



# **MONETARY AND CAPITAL MARKETS**

## **Perspectiva global sobre los avances en regulación y desafíos pendientes**

**JUNE 27, 2025**

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# Outline

- **Context**
- **Banks**
- **Non-Bank Financial Intermediation (NBFI)**
- **Digital Finance & Cybersecurity**
- **Conclusion**

# Context

Near to medium-term financial stability risks, structural market changes, technological advancements and climate change

# Challenges Generating a Busy Regulatory Work Program ...

## Macro-economic outlook

- Adverse shocks could reveal vulnerabilities related to:
  - Asset valuations
  - NBFIs growth, leverage, and growing nexus with banks
  - Government and private debt levels



## Political and market sentiment

- Market pressure on regulation and regulatory reporting
- Basel III hard stop and full implementation challenges
- Increasing interest in crypto-assets



## Technological advancements

- Digitalization drives new business models
- Uptake of AI use in the financial sector
- Increasing importance of third-party service providers



## Climate change

- Economic and financial impact of climate change
- Disorderly transition toward low-carbon economy
- Financial stability prospects subject to more uncertainty



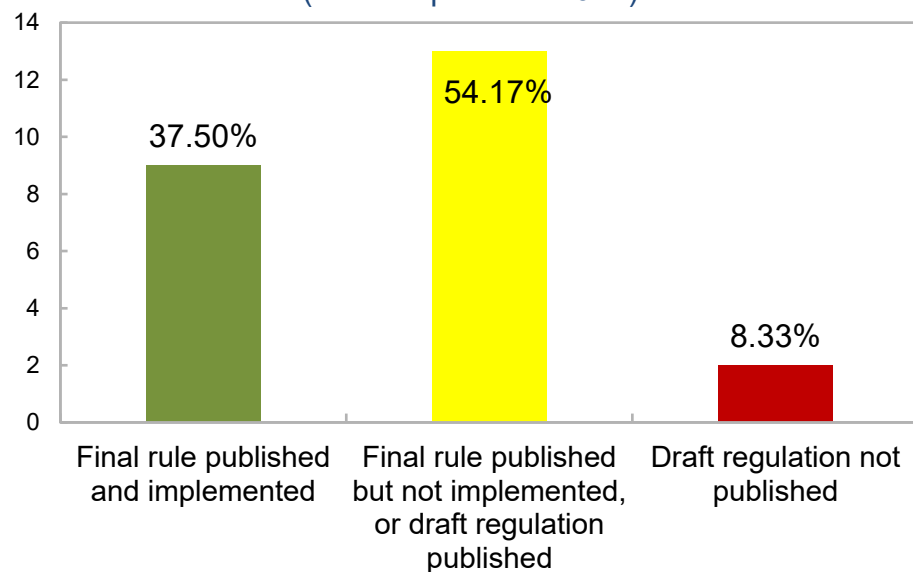
# Banks

Completing internationally agreed reforms is paramount and continued attention is needed to ensure adequate capital and liquidity to enhance resilience against future shocks

# Progress in Implementing Finalized Basel III is Uneven Across Jurisdictions

## Basel III - Risk Based Capital Implementation

(as of September 2024)



Source: FSB

Notes: Final rule published and implemented: Australia; Brazil; Canada; China; Indonesia; Japan; Korea; Saudi Arabia; Singapore.

Final rule published but not implemented, or drafted regulation published: Argentina; France; Germany; Hong Kong; Italy; Mexico; Netherlands; Russia; South Africa; Spain; Switzerland; United Kingdom; United States. Draft regulation not published: India; Türkiye.

### Progress:

Jurisdictions are implementing Basel III, which helped shield the banking sector during Covid-19 and the March 2023 banking turmoil.

