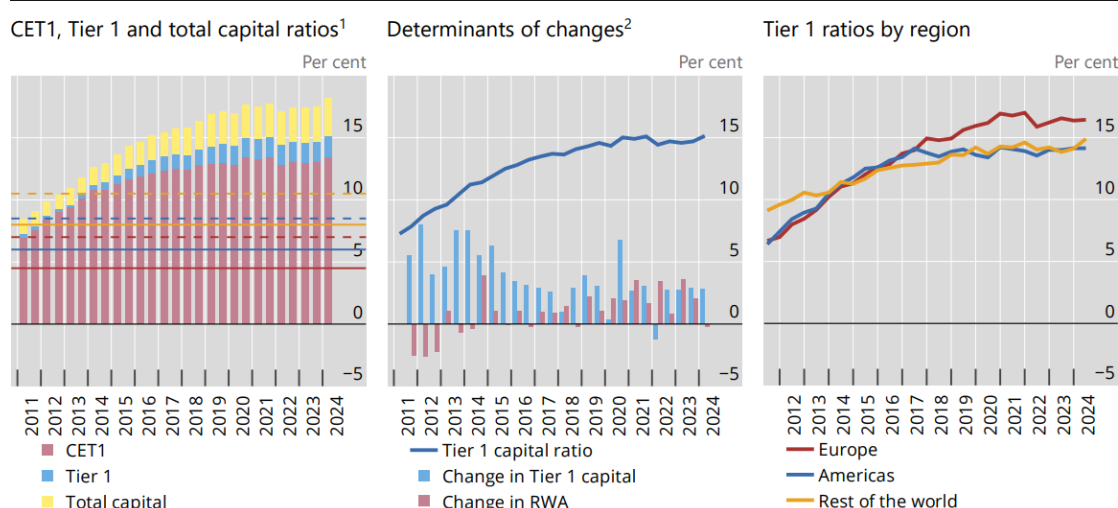
	31 December 2023 <sup>1</sup>			30 June 2024		
	Group 1	Of which: G-SIBs	Group 2	Group 1	Of which: G-SIBs	Group 2
<i>Current Basel III framework</i>						
CET1 ratio (%)	13.1	12.8	18.2	13.4	13.2	18.9
Target total capital shortfalls (€ bn) <sup>2</sup>	0.0	0.0	0.0	0.0	0.0	0.0
TLAC shortfall 2022 minimum (€ bn)	24.8	24.8		19.4	19.4	
Total accounting assets (€ bn)	86,121	59,456	4,106	82,626	61,751	2,751
Leverage ratio (%) <sup>3</sup>	6.1	6.1	6.6	6.1	6.0	6.7
LCR (%)	138.2	135.0	201.5	136.0	133.6	194.0
NSFR (%)	122.6	122.8	133.9	123.6	123.8	138.1
<i>Fully phased-in final Basel III framework (2028)</i>						
Change in Tier 1 MRC at the target level (%)	1.3	0.0	8.0	1.9	1.5	5.2
CET1 ratio (%)	13.5	13.4	16.6	13.1	12.9	17.6
Target capital shortfalls (€ bn); of which:	0.0	0.0	0.0	0.9	0.9	0.0
CET1	0.0	0.0	0.0	0.0	0.0	0.0
Additional Tier 1	0.0	0.0	0.0	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0	0.9	0.9	0.0
TLAC shortfall 2022 minimum (€ bn)	31.1	31.1		19.6	19.6	
Leverage ratio (%) <sup>3</sup>	6.1	6.0	6.6	6.1	6.0	6.8

See Table A.4 for the target level capital requirements. <sup>1</sup> The values for the previous period may differ slightly from those published in the previous report. This is caused by data resubmissions for previous periods to improve the underlying data quality and enlarge the time series sample. <sup>2</sup> These use the 2017 definition of the leverage ratio exposure measure. <sup>3</sup> The leverage ratios reflect temporary exclusions from leverage exposures introduced in some jurisdictions.

Source: Basel Committee on Banking Supervision.

## Group 1 banks, balanced data set

Graph 1



<sup>1</sup> The solid lines depict the relevant minimums, the dotted lines the minimums plus the capital conservation buffer. See Table A.4 for the relevant levels. <sup>2</sup> Exchange rates as at the current reporting date.

Source: Basel Committee on Banking Supervision. See the Excel data file for underlying data and sample size.

Information considered for this report was obtained from voluntary and confidential submissions of data from individual banks and their national supervisors. At the

jurisdictional level, there may be ongoing mandatory data collection, which also feeds into this report.

Data were included for 176 banks, including 115 large internationally active (“Group 1”) banks, among them 29 global systemically important banks (G-SIBs) and 61 other (“Group 2”) banks.

Members’ coverage of their banking sector is very high for Group 1 banks, reaching 100% coverage for some countries, while coverage is lower for Group 2 banks and varies by country. In general, this report does not consider any transitional arrangements such as grandfathering arrangements. Rather, the estimates presented assume full implementation of the Basel III requirements based on data as of 30 June 2024.

No assumptions have been made about banks’ profitability or behavioural responses, such as changes in bank capital or balance sheet composition, since this date or in the future. Furthermore, the report does not reflect any additional capital requirements under Pillar 2 of the Basel III framework.

- Compared with the end-December 2023 reporting period, the average Common Equity Tier 1 (CET1) capital ratio under the current Basel III framework increased from 13.1% to 13.4% for Group 1 banks in H1 2024.
- The average impact of the Basel III framework on the Tier 1 minimum required capital (MRC) of Group 1 banks increased (+1.9%) when compared with end-December 2023. The average increase for G-SIBs is 1.5%.
- There is a minor capital shortfall under the final Basel III framework in H1 2024 while there was no shortfall in the previous period.
- Applying the 2022 minimum total loss-absorbing capacity (TLAC) requirements and the current Basel III framework, two of the 18 G-SIBs reporting TLAC data reported an aggregate incremental shortfall of €19.6 billion.
- The average Liquidity Coverage Ratio (LCR) of Group 1 banks is slightly lower at 136.0% compared with the last reporting date, while the average Net Stable Funding Ratio (NSFR) increased from 122.6% to 123.6%

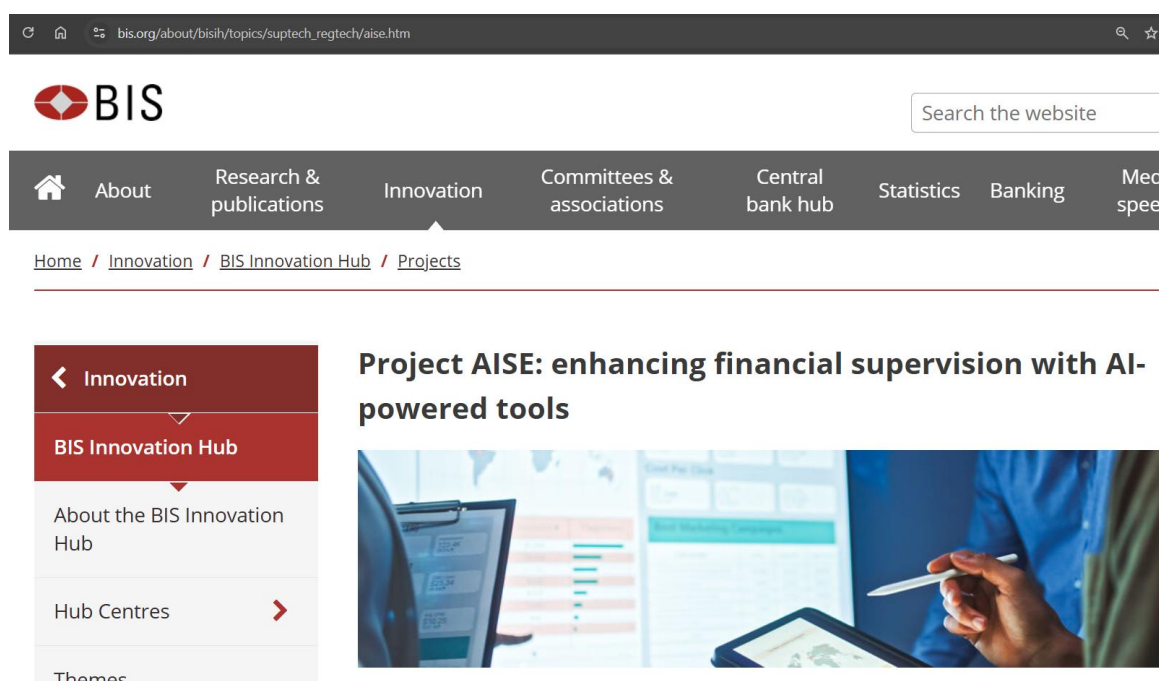
To read more: <https://www.bis.org/bcbs/publ/d592.pdf>

## Project Artificial Intelligence Supervisory Enhancer (AISE): enhancing financial supervision with AI-powered tools



The Bank for International Settlements (BIS) has launched Project AISE (Artificial Intelligence Supervisory Enhancer) to develop a flexible AI-driven toolkit designed to support financial supervisors in handling the growing complexity of regulatory oversight.

As the financial landscape evolves with the rapid expansion of fintech, regulators face increasing demands due to a larger supervised base, constantly evolving regulations and the need for faster, more efficient supervision. Project AISE aims to provide supervisory agencies with AI-powered tools to enhance on-site supervision, streamline research tasks and strengthen decision-making.



The growing demands on supervisory teams coincide with increased challenges in hiring and training new supervisors. By leveraging AI, Project AISE seeks to bridge this gap by equipping supervisors with technology that enhances their ability to process vast amounts of data, detect emerging risks, and respond swiftly to regulatory changes.

Additionally, the toolkit will facilitate knowledge transfer by embedding best practices from experienced supervisors, making it easier for new supervisors to onboard and build upon institutional expertise. This ensures continuity and efficiency in regulatory oversight even as supervisory teams evolve.

Project AISE is led by the BIS Innovation Hub's Toronto Innovation Centre, combining expertise in AI, financial regulation, and supervisory methodologies. By integrating AI into the regulatory process, the project aligns with global efforts to modernise financial supervision, ensuring that regulators can effectively manage risks and maintain financial stability in an increasingly digital and complex financial ecosystem.

To read more: [https://www.bis.org/about/bisih/topics/suptech\\_regtech/aise.htm](https://www.bis.org/about/bisih/topics/suptech_regtech/aise.htm)



## Project Promissa: tokenisation of promissory notes



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BANCA NAZIONALE SVIZZERA  
BANCA NAZIUNALA SVIZRA  
SWISS NATIONAL BANK

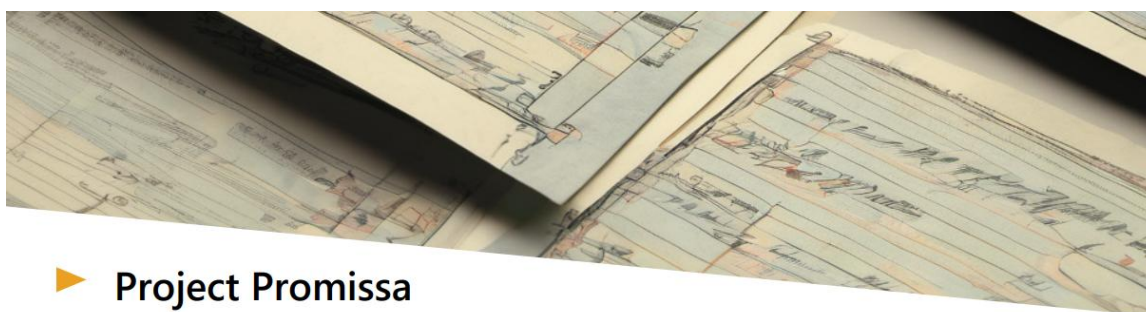
A *promissory note* is an unconditional written promise, signed by the *promisor*, to pay a specified sum of money to the *promisee* upon demand or at a fixed or determinable future time (League of Nations (1930)).

The G20 has endorsed a roadmap towards better, bigger and more effective multilateral development banks (MDBs) (G20 (2024)). This roadmap, supported by the heads of 10 MDBs, aims to reform these institutions to address regional and global challenges more effectively (World Bank (2024a)). The roadmap, among other recommendations, provides suggestions to enhance MDBs' financing capacity.

Independently, but aligned with the roadmap goals, the BIS Innovation Hub, World Bank and Swiss National Bank are exploring how to make the funding processes of MDBs fit for the 21st century.

