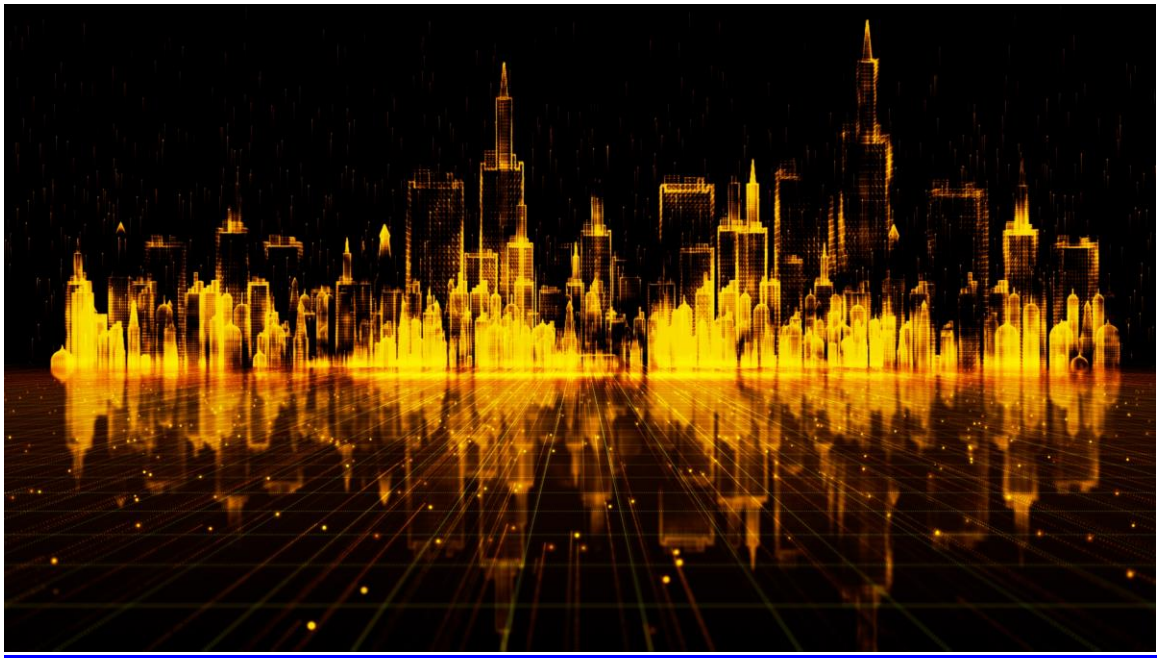


Basel iii News, March 2024

The Basel Committee makes some changes to the Basel Core Principles. This is an important development.

- The Basel Committee approves revisions to Core principles for effective banking supervision.

- Decides to consult on potential measures to address window-dressing behaviour by some banks in the context of the framework for global systemically important banks.

- Reaffirms expectation that all aspects of Basel III will be implemented in full, consistently and as soon as possible.

The Basel Committee on Banking Supervision met in Madrid to take stock of recent market developments and risks to the global banking system, and to discuss a range of policy and supervisory initiatives.

Risks and vulnerabilities to the global banking system

The Committee discussed the outlook for the global banking system in the light of recent economic and financial market developments. It discussed risks to banks from sectors facing headwinds, including segments of commercial real estate.

Members also discussed banks' interconnections with non-bank financial intermediaries, including the growing role of private credit. Banks and supervisors need to remain vigilant to emerging risks in these areas.

Basel Core Principles

The Committee discussed the comments received to its consultation on revisions to the Core principles for effective banking supervision (Basel Core Principles). Drawing on the inputs received from a wide range of stakeholders, the Committee approved the final revisions to the Core Principles, which draw on supervisory insights and structural changes to the banking system since the previous update in 2012.

The final standard will be published following the International Conference of Banking Supervisors on 24–25 April 2024.

Global systemically important banks and window-dressing

Building on the discussion at its previous meeting, the Committee looked at a range of empirical analyses that highlight window-dressing behaviour by some banks in the context of the framework for global systemically important banks (G-SIBs).

Such regulatory arbitrage behaviour seeks to temporarily reduce banks' perceived systemic footprint around the reference dates used for the reporting and public disclosure of the G-SIB scores.

As noted previously by the Committee, window-dressing by banks undermines the intended policy objectives of the Committee's standards and risks disrupting the operations of financial markets. To that end, the Committee agreed to consult on potential measures aimed at reducing window-dressing behaviour.

The consultation paper, and an accompanying working paper summarising the empirical analyses, will be published next month. The Committee also agreed to publish a working paper on an assessment of the G-SIB score dynamics over the past decade.

Climate-related financial risks

As part of its holistic approach to addressing climate-related financial risks, the Committee discussed the role of scenario analysis in assessing the resilience of banks' business models, strategies and overall risk profile to a range of plausible climate-related pathways. Members noted that the field of scenario analysis is dynamic, with practices expected to evolve rapidly as climate science advances.

Building on its existing supervisory principles, the Committee agreed to publish a discussion paper on the use of climate scenario analysis by banks and supervisors to help inform potential future work in this area. The discussion paper will be published in the coming months.

Implementation of Basel III reforms

The Committee took stock of the implementation status of the outstanding Basel III standards, which were finalised in 2017. Committee members have continued to make good progress with implementation, though it remains uneven.

