



## *Basel iii News, February 2026*

The Federal Reserve's February 4, 2026 announcement that it [finalized the hypothetical scenarios](#) for its annual stress test [and decided to maintain](#) current stress-test capital requirements until further feedback is incorporated, demonstrates that core elements of the Basel III capital framework remain central to U.S. bank supervision.

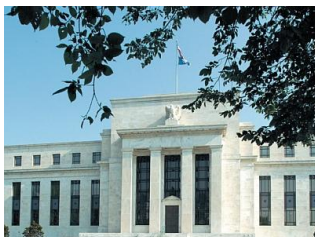


Two aspects show that the Basel iii regime continues to be a foundational dogma of prudential regulation:

1. [Stress tests reinforce Basel III capital philosophy](#). The stress test framework that the Federal Reserve uses is rooted in concepts that align with Basel III's emphasis on robust capital buffers and resilience. These stress tests help ensure that large banks continue to hold sufficient capital even under adverse conditions, a principle that is at the heart of the Basel iii standards.
2. [Regulatory continuity](#). The choice to [maintain](#) existing stress capital requirements while seeking public feedback, signals continuity in prudential oversight. It shows regulators are not abandoning the risk-based capital discipline embedded in Basel III, but instead are [refining and calibrating](#) it in response to stakeholder input and evolving financial conditions.

Taken together, these actions are consistent with Basel III continuing to provide a stable backbone for U.S. bank capital regulation, enforcing resilience, stress preparedness, and investor confidence.

## Federal Reserve Board finalizes hypothetical scenarios for its annual stress test and votes to maintain the current stress test-related capital requirements until public feedback can be considered



The Federal Reserve Board finalized the [hypothetical scenarios](#) for its annual stress test, which helps ensure that large banks can continue to lend to households and businesses even in a severe recession. The final scenarios are substantially similar to the scenarios proposed in [October](#).

October 24, 2025

### Federal Reserve Board requests comment on proposals to enhance the transparency and public accountability of its annual stress test

For release at 3:30 p.m. EDT

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Consistent with its prior statement, the Federal Reserve Board on Friday requested comment on proposals to enhance the transparency and public accountability of its annual stress test. The proposals seek comment on: the stress test models; changes to the framework that guides the design of the hypothetical scenarios; and the hypothetical scenarios for the upcoming 2026 stress test.

Additionally, the Board voted to [maintain the current stress capital buffer requirements until 2027](#), when new requirements can be calculated based on models that take public feedback into consideration.

"Waiting to calculate new stress capital buffer requirements until we receive public feedback will give us the opportunity to correct any deficiencies in our supervisory models based on that feedback," said Vice Chair for Supervision Michelle W. Bowman. "This should further improve the transparency, effectiveness, and fairness of our models and improve our accountability to the public."

The Board's annual stress test evaluates the resilience of large banks by estimating losses, net revenue, and capital levels under hypothetical recession scenarios that extend two years into the future. This year, 32 banks will be tested against a severe global recession with heightened stress in both commercial and residential real estate markets, as well as in corporate debt markets. The scenarios are not

forecasts and should not be interpreted as predictions of future economic conditions.

In the 2026 stress test scenario, the U.S. unemployment rate rises nearly 5.5 percentage points, to a peak of 10 percent. The unemployment rate increase is accompanied by severe market volatility, a widening of corporate bond spreads, and a collapse in asset prices, including about a 30 percent decline in house prices and a 39 percent decline in commercial real estate prices.

Large banks with substantial trading or custodial operations are also required to incorporate a counterparty default scenario component to estimate potential losses from the unexpected default of the firm's largest counterparty amid an acute market shock.

In addition, banks with large trading operations will be tested against a global market shock component that primarily stresses their trading and related positions. The final scenarios include two revisions to the global market shock component to improve consistency across shocks applied to similar exposures and enhance plausibility.

The table below shows the components of the annual stress test that apply to each bank, based on data as of the third quarter of 2025. The brief methodology document describes the Board's intention to generally use the same models as the 2025 stress test with limited model adjustments.

Bank <sup>1</sup>	Subject to global market shock	Subject to counterparty default
Ally Financial Inc.		
American Express Company		
Bank of America Corporation	x	x
The Bank of New York Mellon Corporation		x
Barclays US LLC	x	x
BMO Financial Corp.		
Capital One Financial Corporation		
The Charles Schwab Corporation		
Citigroup Inc.	x	x
Citizens Financial Group, Inc.		
DB USA Corporation	x	x
Fifth Third Bancorp		

First Citizens Bancshares, Inc.		
The Goldman Sachs Group, Inc.	x	x
HSBC North America Holdings Inc.		
Huntington Bancshares Incorporated		
JPMorgan Chase & Co.	x	x
KeyCorp		
M&T Bank Corporation		
Morgan Stanley	x	x
Northern Trust Corporation		
The PNC Financial Services Group, Inc.		
RBC US Group Holdings LLC		
Regions Financial Corporation		
Santander Holdings USA, Inc.		
State Street Corporation		x
Synchrony Financial		
TD Group US Holdings LLC		
Truist Financial Corporation		
UBS Americas Holding LLC		
U.S. Bancorp		
Wells Fargo & Company	x	x

To learn more:

<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260204a.htm>

## Banks and capital requirements: evidence from countercyclical buffers BIS Working Papers, No 1323



When capital requirements rise, banks can raise equity or reduce risk-weighted assets, typically by cutting lending. We show they also use credit default swaps (CDS).

Linking EU trade-repository CDS data to syndicated loans for November 2017 to April 2024, we document that banks significantly increase CDS hedging on loans to firms in countries that raise their countercyclical capital buffer (CCyB).

Our identification exploits within-bank comparisons of hedging for similar borrowers across countries with different CCyB rates.

A 1 percentage point increase in the CCyB reduces the uninsured share of a loan by about 53 percentage points, with the strongest effects for banks most exposed to the buffer-raising country.

Eligible credit risk transfer via CDS thus emerges as a first-order channel through which banks accommodate tighter capital requirements, potentially attenuating macroprudential policy transmission.