Today, MDBs fund their activities in various ways, including through member subscriptions and contributions, which are usually paid in cash or by paper-based promissory notes.

MDBs leverage these funds by issuing bonds or other financial instruments to expand their financing capacity. However, the current manual processes associated with the lifecycle events of paper based promissory notes, such as issuance, encashment, updates and archiving, are time-consuming, cumbersome and require constant reconciliation.



### ► Project Promissa

## Tokenisation of promissory notes

### Final report

April 2025



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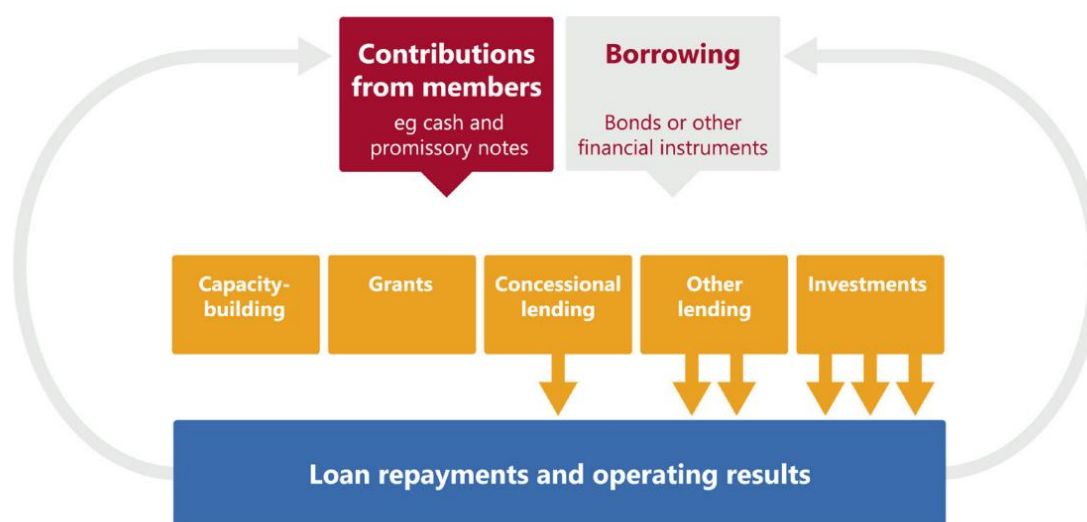
Project Promissa reimagines the management of promissory notes by digitising financial commitments and putting them on a distributed ledger – a process known as tokenisation. The project built a proof of concept (PoC) platform for

tokenised promissory notes, exploring several key features:

- **Single source of truth** – ensures real-time access to the true state of a promissory note (golden record)
- **Multiparty signatures** – to automate the manual handling of lifecycle events
- **Confidentiality** – ensures that records of the promissory notes are shared exclusively with the involved parties
- **Sovereignty** – preserves each party's ownership, control and decision-making authority over their promissory notes.

## Funding of MDBs

## Graph 1



Source: World Bank (2024b); authors' elaboration.

Project Promissa thoroughly examined technical feasibility and legal aspects in collaboration with central banks, ministries of finance and MDBs. The test results indicate that the PoC effectively addresses key pain points and provides value to all parties, pending further evaluation of the identified legal aspects.

The benefits demonstrated by the PoC have motivated project participants to consider the potential operationalisation of this solution. To this end, three areas require further work.

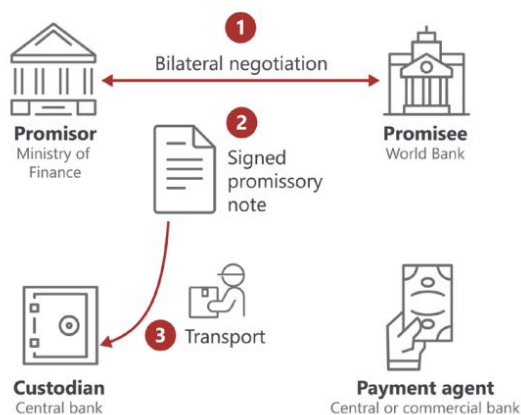
First, the solution must meet additional requirements such as enabling individual access with appropriate controls (eg the four-eyes principle), handling unexpected situations or errors (“unhappy paths”), and offering ways to integrate with existing recordkeeping and payment systems.

Second, the legal and compliance aspects of tokenising promissory notes must be further examined in each jurisdiction. Third, there needs to be a clear plan for who will run the platform, who will pay for it and how it will be managed.

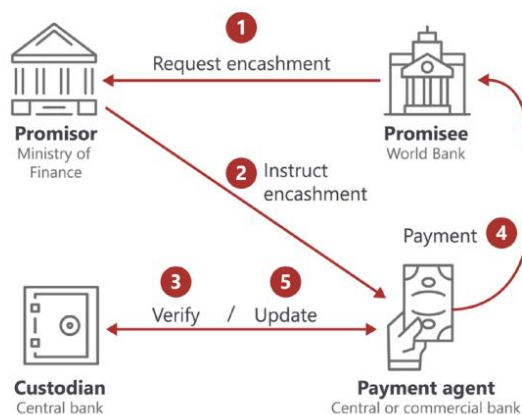
## Promissory notes: issuance and encashment

Graph 2

## A. Issuance



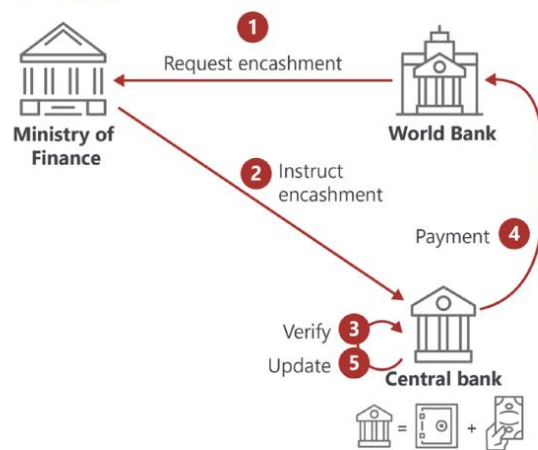
## B. Encashment



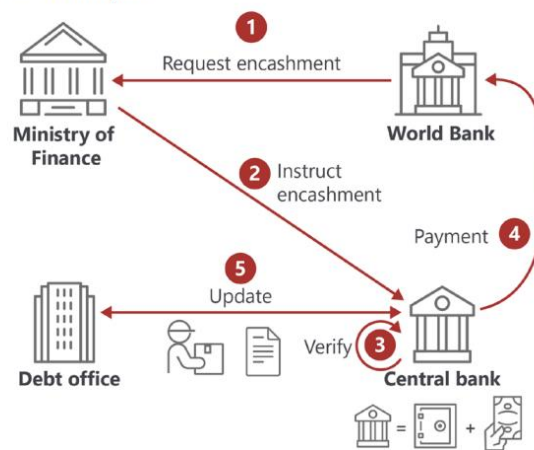
## Promissory notes: encashment across two countries

Graph 3

## A. Country A



## B. Country B



To read more: <https://www.bis.org/publ/othp93.pdf>

## The transformative power of AI

Christine Lagarde, President of the ECB, at the ECB conference on “The transformative power of AI: economic implications and challenges” in Frankfurt, Germany.



It is a pleasure to welcome you to our conference on the transformative power of AI.

In the early stages of a new technological breakthrough, it is often hard to discern fact from fiction. We struggle to imagine the ways in which the new technology will be used. And even if we predict the direction of technological change correctly, we rarely get the timeline or the size of the impacts right.

Today, we sometimes hear claims that AI is improving so fast that we are only a few years away from the nature of work being radically reformed. But we also hear arguments that the same barriers that slowed down the adoption of all past technologies will also delay AI adoption.

I cannot claim to know which vision will prove to be correct. But the early evidence is promising and, in my view, we must act on the basis that we are facing an economic revolution. This attitude will be particularly important here in Europe.

On this side of the Atlantic, we are still paying the price for having been too slow to capitalise on the last major digital revolution, the internet. The tech sector explains around two-thirds of the productivity gap between the EU and the United States since the turn of the century.

And now we are faced with a technology that can improve its own performance through self-learning mechanisms and feedback loops, enabling even more rapid advances and innovations. The risks of underestimating the potential of AI, and falling behind again, are simply too great to be ignored.

What's more, we are facing a new geopolitical environment in which we can no longer be sure that we will have frictionless access to new technologies developed overseas. This new reality strengthens the case for Europe to establish itself at the technological frontier.

There are two main areas where we should expect, and prepare for, major changes in the economy.

The first is productivity.

We can already see the productivity effects of AI in sectors like the US tech sector, where output is expanding while employment is falling. But we are still in the early phase of the “productivity J-curve”, where new technologies diffuse to the wider economy and are reflected in GDP.

As such, estimates about the productivity gains of AI vary widely – but even at the lower end they would be a game changer for Europe.



One widely accepted methodology estimates that the euro area could see a boost to total factor productivity (TFP) of around 0.3 percentage points per year over the next ten years. Compare that with the past decade, when annual TFP growth averaged just 0.5%.

Other estimates point to much larger gains, with productivity expected to grow 1.5 percentage points faster annually if AI is widely adopted over the next decade.

Whether Europe can achieve such productivity gains will depend on whether we can improve the environment for AI innovation and diffusion.

This comes down to funding, regulation and energy.

As I have been arguing for some time, Europe's relatively small venture capital ecosystem is a major hindrance to building foundational models in the EU. Between 2018 and 2023, around €33 billion was invested in AI companies in the EU, compared with more than €120 billion in their US peers.

Building and developing this technology also requires considerable investment in data centres, and the EU currently has around 4 times fewer dedicated sites than the US.

At the same time, ECB research finds that regulation and a lack of institutional quality are particularly detrimental to the expansion of high-tech sectors relative to more mature technologies. Investing in radical technologies is highly risky and needs a different set of framework conditions.

The adoption of AI, for example, depends on access to data pools to train models, which requires smart regulation to avoid data fragmentation while ensuring data protection. It also requires good institutions as, for instance, effective legal systems are needed to defend a non-patentable asset like a set of AI prompts.

Our research shows that if the EU's average institutional delivery were raised to the level of best practice, AI-intensive sectors would see their share in investment rise by more than 10 percentage points.

Finally, unless we see major breakthroughs in efficiency, Europe's energy supply constraints could pose a challenge to the diffusion of AI through the economy in the future.

To read more:

[https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250401\\_1~d6c9d8df11.en.html](https://www.ecb.europa.eu/press/key/date/2025/html/ecb.sp250401_1~d6c9d8df11.en.html)

FSI Insights on policy implementation No 66, Monica Balan, Fernando Restoy and Raihan Zamil, April 2025

## Act early or pay later: the role of qualitative measures in effective supervisory frameworks

Financial Stability Institute



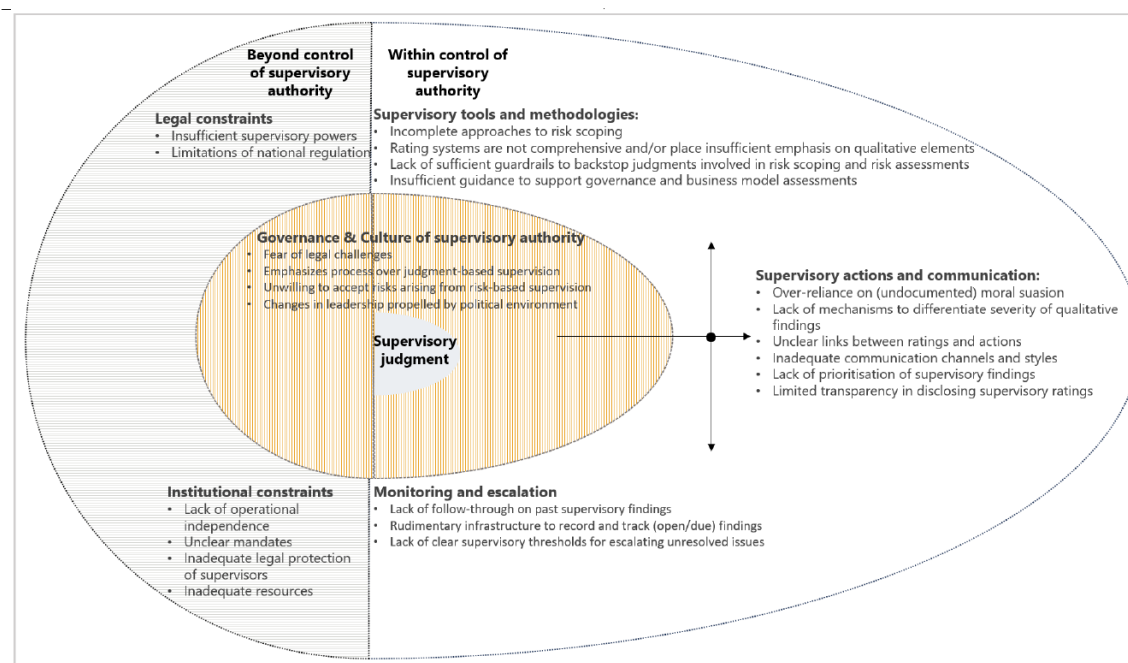
### Executive summary

The March 2023 banking turmoil, the most significant banking sector stress since the Great Financial Crisis (GFC), highlighted deficiencies in the quality of bank governance practices and the effectiveness of supervision. While the ensuing bank failures were triggered by liquidity runs, the root causes were poor board oversight, flawed risk management and/or unsustainable business models in banks (“qualitative weaknesses”).

