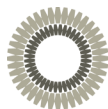




April - July, 2020

Journal of the **61**  
Banking Supervisor  
*Promoting Best Practices for Banking Supervision*



**A S B A**

ASSOCIATION OF SUPERVISORS  
OF BANKS OF THE AMERICAS

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## Banking Regulation and Supervision

Association of Supervisors of  
Banks of the Americas (ASBA)

June, 2020

### Consumer Protection in the New Environment of Financial Technological Innovation: Regulatory and Supervisory Considerations

<https://bit.ly/2D1tOcL>

Fintech developments have introduced the use of innovative technologies in the provision of banking services, reshaping the business models, channels, services and market competition of the financial industry, as well as creating new risks.

Under this new unprecedented disruptive scheme, ASBA, with support from the IDB-Lab, formed a Working Group with the objective of establishing minimum guidelines and regulatory recommendations for the incorporation of innovative technologies in the financial sector in a responsible, transparent and competitive manner.

This document focuses on the non-prudential analysis of fintech's regulation and supervision initiatives that are applicable to fintech products and services in the region. Based on the analysis conducted, the document establishes minimum guidelines and recommendations based on common regulatory and supervisory initiatives and trends for consumer protection.

Association of Supervisors of  
Banks of the Americas (ASBA)

June, 2020

### Regulatory Considerations and Supervisory Practices for Financial Technological Innovation

<https://bit.ly/2E8Bevg>

In recent years, financial markets have experienced deep change due to the introduction of technological innovations. Changes in financial products, services and business models have been profound and will have lasting consequences, as new players test the dominance of incumbent financial institutions. The broad spectrum of new or radically changed ways of providing financial services that we see under the designation of Fintech, has also brought many challenges for financial authorities, not least the need to balance their duty to preserve financial stability with their work promoting greater competition and good customer service in financial markets.

Regulators and supervisors worldwide have reacted, developing novel approaches and tools tailored to their legal and market contexts. With the support of IDB-Lab, ASBA developed this document which aims to be a useful tool for financial authorities in a rapidly evolving landscape.

The guidelines presented here should provide an adequate analytical framework for systematically evaluating the most significant topics in the regulation and supervision of fintech, based on principles of risk sensitivity, proportionality, financial stability, transparency and adequate consumer protection.

Bank for International  
Settlements (BIS)

Basel Committee on  
Banking Supervision

July, 2020

## Guidelines: Sound management of risks related to money laundering and financing of terrorism

<https://bit.ly/2Wlb9tl>

These guidelines are intended to enhance the effectiveness of supervision of banks' money laundering and financing of terrorism (FT) risk management, consistent with and complementary to the goals and objectives of the standards issued by the Financial Action Task Force (FATF) and principles and guidelines published by the Basel Committee.

The revisions set out principles and recommendations for information exchange and cooperation in relation to: (i) authorisation related procedures of a bank; (ii) ongoing supervision; and (iii) enforcement actions. Also, possible mechanisms to facilitate such cooperation in the jurisdictional and international context are provided.

International  
Organization of Securities  
Commissions (IOSCO)

June, 2020

## Good practices on processes for deference

<https://bit.ly/2CtbY2B>

This document identifies a set of good practices on processes for deference to assist regulatory authorities in mitigating the risk of unintended, regulatory-driven market fragmentation and to strengthen international cooperation. Wholesale securities and derivatives markets are global in nature and many market participants operate on a cross-border basis. As a result, numerous authorities have implemented deference processes that allow them to rely on one another to regulate and supervise these market participants and help reduce potentially duplicative or conflicting regulations. The processes addressed in this guide are specific: (i) results-based approach; (ii) sensitivity to risk; (iii) transparency; (iv) cooperation and (v) relaxation of measures.

