

September - December, 2021

Journal of the **66**  
Banking Supervisor  
*Promoting Best Practices for Banking Supervision*



**Λ S B Λ**

ASSOCIATION OF SUPERVISORS  
OF BANKS OF THE AMERICAS

# EDITORIAL NOTE

Nearly two years after SARS-CoV-2 was declared a global pandemic, the global economic outlook suggests a gradual but uneven recovery. The main drivers of these gaps are access to vaccines and early intervention measures. In addition, the rapid spread of Omicron and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome.

Moreover, headline inflation rates have risen rapidly in the United States and some emerging markets. There is considerable uncertainty surrounding the inflation outlook, mainly due to the uncertainty of the pandemic's trajectory and the duration of disruptions to supply chains.

The COVID-19 pandemic has affected Latin American and Caribbean countries the most because of their levels of inequality and informality, particularly among vulnerable populations. These characteristics also put the region at a disadvantage in the face of increasingly frequent and aggressive extreme weather events. Challenges for the future include an economic recovery with an inclusive approach and greater attention to managing social and environmental risks.

Against this background, the 66th edition of the Journal of the Banking Supervisor presents a set of documents that may be helpful to regulators and supervisors. The first section highlights some recently published guidelines and principles by international bodies on outsourcing risks in securities markets, as well as recommendations on sustainability and remuneration. In addition, it includes the Core Principles for the Development of Effective Bank Supervision Capacity Building Programs prepared by an expert working group of ASBA members.

The Economic and Market Outlook section includes some texts on the global economic outlook and for the region. Also, papers discussing possible scenarios regarding unemployment and in quality levels and recommendations on how fiscal policies could contribute to the recovery of the countries in the region.

Finally, the Research and Analysis section shares papers on financial resilience and stability; some considerations on the adoption of technology, mainly artificial intelligence tools in the financial sector; the progress of some central banks in the development and implementation of digital currencies for cross-border use; and socio-environmental risks, among others.

# TABLE OF CONTENTS

## Banking Regulation and Supervision

- Core Principles for the Development of Effective Bank Supervision Capacity Building Programs
- Knowledge and Skills Training Curriculum
- Capital treatment of securitisations of non-performing loans
- Principles on Outsourcing
- Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management
- Effective Implementation of FSB Principles for Sound Compensation Practices and Implementation Standards: 2021 progress report
- Application of the Principles for Financial Market Infrastructures to stablecoin arrangements
- Guidelines for Good Corporate Governance of State-Owned Enterprises

## Economic and Market Outlook

- The future of work in Latin America and the Caribbean: How does COVID-19 affect levels of inequality?
- Global Financial Stability Report (October 2021)  
COVID-19, Crypto, and Climate: Navigating Challenging Transitions
- World Economic Outlook (October 2021)  
Recovery During a Pandemic: Health Concerns, Supply Disruptions, and Price Pressures
- Tax rules for Latin America's recovery

## Research and Analysis

### Financial Stability

- i. Continuity of Access to FMI services (FMI intermediaries) for Firms in Resolution
- ii. Enhancing the Resilience of Non-Bank Financial Intermediation: Progress report
- iii. Growth Recoveries (from Collapses)
- iv. Is window dressing by banks systemically important?
- v. Exchange Traded Funds Thematic Note - Findings and Observations during COVID-19 induced market stresses

# TABLE OF CONTENTS

---

## Research and Analysis

### Financial Inclusion

- i. Addressing Gender Norms to Increase Financial Inclusion: Designing for Impact

### Technology and Supervision

- i. Digital governance and government interoperability: A guide to implementation
- ii. CBDCs beyond borders: Results from a survey of central banks
- iii. The use of artificial intelligence and machine learning by market intermediaries and asset managers
- iv. Big tech regulation: what is going on?
- v. Technological Progress, Artificial Intelligence, and Inclusive Growth

### Sustainability and Climate Change

- i. Transition finance: Investigating the state of play
- ii. Climate-Sensitive Management of Public Finances—"Green PFM"
- iii. The Impact of Environmental Policy on Innovation in Clean Technologies

### AML/CFT

- i. AML and CFT in banking
- ii. Opportunities and Challenges of New Technologies for AML/CFT

## ASBA Events

## Banking Regulation and Supervision

Association of Supervisors  
of Banks of the Americas  
(ASBA)

July, 2021

### Core Principles for the Development of Effective Bank Supervision Capacity Building Programs

<https://bit.ly/3lJoyb7>

The document is divided into three sections. The first section outlines nine core principles that can act as a reference tool for bank supervisory institutions seeking to develop new or strengthen existing training programs. The second mentions the organizational pre-requirements that the banking supervisory agencies must observe to implement the principles successfully. Furthermore, the third section presents a description of these core principles' characteristics. Finally, a series of definitions are included regarding this document's concepts.