The subsequent post-mortem reports also pointed to failures in supervision and, in particular, delays in taking timely actions, which allowed lax risk management and unsustainable business models to continue until they eventually manifested in a liquidity crisis.

Roadblocks to early supervisory action

Graph 1



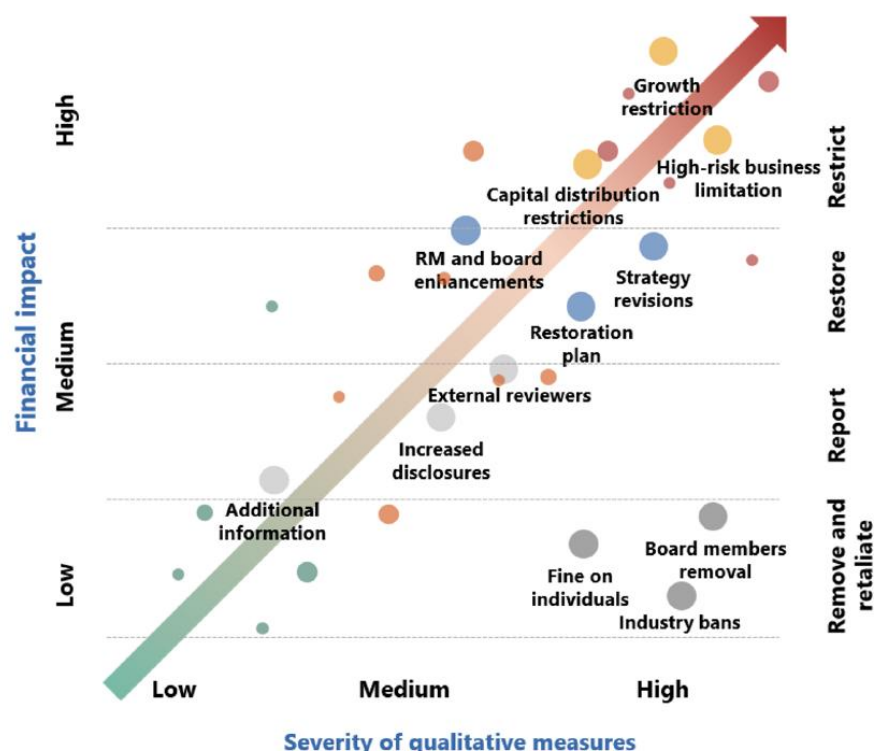
The turmoil also served as a powerful reminder that no amount of quantitative requirements can compensate for banks’ qualitative weaknesses. It demonstrated that banks can comply with capital and liquidity requirements and still face a crisis of confidence. This underscores the critical importance of supervisors identifying and addressing the nature and severity of qualitative weaknesses in banks in a timely manner.

Yet, taking timely qualitative measures poses challenges for supervisors due to various institutional, legal and supervisory constraints. While some obstacles – like institutional and legislative issues – are beyond their control, many relate to aspects within their purview. These include the adequacy of supervisory tools and techniques that underpin

risk assessments, communication of findings, internal processes like monitoring and escalation, and staff expertise.

Illustration of qualitative measures by severity and financial impact<sup>6</sup>

Graph 3



In all jurisdictions, the effective use of qualitative measures depends on the robust application of a chain of related yet distinct supervisory activities that comprise the supervisory process. These include risk scoping, risk assessment, supervisory actions, communication, and monitoring and escalation. How each step is implemented significantly influences the decision to impose qualitative measures, as well as their type and severity. Implementation of each step is guided by: (i) jurisdiction-specific tools, rating systems, methodologies, guidance and processes; and (ii) the expertise and gravitas of supervisory teams, including their ability to exercise judgment on complex qualitative issues.

While the supervisory process aims to address banks' risks and vulnerabilities, methodologies and approaches differ across sampled jurisdictions. Risk assessment methodologies differ in design, covering various risk areas and using different scoring systems with varying degrees of prescription. These differences can affect the application of qualitative measures. Surveyed authorities have access to most – but not the full range of – qualitative measures, using informal and formal instruments, with moral suasion frequently used to address qualitative weaknesses at an early stage.

Some authorities differentiate the severity of actions using a single instrument with variations in tone and signatory, while others employ multiple instruments. Written communication tools vary, with many shifting to streamlined approaches that highlight key risk areas. For escalation, some rely heavily on supervisory team judgments, while others have documented procedures to foster consistency.

To future-proof supervision, a range of initiatives focused on enhancing the use and effectiveness of qualitative measures can be considered. The initiatives noted below (and detailed in Section 7) address each element of the supervisory process, drawing from specific features in sampled jurisdictions' supervisory frameworks and the authors' own analysis.

There is no “quick fix” in enhancing supervision; depending on jurisdiction-specific circumstances, actions may be required on multiple fronts to address the factors that influence supervisors' ability and will to act.

Executive summary .....	1
Section 1 – Introduction .....	3
Section 2 – Supervisory challenges in taking early actions .....	4
Section 3 – Overview of the supervisory process .....	7
Supervisory process .....	7
Section 4 – Supervisory planning and risk assessment.....	11
Supervisory planning and risk scoping.....	11
Supervisory risk assessment .....	12
Section 5 – Supervisory actions.....	18
Supervisory instruments.....	19
Composite ratings and qualitative measures.....	25
Governance and business model ratings and qualitative measures .....	26
Section 6 – Communication of supervisory findings and monitoring and escalation.....	28
Communication of supervisory findings.....	28
Disclosure of supervisory ratings.....	30
Section 7 – Initiatives to strengthen supervisory effectiveness .....	32
Risk scoping .....	33
Supervisory actions and qualitative measures .....	35
Supervisory communication .....	36
Monitoring and escalation .....	36
Supervisory judgment .....	37
Section 8 – Conclusions.....	38

To read more: <https://www.bis.org/fsi/publ/insights66.pdf>

## US economic outlook and central bank communications

Philip N Jefferson, Vice Chair of the Board of Governors of the Federal Reserve System, at the conference "Financial Intermediaries, Markets, and Monetary Policy", sponsored by the Federal Reserve Bank of Atlanta and the University of Virginia Darden School of Business, Atlanta, Georgia



Thank you, Dr. Tkac, for your kind words and for the opportunity to talk to this group. It is always wonderful to be back in Georgia and here at the Federal Reserve Bank of Atlanta. And it is an honor to speak at a conference co-organized by the University of Virginia, where I received my Ph.D.

You have heard already today about financial markets and the banking system. To add to that picture, I would like to share with you my outlook for the U.S. economy and my views of appropriate monetary policy. But before that, I want to touch on the importance of central bank communications, and particularly the evolution of Fed communications.

### *The Value of Communications*

One of the reasons I so appreciate the opportunity to speak at events like this is because speeches are an important part of how the Federal Reserve delivers on its mission to the American people.

Like my colleagues on the Federal Open Market Committee (FOMC), I enjoy engaging regularly with people from around the country to hear about on-the-ground economic conditions and to learn specifics about industries and communities. Such engagement is also a pathway to delivering better policy.

It is important that households, businesses, and financial markets understand policymakers' views and assessments of economic conditions.

Monetary policy is transmitted to the rest of the economy through financial market prices, such as long-term interest rates, which in turn affect the decisions of households and businesses.

Changes in the target range for the federal funds rate are transmitted to short-term interest rates through arbitrage relationships. Short-term interest rates and central bank communication, in turn, affect long-term interest rates through investors' expectations.

According to the expectations theory of the term structure of interest rates, intermediate- and long-term interest rates are the weighted average of expected future short-term interest rates. In addition, monetary policy affects risk premiums.

Tighter monetary policy tends to reduce the willingness of investors to bear risk, making them less willing to invest in long-term assets, which means that their return should be higher for investors to buy these assets.

Former Fed Chair Ben Bernanke nicely summarized how important central bank communication is for the transmission of monetary policy by saying that "monetary



policy is 98 percent talk and only two percent action." While obviously hyperbole, the point is meaningful. Clear communication is an important part of a Fed policymaker's job.

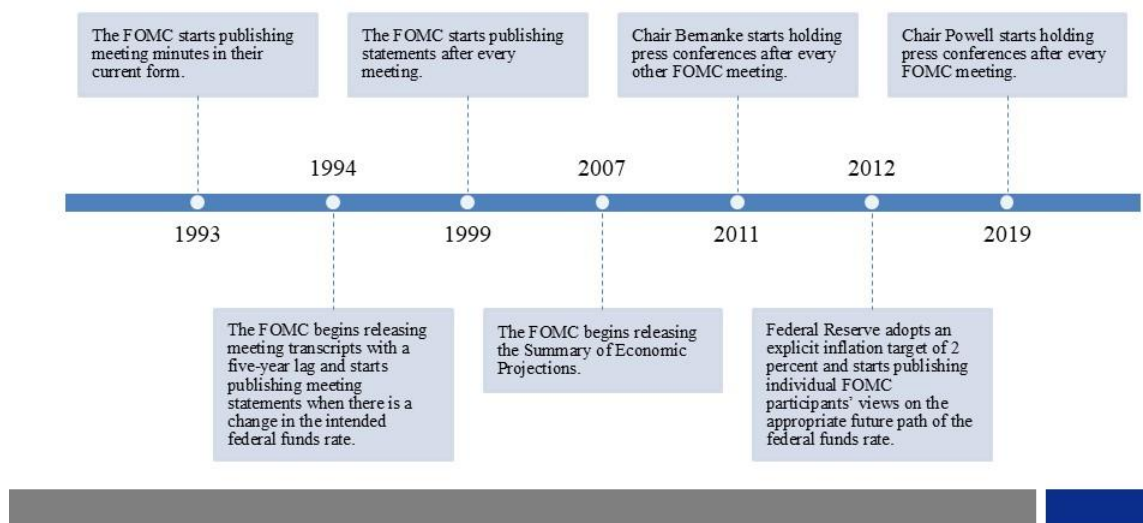
Today the Fed communicates in a variety of ways, including policymaker speeches, Chair Powell's press conferences, and even through the Fed's social media channels. Clear and ample communication, however, has not always been the hallmark of the Fed. In the 1990s, cable news outlets would attempt to spot former Fed Chair Alan Greenspan walking into the building on the day of FOMC meetings. Commentators would pay careful attention to the size of his briefcase.

The thought was that if the Chair was advocating a rate change, the briefcase would be bulging with documents to convince fellow policymakers. A light bag, on the contrary, would have signaled that a status quo policy decision was likely.

Former Chair Greenspan seemed to value the element of surprise. In 1987, he famously quipped, "If I seem unduly clear to you, you must have misunderstood what I said."<sup>4</sup> That said, during his tenure in later years, he initiated substantial changes in how Fed policymakers communicate with the public.



Figure 1: Evolution of Fed Communications



2

Figure 1 shows a timeline of the steps taken toward increasing transparency at the Fed since the 1990s. Beginning in 1993, the Fed started to publish FOMC meeting minutes in their current form at the next meeting. Soon after that, the Committee began releasing full transcripts of what was said at the meetings with a five-year lag. The next year, the FOMC started to issue statements following meetings at which there was a change in the policy stance.

Before such public statements, Fed watchers would need to observe movements in markets to determine if a policy change was being implemented. In subsequent years, the target federal funds rate was incorporated into these statements, and then, in 1999, the FOMC started to publish statements after every meeting, regardless of whether there was a policy change.