### *1 Introduction*

Higher capital requirements give banks two main adjustment margins: raise equity or reduce risk-weighted assets.

While Modigliani and Miller (1958) suggest equity issuance should be neutral, the empirical literature finds that banks predominantly cut lending when constraints tighten (Gropp et al., 2019; Fraise et al., 2020).

Identifying the response of banks to capital requirements is difficult: truly exogenous shifts in requirements are rare, and visibility into alternative adjustment margins was limited until recently (such as transferring credit risk through market instruments like credit default swaps (CDS)).

We document that banks also respond to higher capital requirements by making use of CDS to reduce risk-weighted assets.

We leverage changes to the countercyclical capital buffer (CCyB), which provides policy-driven country-time variation to study how banks manage capital charges beyond lending decisions.

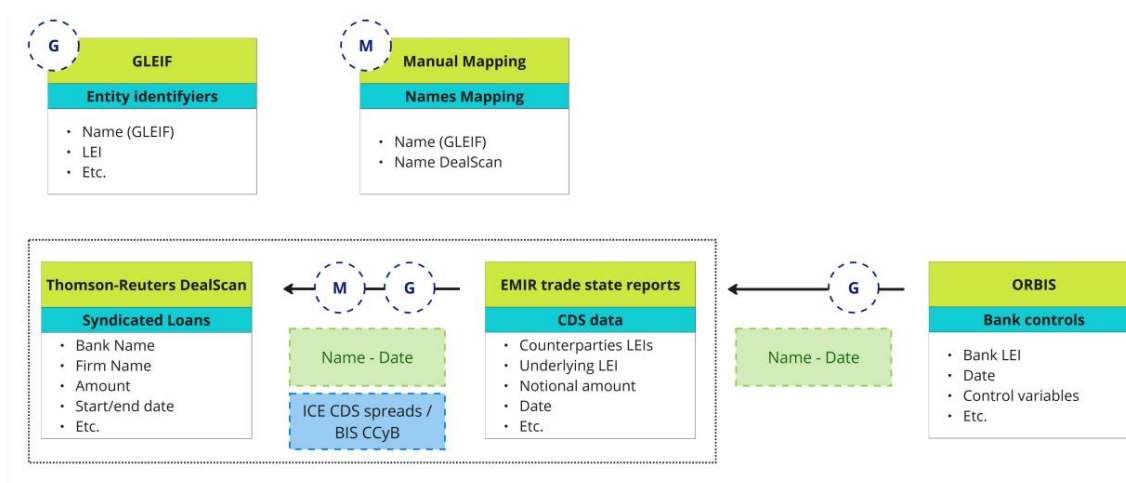
Using loan-level syndicated lending data and granular transaction-level data on the single-name CDS market, we construct a borrower-specific uninsured loan ratio for each bank at monthly frequency and exploit cross-country variation in

CCyB rates in a panel with firm \times time and bank \times time fixed effects, controlling for banks' index-CDS activity.

When CCyB rates rise in a borrower's country, banks significantly increase CDS hedging on those loans: a 1 percentage point increase in the CCyB reduces the uninsured loan ratio by about 53 percentage points at implementation, with smaller adjustments at announcement.

The response is strongest for banks with larger pre-existing exposures to the buffer-raising country and is robust across samples and controls.

These findings indicate that eligible credit risk transfer via CDS is a first-order channel through which banks accommodate tighter capital requirements, potentially attenuating macroprudential policy transmission.



**Figure 1:** Overview of datasets and merging

To learn more: <https://www.bis.org/publ/work1323.pdf>

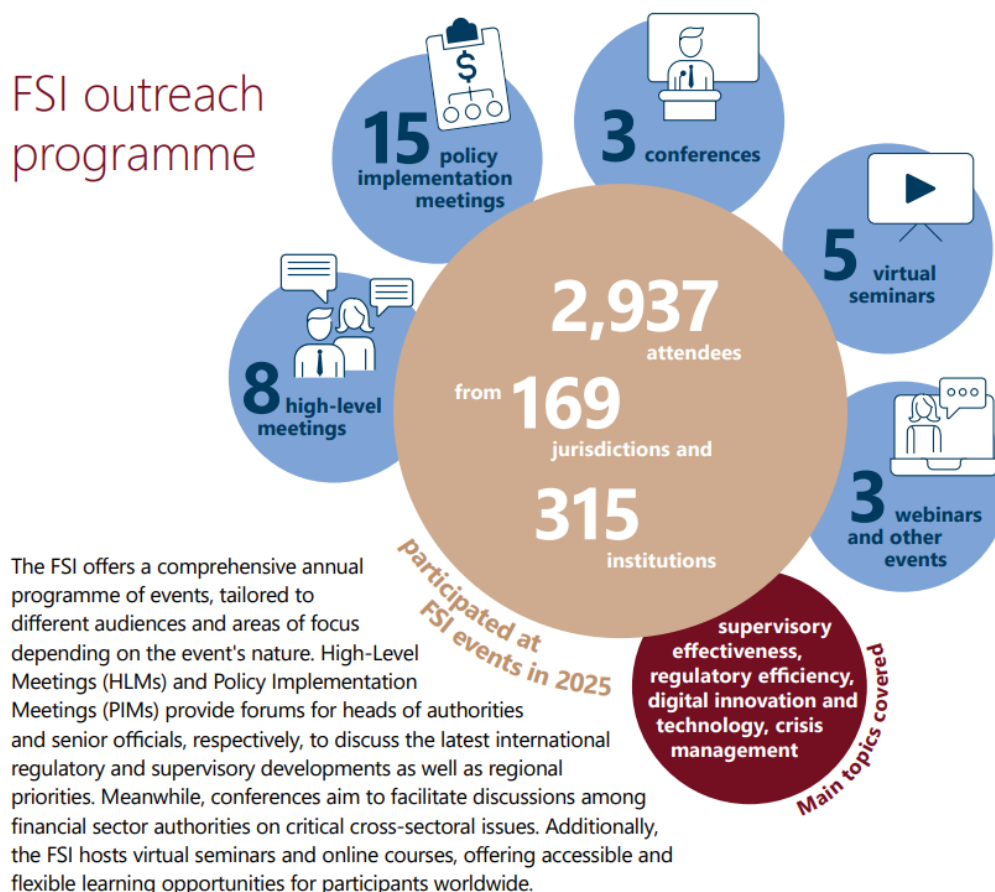
2025 in review

## Financial Stability Institute | BIS

The Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) assists central banks and financial regulatory and supervisory authorities worldwide in strengthening their financial systems by supporting the implementation of global regulatory standards and sound supervisory practices.