Members unanimously reaffirmed their expectation of implementing all aspects of the Basel III framework in full, consistently and as soon as possible. Members also approved a workplan for the jurisdictional assessments of the implementation of these standards as part of the Committee's Regulatory Consistency Assessment Programme.

To read more: https://www.bis.org/press/p240229.htm

Project Aurum 2.0: Improving privacy for retail CBDC payment

The BIS Innovation Hub Hong Kong centre has launched the second phase of Project Aurum, in collaboration with the Hong Kong Monetary Authority.

After testing the feasibility of a technological stack that integrates a wholesale interbank system and a retail e-wallet in its first phase, Project Aurum 2.0 will now focus on how to enhance privacy for retail central bank digital currencies (CBDC).

Privacy is one of the key considerations of consumers when contemplating the adoption of CBDC, as highlighted by several public consultations on the topic in different countries. Central Banks recognise the importance of privacy and exploring measures to balance privacy and transparency.

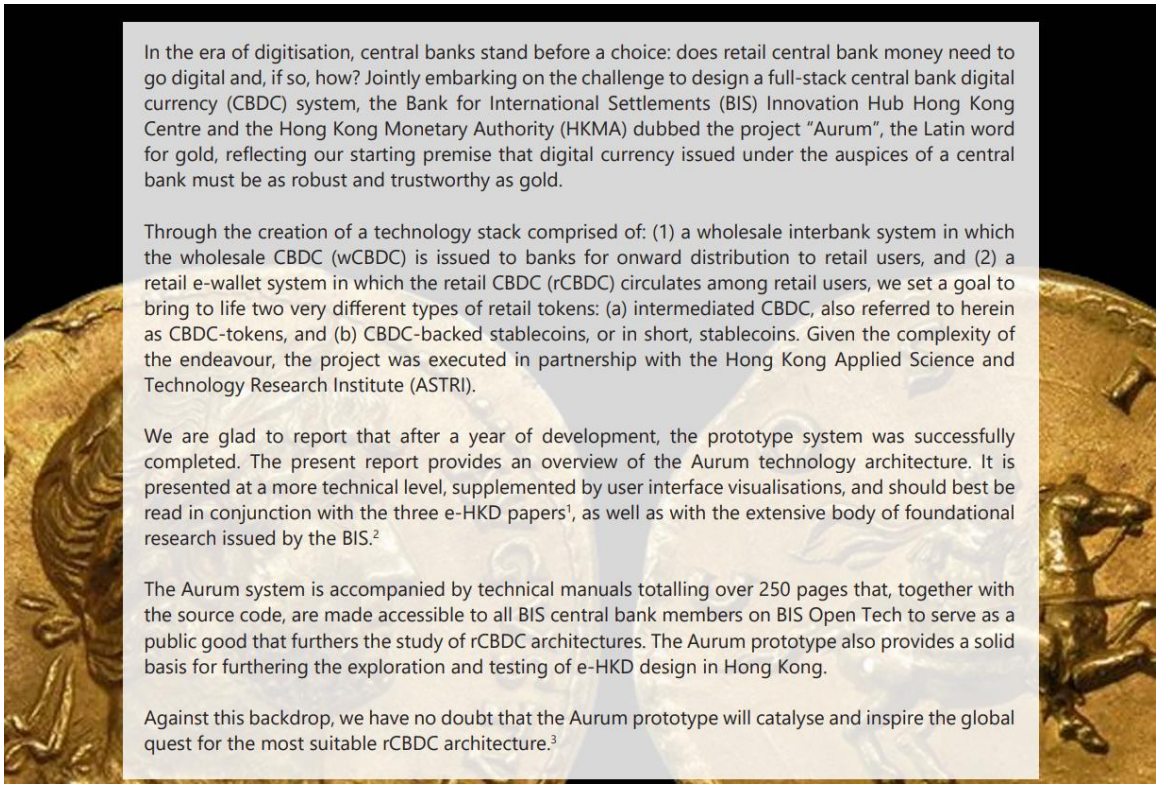
Building on the existing Aurum prototype, the next phase aims to leverage expertise from multiple disciplines, by collaborating with universities and privacy experts. The project seeks to advance the practical understanding of central banks around privacy when designing their CBDC systems and demonstrate to public sector how technology can protect personal data in the CBDC space.

Project Aurum: a prototype for two-tier central bank digital currency (CBDC)

Project Aurum is a collaboration between the BIS Innovation Hub Hong Kong Centre, the Hong Kong Monetary Authority, and the Hong Kong Applied Science and Technology Research Institute.

The project will focus on privacy by design as a principle and will explore the relevance of several privacy-enhancing technologies, including pseudonymization and zero knowledge proof. It will also test how increasing privacy affects the performance and compliance of a system.

To read more: https://www.bis.org/about/bisih/topics/cbdc/aurum2_0.htm



In the era of digitisation, central banks stand before a choice: does retail central bank money need to go digital and, if so, how? Jointly embarking on the challenge to design a full-stack central bank digital currency (CBDC) system, the Bank for International Settlements (BIS) Innovation Hub Hong Kong Centre and the Hong Kong Monetary Authority (HKMA) dubbed the project "Aurum", the Latin word for gold, reflecting our starting premise that digital currency issued under the auspices of a central bank must be as robust and trustworthy as gold.

Through the creation of a technology stack comprised of: (1) a wholesale interbank system in which the wholesale CBDC (wCBDC) is issued to banks for onward distribution to retail users, and (2) a retail e-wallet system in which the retail CBDC (rCBDC) circulates among retail users, we set a goal to bring to life two very different types of retail tokens: (a) intermediated CBDC, also referred to herein as CBDC-tokens, and (b) CBDC-backed stablecoins, or in short, stablecoins. Given the complexity of the endeavour, the project was executed in partnership with the Hong Kong Applied Science and Technology Research Institute (ASTRI).