In 2004, the FOMC accelerated the release of the minutes to three weeks after the meeting. The Fed's transparency increased further under former Chair Bernanke.

In November 2007, the FOMC began releasing the Summary of Economic Projections, commonly known as the SEP, which, as you may know, is a compilation of individual policymakers' forecasts for output, unemployment, and inflation. Since 2012, the SEP has also included information about policymakers' projections of appropriate monetary policy, known as the dot plot. Former Chair Bernanke started holding press conferences after every other FOMC meeting in 2011.

In 2012, the FOMC published the Statement on Longer-Run Goals and Monetary Policy Strategy, which is known as the consensus statement. That statement articulates the FOMC's framework for the conduct of monetary policy in pursuit of the dual-mandate goals assigned by Congress: maximum employment and price stability. And since then, the FOMC has undertaken periodic public reviews of that statement. Under Chair Powell's tenure, starting in 2019, the Chair's press conferences have been held after every FOMC meeting.

Of course, the Chair and other policymakers also regularly testify before Congress, as required by law. And the Fed releases many reports and data, including the Monetary Policy Report, the Financial Stability Report, and the Supervision and Regulation Report. Policymakers' public appearances also help inform the public about the Fed's goals and its strategies to achieve those goals.

Communication is not just about talking; it is also about listening. Policymakers listen to the steady beat of economic data, and the Board and the Reserve Banks conduct numerous surveys of financial market participants, businesses, and families. Some of what we hear is summarized in the Beige Book, published eight times per year. I also listen to experts and the public at events like this and Fed Listens events, several of which are planned for later this year.

To read more:

<https://www.federalreserve.gov/newsevents/speech/jefferson20250403a.htm>

## “Stable” Coins or Risky Business?

Commissioner Caroline A. Crenshaw



The Division of Corporation Finance issued another installment in its ongoing statement series dedicated to jurisdictional carve-outs for crypto. This one opines that certain so-called “stablecoins” are not securities.

What’s remarkable about this statement is not so much its ultimate conclusion, but the analysis staff relies on to get there. The statement’s legal and factual errors paint a distorted picture of the USD-stablecoin market that drastically understates its risks.

Much of the staff’s analysis is premised on issuer actions that supposedly stabilize price, ensure redeemability, and otherwise reduce risk. Staff also acknowledges, albeit briefly, that some USD-stablecoins are available to retail purchasers only through an intermediary and not directly from the issuer. But it is the general rule, not the exception, that these coins are available to the retail public only through intermediaries who sell them on the secondary market, such as crypto trading platforms. Over 90% of USD-stablecoins in circulation are distributed in this way.

Holders of these coins can redeem them only through the intermediary. If the intermediary is unable or unwilling to redeem the stablecoin, a holder has no contractual recourse against the issuer. The role of intermediaries, particularly unregistered trading platforms, as primary distributors of USD-stablecoins poses a panoply of significant, additional risks that staff does not consider.

Staff fails to unpack the consequences of this market structure and how it affects risk. The fact that intermediaries conduct most retail USD-stablecoin distribution and redemption significantly diminishes the value of the issuer actions staff relies on as “risk-reducing features.”

Key among these features is an issuer asset reserve that staff describes as designed to “satisfy fully their redemption obligations,” i.e., with enough assets to pay out a \$1 redemption for each outstanding coin. But generally speaking, as described above, issuers have no “redemption obligations” to retail coin holders. These holders have no interest in or right to access the issuer’s reserve.

If they redeem coins through an intermediary, they are paid by the intermediary, not from the issuer’s reserve. The intermediary is not obligated to redeem a coin for \$1 and will instead pay the holder the market price. Retail coin holders therefore do not, as staff claims, have a “right” to “redemption for USD on a one-for-one basis.”

It is also grossly inaccurate for staff to suggest that just because an issuer’s reserve is, at some point, somehow valued at or above the par value of its outstanding coins, the issuer has sufficient reserves to satisfy unlimited redemption requests (from intermediaries or coin holders) at any future time.

First, the issuer’s overall financial health and solvency cannot be judged by the value of its reserve, which tell us nothing about its liabilities, risk from proprietary financial

activities, and so forth. Second, there is always a risk, particularly in times of market stress or if the price of a stablecoin drops, of a “run” scenario where intermediaries and/or issuers cannot honor all redemption requests in real time.

This leads to a “self-reinforcing cycle of redemptions and fire sales of reserve assets.” Major run events have already occurred with USD-pegged stablecoins, with significant consequences for the broader stablecoin market and the traditional banking system.

Staff further overstates the assurance value of issuer reserves by claiming that some issuers publish reports, called “proof of reserves,” that “demonstrate that a stablecoin is backed by sufficient reserves.” As the SEC and the PCAOB have warned, proof of reserve reports demonstrate no such thing. Their content is unregulated, not subject to PCAOB standards, and determined entirely at the issuer’s discretion. They are “typically not designed to” and “often provide no assurance as to the reliability of the information provided.”

Other regulators have similarly warned of the general lack of transparency and reliability in how stablecoin reserves are invested, managed, and valued.

Whatever claims issuers make about their reserves, stablecoin holders have unfortunately learned the hard way that these claims often turn out to be false.

Understanding these facts, it becomes clear that as a legal matter, staff is simply wrong that the issuer’s reserve is a “risk-reducing” feature under the Reves test. Risk-reducing features under Reves include collateralization, insurance, or federal regulatory oversight.

Because retail coin holders generally have no right to access the issuer’s reserve to guarantee redemption at any price, let alone \$1, the reserve does not “collateralize” stablecoins held by the retail public.

Without a redemption right against the issuer, a retail stablecoin holder has no claim in a bankruptcy proceeding, as an unsecured creditor or otherwise, if the issuer becomes insolvent.

Just like the product at issue in Reves, USD-stablecoins are “uncollateralized and uninsured.” Even intermediaries responsible for retail redemptions may not be secured creditors of the issuer, meaning they too would have limited or no ability to recover directly from the reserve if the issuer declares bankruptcy. The contractual arrangements between issuers and intermediaries are bespoke and generally non-public, leaving retail coin holders (and regulators) in the dark.

The statement also presents a practical problem: what if any existing stablecoins actually meet the stated criteria and fall within the staff’s definition of “Covered Stablecoin”? It is hard to even understand what staff’s criteria are because the statement is written as though issuers have redemption obligations directly to retail coin holders when in general, they do not.

For example, staff claims that issuers stabilize the price because they “mint and redeem Covered Stablecoins on a one-for-one basis with USD at any time and in unlimited quantities.”

But staff fails to explain if or how that occurs in the typical case of a USD-stablecoin that is purchased and redeemed by retail holders only through intermediaries. To the extent distribution and redemption affect the retail market price, it is the intermediaries, not the issuers, whose actions matter. What are the practices and

obligations of those intermediaries? Is that information disclosed to the retail public? Staff gives us no idea.

These legal and factual flaws in the staff's statement do a real disservice to USD-stablecoin holders, and, given the central role of stablecoins in the crypto markets, to crypto investors more generally. They feed a dangerous industry narrative about the supposed stability and safety of these products.

This is perhaps best highlighted by the staff's choice to parrot a highly misleading marketing term, "digital dollar," to describe USD-stablecoins. Make no mistake: there is nothing equivalent about the U.S. dollar and unregulated, privately-issued crypto assets that are opaque (clearly even to the staff), uncollateralized, uninsured, and laden with risk at every step of their multi-layer distribution chain. They are risky business.

To read more:

<https://www.sec.gov/newsroom/speeches-statements/crenshaw-statement-stablecoins-040425>



## BANK CAPITAL REFORMS

### U.S. Agencies' Participation in the Development of the International Basel Committee Standards



United States Government Accountability Office  
Report to Congressional Requesters

#### *What GAO Found*

Capital plays a critical role in ensuring bank safety and soundness. The Basel Committee on Banking Supervision, an international body of bank supervisors, sets nonbinding minimum regulatory capital standards for large banks. The committee relies on its members to implement the standards in their jurisdictions.

The U.S. members of the Basel Committee are the Board of Governors of the Federal Reserve System, Federal Reserve Bank of New York, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency.

**Standard-development process.** The Basel Committee process for developing the standards involved multiple rounds of analyses, discussion, and review. Each final standard underwent at least one round of public comments and quantitative studies assessed potential impacts on banks' regulatory capital.

Decisions were made by consensus, with groups negotiating and agreeing on the scope of work, alternatives to analyze, actions to take or not take, and standards to propose and finalize. Staff from all U.S. members participated in these groups.

GAO found collaboration among U.S. members throughout this process generally reflected best practices for interagency collaboration (such as leveraging information and including relevant participants).

**External comments and impact analyses.** U.S. members informed their positions by reviewing public comments on proposals, meeting with industry representatives, contributing to and using quantitative impact studies, and conducting their own analyses.

These activities helped provide insight into the potential impacts of proposed reforms and identify alternative approaches. GAO found that the information U.S. members collected and analyses they conducted generally reflected key elements for regulatory analysis (such as consideration of alternatives and evaluation of benefits and costs).

**U.S. members' negotiating priorities.** U.S. members had two overarching reform priorities for the final Basel III standards. One was to better align certain regulatory standards for non-U.S. banks with their parallel U.S. requirements to promote a more level playing field.

U.S. members also shared the Committee's priority to address weaknesses in the Basel framework—they sought to improve and balance the simplicity, comparability, and risk sensitivity of bank capital standards.

For example, previous standards allowed banks more leeway in the way they modeled the risks of their assets (to help determine how much regulatory capital to hold to offset the risks). The Committee, including U.S. members, prioritized reforms that constrained banks' use of internal models to help increase the comparability of risk-weighted assets across banks. GAO's analysis of U.S. documents showed that U.S. members participated

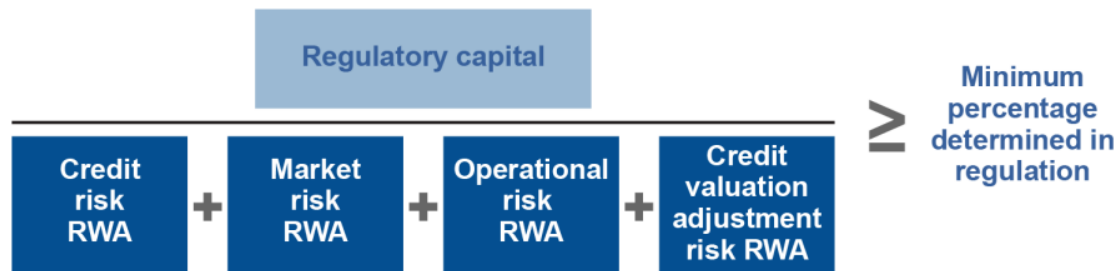
actively in the working groups that developed the standards to further their reform priorities.

**Table 1: U.S. Members of the Basel Committee on Banking Supervision and the Banking Organizations They Supervise**

Member	Supervised entities
Board of Governors of the Federal Reserve System	Bank holding companies, domestic financial holding companies, state-chartered banks that are members of the Federal Reserve System, savings and loan holding companies, the U.S. operations of foreign banking organizations, and other entities.
Federal Reserve Bank of New York	Banking organizations subject to supervision by the Board of Governors of the Federal Reserve System and located in the Second Federal Reserve District (New York State, northern New Jersey, southwestern Connecticut, Puerto Rico, and the U.S. Virgin Islands).
Federal Deposit Insurance Corporation	Federally insured state-chartered banks and savings associations that are not members of the Federal Reserve System.
Office of the Comptroller of the Currency	National banks, federally chartered savings associations, and federal branches and agencies of foreign banks.