Association of Supervisors  
of Banks of the Americas  
(ASBA)

July, 2021

### Knowledge and Skills Training Curriculum

<https://bit.ly/3ynl8Gi>

This document is a practical reference guide on how to develop a training curriculum for banking supervisory agencies. The training curriculum consists of a structure of technical knowledge and organizational competencies that banking inspectors must have according to their level of professional development and areas of specialization.

Bank for International  
Settlements (BIS)

Basel Committee on  
Banking Supervision

November, 2020

### Capital treatment of securitisations of non-performing loans

<https://www.bis.org/bcbs/publ/d511.pdf>

The Committee published the technical amendment setting out capital requirements for non-performing loan securitisations. The rule, which the Committee started developing before the onset of the Covid-19 pandemic, closes a gap in the Basel framework by setting out prudent and risk sensitive capital requirements for non-performing loan securitisations.

## Banking Regulation and Supervision

International Organization  
of Securities Commissions  
(IOSCO)

October, 2021

### Principles on Outsourcing

<https://bit.ly/3ETJ4DI>

This report comprises a set of fundamental precepts and seven principles, the “Principles on Outsourcing”, which cover issues such as the definition of outsourcing, the assessment of materiality and criticality, affiliates, sub-outsourcing and outsourcing on a cross-border basis. The seven principles set out expectations for regulated entities that outsource tasks, along with guidance for implementation.

International Organization  
of Securities Commissions  
(IOSCO)

November, 2021

### Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management

<https://bit.ly/3rZ7bNC>

This Report aims to improve sustainability-related practices, policies, procedures and disclosures in the asset management industry through five recommendations for securities regulators and policymakers. These recommendations are designed to provide a list of potential areas for consideration as regulators and policymakers consider developing sustainability-related rules and regulations, consistent with their mandates and domestic regulatory frameworks.

Financial Stability Board  
(FSB)

November, 2021

### Effective Implementation of FSB Principles for Sound Compensation Practices and Implementation Standards: 2021 progress report

<https://bit.ly/3IJt61h>

This report presents analysis and conclusions of the input from FSB member jurisdictions provided by means of a questionnaire that focuses on the period 2020-2021, including the period immediately after the COVID-19 pandemic outbreak. It was designed to cover the practices of the largest financial institutions in all three sectors. It also incorporates insights from an industry workshop held on 18 and 19 May 2021, which was attended by executives of internationally active banks, insurance, and asset management firms, and representatives from an industry association and a law firm.

Committee on Payments  
and Market Infrastructures

## Application of the Principles for Financial Market Infrastructures to stablecoin arrangements

Board of the International  
Organization of Securities  
Commissions

October, 2021

<https://bit.ly/3204CQd>

This report proposes guidance on the application of the *Principles for financial market infrastructures* (PFMI) to systemically important stablecoin arrangements (SAs), including the entities integral to such arrangements. This report is not intended to create additional standards for SAs but rather to provide more clarity to systemically important SAs and relevant authorities as those SAs seek to observe the PFMI.

Development Bank of Latin  
America (CAF)

Ibarguen, A., Oneto, A., &  
Gómez-Zorrilla, J

September, 2021

## Guidelines for Good Corporate Governance of State-Owned Enterprises

<https://bit.ly/3EVbwot>

These guidelines should be seen as recommendations that serve as a basis for orienting public policies as well as the management decisions that contribute to consolidating corporate governance of state-owned enterprises in the region and, therefore, improve their performance and transparency.