Bank for International  
Settlements (BIS)

Basel Committee on  
Banking Supervision

July, 2020

## Targeted revisions to the credit valuation adjustment risk framework

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

This document is an update of the standard for the regulatory capital treatment of risk credit valuation adjustment (CVA) published in 2017.

The reviews for the CVA regulatory risk capital treatment include: (i) Recalibration of risk weights; (ii) Different treatment of certain authorized derivatives of the client and (iii) General recalibration of the standardized and basic approach.

## Market Outlooks and Reviews

Organisation for Economic Co-  
operation and Development  
(OECD)

June, 2020

### OECD Economic Outlook. After the lockdown, a tightrope walk toward recovery

<https://bit.ly/2Cy8RXe>

The OECD Economic Outlook is the OECD's twice-yearly analysis of the major economic trends and prospects for the next two years. The Outlook puts forward a consistent set of projections for output, employment, prices, fiscal and current account balances.

The COVID-19 pandemic is a global health crisis without precedent in living memory. It has triggered the most severe economic recession in nearly a century and is causing enormous damage to people's health, jobs and well-being. The Outlook focuses on two equally probable scenarios - one in which a second wave of infections, with renewed lock-downs, hits before the end of 2020, and one in which another major outbreak is avoided.

International Monetary  
Fund (IMF)

June, 2020

### Global Financial Stability Report Update

<https://bit.ly/3eVfqA7>

In a highly uncertain environment, there is a disconnect between financial markets and the evolution of the real economy, a vulnerability that could jeopardize the recovery if investors' risk appetite fades.

The Global Financial Stability Report (GFSR) presents semi-annual evaluations of global financial markets and financing in emerging markets from a global perspective.

International Monetary  
Fund (IMF)

June, 2020

### World Economic Outlook Update. A Crisis Like No Other, An Uncertain Recovery

<https://bit.ly/2D0jce4>

The magnitude of the recent upturn in optimism in the financial markets seems to be disconnected from the evolution of the fundamental economic outlook and this raises the possibility that financial conditions will tighten more than the base projection implies.

Latin America and the Caribbean is the new international epicenter of the COVID-19 pandemic. The human cost has been tragic, with more than 100,000 lives lost. The economic impact has also been profound. The update to the World Economic Outlook report estimates the region will contract 9.4% in 2020, four percentage points higher than expected in April and the worst regional recession since data is available. For 2021, a slight recovery in growth is forecast at + 3.7%.

Bank of International  
Settlement (BIS)

June, 2020

## Annual Economic Report. A global sudden stop

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

It is probably too early to tell, but future economic historians might consider the Covid-19 pandemic a defining moment of the 21st century. When, just over a decade ago, the Great Financial Crisis (GFC) hit the global economy, it was rightly considered such a moment. The pandemic's legacy could be even deeper and longer lasting.

The economic impact of the coronavirus has been variously described as suspended animation, a hibernation or an induced coma for much of the global economy. These metaphors bring to mind two key features. Economic activity has collapsed even more steeply than in the Great Depression, to even greater depths than those of the GFC and again, central banks have acted as the first line of defence, pulling out all the stops in order to stabilize financial markets and the financial system more generally and to preserve the flow of credit to firms and households.

This unprecedented configuration greatly heightens uncertainty about the economy's future evolution.

World Bank  
June, 2020

## Global Economic Prospects

<https://bit.ly/32OHgvh>

The COVID-19 pandemic has, with alarming speed, dealt a heavy blow to an already -weak global economy, which is expected to slide into its deepest recession since the second world war, despite unprecedented policy support. The global recession would be deeper if countries take longer to bring the pandemic under control, if financial stress triggers defaults, or if there are protracted effects on households and firms. Beyond the current steep economic contraction, the pandemic is likely to leave lasting scars on the global economy by undermining consumer and investor confidence, human capital, and global value chains. Being mostly a reflection of the recent plunge in global energy demand, low oil prices are unlikely to provide much of a boost to global growth in the near term. While policymakers' immediate priorities are to address the health crisis and moderate the short-term economic losses, the likely long-term consequences of the pandemic highlight the need to forcefully undertake comprehensive reform programs to improve the fundamental drivers of economic growth, once the crisis abates.