Source: GAO. | GAO-25-107995

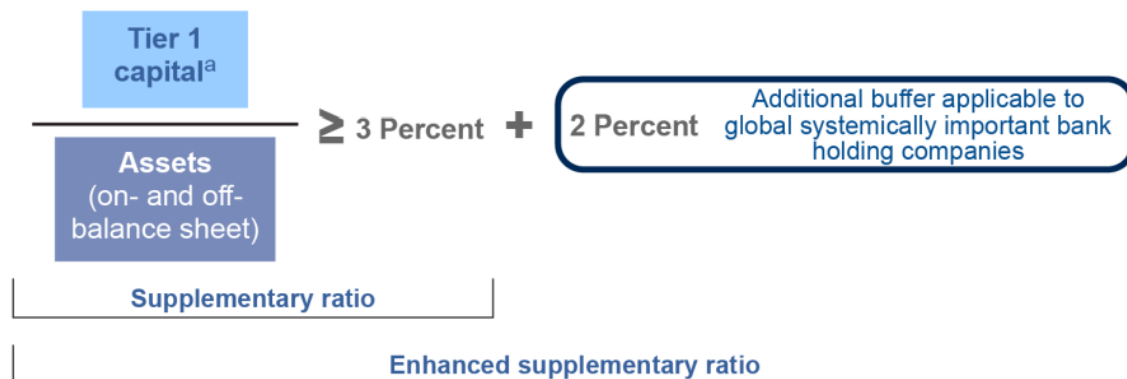
**Figure 1: Illustrative Example of a Risk-Based Capital Ratio for an Internationally Active Bank**



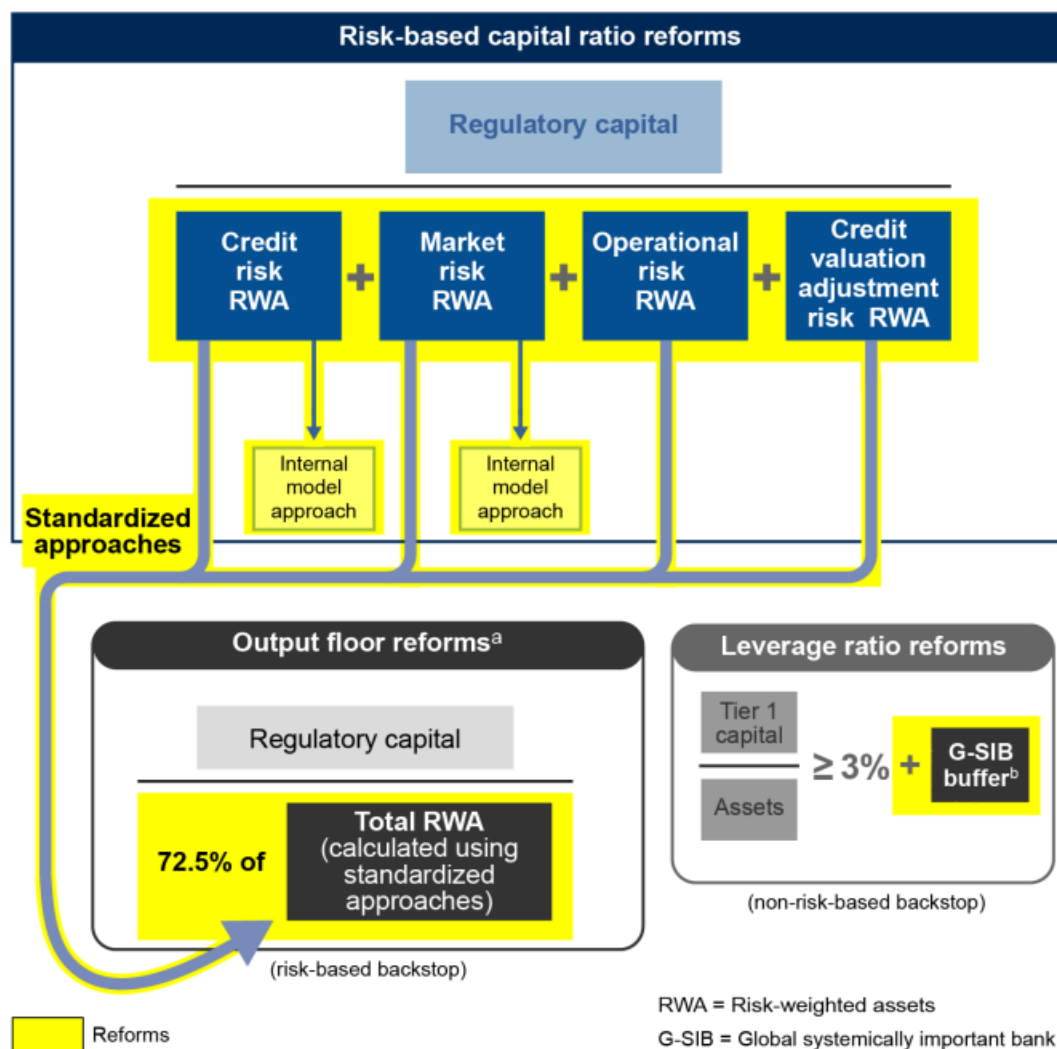
RWA = Risk-weighted assets

Source: GAO. | GAO-25-107995

**Figure 2: Supplementary Leverage Ratio Requirements for Internationally Active Bank Holding Companies**



Source: GAO. | GAO-25-107995

**Figure 4: Overview of Final Basel III Reforms to the Basel Framework**

Source: GAO analysis of Basel Committee on Banking Supervision documents. | GAO-25-107995

To read more: <https://www.gao.gov/assets/gao-25-107995.pdf>

## EBA identifies payment fraud, indebtedness and unwarranted de-risking as key issues affecting consumers in the EU



Article 9(1) of its Founding Regulation requires the European Banking Authority (EBA) to collect, analyse and report on consumer trends. To deliver on this mandate, the EBA regularly publishes a Consumer Trends Report (CTR).

The objective of the CTR is to set out trends and issues observed in the two years covered by the report in relation to the retail banking products and services within the EBA's remit, to identify the topical issues that arise or have arisen for European Union (EU) consumers, and to reflect on measures that the EBA and national competent authorities (NCAs) have taken to address issues identified in the previous edition.

With regards to the structure of the report, the 2024/25 edition is split into three chapters.

Chapter 1 summarises the measures adopted by the EBA and NCAs to address the issues identified in the previous edition from 2 years ago, i.e., fraud in retail payments and over-indebtedness and arrears. The EBA measures include an Opinion on new types of payment fraud, a Report on Payment fraud data, and a Report on non-bank lenders' (NBLs) practices for creditworthiness assessment (CWA).

NCAs, in turn, took regulatory and supervisory actions aimed at, inter alia, monitoring payment services providers' (PSPs) level of compliance with strong customer authentication (SCA) requirements and fraud prevention, introducing caps on interest rates to mitigate borrowers' repayment difficulties, and carrying out educational initiatives to raise consumers awareness on these two topical issues.

Chapter 2, in turn, observes the following trends for the retail banking products in the EBA's remit:

- Residential mortgages account for 79% of the volume of loans to households in EU Member States (MSs) in 2024, up from 75% in 2015. Borrowers' repayment capability appears to be the main risk identified, coinciding with the changes in central bank interest rates.

- The volume of consumer credit granted by banks and NBLs has steadily increased since 2020, in particular small, fast, accessible and short-term credit (in more recent times also referred to as 'Buy Now Pay Later' (BNPL) credit).

The most relevant issues arising for these credit products are poor creditworthiness assessment practices and poor and/or late provision of pre-contractual information and documentation.

- Consumers' use of digital payment services has also increased. Payment fraud is still the most relevant issue, as fraudsters have adopted more sophisticated techniques, followed by lack of transparency of contractual terms and conditions.

- Electronic money plays a significant role only in some jurisdictions. The most frequently reported issue concerns the lack of transparency of terms and conditions, in particular in relation to fees and charges.
- Payment accounts continue to be widespread across consumers in the EU, to manage daily activities, receive salaries, and execute payments. The denial of access to (basic) payment accounts is a rising concern for consumers, together with the lack of transparency of terms and conditions of the contract, and the level and number of fees.
- Deposits continue to play a crucial role in the stability and growth of the economy. Overnight deposits held by households have grown significantly until 2021 and have since then fallen sharply, coinciding with the increase in interest rates and the increase, in turn, in the number of contracts for deposits with agreed maturity. Lack of transparency in the provision of pre-contractual information and in the level and amount of fees and remuneration offered are still high on the supervisory agenda of several NCAs.

<b>Figures</b>	<b>3</b>
<b>Abbreviations</b>	<b>4</b>
<b>Executive Summary</b>	<b>5</b>
<b>Background</b>	<b>7</b>
<b>Chapter 1: EBA and NCAs measures to address the CTR 2022/23 topical issues</b>	<b>9</b>
Topical issues identified in the CTR 2022/23	9
Measures taken by the EBA	9
Measures taken by NCAs	12
<b>Chapter 2: Retail banking products and services</b>	<b>15</b>
Residential mortgages	15
Consumer credit	22
Payment services	27
Electronic money	29
Payment accounts	30
Deposits	32
<b>Chapter 3: Topical issues</b>	<b>35</b>
Payment fraud	35
Indebtedness	38
Unwarranted de-risking	40
<b>Conclusions</b>	<b>43</b>
<b>List of References</b>	<b>44</b>

In the third and final Chapter, the CTR identifies three topical issues as most relevant:

- Payment fraud is still the most significant issue for EU consumers as a result of new types of fraud such as "Authorised Push Payment" (APP) fraud, where the payer is manipulated into making a payment to the fraudster. The high number of unauthorised payment transactions and applicability of the liability rules are also significantly impacting consumers.
- Indebtedness emerges as the second most relevant issue, coinciding with the rise of interest rates and inflation that started at the end of 2022. The rise of BNPL and other types of small, fast, accessible and short-term credit is how the issue most frequently manifests itself, followed by inadequate creditworthiness assessment practices of lenders and disclosure of pre-contractual information.



➤ Unwarranted de-risking is the third most relevant issue, with many consumers facing increased difficulties of accessing bank accounts. This seems particularly true for specific categories of vulnerable consumers, i.e., migrants, refugees, the homeless, cross-border workers, and individuals with poor financial histories. This issue materialises in different ways, such as a lack of (prompt) communication from the provider about the denial/suspension/closure of the account and reasons thereof.

118. Many respondents indicated phishing to be the technique most frequently used by fraudsters, i.e. cases where the victims receive an email or an SMS that appears to be sent from a legitimate sender asking to take urgent actions by clicking on a link. As a result of the victims' action, fraudsters install a software token or a manipulated mobile banking application on the device of the victim and hence acquire access to personal and sensitive data. Other scam techniques reported include:

- *vishing*, where the scam happens over the phone, voice email, or calls with messages offering consumers fake opportunities, such as a fake job post;
- *spoofing*, which include forging email addresses or creating fake websites;
- *smishing*, where the fraud happens via sms or other types of text messages;
- *clones of PSPs*, which cover cases where the fraudsters pretend to be an authorised entity.



To read more:

<https://www.eba.europa.eu/sites/default/files/2025-03/514b651f-091b-42d3-b738-1fae79264044/Consumer%20Trends%20Report%202024-2025.pdf>

## The EBA updates methodology on the regulatory and supervisory equivalence of non-EU countries



The European Banking Authority (EBA) published its updated methodology for the **assessment of regulatory and supervisory frameworks of non-EU countries**. The changes reflect the amendments to the revised Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD).

The methodology used to perform a thorough assessment of the jurisdiction's regulatory and supervisory framework is based on the following two questionnaires published on the EBA's website:

- The **1st step questionnaire** consists of a preliminary screening to determine whether the main requirements and principles are in place.
- The **2nd step questionnaire** is a more in-depth examination, systematically mapping provisions of the EU framework with that of the non-EU country.



Further to aligning the methodology with the latest regulatory developments, the EBA also streamlined its 2nd step questionnaire to improve the overall user experience.

Finally, the content of the questionnaires was moved to an online platform, allowing countries to reply directly via a secured digital format. Upon request, interested non-EU jurisdictions may get a dedicated access to this platform. They may contact the EBA for further information ([Equivalence@eba.europa.eu](mailto:Equivalence@eba.europa.eu)).

The banking regulatory framework is a dynamic system that goes through changes and reviews. Jurisdictions across the world have been or are implementing Basel III into their domestic system.

### *1. General considerations and overview of the banking sector*

In this section, we would ask you to provide a description of the main features of your country's financial sector (e.g. size, number and type of institutions under prudential supervision), as well as the recent performance of the banking sector as a whole.

We would also ask to attach relevant documents supporting this description (e.g. public reports from your supervisory authority, from international organizations such as the IMF or World Bank), if they can help paint a picture of the financial and banking system in your country. Please use tables and charts where this can help a better comprehension of the recent evolution.

#### 1.1 STATE OF PLAY ON THE IMPLEMENTATION OF BASEL III

Explanation

The banking regulatory framework is a dynamic system that goes through changes and reviews. Jurisdictions across the world have been or are implementing Basel III into their domestic system.