## Economic and Market Outlook

Inter-American  
Development Bank (IDB)  
Cruz-Aguayo, Yyannu *et al.*  
August, 2021

### **The future of work in Latin America and the Caribbean: How does COVID-19 affect levels of inequality?**

<https://bit.ly/3s3Sjh6>

The publication highlights that the challenges for the future include an economic recovery with an inclusive approach, favoring formal job creation, social protection and the expansion of social programs. The pandemic represents a challenge for the countries of the region and an opportunity to promote reforms in the labor market and in the conditions of workers and households.

International Monetary  
Fund (IMF)  
October, 2021

### **Global Financial Stability Report COVID-19, Crypto, and Climate: Navigating Challenging Transitions**

<https://bit.ly/3rZQ7qD>

Financial stability risks have been contained so far, reflecting ongoing policy support and a rebound in the global economy earlier this year. Chapter 1 explains that financial conditions have eased further in net in advanced economies but changed little in emerging markets. Chapter 2 discusses the opportunities and challenges of the crypto ecosystem. Crypto asset providers' lack of operational or cyber resilience poses risks, and significant data gaps imperil financial integrity. Crypto assets in emerging markets may accelerate dollarization risks. Chapter 3 shows that sustainable funds can support the global transition to a green economy but must be scaled up to have a major impact.

International Monetary  
Fund (IMF)  
October, 2021

## World Economic Outlook Recovery During a Pandemic: Health Concerns, Supply Disruptions, and Price Pressures

<https://bit.ly/3m1q4LW>

The global economic recovery is continuing, even as the pandemic resurges. The fault lines opened up by COVID-19 are looking more persistent—near-term divergences are expected to leave lasting imprints on medium-term performance. Vaccine access and early policy support are the principal drivers of the gaps.

The global economy is projected to grow 5.9 percent in 2021 and 4.9 percent in 2022, 0.1 percentage point lower for 2021 than in the July forecast. The downward revision for 2021 reflects a downgrade for advanced economies—in part due to supply disruptions—and for low-income developing countries, largely due to worsening pandemic dynamics.

Development Bank of  
Latin America (CAF)  
Arreaza, A  
September, 2021

## Tax rules for Latin America's recovery

<https://bit.ly/3yl830h>

The purpose of this note is to contribute to a better understanding of fiscal rules and how they can support the normalization of public accounts in Latin America and the Caribbean.

## Research and Analysis

### Financial Stability

Financial Stability  
Board (FSB)  
August, 2021

#### **Continuity of Access to FMI services (FMI intermediaries) for Firms in Resolution** **Framework for information from FMI intermediaries to support resolution planning**

<https://bit.ly/3DRnFJS>

The framework set out in the document seeks to help FMI intermediaries to better understand which information clients and their Resolution Authorities (RAs) may need from them. It does so by providing an overview of the baseline information that is potentially relevant for clients and RAs, which they and FMI intermediaries can then discuss, as needed, in their bilateral engagement. Thus, the framework makes it more predictable for FMI intermediaries whose topics could be part of information requests from their clients and/or their clients' RAs. This could potentially allow them to identify opportunities to streamline their response process, reducing the resources required to provide this information.

Financial Stability  
Board (FSB)  
November, 2021

#### **Enhancing the Resilience of Non-Bank Financial Intermediation: Progress report**

<https://bit.ly/31MwtE9>

This report describes progress to date and planned work by the FSB, as well as by standard-setting bodies (SSBs) and other international organisations, to enhance the resilience of non-bank financial intermediation (NBFi). It also provides an overview of the NBFi ecosystem and a framework for analyzing the availability of liquidity and its effective intermediation under stressed market conditions.

Inter-American  
Development Bank (IDB)  
Meneses, Juan Francisco  
and Saboin, José Luis  
July, 2021

#### **Growth Recoveries (from Collapses)**

<https://bit.ly/31Nll8T>

This paper analyzes the behavior of a long list of economic variables during episodes of recovery from an economic collapse. The results of the paper indicate that collapses tend to occur in countries with high dependence on natural resource rents, macroeconomic mismanagement, low levels of democratic accountability and rule of law, and high levels of conflict.