In 2025, the FSI continued to deliver on this mandate through its policy work, outreach activities, capacity development and special projects. This document provides an overview of these activities.

### FSI outreach programme



# 122k

FSI Connect  
tutorial launches

# 192k

downloads of  
Executive Summaries

<sup>5</sup> Executive Summaries provide brief synopses of new and revised global financial regulatory standards.

Financial Stability Institute



To learn more: <https://www.bis.org/fsi/fsi2025review.pdf>

## Money as a coordination device: some historical lessons

Keynote speech by Mr Hyun Song Shin, Economic Adviser and Head of the Monetary and Economic Department of the BIS, at the 14th ILF Conference on the Future of the Financial Sector.



Money is a coordination device that knits together the decisions, plans and obligations of actors in the economy. Common knowledge of the value of money is akin to using a common language.

Once the institution of money takes hold, strong network effects set in motion a virtuous circle between greater acceptance and greater use. The more others accept and use a particular form of money, the more I wish to adopt it too.

Central banks historically have served as the lightning rod for the coordinated acceptance of money.

How do cryptoassets and stablecoins fare in this context? Rather than coalescing around a single platform, the crypto ecosystem has become increasingly fragmented, not only in the underlying "layer 1" blockchains, but also in the so-called "layer 2" blockchains that build on top of the underlying layer.

Rather than coordination and network effects that spring from the virtuous circle of greater use and greater acceptance, we see the increasing fragmentation of crypto and the infrastructure ("the rails") that supports it.

*Why does crypto lead to greater fragmentation?*

The decentralisation agenda that underpins crypto rejects centralised trust in favour of dispersed validators achieving consensus through token economics, or "tokenomics", which underpins the actions of the validators themselves.

The validators need sufficient rewards to play their allotted role in the governance of the blockchain. Rewards are in the form of user fees, or other benefits that come from deciding on the sequence of transactions to take place on the blockchain. To sustain validator incentives, congestion and capacity constraints are necessary.

When more users flock to a particular blockchain, the capacity constraints become a deterrent for new users to join. Rather than the virtuous circle of greater acceptance and greater use, there is greater fragmentation through the emergence of new blockchains to cater to the users who turn away from existing blockchains. Fragmentation undermines the network effects of money.

This presentation explores the implications of these structural forces behind the institution of money, emphasising the trade-offs between decentralisation and the coordination role of money. It examines how fragmentation affects the functioning of the monetary system and raises critical questions for its future. For a monetary system where stablecoins play a significant role, the design of the points of contact between stablecoins and the conventional monetary system emerges as a key feature for future work.

Ultimately, the presentation underscores the enduring importance of trust, coordination, and policy innovation in navigating the future of money.

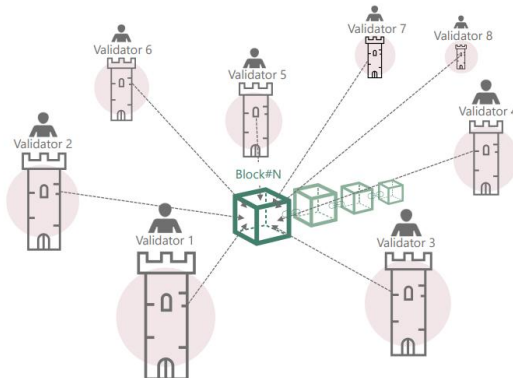
History holds lessons on the role of the central bank in the monetary system; the Bank of Amsterdam (1609-1820) is a good example



BIS

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The decentralisation agenda rejects a centralised notion of trust (eg, provided by central banks); money depends on achieving consensus among dispersed validators



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To learn more: <https://www.bis.org/speeches/sp260127.htm>

## The digital euro is an opportunity for Europe

Professor Joachim Nagel, President of the Deutsche Bundesbank  
Opening statement at “Bundesbank Spotlight”



### *1 Introductory remarks*

Ladies and gentlemen,  
Welcome to the first Bundesbank Spotlight in Berlin!

What is the idea behind the new event format? We want to engage in personal dialogue with experts in their fields and with our guests.

The focus of our first Spotlight will be the digital euro. For this event, we have invited two guests to the podium, and I am delighted that they are able to be here today: Ramona Pop from the Federation of German Consumer Organisations, and Christian Sewing – who will engage in today’s discussion not only in his capacity as CEO of Deutsche Bank but also as President of the Association of German Banks.

By introducing the digital euro, we want to make our single currency, the euro, fit for the future. Our vision is to create a single European payment solution that is state of the art in terms of technology, enables innovation, makes Europe more independent and resilient, and is trustworthy.

In the current project phase, we are preparing to be able to issue the digital euro in the course of 2029. We assume that the legal framework for the digital euro will be in place by the end of this year. This legal basis is a prerequisite for the Eurosystem to be able to start issuing the digital euro.

We are working closely with policymakers and banks. They will be a crucial interface between users of the digital euro and the Eurosystem as its issuer. We are already in close dialogue with the general public and, through many events across the country, are clarifying what the digital euro is and what it is not – what benefits it will offer and how data protection and security will be ensured, for instance.

According to a Forsa survey conducted on behalf of the Bundesbank, only 42 % of survey participants had heard or read about the digital euro in October 2025. And only just over one-quarter of them knew what it is: an additional digital means of payment issued by the Eurosystem. This shows that we have a considerable amount of work to do to educate the general public.