We are glad to report that after a year of development, the prototype system was successfully completed. The present report provides an overview of the Aurum technology architecture. It is presented at a more technical level, supplemented by user interface visualisations, and should best be read in conjunction with the three e-HKD papers[1], as well as with the extensive body of foundational research issued by the BIS.[2]

The Aurum system is accompanied by technical manuals totalling over 250 pages that, together with the source code, are made accessible to all BIS central bank members on BIS Open Tech to serve as a public good that furthers the study of rCBDC architectures. The Aurum prototype also provides a solid basis for furthering the exploration and testing of e-HKD design in Hong Kong.

Against this backdrop, we have no doubt that the Aurum prototype will catalyse and inspire the global quest for the most suitable rCBDC architecture.[3]

The EBA consults on Guidelines on redemption plans under the Markets in Crypto-Assets Regulation

The European Banking Authority (EBA) launched a consultation on the Guidelines for the plans to orderly redeem asset-referenced or e-money tokens in the event that the issuer fails to fulfil its obligations under the Markets in Crypto assets Regulation (MiCAR).

The Guidelines specify the content of the redemption plan, the timeframe for review and the triggers for its implementation. The Guidelines are addressed to issuers of asset-referenced tokens (ART) and of e-money tokens (EMT), and to competent authorities under MiCAR. The consultation run until 10 June 2024.

In particular, the draft Guidelines:

- clarify the main principles governing the redemption plan, such as the equitable treatment of token holders, and describe the main steps for the orderly and timely implementation of the plan, including the communication plan, the content of the redemption claims and the distribution plan;
- cover the case of pooled issuance, where the same token is issued by multiple issuers; and
- outline the triggers for the activation of the plan by the competent authority and the cooperation with the prudential and resolution authorities.

Consultation process

Comments to the consultation paper can be sent by clicking on the "send your comments" button on the EBA's consultation page at: https://www.eba.europa.eu/publications-and-media/events/consultation-guidelines-redemption-plans-under-micar

The deadline for the submission of comments is 10 June 2024.

The EBA will hold a virtual public hearing on the consultation paper on 22 May from 14:00 to 16:00 Paris time. The EBA invites interested stakeholders to register using this link: https://www.eba.europa.eu/micar-gl-redemption-plans by 17 May at 16:00 CEST. The dial-in details will be communicated to those who have registered for the meeting.

All contributions received will be published following the end of the consultation, unless requested otherwise.

Legal basis

The EBA has developed the draft Guidelines on redemption plans based on the mandate set out in Article 47(5) of MiCAR. By virtue of the cross-reference set out in Article 55 MiCAR, the Guidelines also cover issuers of e-money tokens, as applicable.

Background

Regulation (EU) 2023/1114 on Markets in Crypto-assets (MiCAR) establishes a regime for the regulation and supervision of crypto-asset issuance and crypto-asset service provision in the European Union (EU). It came into force on 29 June 2023, and the provisions relating to ARTs and EMTs will be applicable from 30 June 2024. You may visit:
https://eur-lex.europa.eu/eli/reg/2023/1114/oj

Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (Text with EEA relevance)

PE/54/2022/REV/1

OJ L 150, 9.6.2023, p. 40–205 (BG, ES, CS, DA, DE, ET, EL, EN, FR, GA, HR, IT, LV, LT, HU, MT, NL, PL, PT, RO, SK, SL, FI, SV)

In force: This act has been changed. Current consolidated version: 09/01/2024

ELI: http://data.europa.eu/eli/reg/2023/1114/oj

Expand all Collapse all

Languages, formats and link to OJ

	BG	ES	CS	DA	DE	ET	EL	EN	FR	GA	HR	IT	LV	LT	HU	MT	NL	PL	PT	RO	SK	SL	FI	SV
HTML																								
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Official Journal																								

Article 1

Subject matter

1. This Regulation lays down uniform requirements for the offer to the public and admission to trading on a trading platform of crypto-assets other than asset-referenced tokens and e-money tokens, of asset-referenced tokens and of e-money tokens, as well as requirements for crypto-asset service providers.

2. In particular, this Regulation lays down the following:

(a) transparency and disclosure requirements for the issuance, offer to the public and admission of crypto-assets to trading on a trading platform for crypto-assets ('admission to trading');

(b) requirements for the authorisation and supervision of crypto-asset service providers, issuers of asset-referenced tokens and issuers of e-money tokens, as well as for their operation, organisation and governance;

(c) requirements for the protection of holders of crypto-assets in the issuance, offer to the public and admission to trading of crypto-assets;

(d) requirements for the protection of clients of crypto-asset service providers;

(e) measures to prevent insider dealing, unlawful disclosure of inside information and market manipulation related to crypto-assets, in order to ensure the integrity of markets in crypto-assets.

Among the activities within the scope of MiCAR are the activities of offering to the public or seeking admission to trading of ARTs and EMTs and issuing such tokens.

Supervision tasks are conferred on the EBA for ARTs and EMTs that are determined by the EBA to be significant.

Additionally, the EBA is mandated to develop 17 technical standards and guidelines under MiCAR to further specify the requirements for ARTs and EMTs, and an additional 3 mandates jointly with ESMA (and, in one case, also with the European Insurance and Occupational Pensions Authority - EIOPA).