## Microfinance, Financial Inclusion and Consumer Protection

Organisation for Economic Co-  
operation and Development  
(OECD) and the Development  
bank in Latin America (CAF)

July, 2020

### National strategies for inclusion and financial education in Latin America and the Caribbean: implementation challenges

<https://bit.ly/2ZVpUex>

This study compiles and analyzes the most significant challenges found in the implementation of national inclusion and financial education strategies in a group of countries in Latin America and the Caribbean, at the same time that it introduces learning experiences and success stories in this process. The work seeks to contribute to the progress of the fields of financial inclusion and education; especially, the establishment of necessary actions to reach and satisfy the needs of the diverse target populations. The results found allow reflection on the factors that hinder the successful implementation of these policies.

Consultative Group to Assist  
the Poor (CGAP)

June, 2020

### Microfinance in the COVID-19 Crisis: A Framework for Regulatory Responses

<https://bit.ly/39nTQ6i>

This document sets out a framework for identifying and evaluating crisis responses, taking into account the special characteristics of microfinance. This requires an approach that is empathetic with vulnerable clients, attuned to the specific risks of microfinance services and open to communication and consultation with the industry. This leads to the question of how regulators should respond. This document shows a review of current practice in a variety of countries, suggesting that there are six key steps to be taken at the regulatory and policy level.

Consultative Group to Assist  
the Poor (CGAP)

June, 2020

### Making Consumer Protection Regulation More Customer-Centric

<https://bit.ly/3fTk0QN>

Customer outcomes approaches are emerging as a promising consumer protection paradigm where the regulatory focus shifts from provider compliance with prescriptive check-the-box rules to customer results or outcomes achieved through provider actions. This shift is highly relevant to emerging markets where unserved and underserved customers are targeted with a range of digital financial services that may expose them to new risks, and where vulnerable customers are disproportionately affected by global crises. This paper builds on desk research of policy documents by global bodies and regulatory frameworks in 10 countries and aims to help national, regional, and global authorities make financial consumer protection more effective.



## Sustainability and Financial Integrity

International Organization of  
Securities Commission  
(IOSCO)

April, 2020

### Sustainable Finance and the Role of Securities Regulators and IOSCO

<https://bit.ly/2OPWJTQ>

This report provides an overview of current initiatives, both by regulators and the industry, and a detailed analysis of the most relevant ESG-related international initiatives and third-party frameworks and standards. It also identifies a number of areas where improvements can be made and articulates the need for IOSCO to play a key role in this area. For example, the SFN work to date points to a need to improve the comparability of sustainability-related disclosures. The lack of consistency and comparability across third party frameworks could create an obstacle to cross border financial activities and raise investor protection concerns. The Report reflects the expectations from regulators and market participants that IOSCO should take an active role in facilitating global coordination and addressing transparency.

Alliance for Financial  
Inclusion (AFI)

July, 2020

### Inclusive financial integrity: a toolkit for policymakers

<https://bit.ly/30DN1cJ>

Given the importance of financial inclusion and anti-money laundering and the fight against terrorist financing (AML-CFT) for the sustainable development of a country, there are opportunities to support the implementation of both processes in a mutually reinforcing way.

Meeting global AML-CFT standards brings many benefits, but it should not be at the expense of allowing vulnerable and low-income communities to participate in the formal financial system. This toolkit provides practical guidance for aligning financial inclusion and AML-CFT outcomes with respect to the formulation and implementation of related policies and regulations. It has been developed with reference to the FATF Recommendations, as well as the risk-based guidance related to them.