### *2 The benefits of the digital euro*

The digital euro will enable cashless payments to be made simply, securely and across borders throughout the euro area.

The digital euro will be just as trustworthy as our banknotes and coins. It is intended to be a digital supplement, a digital “twin” to euro cash, and not a substitute.

You would be able to use it just as easily as your girocard and existing payment apps on your smartphone – be it at a point of sale, in a restaurant, when shopping online or for credit transfers to friends. And it will also be able to be used offline. No other means of payment apart from the digital euro offers all these features at once in the euro area.

The digital euro also presents an opportunity to overcome the strong fragmentation of the European payments market. At present, there is no European payment solution that is accepted in all euro area countries – except for cash.

Instead, non-European providers, particularly from the United States, dominate the market. These providers often charge retailers high fees, which we as consumers ultimately pay, too.

I’m sure you are familiar with the film “Pretty Woman”. Then you might remember the quote “Stores are never nice to people, they’re nice to credit cards”. The truth, however, is that while retailers accept credit cards and online payment services, they often do so only reluctantly because of the high fees.

By contrast, the digital euro will be a cost-effective alternative to existing digital means of payment for retailers. This is another reason why the retail sector is very open to the digital euro. After all, it will stimulate competition in the payment market.

Critics, on the other hand, complain that this would cut the ground from under the feet of private sector initiatives for a European payment solution. But, the opposite is true: private sector solutions such as Wero could benefit from the pan-European reach of the digital euro, for example by integrating the digital euro into the Wero wallet. On the flip side, Wero could be an important means by which people use the digital euro – a win-win situation!

I am also convinced that the market offers sufficient space for private and public sector providers. This is because consumers also appreciate the possibility of being able to choose between different options.

The digital euro is also being designed to enable future innovations and functions. I am thinking, for instance, of conditional payments: a parcel only being paid for when the customer receives it, to name one example, or a travel refund being issued automatically if a train is delayed, to name another.

Launching the digital euro also means we are increasing our strategic autonomy – something which is unfortunately desperately needed in view of geopolitical developments.

Visa and Mastercard currently account for almost two-thirds of all card payments in the euro area. 13 out of 21 euro area countries do not have an own national card system like we have girocard in Germany.

These countries therefore rely entirely on non-European card systems, including within their own country's borders. To put it bluntly, we are very dependent on US corporations in payments today – too dependent.

Payments are part of our critical infrastructure. And we really ought to stand on our own two feet when it comes to critical infrastructure. The digital euro would be the first and only digital means of payment built on a European infrastructure that could be used seamlessly throughout the euro area.

*And what about data protection?*

To protect your data, we are designing the digital euro to offer the highest degree of privacy possible for an electronic means of payment. Privacy has been a top priority of the digital euro project since its inception. The Eurosystem central banks will not be able to tell who is behind individual payments.

We certainly will not be able to and do not want to control what the public pay for with the digital euro. And those who use the digital euro offline will pay almost as anonymously as they do with cash.

Many people are not even aware of how much data they share when paying using other digital means of payment. For some people it does not matter. However, we know from surveys that protecting privacy is a crucial factor for many consumers. According to the Forsa survey I mentioned earlier, it would represent the most important feature for 74 % of respondents.

### *3 Conclusion*

Ladies and gentlemen,  
I am convinced that the digital euro will be a success.

It is up to us to bring the euro to where a great future lies ahead of it: the digital world.

The digital euro stands for payments that are simple, secure and European – open to innovation, regardless of external factors, and trustworthy for all.

We want to develop the digital euro together with consumers, banks, retailers and policymakers.

It is neither a project opposing cash, nor a project opposing private sector providers.

It is a project of progress for our continent's population.

The digital euro is an opportunity for Europe.

Thank you for listening.

To learn more:

<https://www.bundesbank.de/en/tasks/topics/professor-nagel-at-bundesbank-spotlight-the-digital-euro-is-an-opportunity-for-europe--987786>

## The EBA launches consultation on simplifying the credit risk framework



The European Banking Authority (EBA) launched a public consultation on its Discussion Paper on the simplification and assessment of the credit risk framework.

The Paper sets out preliminary ideas to enhance the usability, efficiency and simplicity of the credit risk framework, aiming to stimulate a broader discussion on how to better structure the EBA's future work in this area.

Based on the comments received, the EBA will assess potential simplifications as part of its future policy work. [The consultation runs until 10 May 2026.](#)

The EBA's 2025 Report on the efficiency of the regulatory and supervisory framework introduced a set of principles aimed at enhancing simplicity and efficiency across the regulatory landscape.

This Report recommends the EBA launches a review of all the regulatory products it has developed (Level 2 and Level 3) since its establishment in relation to the Single Rulebook, starting with credit risk.

As the credit risk area has accumulated a particularly large number of mandates under the EU Banking Package, the Discussion Paper examines how a systematic review of these mandates could be organised so that EBA's future work better supports efficiency and simplicity.

The Discussion Paper sets out concrete proposals to enhance the efficiency and simplicity of the credit risk framework within the remit of EBA's credit risk mandates.

Because the framework must balance several key objectives, including risk-sensitivity, comparability, and cost-efficiency, assessing simplicity is inherently challenging.

In addition to exploring potential policy simplifications, the paper also looks at improving the presentation of the framework by consolidating EBA products and aligning key regulatory definitions, thereby making the EBA's credit risk outputs more coherent and easier to navigate.

It further highlights a number of challenges linked to specific mandates in the credit risk area and sets out measures to be applied in future mandated reports assessing the appropriateness of several elements laid down in the Capital Requirements Regulation (CRR).

### *Consultation process*

Comments to this consultation can be sent to the EBA by clicking on the "Send your comments" button on the consultation page. Please note that the deadline for the submission of comments is 10 May 2026. All contributions received will be published following the close of the consultation, unless requested otherwise.