To read more:
https://www.eba.europa.eu/publications-and-media/press-releases/eba-consults-guidelines-redemption-plans-under-markets-crypto

BIS Quarterly Review, March 2024
International banking and financial market developments

International banking and financial market developments

Special features

To read more: https://www.bis.org/publ/qtrpdf/r_qt2403.pdf

BIS Quarterly Review

International banking and financial market developments

March 2024

Two truths and a myth in banking regulation

Pablo Hernández de Cos, Chair of the Basel Committee on Banking Supervision and Governor of the Bank of Spain, at the Eurofi High Level Seminar, Ghent.

Introduction

Good morning, and thank you for inviting me to speak at this Eurofi High Level Seminar. It's a pleasure to be in Ghent with you today.

Throughout the years, there has been no shortage of discussions at these Eurofi events about the work of the Basel Committee, and prudential regulation and supervision more generally.

Take a cursory look back at previous conferences, and you will stumble upon sessions with titles such as:

• "Impacts of Basel III on EU financial activities";

• "Implementing Basel III in the EU: remaining challenges and timing";

• "Basel III implementation in the EU: key political stakes"; and, as part of this week's event,

• "Basel III implementation: global consistency challenges"

You would be forgiven for wondering whether we are in some sort of Basel III implementation Groundhog Day! In fact, Basel Committee member jurisdictions are making good progress with implementing the outstanding Basel III standards.

Around a third of members have implemented all, or the majority of, the standards already, while two thirds plan to implement them by the end of this year. Most of the remaining jurisdictions expect to implement the outstanding standards by next year.

But it is also true that discussions around Basel III – including at these events – are often dominated by somewhat flimsy assertions. Many have been warning about the detrimental impact of Basel III for almost 15 years now.

Yet the empirical evidence to date is overwhelmingly clear: the global banking system has become more resilient since the implementation of Basel III, and bank lending has expanded in most jurisdictions during this time period.

So we could all benefit from a reminder about why the Basel III standards are critical to safeguarding the resilience of the global banking system and supporting economic growth and the prosperity of households and businesses.

I will therefore take a step back today to underline two recurring truths and to debunk a recurring myth when it comes to bank regulation and supervision.

Truth number 1: banking crises have a profound impact

The history of banking crises is rich and deep. Since 1920, the average share of countries around the world experiencing a systemic banking crisis in any given year is about 7%.

There have been over 150 systemic banking crises around the globe since 1970. The Committee itself, which celebrates its 50th anniversary this year, was established in the aftermath of a series of banking crises in 1974.

Systemic banking crises have a profound impact on our economies and social welfare. Banking crises have historically led to a persistent loss in output to the tune of 10% of GDP.

Banking crisis-induced recessions permanently depress the level of output, with typically no return to pre-crisis trends.

If this sounds like ancient history, then recall that it was less than a year ago when we witnessed the most significant system-wide banking stress since the Great Financial Crisis in terms of scale and scope.

Over the span of a few days and weeks, five banks with total assets exceeding $1.1 trillion were shut down, put into receivership or rescued.

The distress of these banks triggered a broader assessment of the resilience of the broader banking system. In response, large-scale public support measures were deployed by some jurisdictions to mitigate the impact of the stress.

A back-of-the-envelope estimate suggests that roughly $500 billion of direct public support was provided in response to the turmoil. That's a large number!

To read more:
https://www.bde.es/wbe/en/noticias-eventos/actualidad-banco-espana/gob-eurofi2024.html

Digital Services Act starts applying to all online platforms in the EU

On 17 February, the Digital Services Act (DSA), the EU's landmark rulebook that aims to make the online environment safer, fairer and more transparent, starts applying to all online intermediaries in the EU.

Under the DSA, EU users are better protected against illegal goods and content and have their rights upheld on online platforms where they connect with other users, share information, or buy products.

New responsibilities for platforms and empowered users

All online platforms with users in the EU, with the exception of small and micro enterprises employing fewer than 50 persons and with an annual turnover below €10 million, must implement measures to:

- Counter illegal content, goods, and services: online platforms must provide users with means to flag illegal content, including goods and services. More so, online platforms will have to cooperate with 'trusted flaggers', specialised entities whose notices will have to be given priority by platforms.
- Protect minors: including a complete ban of targeting minors with ads based on profiling or on their personal data.
- Empower users with information about advertisements they see, such as why the ads are being shown to them and on who paid for the advertisement.
- Ban advertisements that target users based on sensitive data, such as political or religious beliefs, sexual preferences, etc.
- Provide statements of reasons to a user affected by any content moderation decision, e.g., content removal, account suspension, etc. and upload the statement of reasons to the DSA Transparency database.
- Provide users with access to a complaint mechanism to challenge content moderation decisions.
- Publish a report of their content moderation procedures at least once per year.
- Provide the user with clear terms and conditions, and include the main parameters based on which their content recommender systems work.
- Designate a point of contact for authorities, as well as users.

In addition to online platforms, the Digital Services Act also applies to hosting services (e.g. cloud services or domain name systems, background services which connect users to requested website addresses), as well as to online intermediaries (e.g. internet service providers, or domain). Hosting services and online intermediaries are subject to a subset of obligations under the DSA.