1)

While this questionnaire includes targeted questions on your own implementation, please provide a general overview of the advancement of your implementation, the timeline and the potential deviations.

#### 1.2 STRUCTURE OF THE BANKING SYSTEM

2)

Please provide an overview of the most recent trends and developments of your jurisdiction's financial and banking sector in recent years in terms of structure and types of institution

2. Please provide the most recent data (possibly with the evolution over the past three years) on your country's banking system in terms of:

a. Total Assets

b. Number and type of institutions

c. Assets per type of institutions

d. Total deposits

3)

e. Deposits per type of institutions

f. Other funding items/sources (total and per type of institution)

g. Liability composition

h. Type of ownership

i. % of institutions that apply a Basel-like framework

j. % of capital instruments that has been issued by local institutions outside your jurisdiction (i.e. under the private law of another jurisdiction)

## 5. Credit risk - Standardised method

*Credit risk can be defined as the potential risk that institution's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The credit risk typically resides in assets in the banking book of an institution (loans and debt instruments held to maturity) but it can also arise in the trading book as a counterparty credit risk.*

*EU rules require institutions to classify all exposures to their obligors into exposure classes and differentiate them on the basis of the obligor's ability to meet its obligations. The risk-weighted exposure amounts are based on the exposure value and risk weights (assigned on the basis of exposures' classification and their credit quality). Depending on the sophistication of the approach applied the risk weight can be assigned following the standardised rules (Standardised Approach) or it can be determined by the institution on the basis of statistical methods (Internal Ratings-Based Approach – IRB Approach) where an institution estimates the Probability of Default (PD) and other risk components such as Loss Given Default (LGD), Exposure at Default (EAD) and Maturity of exposure [M].*

How is the exposure value defined? Please specify the case of an on-balance sheet item, of an off-balance sheet item and of a commitment on an off-balance sheet item.

Is there a specific definition of "commitment" for the calculation of capital requirements for credit risk? What is the treatment for these items? Please elaborate.

Are intragroup exposures exempted from the obligation to be risk-weighted? Under which conditions?

*Risk weight to exposure classes*

**Please specify the risk weights assigned to:**

Central Governments/central banks

Regional governments/local authorities

Public sector entities

Multilateral development banks

International organisations

Credit institutions and investment firms

Are there any difference in risk weights between rated and unrated institutions as well as between short-term and long-term exposures? Please specify whether short-term maturity is referred to residual or to original maturity.

Is there a specific treatment for exposures that arise from the movement of goods across national borders with an original maturity of six months or less and for which a credit assessment by a nominated ECAI is available?

Does the risk weight of exposures to an institution for which a credit assessment by a nominated ECAI is not available depend on its capacity to meet its financial commitments and the margin of fulfillment of the requirements for own funds?

Corporates

### 15. Leverage ratio

*Risk-based own funds requirements are essential to ensure sufficient own funds to cover unexpected losses. However, the crisis has shown that those requirements alone are not enough to prevent institutions from becoming excessively leveraged.*

*To foster an adequate capitalization and monitoring of risk of excessive leverage under the ICAAP/SREP process, the CRR introduced the reporting and disclosure requirements on the leverage ratio. By way of CRR2, the EU has implemented a minimum binding leverage ratio requirement since June 2021 and adjust the calculation of the leverage ratio.*

it

Have the 3% minimum leverage ratio requirement, as well as the G-SII leverage ratio buffer requirement been implemented?

What is the scope of application (type of institution, size,...) and level of application (solo level and/or consolidated level) of the leverage ratio and, if applicable, the G-SII leverage ratio buffer?

Is this requirement applicable also to branches in your jurisdiction from third countries' institutions? If so, is it applicable in a stricter/less strict/similar manner to the rest of institutions in the scope of application? Please elaborate.

Is there any exemption of exposures at a central bank? If so, could you explain the adjustment of the leverage ratio requirement that applies (is the requirement adjusted in proportion to the use of the exemption at the start of the exceptional period)?

How does your jurisdiction address institution specific risks under Pillar 2 to tackle the risk of excessive leverage and how do any capital requirements resulting from this process relate to other capital requirements? Is it a parallel requirement to the requirements in the risk based own funds requirements?

Is there any other requirement that could be considered to address risk of excessive leverage?

Do you have a specific methodology in place that prescribes how institutions must calculate their leverage ratio? Are the leverage ratio minimum requirements calculated on a point in time ("at all times") basis?

What is the formula by which the actual ratio is calculated? For example, do you require institutions to calculate their leverage ratio by dividing the own funds by its total exposure?

Are each of the following included in the total exposure measure:

- assets unless they are deducted when determining the capital measure;
- derivatives;
- add-ons for counterparty credit risk;
- off balance sheet items?

When calculating the exposure value of assets:

- what is the basis for determining the assets value;
- do you permit any collateral, guarantees or purchased credit risk mitigation to reduce the exposure value;
- do you permit netting; if so, please explain when it is permitted.

When calculating the exposure value of assets, which exemptions/reductions are allowed? For example, regarding pre-financing loans or intermediated loans, public development credit institutions, promotional loans, export credits, significant risk transfer, exposures to central banks, CSD activities.

Please explain the calculation.

When calculating the exposure value of assets, how are the exposure values for cash pooling arrangements and SFTs calculated, and specifically the conditions for their netting?

How is the exposure value of derivative contracts determined, specifically the methods allowed and the conditions for any margin to be taken into account? If SA-CCR is used, how does it differ from SA-CCR for risk-based purposes? Is Simplified SA-CCR and /or OEM allowed? What are the conditions for netting/novation to be considered?

How is the exposure value of written credit derivatives determined, specifically the conditions for offset?

To read more:

<https://www.eba.europa.eu/publications-and-media/press-releases/eba-updates-methodology-regulatory-and-supervisory-equivalence-non-eu-countries>

## In science we trust? European enlightenment in the harsh world of geopolitics

Olli Rehn, Governor of the Bank of Finland, at the "Quo Vadis Europe? Democratic software power in a hard Geopolitical world" conference, organised by the Joint Research Centre, Seville.



Ladies and Gentlemen, Dear Friends,

Thank you for the invitation to speak at the EU's Joint Research Centre in Seville! It is an honour to be here and to have the opportunity to share my thoughts with you on the European project and the building of our Union – especially in the face of the ongoing shifts in geopolitics.

This reminds me of my first visit to Seville. When the world was last in a historic transition, more than 30 years ago, I happened to be in Madrid and Seville on an exploratory mission, just on those days when the Berlin Wall came down. Back then it was a time of remarkable optimism – now, unfortunately, history is rather going into reverse.

I'd like to structure my talk today under three themes. First, I will reflect on the genesis and progress of European integration, rooted in the Age of Enlightenment. Second, I will focus on Europe's security challenges amid current geopolitical developments. And third, I will discuss our common economic challenges. My core message is clear: Europe must remain united and steadfast - committed to acting as one, both in matters of security and in shaping a dynamic, resilient economy.

The European Union stands as a remarkable achievement of rational thought, cooperation and progress. Its very foundation is deeply intertwined with the legacy of the Enlightenment – a period that championed reason, science and the pursuit of knowledge.

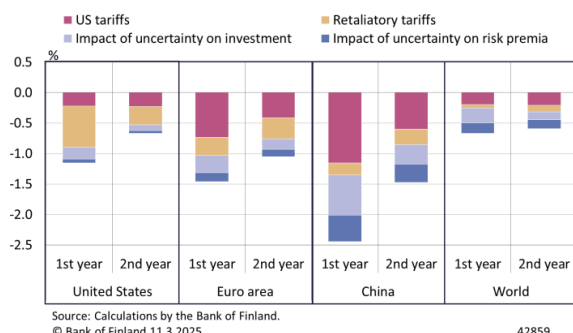
But its roots go longer back in time. When we look at medieval European history - from Late Antiquity to the dawn of the Modern Era - we see a time of deep transformation. This period laid the foundations of modern Europe. States and nations began to take shape. A shared European culture emerged. It was built on the legacy of classical civilization and the Christian faith. Later came humanism, which shaped the Renaissance and helped pave the way for the Enlightenment. Ideas, books, and learning began to move again. Europe was waking up.

Key figures like Charlemagne, Thomas Aquinas, and Dante gave form to Europe's political, spiritual, and cultural identity. And from Spain, great minds and artists left their mark. One of them was Isidore of Seville, right here in this city. In the early Middle Ages, he worked to preserve ancient knowledge for future generations.

Centuries later, Miguel de Cervantes, through his literary genius and sharp humour, gave voice to the complexities of the human spirit. In Don Quixote, he playfully mocked the old heroic tales of knights and chivalry - and in doing so, helped define modern European literature. According to his own words, the idea for Don Quixote was born here in Seville, while he was in prison. Innovation stems sometimes from strangest of places!



## Bank of Finland's scenario calculation: A trade war would weaken growth worldwide



- Assumptions: 25% US tariff on all imports from the EU; 20% US tariff on all imports from China; symmetric encounter measures. The increase in uncertainty is taken into account.
- Large variation in scenarios, e.g. the Kiel Institute for the World Economy: Euro Area GDP -0.4% p.a.
- No winners in a trade war. World GDP – 0.5% per year. Stronger impact on the EU and China. Counter measures weaken US companies' market positions.
- Apart from tariffs, uncertainty related to trade disputes will hit investment and raise risk premia.
- Impact on inflation moderate projected moderate.

Governor Olli Rehn | Bank of Finland  
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## Europe is under challenge from the world of geopolitics – investment needed now in security and productivity

- The world is in transition, as it was 30 years ago – but is now moving in a reverse gear.
  - All of Europe must invest substantially in security and defence.
  - Necessary investment in defence is having to be made in an environment where public finances are under pressure. Common European solutions are also needed.
  - At the same time, Europe must find ways to increase productivity. The single market must be finalised and investment made in human capital and research.
- Requires that Europe has the capacity for renewal and stay united. A common response is more critical than before. No time to waste. Stand together and act with purpose.

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To read more:

<https://www.suomenpankki.fi/globalassets/bof/fi/ajankohtaista/puheet/2025/sevilla-jr-c-slides-final-2--2.4.25.pdf>

## AI Privacy Risks & Mitigations Large Language Models (LLMs)



The AI Privacy Risks & Mitigations Large Language Models (LLMs) report puts forward a comprehensive risk management methodology for LLM systems with a number of practical mitigation measures for common privacy risks in LLM systems.

In addition, the report provides **use cases examples on the application of the risk management framework in real-world scenarios:**

- first use case: a virtual assistant (chatbot) for customer queries,
- second use case: LLM system for monitoring and supporting student progress and,
- third use case: AI assistant for travel and schedule management.

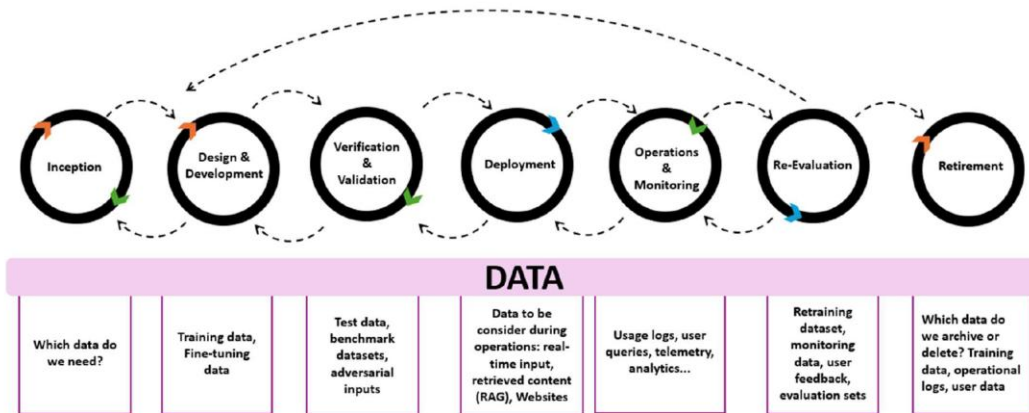


Figure 8. The illustration shows how different types of personal data can arise across various phases of the AI lifecycle.