### *Legal basis and background*

The EBA published in December 2023 its roadmap on the implementation of the EU Banking Package. In the area of credit risk, the new mandates assigned to the EBA relate in many cases to existing EBA products developed and implemented upon previous CRD-CRR requirements. Hence, the implementation of these mandates provides an opportunity to update those products and ensure greater consistency and efficiency across the framework.

The 2025 EBA Report on the efficiency of the regulatory and supervisory framework includes as one of its recommendations to launch a comprehensive review of both the new flow of mandates (i.e. those not yet consulted on) and the existing stock (current products from the Single Rulebook).

This Discussion Paper outlines how such a review should be carried out in the credit risk domain and proposes initial avenues to streamline and enhance the usability of the framework.

EBA/DP/2026/01

09/02/2026

## Discussion Paper

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### Simplification and assessment of the credit risk framework

To learn more:

<https://www.eba.europa.eu/publications-and-media/press-releases/eba-launches-consultation-simplifying-credit-risk-framework>

## 2025 Resolution Report From Plans to Practice: Operationalising Resolution



### *Executive summary*

The 2025 Resolution Report highlights the FSB's ongoing efforts to strengthen the global resolution regimes for banks, insurers and financial market infrastructures. This progress report reviews the achievements in 2025, and outlines plans to further strengthen global resolution frameworks and crisis preparedness in 2026.

**For banks**, in 2025, the FSB advanced work to support resolution authorities' operational readiness to respond to failures.

Maintaining adequate crisis preparedness requires continued improvements in implementation, operationalisation and rigorous testing.

In 2025, the FSB supported operationalisation of transfer tools by publishing a practices paper sharing experiences and insights from authorities who have used these tools in the past.

The FSB also supported sharing information and experiences among members on funding in resolution.

Work on bail-in execution continues to progress through the formation of a dedicated FSB task force bringing together resolution and market authorities.

Finally, the FSB supported sharing experiences from the 2023 bank failures to improve coordination with authorities beyond firm specific crisis management groups.

**For insurers and central counterparties (CCPs)**, the FSB's focus has been on enhancing application of the existing standards.

In the insurance sector, the FSB has begun a consultation on guidance to set out criteria to identify insurers that should be subject to recovery and resolution planning.

The FSB also published an updated list of 17 insurers subject to resolution planning standards.

For CCPs, the FSB has focused on implementation of its guidance on financial resources and tools for resolution and supported efforts to enhance operational planning and cross-border coordination.

**Progress in implementation is evident but uneven** across the three sectors. Foundational resolution frameworks are now mostly in place, and most jurisdictions have aligned their resolution regimes with the FSB's Key Attributes.

Additionally, the resolvability assessment process results for 29 global systemically important banks and 14 CCPs that are systemically important in more than one jurisdiction show continued progress in operational planning and firms' crisis preparedness.

Despite the comparatively more developed framework, challenges persist in implementation of critical areas for bank resolution, such as funding in resolution and effective bail-in execution, particularly in cross-border contexts.

The FSB is working to address these challenges.

In 2026, the FSB will conduct a peer review of public sector backstop funding mechanisms and synthesise practices on funding in resolution into a practices paper.

The FSB will also continue dedicated work on bail-in execution via its task force.

Additionally, the FSB will undertake further work to improve operationalisation of resolution tools across the three sectors.

[As the global financial system evolves](#), the FSB's activities related to crisis preparedness may need to adapt as well. Looking ahead, the FSB is planning to launch a strategic review of its crisis preparedness activities.

It is essential for the FSB to ensure its approach to preparing for potential distress or failure of financial institutions remains fit for purpose, reflects lessons learnt, and adapts to changes in the financial system.

The review will aim to strengthen coordination among the FSB and standard-setting bodies with crisis preparedness mandates and ensure the FSB's approach adapts to emerging vulnerabilities and structural changes in the financial system.

#### Box 1: Legislative developments on resolvability and resolution planning

**European Union:** *The European Union Directive for the Recovery and Resolution of Insurance and reinsurance undertakings (IRR)*<sup>4</sup> entered into force in January 2025. Member States have until 29 January 2027 to transpose it into their national legislative frameworks. The European Insurance and Occupational Pensions Authority (EIOPA) has been working to develop in parallel the drafts of several instruments, including implementing technical standards, regulatory technical standards and guidelines, which will complement the Directive.

Also in 2025, the Council of the EU and the European Parliament reached a political agreement on the review of the *Crisis Management and Deposit Insurance (CMDI)* framework. The reform is aimed at strengthening the EU framework for resolution of smaller and medium-sized banks and to facilitate the use of financial safety nets (deposit guarantee schemes and resolution funds) for that purpose. It will also simplify the rules on creditor hierarchy and harmonise the use of deposit guarantee schemes outside of resolution. The new rules are expected to enter into force in 2026. While some rules will apply shortly after entry into force, most of the new rules will need to be transposed by Member States and will become applicable two years after entry into force, expected in Q2 2028.



## 2025 Resolution Report

From Plans to Practice: Operationalising  
Resolution



To learn more: <https://www.fsb.org/uploads/P210126-1.pdf>

## The financial stability implications of artificial intelligence and digital finance

Tao Zhang, BIS Chief Representative for Asia and the Pacific, at International Financial Week, in conjunction with the Asian Financial Forum (AFF), Hong Kong.



### *Introduction*

Thank you for the invitation to speak at this important forum. It is a pleasure to join you here in Hong Kong.

The title of this session is "Development and innovation of AI and digital finance". These changes are reshaping how financial services are delivered, how markets function and how risks are managed. From a central bank perspective, they also raise important questions for financial stability.

Today, I would like to focus on the financial stability implications, including tokenisation, which is a central element in current policy discussions.

My remarks will proceed in three parts:

First, I will briefly discuss how artificial intelligence (AI) and digital finance are developing and why they matter for the functioning of the financial system.

Second – and this will be the core of my remarks – I will turn to the financial stability implications, drawing on recent analytical work by the Bank for International Settlements (BIS) and the Financial Stability Board (FSB).

Finally, I will say a few words about international cooperation and the role of the BIS.