Since end of August 2023, the DSA has already applied to the 19 Very Large Online Platforms (VLOPs) and Search Engines (VLOSEs) designated in April 2023 (with more than 45 million monthly users on average). Three other platforms designated as VLOPs in December 2023 have until end of April to comply with the most stringent obligations under the DSA. However, they will have to comply with the general DSA obligations from tomorrow.

Digital Services Coordinators in Member States

Platforms not designated as VLOPs or VLOSEs will be supervised at Member State level by an independent regulator acting as the national Digital Services Coordinator (DSC). It will be the responsibility of the DSCs to ensure that these platforms play by the rules. DSCs will supervise and enforce the DSA for the platforms established on their territory.

In practice, the Digital Services Coordinators will:

- Be the first port of call for complaints by users on infringements against the DSA by any platform, including VLOPs and VLOSEs. The Digital Services Co-ordinator will, when appropriate, transmit the complaint to the Digital Services Co-ordinator of the platform's Member State of establishment, where appropriate, accompanied by an opinion.

- Certify existing out-of-court appeal mechanisms for users to address complaints and challenge content moderation decisions.

- Assess and award the status of trusted flaggers to suitable applicants, or independent entities that have demonstrated expertise in detecting, identifying, and notifying illegal content online.

- Process researchers' requests for access to VLOPs and VLOSEs data for specific research. The DSCs will vet the researchers and request access to data on their behalf.

- Be equipped with strong investigation and enforcement powers, to ensure compliance with the DSA by the providers established in their territory.

  They will be able to order inspections following a suspected infringement of the DSA, impose fines on online platforms failing to comply with the DSA, and impose interim measures in case of serious harm to the public sphere.

The European Board for Digital Services

The Digital Services Coordinators and the Commission will form an independent advisory group, the European Board for Digital Services, to ensure that the DSA is applied consistently, and that users across the EU enjoy the same rights, regardless of where the online platforms are established.

The Board will be consulted on the enforcement of the DSA and advise on arising issues related to the DSA and can contribute to guidelines and analysis. It will also assist in the supervision of Very Large Online Platforms and Very Large Online Search Engines and will issue yearly reports on the prominent systemic risks and best practices in mitigating them.

Next Steps

In March 2024, the Commission intends to adopt Guidelines on risk mitigation measures for electoral processes.

A public consultation on the data access delegated act is expected in April with adoption by July and entry into force in October 2024.

In May, the Commission plans to adopt an Implementing Act on transparency report templates.

To read more:
https://ec.europa.eu/commission/presscorner/detail/en/ip_24_881

EU list of non-cooperative jurisdictions for tax purposes

European Council
Council of the European Union

The EU list of non-cooperative jurisdictions for tax purposes is part of the EU's work to fight tax evasion and avoidance. It is composed of countries which have failed to fulfil their commitments to comply with tax good governance criteria within a specific timeframe, and countries which have refused to do so.

Which countries are listed?

On 20 February 2024, the Council adopted the EU list of non-cooperative jurisdictions for tax purposes. It is composed of 12 countries.

The list becomes official upon publication in the Official Journal.

To read more:
https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/

Sources of Uncertainty in the Short Run and the Long Run

Governor Lisa D. Cook, at "Macrofinance in the Long Run: New Insights on the Global Economy" 2024 Annual Conference of the Julis-Rabinowitz Center for Public Policy & Finance at Princeton's School of Public and International Affairs, Princeton, New Jersey

Thank you, Gianluca, and thank you for the opportunity to speak to you today.

Let me begin by recognizing the Department of Economics at Princeton for its history of nurturing and supporting scholars in reaching their full potential.

Some of the most important, transformative conversations I have had in my career have happened on this campus and with economists making significant contributions to the field. Let me start with the last time I was here.

When I was a post doc at Stanford, I emailed Alan Krueger out of the blue and attached an early version of a new paper, asking him if he would meet with me for an hour to discuss it.

Because of his experience with large data sets, and his curiosity, thoughtfulness, and generosity, one hour turned into three hours. And he brought along a new assistant professor, Dean Karlan.

Not only did I learn a tremendous amount from Alan during that encounter, almost ten years later, I learned even more from him working as a senior economist at the Council of Economic Advisers when Alan was Chair.

It is a great legacy of your department that you provided the conditions and support for Alan to make his seminal contributions to economics.

I think similar conditions were in place at Princeton to allow Sir Arthur Lewis, the only person of African descent to receive the Nobel Prize in economics, to be productive and thrive.

While I never met him, Sir Arthur has been an inspiration throughout my career, and I am grateful for his contribution that was aided by Princeton.

The good work done here continues with the subject at hand today. The focus of this conference on macrofinance in the long run provides a good opportunity to reflect on what has changed and what has not changed since the onset of the pandemic four years ago.

A feature of the past few years has been heightened uncertainty about how the economy would emerge from the turmoil of the pandemic and the subsequent recovery.

I will talk about some types of uncertainty I see as having diminished recently and others that remain elevated. Then I will conclude with a discussion of my views on current monetary policy.

When the global pandemic hit in the spring of 2020, economies around the world shut down or sharply limited activity, especially for in-person services. Policymakers took action to support incomes and limit the scarring from those temporary shutdowns.

During the post-pandemic recovery in 2021 and 2022, as strong aggregate demand met still-constrained supply, inflation in many economies rose to levels not seen in decades.

Uncertainty about the future course of inflation and the supply side of the economy was high, both in the short run and in the longer run.

Would supply remain persistently depressed because of scarring from the pandemic? Would inflation become stuck well above the Fed's 2 percent target or even continue to rise?