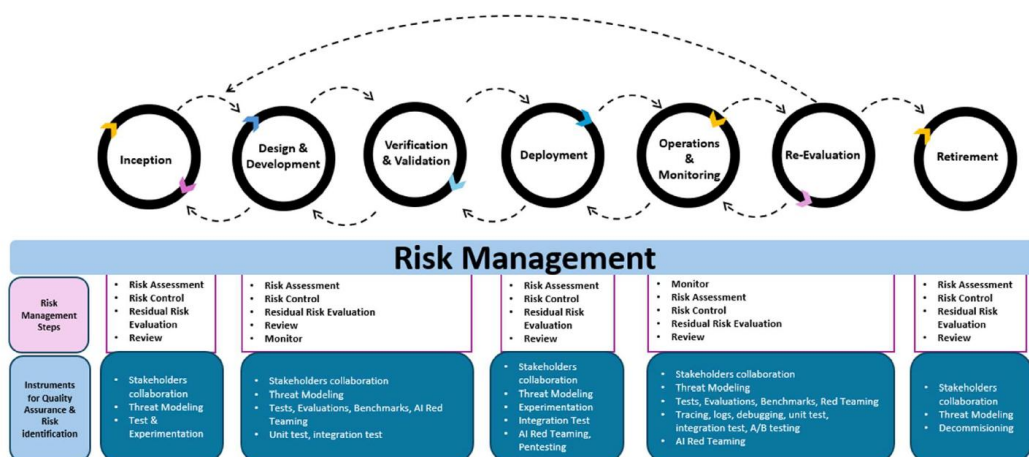
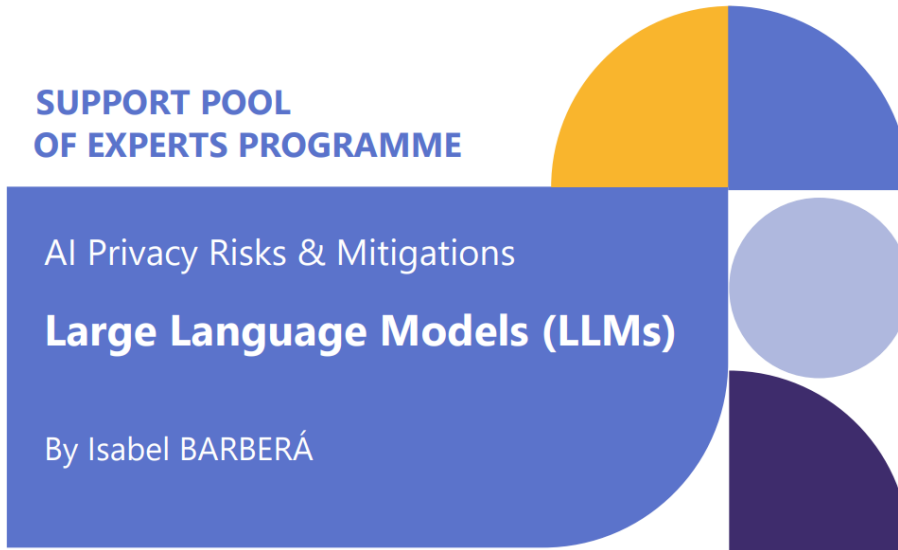


Figure 19. Risk Management Lifecycle

Term	Privacy Risks
<b>Closed models &amp; closed weights</b>	Often minimal external transparency. Users rely entirely on the provider's privacy safeguards, making it difficult to independently verify compliance with data protection regulations.
<b>Open models &amp; open weights</b>	Risk of personal data exposure and security breaches if training data contains sensitive or harmful content. Partial access may prevent full scrutiny of model training data and privacy vulnerabilities.
<b>Open source</b>	Open source models share the same privacy risks as open models and open weight models. While open source fosters transparency and innovation, it also increases risks, as modifications may introduce security vulnerabilities or remove built-in safety measures.

*AI Privacy Risks & Mitigations – Large Language Models (LLMs)*



#### TABLE OF CONTENTS:

<b>1. How To Use This Document</b>	<b>4</b>
Structure and Content Overview	4
Guidance for Readers	5
<b>2. Background</b>	<b>6</b>
What Are Large Language Models?	6
How Do Large Language Models Work?	6
Emerging LLM Technologies: The Rise of Agentic AI	12
Common Uses of LLM Systems	15
Performance Measures for LLMs	18
<b>3. Data Flow and Associated Privacy Risks in LLM Systems</b>	<b>24</b>
The Importance of the AI Lifecycle in Privacy Risk Management	24
Data Flow and Privacy Risks per LLM Service Model	26
Roles in LLMs Service Models According to the AI Act and the GDPR	43
<b>4. Data Protection and Privacy Risk Assessment: Risk Identification</b>	<b>48</b>
Criteria to Consider when Identifying Risks	48
Examples of Privacy Risks in LLM Systems	51

<b>5. Data Protection and Privacy Risk Assessment: Risk Estimation &amp; Evaluation.....</b>	<b>57</b>
From Risk Identification to Risk Evaluation.....	57
Criteria to Establish the Probability of Risks in LLM Systems.....	58
Criteria to Establish the Severity of Risks in LLM Systems .....	60
Risk Evaluation: Classification of Risks.....	65
<b>6. Data Protection and Privacy Risk Control .....</b>	<b>66</b>
Risk Treatment Criteria .....	66
Example of Mitigation Measures Related to Risks of LLM Systems .....	67
<b>7. Residual Risk Evaluation .....</b>	<b>74</b>
Identify, Analyze and Evaluate Residual Risk .....	74
<b>8. Review &amp; Monitor .....</b>	<b>75</b>
Risk Management Process Review .....	75
Continuous Monitoring.....	75
<b>9. Examples of LLM Systems' Risk Assessments .....</b>	<b>80</b>
First Use Case: A Virtual Assistant (Chatbot) for Customer Queries.....	80
Second Use Case: LLM System for Monitoring and Supporting Student Progress.....	91
Third Use Case: AI Assistant for Travel and Schedule Management .....	94
<b>10. Reference to Tools, Methodologies, Benchmarks and Guidance .....</b>	<b>97</b>
Evaluation Metrics for LLMs .....	97
Other Tools and Guidance .....	99

To read more (102 pages):

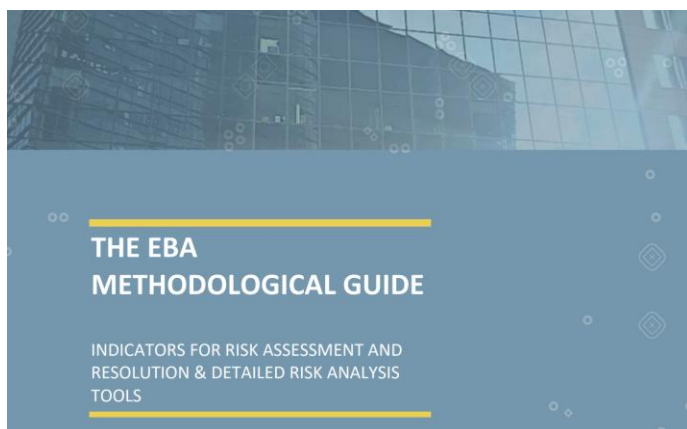
<https://www.edpb.europa.eu/system/files/2025-04/ai-privacy-risks-and-mitigations-in-llms.pdf>

## The EBA updates list of indicators used to perform risk assessments



The European Banking Authority (EBA) published an updated list of indicators for risk assessment and risk analysis tools, together with the accompanying methodological guide.

Without adding any reporting burden on reporting institutions nor on competent authorities, this guidance describes how risk indicators are computed in EBA publications. It will allow competent authorities and users of EBA data to interpret key bank figures in a consistent fashion when conducting their risk assessments and analyses.



<b>Introduction</b>	<b>2</b>
<b>Part I. Risk indicators by type of risk</b>	<b>6</b>
<b>I.1 Liquidity risk</b>	<b>6</b>
I.1.1. List of risk indicators and relevant DRATs	6
I.1.2. Introduction	6
I.1.3. Description of the relevant risk indicators	7
<b>I.2 Funding risk</b>	<b>9</b>
I.2.1. List of risk indicators and relevant DRATs	9
I.2.2. Introduction	10
I.2.3. Description of the relevant risk indicators	10
I.2.4. Further methodological issues and potential ways to address them	11
<b>I.3 Asset quality</b>	<b>13</b>
I.3.1. List of risk indicators and relevant DRATs	13
I.3.2. Introduction	22
I.3.3. Description of the relevant risk indicators	22
I.3.4. Further methodological issues and ways to address these	25
<b>I.4 Profitability</b>	<b>26</b>
I.4.1. List of risk indicators and relevant DRATs	26
I.4.2. Introduction	27
I.4.3. Description of the relevant indicators	28
I.4.4. Further methodological issues and ways to address them	29

<b><u>I.5 Concentration risk</u></b>	<b><u>31</u></b>
I.5.1. List of risk indicators and relevant DRATs	31
I.5.2. Introduction	32
I.5.3. Description of the relevant indicators	32
I.5.4. Description of the relevant Detailed Risk Analysis Tools	33
I.5.5. Further methodological issues and potential ways to address them	35
<b><u>I.6 Solvency risk</u></b>	<b><u>36</u></b>
I.6.1. List of risk indicators and relevant DRATs	36
I.6.2. Introduction	37
I.6.3. Description of the relevant risk indicators	37
I.6.4. Further methodological issues and ways to address them	38
<b><u>I.7 Operational risk</u></b>	<b><u>39</u></b>
I.7.1. List of risk indicators and relevant DRATs	39
I.7.2. Introduction	39
I.7.3. Description of the relevant risk indicators	40
I.7.4. Further methodological issues and ways to address them	42
<b><u>I.8 Market risk</u></b>	<b><u>43</u></b>
I.8.1. List of risk indicators and relevant DRATs	43
I.8.2. Introduction	43
I.8.3. Description of the relevant risk indicators	44
I.8.4. Further methodological issues and potential ways to address them	44
<b><u>I.9 SME risk indicators</u></b>	<b><u>45</u></b>
I.9.1. List of risk indicators and DRATs	45
I.9.2. Introduction	45
I.9.3. Description of the relevant risk indicators	45
I.9.4. Further methodological issues and potential ways to address them	46
<b><u>I.10 Sovereign risk indicators</u></b>	<b><u>48</u></b>
I.10.1 List of risk indicators and DRATs	48
I.10.2. Introduction	49
I.10.3 Description of the relevant risk indicators	49
<b><u>I.11 RDB risk indicators</u></b>	<b><u>51</u></b>
I.11.1 List of risk indicators and DRATs	51

## *I.1 Liquidity risk*

Liquidity risk refers to the risk of a firm being unable to fund its increases in assets or to meet its financial obligations, as they fall due, without incurring unacceptable costs or losses through fund raising and asset liquidation.

This can be either the result of the financial institution's inability to manage unplanned decreases and changes in funding sources, or their failure to recognise or address changes in market conditions, that may affect the institution's ability to liquidate assets quickly and with minimal loss in value.

A liquidity crisis could potentially have a negative impact on earnings and capital and, in the extreme, could cause the collapse of an otherwise solvent institution. Earnings and growth potential could also be negatively affected if an institution's liquidity position constrains it from undertaking a transaction at normal market price.

Conversely, illiquidity may lead to foregone investment opportunities or fire sales of assets, which could ultimately result in insolvency. The banking sector is particularly susceptible to liquidity risk, as credit institutions fulfil a maturity transformation role in the financial system.



The main role of banks (or financial institutions) is to take short-term deposits and savings and invest these funds in longer-term assets, such as mortgages. In this sense, liquidity risk is also considered to be a systemic risk.

The interconnectedness and general correlation of performance among financial sector institutions means that contagion effects can arise from liquidity crises in individual institutions. This has historically manifested itself in the form of bank runs when a single failed institution triggers depositor runs for other institutions as well.

Moreover, liquidity risk could have systemic effects through other mechanisms. As seen in recent times, uncertainty about the solvency of institutions can lead to liquidity hoarding and a subsequent 'drying up' of credit in short-term interbank lending markets; liquidity crises can subsequently have spill over effects on the real economy in the form of reduced credit availability.