### *Development and innovation: implications for market functioning*

Let me begin with how AI and digital finance are developing, and why they are attracting such attention from policymakers.

AI is being adopted across the financial sector for a wide range of purposes. Financial institutions use AI to process large volumes of data, support credit underwriting, detect fraud, manage risks and automate back-office functions.

More recently, advances in large language models and generative AI have expanded the range of possible applications, including customer interaction, internal analysis and supervisory processes.

The drivers of AI adoption are well understood. On the supply side, rapid advances in computing power, data availability and model capabilities have lowered barriers to entry. On the demand side, firms are seeking productivity gains, cost reductions and competitive advantages, while authorities are exploring the use of AI to enhance regulatory and supervisory effectiveness.

Digital finance, more broadly, refers to the increasing digitalisation of financial assets, processes and infrastructures. A key component of this is tokenisation which, loosely speaking, is the representation of financial assets, such as securities or deposits, in digital form using technologies such as distributed ledger technology.

As we have already witnessed, tokenisation affects how financial transactions are organised and executed. It can bring trading, settlement and collateral management closer together, reduce reconciliation costs and support more efficient use of liquidity and collateral. Tokenisation may also reduce frictions in cross-border payments and securities settlement – an issue of particular relevance for regions with deep trade and financial linkages, including Asia.

Taken together, AI and digital finance can improve efficiency, reduce costs and support more integrated financial markets. However, these same developments also change the way risks arise and propagate across the financial system, and they pose challenges for regulators and supervisors. In short, they have strong financial stability implications.

To read more: <https://www.bis.org/speeches/sp260126.htm>

## Global imbalances in a more fragmented world Andrew Bailey, Governor, Bank of England, at the Bellagio Group event



Can I start by extending my welcome to all participants in the Bellagio Group, and congratulate the organisers on a timely and highly relevant choice of subject.

My role today is some scene setting. I am going to cover three points.

First, a reminder of the benefits of open economies and why they need to be supported by an international rules-based system which gives important roles to multilateral institutions.

Second, I will set out some of the conditions that help to make this system work.

And, finally I will highlight a number of the specific big challenges we face today and must take on.

The benefits of trade and openness in terms of specialisation and larger markets are very well known.

So, too, is the need to have rules of the game and some form of commitment and co-ordination device to put these rules into effect and protect legitimate national interests.

This may sound reasonable enough, but defining exactly such national interests has been hard, not least because their precise nature and force can change over time.

Bretton Woods was a defining moment in terms of institution creation, but it was, of course, context specific – in the context of beggar my neighbour policies in the inter-war period when the institutional fabric of the gold standard broke down, and then a global war.

The effectiveness of the international rules-based system has a number of key general dependencies.

First, it depends on domestic national support and license – it cannot operate in isolation. The goals of international co-operation must sit alongside domestic national policy objectives, but there also must be scope for the international goals to shape those domestic objectives. It cannot be a one-way street and this principle must apply to all participants.

It follows that there is a natural tension between economic globalisation and domestic objectives and economic welfare. We cannot assume this away. Take the case of global imbalances.

Our shared objective should be to tackle persistent and excessive imbalances. Effective cooperation should focus on policies that are demonstrably welfare-improving at home and that, in turn, help to rebalance the global economy.

We may not reach the first-best global outcome (the rarely attainable ‘global planner’s optimum’), but this approach should bring us materially closer to a mutually beneficial result.

Second, the system must be robust to all states of the world. I will come back to this later in some thoughts on the current context. This requires a considerable degree of flexibility in the design and operation of the institutions and thus the system. In fact, the IFIs I would argue have been pretty good at inventing and re-inventing themselves.

This flexibility of re-invention depends critically on the collective leadership of member countries – which takes us back to the inbuilt national versus international tension.

And, today, we face the challenge of re-invention in a multi-polar world, and one where the nature of the poles is shifting with the revealed tensions.

One of the lessons of economic history, going back at least to the nineteenth century and probably further, is that such shifts in polarity invariably strain the operation of the system.

To learn more:

<https://www.bankofengland.co.uk/speech/2026/january/andrew-bailey-meeting-of-the-bellagio-group-2026-at-the-boe>

## Good Practices for Crisis Management Groups, Revised version



### *Executive summary*

Drawing on an FSB stocktake carried out in 2020 and CMG members' experience during the COVID-19 pandemic, this report describes certain good practices that have helped CMGs to enhance their preparedness for the management and resolution of a cross-border financial crisis affecting a Global Systemically Important Bank (G-SIB) consistent with the FSB Key Attributes.

*Note: CMG = Crisis Management Group*

This report acknowledges the progress made by CMGs since they were established. It aims to identify the good practices that CMGs have put in place over the past ten years to enhance their crisis management preparedness.

While many of these practices have been well established, others are emerging or developing. The report provides a reference for home and host authorities in CMGs to help them enhance their crisis management preparedness in normal times.

As CMGs continue to evolve, the FSB will continue to monitor the development of CMG practices and consider any future work to promote consistency and effective operation of CMGs. The good practices identified in this report are organised along 16 desired outcomes that CMGs seek to achieve.

### *Structure and operation of CMGs*

1. CMG membership and structures reflect the specificities of the firm, its business model and geographic footprint. In peacetimes and when working to enhance crisis preparedness, CMGs generally include relevant resolution authorities and prudential authorities, and some also include central banks, deposit guarantee schemes/deposit insurers, ministries of finance and other regulatory bodies. Some host authorities have supplemented a CMG with regional structures.
2. Members' representation in a CMG meeting combines appropriate decision-making capacity and relevant expertise. Key decision makers generally attend CMG meetings as well as technical experts.
3. The CMG is underpinned by an institution-specific cooperation agreement (CoAg) that facilitates the necessary crisis management planning, and cooperation, between the relevant authorities. CoAgs have been adopted for most CMGs. However, their existence has not been a prerequisite for the CMG to operate in practice.
4. The CMG or home authorities cooperate with authorities from non-CMG host jurisdictions (i.e. jurisdictions where the firm has a systemic presence locally but

that do not participate in a CMG). Some home authorities have supplemented their CMG activities with cooperation arrangements with non-CMG host authorities and conduct regular outreach activities involving authorities from host jurisdictions not represented on the CMG.