To read more:
https://www.federalreserve.gov/newsevents/speech/cook20240222a.htm

Presentation of the Deutsche Bundesbank's Annual Report 2023

Introductory statement by Dr Joachim Nagel, President of the Deutsche Bundesbank, at the press conference presenting the Annual Report 2023

DEUTSCHE BUNDESBANK EUROSYSTEM

1 Welcome

Ladies and gentlemen, I would like to welcome you most warmly to this press conference.

Sabine Mauderer will explain our annual accounts to you in more detail in just a few moments. Before that, I would like to say a few words about economic and price developments as well as monetary policy in the euro area.

It won't come as a surprise that I'm about to present you with a whole host of figures – a "bird's-eye" view of the economy, so to speak. However, I believe it is important to bear in mind the specific impact of these developments on people.

That's why I would like to begin with the results of the household survey carried out as part of our Bundesbank Online Panel – Households. Looking back on 2023, respondents were asked to estimate to what extent inflation represented a financial burden for their household.

Almost half of households responded that inflation presented them with a financial burden (47% in the survey categories 5-7). This figure was only slightly lower than in 2022 (when it stood at 50%). 11% reported very high financial burdens – exactly the same figure as in the previous year.

For low-income households, this figure was as high as 17%.

This shows once again how important our mandate is. Inflation has economic and social costs. By achieving price stability, we make life easier for many people. It relieves them of one major worry, especially those forced to live on little money. Price stability therefore also promotes social cohesion.

2023 began with inflation rates of over 8% in the euro area. From the outset, the key monetary policy task of the year was therefore clear: to curb the high inflation.

Looking back, it is safe to say that we have embarked on the right path and have already made good progress. For instance, we have come much closer to our 2% target. But we have not yet reached it.

I would now like to outline which paths we took in 2023, where we are today and where we are headed.

2 Economic and price developments
2.1 Economic developments

2023 was a challenging year for the German economy. The period of weakness that followed the start of Russia's war of aggression against Ukraine has continued.

Headwinds initially came from the aftermath of the sharp rise in energy costs. Three other main factors slowed the economic recovery: weak external demand weighed on the industrial sector; high inflation held back private consumption; tight monetary policy led to rising financing costs, which dampened investment.

However, there were also developments that supported economic activity. Many supply bottlenecks eased over the course of the year.

Moreover, the labour market proved remarkably robust. Despite the persistently weak economic environment, the number of persons in employment rose to 45.9 million, an all-time high.

On balance, economic output fell slightly on the year in 2023; it was down by 0.1% in price and calendar-adjusted terms.

The outlook for 2024 promises a little more light than shadow again. Our experts expect the German economy to gradually regain its footing during the course of the year and embark onto a growth path.

First, foreign sales markets are expected to provide tailwinds. We expect an economic recovery here. This will probably push up global demand for German goods and cause German exports to grow.

Second, private consumption should benefit from an improvement in households' purchasing power. Thanks to a stable labour market, strong wage growth and falling inflation, people will effectively have more money in their pockets.

However, as things stand today, the anticipated recovery is likely to start somewhat later than we had projected in December. German economic output could once again decline slightly in the first quarter of 2024.

For instance, foreign industrial demand recently trended significantly downward, too. Besides this, consumers are likely to remain cautious about spending. Because of the delay in the economic recovery, as things stand, the German economy is more likely to tread water on average in 2024.

There are clear risks to the economic outlook, if, for example, geopolitical conflicts intensify. This could lead to rising energy and commodity prices and disrupt supply chains again. This would weigh on the German economy and, at the same time, fuel inflation.

2.2 Inflation

How we see price developments last year also depends on which perspective we take.

Looking at the annual average, inflation was still exceptionally high in 2023. Germany recorded its second-highest inflation rate since reunification. The Harmonised Index of Consumer Prices (HICP) rose by 6%, compared with 8.7% the previous year. In the euro area, it went up by 5.4%. After 8.4% the previous year, this is the highest figure recorded since the launch of monetary union 25 years ago.

However, these annual averages mask the marked decline in inflation over the course of the year. In Germany, it fell from more than 9% at the start of the year to less than 4% at the end of the year, and in the euro area, from over 8% to under 3%. This was mainly due to lower energy prices.

Government relief measures and lower market prices for fuels were dampening factors here. Food prices grew by double digits on average during the year. But here, too, we can see that price pressures eased significantly over the course of the year.

Core inflation excluding energy and food continued to rise in 2023, at 5.1% in Germany and 4.9% in the euro area. Services prices, in particular, rose more sharply than in the previous year. At first, pent-up demand for services that were unavailable during the pandemic still played a role here.

Think, for example, of travelling or eating out. This allowed some sectors to expand their profit margins. In addition, wages rose sharply in response to inflation, which also put pressure on prices.

Comparing today's situation with the situation a year ago, the nature of inflation has changed significantly. Back then, inflation was mainly being fuelled by high energy and food prices. On an annual average for 2022, headline inflation was more than twice as high as core inflation. In the meantime, the picture has changed. Of late, the core rate was significantly higher than the headline rate.

What does this mean? Energy and food prices play a key role in headline inflation. These prices typically fluctuate more strongly. By contrast, core inflation is much more stubborn and persistent. It is shaped largely by developments in wages, productivity and firms' profit margins.

In January, euro area headline inflation was only around 1 percentage point higher than its pre-pandemic average. Meanwhile, at 3.3%, core inflation was still 2 percentage points higher than its average rate between 1999 and 2019.