## I.7 Operational risk

### I.7.1. List of risk indicators and relevant DRATs

**Table 7: List of OPRs and relevant DRATs**

Number	Name	Number	Name
<b>OPR 1</b>	Total Risk Exposure for Op Risk (% of Total Risk Exposure)	<b>OPR 11</b>	Conduct risk as % of Own Funds Requirements for OpR
<b>OPR 5</b>	OpR Loss as Percentage of Own Funds Requirements for OpR	<b>OPR 12</b>	Employment practices and Workplace Safety loss as % of Own Funds Requirements for OpR
<b>OPR 6</b>	Internal Fraud Loss as percentage of Own Funds Requirements for OpR	<b>OPR 13</b>	Clients Products and Business Practices loss as % of Own Funds Requirements for OpR
<b>OPR 7</b>	External Fraud Loss as percentage of Own Funds Requirements for OpR	<b>OPR 14</b>	Damage to Physical Assets loss as % of Own Funds Requirements for OpR
<b>OPR 8</b>	Business Disruption and System Failures Loss as percentage of Own Funds Requirements for OpR	<b>OPR 15</b>	Execution, Delivery & Process management loss as % of Own Funds Requirements for OpR
<b>OPR 9</b>	Total Risk Exposure for OpR compared to Total Risk Exposure for Credit Risk	<b>OPR 16</b>	Provisions for pending legal issues and tax litigation as % of Own Funds
<b>OPR 10</b>	Total Risk Exposure for Market Risk compared to Total Risk Exposure for OpR	<b>OPR 17</b>	Largest gross loss amount (single loss event) as % of CET1

To read more:

<https://www.eba.europa.eu/sites/default/files/2025-04/6bf26900-e590-494f-9716-b48e3dfb7a21/EBA%20Methodological%20Guide%20%281%29.pdf>

## TECHNOLOGY ASSESSMENT

## Artificial Intelligence Generative AI's Environmental and Human Effects



## What GAO found

Generative artificial intelligence (AI) could revolutionize entire industries. In the nearer term, it may dramatically increase productivity and transform daily tasks in many sectors. However, both its benefits and risks, including its environmental and human effects, are unknown or unclear.



Generative AI uses significant energy and water resources, but companies are generally not reporting details of these uses.

Most estimates of environmental effects of generative AI technologies have focused on quantifying the energy consumed, and carbon emissions associated with generating that energy, required to train the generative AI model.

Estimates of water consumption by generative AI are limited. Generative AI is expected to be a driving force for data center demand, but what portion of data center electricity consumption is related to generative AI is unclear. According to the International Energy Agency, U.S. data center electricity consumption was approximately 4 percent of U.S. electricity demand in 2022 and could be 6 percent of demand in 2026.

While generative AI may bring beneficial effects for people, GAO highlights five risks and challenges that could result in negative human effects on society, culture, and people from generative AI (see figure). For example, unsafe systems may produce outputs that compromise safety, such as inaccurate information, undesirable content, or the enabling of malicious behavior. However, definitive statements about these risks and challenges are difficult to make because generative AI is rapidly evolving, and private developers do not disclose some key technical

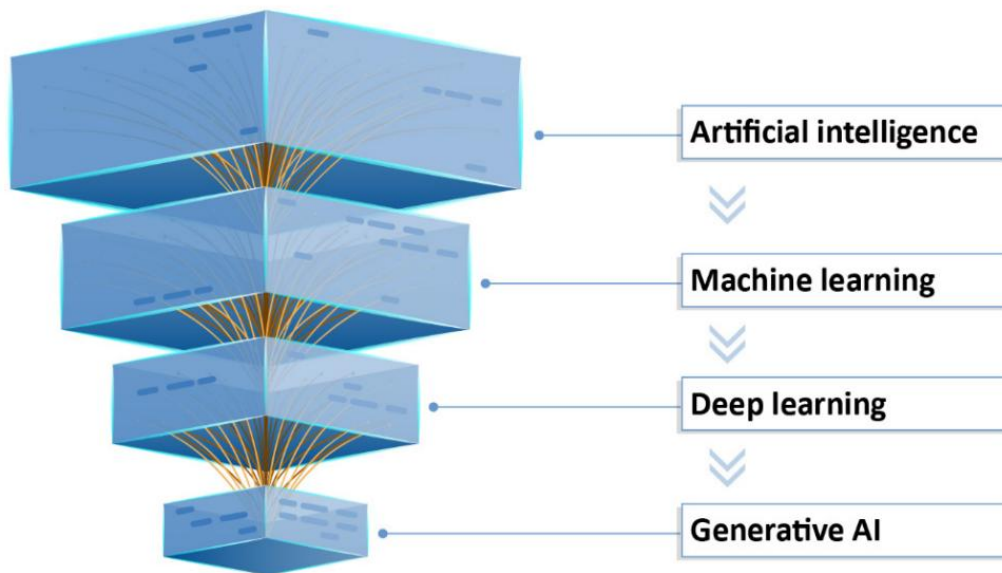
information.

**Selected generative artificial intelligence risks and challenges that could result in human effects**



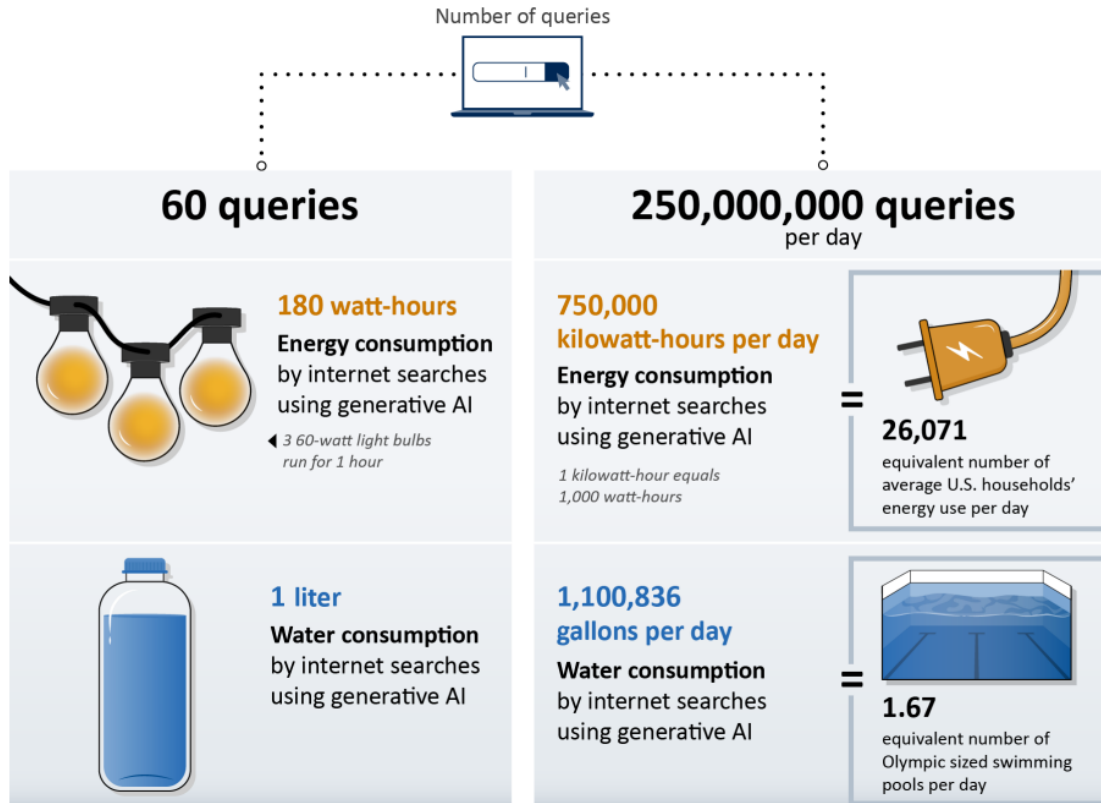
Source: GAO analysis and illustration. | GAO-25-107172

**Figure 1: Generative artificial intelligence (AI) in relation to other types of AI**



Source: GAO analysis and illustration. | GAO-25-107172

**Figure 4:** Estimated amounts of energy and water consumed to use generative artificial intelligence (AI) for internet searches



Source: GAO analysis and illustration. | GAO-25-107172

Notes: The figure above assumes 1 query to a large generative AI model uses 3 watt-hours of electricity, 30 queries use 0.5 liters of water, and an Olympic sized swimming pool holds approximately 660,000 gallons of water.

To read more: <https://www.gao.gov/assets/gao-25-107172.pdf>

## 2024 Ads Safety Report



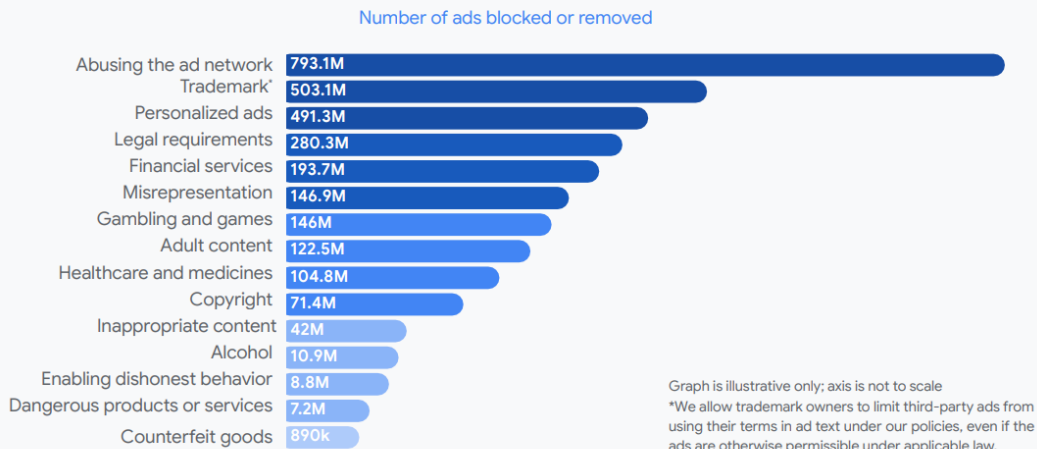
Bad actors constantly adapt their tactics to evade detection, making policy enforcement an always-on endeavor.

While our earlier machine learning models required vast datasets for training, our latest Large Language Models (LLMs) operate much more efficiently.

They need only a fraction of the information earlier models needed to quickly recognize emerging threats, identify patterns of abuse, and distinguish legitimate businesses from scams. This agility is key to combating diverse, rapidly-evolving threats at scale.

### 5.1 billion bad ads stopped in 2024

Below are the policies that we enforced the most in 2024:



### 1.3 billion pages taken action against in 2024

Below are the areas that we enforced the most in 2024:



Last year, we continued to invest heavily in making our LLMs more advanced than ever, launching over 50 enhancements to our models which enabled more efficient and precise enforcement at scale.

Prioritizing these technical advancements allows our teams to focus on more complex, ambiguous problems, which in turn provides our LLMs with nuanced training data to better address these instances in the future.

Take, for example, our Publisher policy enforcement, which helps ensure that publishers can safely monetize their content through ads: Our AI-powered models contributed to the detection and enforcement of 97% of the pages we took action on last year.

By using these models, we significantly expedited site reviews, enabling quicker monetization while keeping ads from appearing on violative pages.

To read more:

<https://blog.google/products/ads-commerce/google-ads-safety-report-2024/>

[https://services.google.com/fh/files/misc/ads\\_safety\\_report\\_2024.pdf](https://services.google.com/fh/files/misc/ads_safety_report_2024.pdf)



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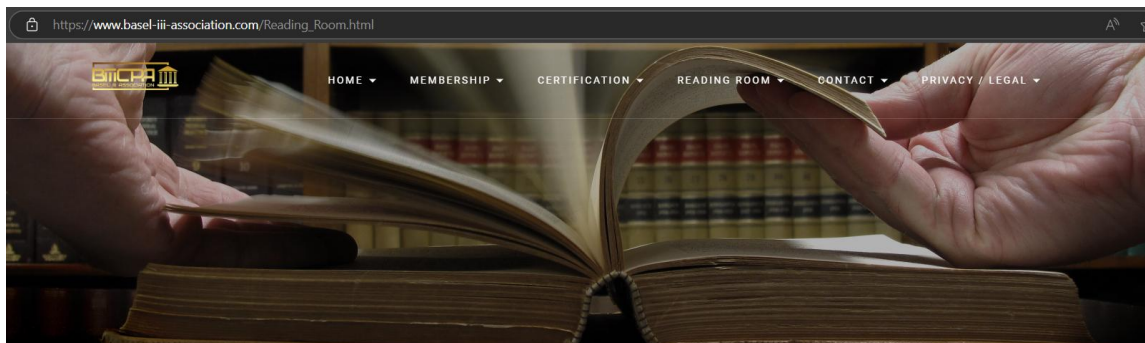
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