Financial Action Task Force  
(FATF)

May, 2020

### COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses

<https://bit.ly/3eTBP0A>

The COVID-19 pandemic has led to unprecedented global challenges, human suffering and economic disruption. This paper identifies challenges, good practices and policy responses to new money laundering and terrorist financing threats and vulnerabilities arising from the COVID-19 crisis.



## Internet of things (IoT) and Cybersecurity

Financial Action Task Force  
(FATF)  
March, 2020

### Digital Identity

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

Digital ID systems are evolving rapidly. To determine whether a digital ID is suitable, governments, financial institutions and other stakeholders should: (i) Understand the assurance levels of the digital ID system's technology, architecture and governance and (ii) given its assurance levels, determine whether it is appropriately reliable, independent in light of potential risks that it is used to facilitate illicit finance.

A robust digital ID can allow individuals without a traditional identification to nonetheless have a robust form of identification to access financial services and improve financial inclusion. This guidance is technology-neutral, and has benefitted from a public consultation with the private sector.

Willkie Farr & Gallagher  
Maria-Leticia Ossa, Daniel K.  
Alvarez and Nicholas Chanin

July, 2020

### LATAM COVID-19 Task Force - Privacy and Cybersecurity Issues

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

Governments and companies around the world continue to grapple with the changes brought on by the COVID-19 pandemic. While different countries are at different stages of dealing with the pandemic, one of the constants has been the number of important privacy and cybersecurity questions raised by response efforts. In a series of prior client alerts, we have already highlighted some of the key issues companies are wrestling with, and the guidance that has been provided by various governments and regulators in the United States, Canada, the United Kingdom, the European Union and Latin America.

Alliance for Financial  
Inclusion (AFI)

May, 2020

### Policy framework for leveraging digital financial services to respond to global emergencies - case of covid-19

<https://bit.ly/2CZUlam>

Digital payments, particularly when accompanied by digital financial infrastructure (interoperable payments, unique digital IDs, etc.) and enabling regulations (e-KYC, fees, etc.), help governments quickly and securely make cash transfers and other socio-economic benefits in the form of financial support. They enable businesses with urgent flow of funds and allow individuals to send money cross borders and to pay for purchases at a market or a store from the safety of their homes.

This policy framework aims to provide policy guidance to regulators within the AFI network and beyond, in developing relevant policy/regulatory responses to mitigate the effects of global pandemics by leveraging on DFS. Although this guidance is immediately relevant to the current COVID-19 outbreak, it is also applicable for other emergencies, including natural and manmade disasters such as cyclone, earthquake, conflicts, forced displacements, etc.



## Emerging Insights

Deloitte  
July, 2020

### **Non-Financial Risk Management Insights Series: implementing an integrated framework for financial institution**

<https://bit.ly/2P2WJ37>

Measurement and monitoring contribute to an informed evaluation of non-financial risk (NFR). They can also help mitigate NFR and reduce the amount of operational risk capital that financial institutions must hold. In this issue, this documents examine what makes NFR uniquely challenging to measure and monitor, then explore an integrated model for overcoming these challenges and reducing the impact of NFR on an institution's risk profile.

Inter-American Development  
Bank (IDB)  
May, 2020

### **MSME Financing Instruments in Latin America and the Caribbean During COVID-19**

<https://bit.ly/2EaX8hr>

Micro, small and medium-sized enterprises (MSMEs) comprise 99.5 percent of the businesses, 60 percent of the employed population, and about 25 percent of the gross domestic product (GDP) in Latin America and the Caribbean (LAC). Despite their social and economic importance, MSMEs have had great difficulty accessing credit, even before the COVID-19 pandemic struck the world. This paper analyzes access to finance for MSMEs in LAC. It also surveys the theoretical and empirical literature on access to finance in times of economic and financial crisis, discusses an approach to insolvency in the region, and provides policy recommendations for monetary and financial measures in the context of the pandemic. A summary of monetary and fiscal measures in LAC and Organisation for Economic Co-operation and Development (OECD) countries is included as an annex to the document.