When analysing the headline rate, we take a detailed look at core inflation. This is because, as a measure of underlying price pressures, core inflation helps us to assess future inflation developments.

It does not look as though a series of large decreases in the inflation rate, as seen in the last quarter of 2023, is to be expected any more. We will have to get used to small steps. Setbacks like those we experienced in December cannot be ruled out in this area. This was mainly due to a statistical base effect in Germany for energy. Further base effects are foreseeable.

For example, Easter falls in March instead of April this year. Travel in March, for example, will therefore be particularly expensive. However, the one-off effects do not alter the trend: inflation is falling.

The latest Eurosystem staff macroeconomic projections will be published in just under two weeks. I won't jump the gun on this topic.

In Germany, our experts still expect the annual average increase in the HICP to more than halve in 2024. The high level of inflation is likely to come down in the euro area, too. Nonetheless, inflation rates – especially the "hard core" – will still remain markedly higher than 2% in the coming months.

To read more:
https://www.bundesbank.de/en/press/speeches/introductory-statement-925324

NIST Releases Version 2.0 of Landmark Cybersecurity Framework

- NIST's cybersecurity framework (CSF) now explicitly aims to help all organizations — not just those in critical infrastructure, its original target audience — to manage and reduce risks.

- NIST has updated the CSF's core guidance and created a suite of resources to help all organizations achieve their cybersecurity goals, with added emphasis on governance as well as supply chains.

- This update is the outcome of a multiyear process of discussions and public comments aimed at making the framework more effective.

The National Institute of Standards and Technology (NIST) has updated the widely used Cybersecurity Framework (CSF), its landmark guidance document for reducing cybersecurity risk.

The new 2.0 edition is designed for all audiences, industry sectors and organization types, from the smallest schools and nonprofits to the largest agencies and corporations — regardless of their degree of cybersecurity sophistication.

In response to the numerous comments received on the draft version, NIST has expanded the CSF's core guidance and developed related resources to help users get the most out of the framework. These resources are designed to provide different audiences with tailored pathways into the CSF and make the framework easier to put into action.

"The CSF has been a vital tool for many organizations, helping them anticipate and deal with cybersecurity threats," said Under Secretary of Commerce for Standards and Technology and NIST Director Laurie E. Locascio.

"CSF 2.0, which builds on previous versions, is not just about one document. It is about a suite of resources that can be customized and used individually or in combination over time as an organization's cybersecurity needs change and its capabilities evolve."

The CSF 2.0, which supports implementation of the National Cybersecurity Strategy, has an expanded scope that goes beyond protecting critical infrastructure, such as hospitals and power plants, to all organizations in any sector.

It also has a new focus on governance, which encompasses how organizations make and carry out informed decisions on cybersecurity strategy.
The CSF's governance component emphasizes that cybersecurity is a major source of enterprise risk that senior leaders should consider alongside others such as finance and reputation.

"Developed by working closely with stakeholders and reflecting the most recent cybersecurity challenges and management practices, this update aims to make the framework even more relevant to a wider swath of users in the United States and abroad," according to Kevin Stine, chief of NIST's Applied Cybersecurity Division.

Following a presidential Executive Order, NIST first released the CSF in 2014 to help organizations understand, reduce and communicate about cybersecurity risk. The framework's core is now organized around six key functions: Identify, Protect, Detect, Respond and Recover, along with CSF 2.0's newly added Govern function. When considered together, these functions provide a comprehensive view of the life cycle for managing cybersecurity risk.

The updated framework anticipates that organizations will come to the CSF with varying needs and degrees of experience implementing cybersecurity tools. New adopters can learn from other users' successes and select their topic of interest from a new set of implementation examples and quick-start guides designed for specific types of users, such as small businesses, enterprise risk managers, and organizations seeking to secure their supply chains.

A new CSF 2.0 Reference Tool now simplifies the way organizations can implement the CSF, allowing users to browse, search and export data and details from the CSF's core guidance in human-consumable and machine-readable formats.

In addition, the CSF 2.0 offers a searchable catalog of informative references that shows how their current actions map onto the CSF. This catalog allows an organization to cross-reference the CSF's guidance to more than 50 other cybersecurity documents, including others from NIST, such as SP 800-53 Rev. 5, a catalog of tools (called controls) for achieving specific cybersecurity outcomes.

Organizations can also consult the Cybersecurity and Privacy Reference Tool (CPRT), which contains an interrelated, browsable and downloadable set of NIST guidance documents that contextualizes these NIST resources, including the CSF, with other popular resources. And the CPRT offers ways to communicate these ideas to both technical experts and the C-suite, so that all levels of an organization can stay coordinated.

NIST plans to continue enhancing its resources and making the CSF an even more helpful resource to a broader set of users, Stine said, and feedback from the community will be crucial.

"As users customize the CSF, we hope they will share their examples and successes, because that will allow us to amplify their experiences and help others," he said. "That will help organizations, sectors and even entire nations better understand and manage their cybersecurity risk."

The CSF is used widely internationally; Versions 1.1 and 1.0 have been translated into 13 languages, and NIST expects that CSF 2.0 also will be translated by volunteers around the world. Those translations will be added to NIST's expanding portfolio of CSF resources.

Over the last 11 years, NIST's work with the International Organization for Standardization (ISO), in conjunction with the International Electrotechnical Commission (IEC), has helped to align multiple cybersecurity documents.