Bank of International  
Settlements (BIS)

August, 2021

## Is window dressing by banks systemically important?

<https://www.bis.org/publ/work960.pdf>

This paper illustrates how banks in the EU compress their G-SIB score at year-end. Moreover, it brings closer the score at quarterly frequency based on supervisory data and establishes that G-SIBs' year-end adjustments differ markedly from other banks. Moreover, it highlights that these adjustments distort the supervisory assessment of banks' systemic importance. While a variety of factors may be driving banks' window dressing, it shows that the tightness of capital requirements plays an important role and sheds light on how the G-SIB rules interact with other regulatory requirements, such as national capital surcharges.

International Organization  
of Securities Commissions  
(IOSCO)

August, 2021

## Exchange Traded Funds Thematic Note - Findings and Observations during COVID-19 induced market stresses

<https://bit.ly/3219Awo>

This note seeks to review the resilience of the ETF structure during the COVID-19 volatility. Overall, available evidence, including data analytics and feedback from C5 members and industry participants, has not indicated any major risks or fragilities in the ETF structure although a subset of ETFs temporarily experienced unusual trading behaviors. The COVID-19 volatility has shed light on the resilience of most ETFs across various market segments during stressed markets.

## Financial Inclusion

Consultative Group to  
Assist the Poor (CGAP)

Antonique Koning *et al.*

October, 2021

## Addressing Gender Norms to Increase Financial Inclusion Designing for Impact

<https://bit.ly/3yke0uk>

This Guide aims at helping funders and market facilitators design interventions that address the gender gap and increase women's financial inclusion and economic empowerment by taking gender norms into account.

## Technology and Supervision

Economic Commission for  
Latin America and the  
Caribbean (ECLAC)

Alejandra Naser

July, 2021

### Digital governance and government interoperability A guide to implementation

<https://bit.ly/3dPRY9a>

This document is addressed to all sectors (government, organised civil society, academia and the private sector) committed to the task of shaping the governance of their e-government initiatives and achieving government interoperability among their institutions through the use of guidelines and recommendations drawn from international experience and applied in a case study.

Bank of International  
Settlements (BIS)

June, 2021

### CBDCs beyond borders: Results from a survey of central banks

<https://bit.ly/3dOtm0G>

This paper contributes to the design and implications of central bank digital currencies (CBDCs) with a survey of central banks' initial thinking on cross-border use of CBDCs. The survey includes responses by 50 central banks to questions on the potential role of a CBDC in cross-border payments, the use of retail CBDC payments within other currency areas, interoperability features and crossborder risks. This data set allows us to identify common trends and differences among central banks worldwide, with their wide range of policy approaches towards CBDCs.

International Organization  
of Securities Commissions  
(IOSCO)

September, 2021

### The use of artificial intelligence and machine learning by market intermediaries and asset managers

<https://bit.ly/30t0Kak>

This report provides guidance to assist IOSCO members in supervising market intermediaries and asset managers that utilize AI and ML. The guidance consists of six measures that reflect expected standards of conduct by market intermediaries and asset managers using AI and ML. Although the guidance is not binding, IOSCO members are encouraged to consider these measures carefully in the context of their legal and regulatory frameworks. When implementing these measures, IOSCO members and firms should also consider the proportionality of any response.

Financial Stability Institute  
(FSI)

Juan Carlos Crisanto *et al.*

September, 2021

## Big tech regulation: what is going on?

<https://bit.ly/31T1l1T>

This paper reviews various regulatory initiatives developed in China, the European Union and the United States. It offers a typology of regulatory actions and focusses on five policy domains: competition, data, conduct of business, operational resilience and financial stability.

International Monetary  
Fund (IMF)

Anton Korinek, Martin  
Schindler & Joseph Stiglitz

June, 2021

## Technological Progress, Artificial Intelligence, and Inclusive Growth

<https://bit.ly/3DQluVL>

This paper analyzes the economic forces behind the advances in artificial intelligence and automation developments and delineates domestic economic policies to mitigate the adverse effects while leveraging the potential gains from these technological advances. It also proposes reforms to the global system of governance that makes the benefits of advances in artificial intelligence more inclusive.

## Sustainability and Climate Change

Organisation for Economic  
Co-operation and  
Development (OECD)

Aayush Tandon

August, 2021

## Transition finance: Investigating the state of play

<https://bit.ly/3oPM2TT>

This paper does not aim to define transition finance, but rather to review emerging approaches and instruments to highlight commonalities, divergences as well as issues to consider for coherent market development and progress towards global environmental objectives. This paper puts forth two preliminary views. First, transition finance's essence is triggering entity-wide change to reduce exposure to transition risk; second, that transition finance may be better understood as capital market instruments with a set of core functions/attributes rather than a specific format or label.