5. CMG meetings take place regularly. They are well prepared and informed by relevant and sufficiently detailed documentation. Home authorities have usually prepared CMG meeting agendas in coordination with host authorities, and some have used preparatory calls to increase efficiency of meetings. CMG members have found it helpful for meetings to be supported by detailed documentation that is shared in advance.

Meetings are held at least annually for all CMGs. Some CMGs have supplemented physical meetings with virtual meetings or calls, increasing the frequency of the meetings. Some CMG members have found it useful for the home authority to share the key outcomes and action points of CMG meetings, as well as to coordinate feedback to the firm on issues discussed at a meeting.

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**Box 2: Examples of home-host coordination arrangements covered in CMG discussions and/or playbooks**

- **Governance arrangements:** Potential triggers for escalating resolution contingency planning, with reference to possible public disclosures events that may arise in a stress. This may include a high-level chronology and summary of key processes to assist with the understanding of key decisions and actions from home and host authorities throughout the crisis continuum.<sup>20</sup> Some home authorities are contemplating the use of checklists and common templates that can support CMG coordination at each stage of a stress.
- **Steps of execution:** Common understanding of actions and their prerequisites that would be taken by CMG members and by the firm to implement the resolution strategy and related matters, such as triggers, valuation frameworks, use of the different resolution tools (e.g., bail-in and sale of assets), continued authorisation procedures, public disclosures by authorities and communication.
- **Information needs:** Information that would be needed and when, from host to home authorities and from home to host authorities in order to inform their respective decisions and actions.
- **Funding considerations:** Technical operational details, such as the respective responsibilities of different authorities and the form, location, mechanisms and timing for use of firm resources and public liquidity provision. Shared understanding between CMG members on how resources within the group would be utilised in stress and in resolution.
- **iTLAC and uTLAC considerations:** Setting out the coordination considerations, timing and steps between group and material sub-groups based on the triggers embedded in the terms and conditions of the relevant instruments, analysing obstacles to down streaming, and identifying an approach to the management and distribution of uTLAC resources within the group.

To learn more: <https://www.fsb.org/uploads/P210126-2.pdf>

## ECB and ESRB issue joint report analysing financial stability risks from geoeconomic fragmentation



- Geoeconomic fragmentation and geopolitical risk have become key sources of macro-financial uncertainty, which can affect financial stability
- Geopolitical shocks can amplify financial stress and dampen economic growth
- Report sets out new monitoring framework integrating geopolitical indicators into financial stability analysis

The European Central Bank (ECB) and the European Systemic Risk Board (ESRB) today published a joint report entitled “[Financial stability risks from geoeconomic fragmentation](#)” with technical annex, which examines how rising geopolitical risks and heightened uncertainty can affect financial stability in the euro area and across the European Union. The report identifies the key transmission channels through which geopolitical shocks can propagate to the financial system.



### Financial stability risks from geoeconomic fragmentation

January 2026

[https://www.ecb.europa.eu/pub/pdf/other/ecb.report202601\\_financialstabilityrisks.en.pdf?640b4328004d04797e1fd7ebfoe39aa0](https://www.ecb.europa.eu/pub/pdf/other/ecb.report202601_financialstabilityrisks.en.pdf?640b4328004d04797e1fd7ebfoe39aa0)

The following findings indicate that geopolitical shocks and policy uncertainty tend to lead to tighter financial conditions, financial market stress, increased risk premia and reduced loan growth.

- Geopolitical risks and policy uncertainty have risen markedly since the mid-2010s, with notable increases in 2024 and 2025. At the same time, financial market volatility has remained contained or short-lived.
- Estimates suggest that geopolitical risks lower expected growth outcomes, with significant downside tail risks for the real economy, accompanied by heightened financial stress. Geopolitical events can significantly alter the

interconnectedness between bonds, commodities, equities and exchange rates.

**Figure 1**

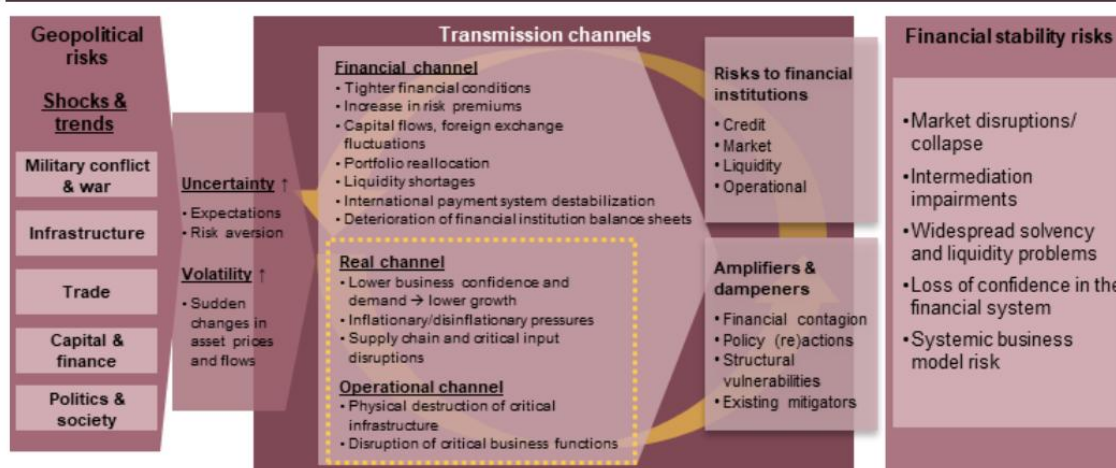
Categorisation of geopolitical risks



Source: ECB/ESRB workstream on financial stability risks from geoeconomic fragmentation.

**Figure 2**

EU geopolitical risks and fragmentation analysis framework



Source: ECB/ESRB workstream on financial stability risks from geoeconomic fragmentation.