ISO/IEC resources now allow organizations to build cybersecurity frameworks and organize controls using the CSF functions. NIST plans to continue working with ISO/IEC to continue this international alignment.

To read more: https://www.nist.gov/cyberframework

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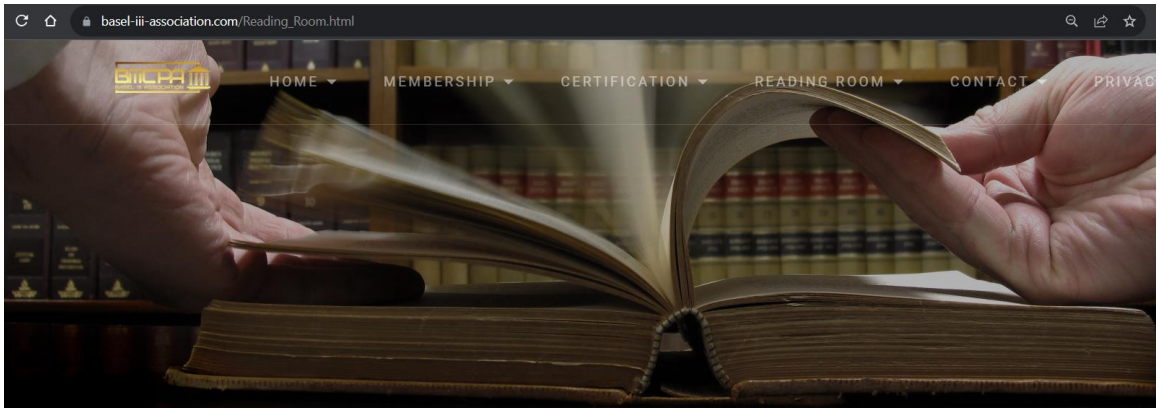

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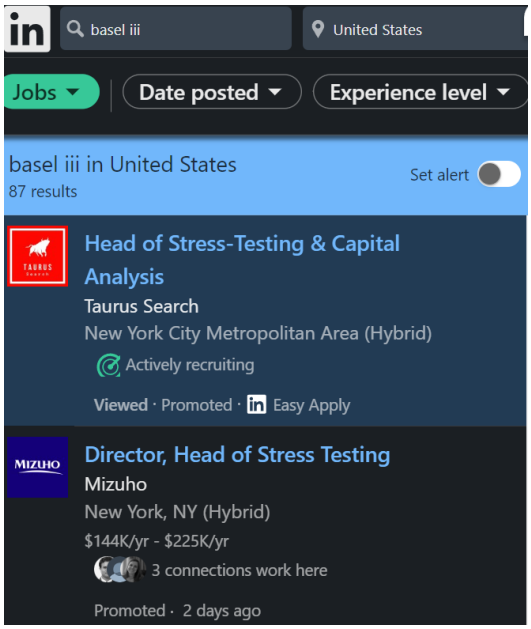

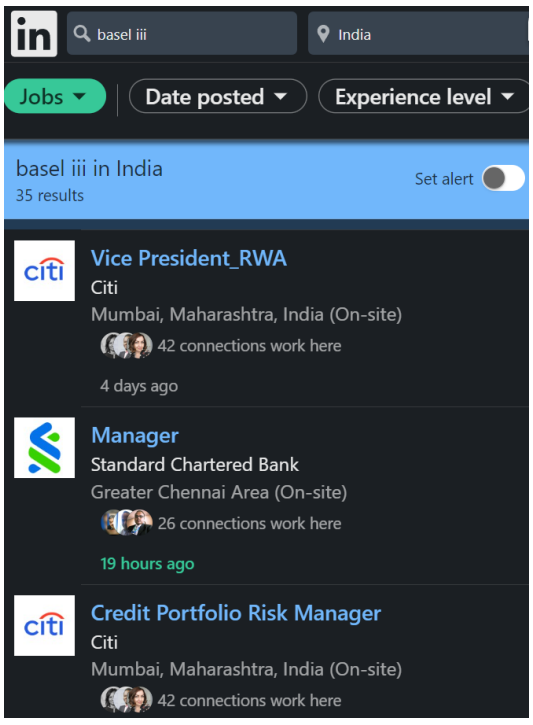

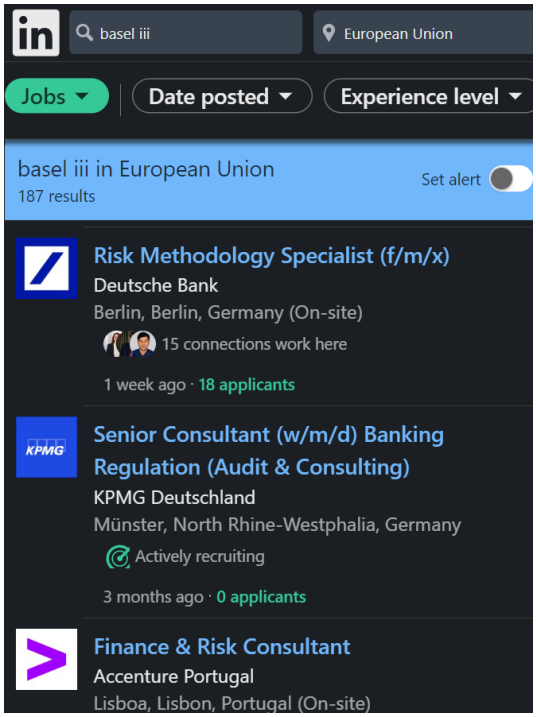

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