International Monetary  
Fund (IMF)

Fabien Gonguet *et al.*

August, 2021

## Climate-Sensitive Management of Public Finances—"Green PFM"

<https://bit.ly/3pR4QSD>

This note outlines a framework for green PFM, emphasizing the need for an approach combining various entry points within, across, and beyond the budget cycle. This includes fiscal transparency, external oversight, and coordination with state-owned enterprises and subnational governments. The note also identifies principles for effective implementation of a green PFM strategy, among which the need for a strong stewardship located within the ministry of finance is paramount.

International Monetary  
Fund (IMF)

Johannes Eugster

August, 2021

## The Impact of Environmental Policy on Innovation in Clean Technologies

<https://bit.ly/3DLUVCK>

This paper studies the effect of climate change mitigating policies on innovation in clean energy technologies. Results suggest that the tightening of environmental policies since the early 1990s has made a statistically and economically significant contribution to the increase in clean innovation.

## AML/CFT

Financial Stability Institute  
(FSI)

July, 2021

### AML and CFT in banking

<https://bit.ly/3DTYHcK>

This Executive Summary examines the exact legal definition of Money Laundering across jurisdictions and its three main phases. Furthermore, it summarizes the International bodies functions and standard setters as well as the impact of ML and FT in banking supervision.

Financial Action Task  
Force (FATF)

July, 2021

### Opportunities and Challenges of New Technologies for AML/CFT

<https://bit.ly/3ILgh6C>

This report identifies emerging and available technology-based solutions. The report highlights the necessary conditions, policies, and practices that need to be in place to successfully use these technologies to improve the efficiency and effectiveness of AML/CFT. The report also examines the obstacles that could stand in the way of the successful implementation of new technology.

## Institutional Events

### High Level Technical Agenda: Cryptoassets

*Association of Supervisors of Banks of the Americas*

January 26, 2022.

### CI - Meeting of the Board of Directors

*Association of Supervisors of Banks of the Americas*

January 27, 2022.

## Videoconferences/Webinar/Courses

### Statistical tools for reviewing provisioning models

*Bank of Spain*

February 21, 23, 28 and March 2, 2022.

Only in Spanish

### Effective Communication for Bank Supervisors (webinar)

*Board of Governors of the Federal Reserve System*

March 8, 2022.

English

### Liquidity Risk Management (webinar)

*Board of Governors of the Federal Reserve System*

April 19, 2022.

English

#### DISCLAIMER / COPYRIGHT

Published by the Association of Supervisors of Banks of the Americas (ASBA). Its headquarters are located at C. Picacho Ajusco #238 Int. 601 Col. Jardines en la Montaña, Mexico City, Zip Code 14210, Mexico. To subscribe to this Newsletter send an email to [asba@asbasupervision.org](mailto:asba@asbasupervision.org) or call (5255) 5662-0085. Reproduction in whole or in part is prohibited without prior permission from ASBA. The information has been obtained by ASBA from sources deemed as reliable and, in most cases, publicly available or provided by an Associate Member. However, given the possibility of human and/or mechanical error from our sources, ASBA does not guarantee the accuracy, adequacy or completeness of any information. ASBA is not responsible for errors, omissions, or the results from using such information. The opinions and assertions contained in articles and documents published by individual authors are the sole responsibility of the authors, and do not represent the opinion of the Association of Supervisors of Banks of the Americas, its Board of Directors or the General Secretariat. ASBA reserves the right to release documents to the supervisory community in the Region, and it does not receive any payment for doing so.

#### Subscribe to our Journal or send us comments and suggestions:

Email us at [asba@asbasupervision.org](mailto:asba@asbasupervision.org)

#### Visit our website at:

<http://www.asbasupervision.com/>

#### Follow us on Twitter:

<https://twitter.com/ASBAnews/>

#### Follow us on LinkedIn:

<https://www.linkedin.com/company/asociacion-de-supervisores-bancarios-de-las-americas/>