Alliance for Financial  
Inclusion (AFI) and Pacific  
Islands Regional Initiative

March, 2020

### **Pacific regional regulatory sandbox guidelines**

<https://bit.ly/2ZTKyM3>

AFI's Pacific Islands Regional Initiative (PIRI) made history with the world's first regional regulatory sandbox. This Regional Regulatory Sandbox Guideline allows central banks to collaborate to encourage potential solution providers and innovators to experiment and test their prototype innovative financial services in a live environment.

## Recommended Readings Covid-19

### 1. Medidas de Acompañamiento a Deudores Segunda Fase: la experiencia de Colombia (Only Spanish)

<https://bit.ly/3jyj2eK>

(Superintendencia Financiera de Colombia-ASBA)

### 2. Safeguarding Critical Functions of the Financial System

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

(ASBA- Oliver Wyman)

### 3. Reflections three months after the start of the great confinement

<https://bit.ly/39nWOHZ>

(ASBA-FSI-FMI)

### 4. Pandemia y Estabilidad Financiera: La visión desde el Cono Sur (Only Spanish)

<https://bit.ly/2ZRudHH>

(Toronto Center)

### 5. COVID-19 Pandemic: Financial Stability Implications and Policy Measures Taken. Report submitted to the G20 Finance Ministers and Governors

<https://bit.ly/32U4Bfr>

(Financial Stability Board)

### 6. Combating Covid-19: How should banking supervisors respond?

<https://bit.ly/2WP2EwF>

(Tobias Adrian, IMF, Ceyla Pazarbasioglu, World Bank)

### 7. Financing Firms in Hibernation During the COVID-19 Pandemic

<https://bit.ly/32ODh1O>

(Tatiana Didier, Federico Huneus, Mauricio Larrain, and Sergio L. Schmukler, World Bank Group)

### 8. A New Policy Toolkit Is Needed as Countries Exit COVID-19 Lockdowns

<https://bit.ly/2EdYTut>

(Olivier Blanchard, Thomas Philippon, and Jean Pisani-Ferry, PIIE)



## Lecturas Recomendadas COVID-19

### 9. Countering Covid-19: The nature of central banks' policy response

<https://bit.ly/2Bpyl8x>

(Agustín Carstens, General Manager of the BIS)

### 10. Encouraging Equity Investments in Medium-Sized Companies

<https://bit.ly/2ZSr36r>

(Douglas J. Elliott, Oliver Wyman)

### 11. Payment holidays in the age of Covid: implications for loan valuations, market trust and financial stability

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

(FSI Briefs)

### 12. Financial crime in times of Covid-19 AML and cyber resilience measures

<https://bit.ly/2WQkAqT>

(FSI Briefs)

### 13. The real Credit Crisis

<https://bit.ly/2WRolMJ>

(Oliver Wyman)

### 14. Banks' dividends in COVID-19 times

<https://bit.ly/2ZRQbKA>

(FSI Briefs)

## Institutional Events (online)

**XCV Meeting of the Board of Directors**

***Association of Supervisors of Banks of the Americas***

Julio 27, 2020.

## Video conferences

**A tentative road map towards exiting Covid-19 crisis**

***Luis Cortavarria***

July 28, 2020.

**Restructuring of corporations with systemic risk to the financial system**

***Igor Marzo, Carlos Ortiz-Cañavate, Argoss Partners***

July 30, 2020

**Financial Conglomerates**

***Superintendencia Financiera de Colombia***

September 8 and 10, 2020.

## Courses (online)

**Fintech course**

***ASBA-BID Lab***

August 3, 5 y 7, 2020.

**Second Edition: Interest Rate, Liquidity, and Financing Risk**  
***NEMESIS***

From August 31 to September 30, 2020.

**Problem Bank Supervision**

***Office of the Comptroller of the Currency***

From August 24 to 27, 2020.

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