Note: The transmission channels in the dashed box were not the focus of the analysis conducted by the ECB/ESRB workstream on financial stability risks from geoeconomic fragmentation.

- The impact of geopolitical shocks is heterogeneous across EU Member States, whereby more open economies and those with higher public debt ratios tend to be more vulnerable to amplification effects.
- In response to geopolitical shocks, banks and non-banks adjust their balance sheets by reducing lending, especially cross-border exposures. While this reduces the financial system's exposure to external shocks, it also limits international diversification.

At a time of accelerating geoeconomic fragmentation and persistent geopolitical uncertainty, the ECB and the ESRB stress the importance of enhanced, more

harmonised datasets, as well as complementary scenario analyses, for preserving financial stability and increasing economic resilience.

The report's insights can help policymakers and financial institutions to better detect and evaluate geopolitical risks for the financial sector and calibrate macroprudential policy responses.

To learn more:

<https://www.ecb.europa.eu/press/pr/date/2026/html/ecb.pr260122~0b138afc39.en.html>

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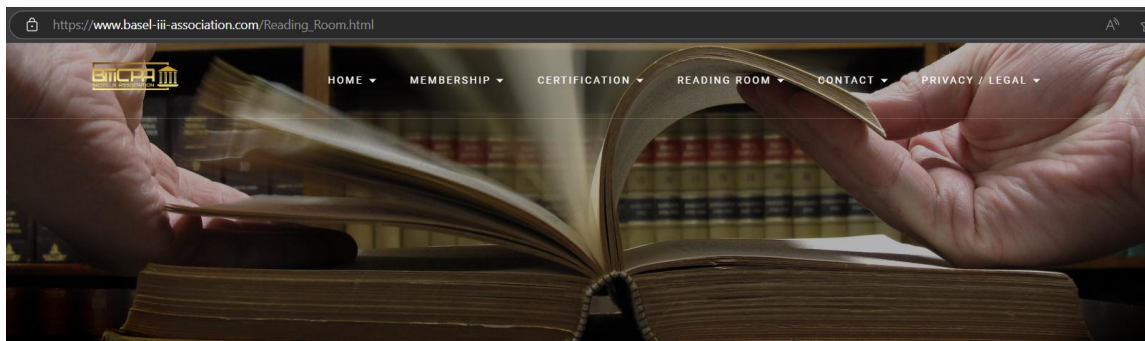
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## **Certified Basel iii Professional (CBiiiPro), distance learning and online certification program**

### **Overview**

The Basel III framework is the most important international effort to strengthen the regulation, supervision, and risk management of banks. Developed by the Basel Committee on Banking Supervision in response to the weaknesses revealed by the global financial crisis, it has become the cornerstone of financial sector reform across jurisdictions.

The financial industry clearly needs qualified professionals who understand the Basel III framework — not only its core concepts, but also the precise **terminology and language** regulators, supervisors, and risk practitioners use when assessing capital adequacy, liquidity, leverage, and systemic risk. A deep familiarity with the Basel III vocabulary is essential for interpreting regulatory texts, contributing to internal risk discussions, preparing for supervisory dialogues, and ensuring consistent and accurate implementation across the organization. Without this shared language, even well-intentioned compliance efforts can become fragmented or misaligned with regulatory expectations.

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## **Certified Pillar 3 Expert - Basel 3 (CP3E-B3), distance learning and online certification program (Updated: June 2025)**

### **Overview**

Pillar 3 focuses on transparency and disclosure of key information related to a bank's risk exposures, capital adequacy, and risk management practices. While Pillar 1 sets minimum capital and liquidity requirements, and Pillar 2 deals with supervisory review, Pillar 3 ensures that external stakeholders, such as investors, analysts, and customers, have access to the data needed to make informed decisions, as they can understand better risks and exposures, and compare institutions.

The Basel III enhancements to Pillar 3 addressed many of the shortcomings identified during the 2007–2009 financial crisis, such as inconsistent reporting, insufficient granularity, and lack of comparability across banks.

Key reforms include the new standardized templates and tables for disclosures to ensure consistency and comparability, and the frequency requirements (quarterly or semi-annually depending on the nature of the disclosure and the size of the institution).

3. Certified Stress Testing Expert - Basel 3 (CSTE-B3), distance learning and online certification program. You may visit:

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## Objectives

The program has been designed to provide with the knowledge and skills needed to understand the financial stress testing requirements and supervisory expectations after the Basel III framework, and to work in Basel III stress testing projects. The course provides with the skills needed to pass the Certified Stress Testing Expert - Basel 3 (CSTE-B3) exam.

## Basel IV

There is no official “Basel IV” framework issued by the Basel Committee on Banking Supervision (BCBS), at least not yet. The term Basel IV is used informally by some industry professionals to describe a set of significant revisions to the Basel III framework. These reforms, however, are officially considered part of Basel III.

The Basel III Compliance Professionals Association (BiiiCPA) will continue to monitor developments and keep you informed of any future updates.

### Basel IV | Progress, Challenges, Outlook.

For a Basel IV framework to exist officially, we need a formal announcement from the Basel Committee on Banking Supervision (BCBS), supported by a clear naming convention. As of now, the Committee refers to the post-2017 reforms as the "finalization of Basel III," not as a new framework. Unless the BCBS decides to issue a distinct, standalone set of rules under a new name, Basel IV for example, there will be no official Basel IV framework.

To read more: [https://www.basel-4.com/Basel\\_IV.html](https://www.basel-4.com/Basel_IV.html)

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- Review the exposure classification and treatment determination, examine the interpretation of the Capital Rules vis-à-vis **Basel III rules** for consolidated US reporting and ensure the RWA method and results are appropriate and accurately represent the riskiness of the exposure under review
- Review various transactions end to end across the institution to determine if the appropriate capital is being allocated. This includes reviewing legal documents, approvals, risk ratings and how transactions flow through the system to determine the RWA that is being applied and comparing transactions to the appropriate rules.



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