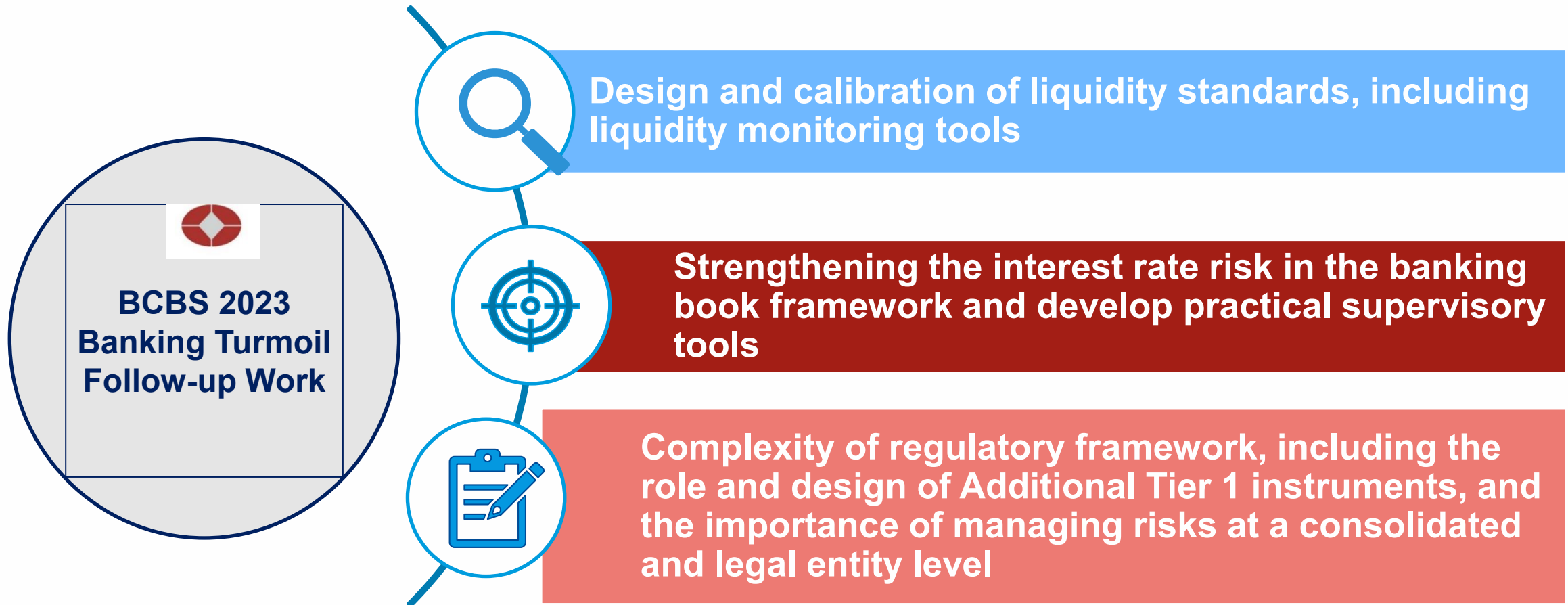
### Challenges:

Implementation in key jurisdictions remains uncertain in timing and substance.

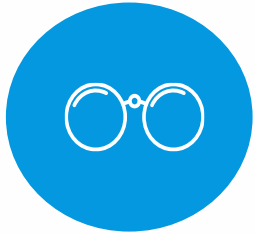
### Priority:

Basel Committee on Banking Supervision (BCBS) reaffirmed expectation of members implementing Basel III in full, consistently, and as soon as possible.

# BCBS' 2023 Banking Turmoil Follow-up Work Focuses on Three Themes

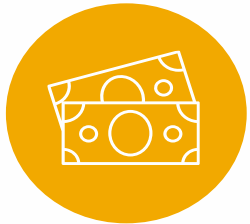


# Crisis Management – Lessons from 2023



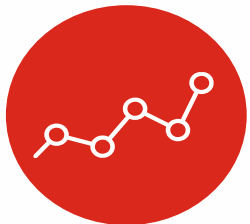
## Early intervention

- Supervisors should be willing and able to act early to address banks with clear warning signs, e.g. rapid balance sheet growth, unstable funding structures, and weak governance or risk management



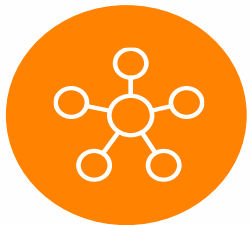
## Liquidity backstops

- Ensure banks can access central bank liquidity – including, with safeguards, in resolution
- Strengthen collateral usability,
- Funding backstops for resolution authorities



## “Banks systemic in failure”

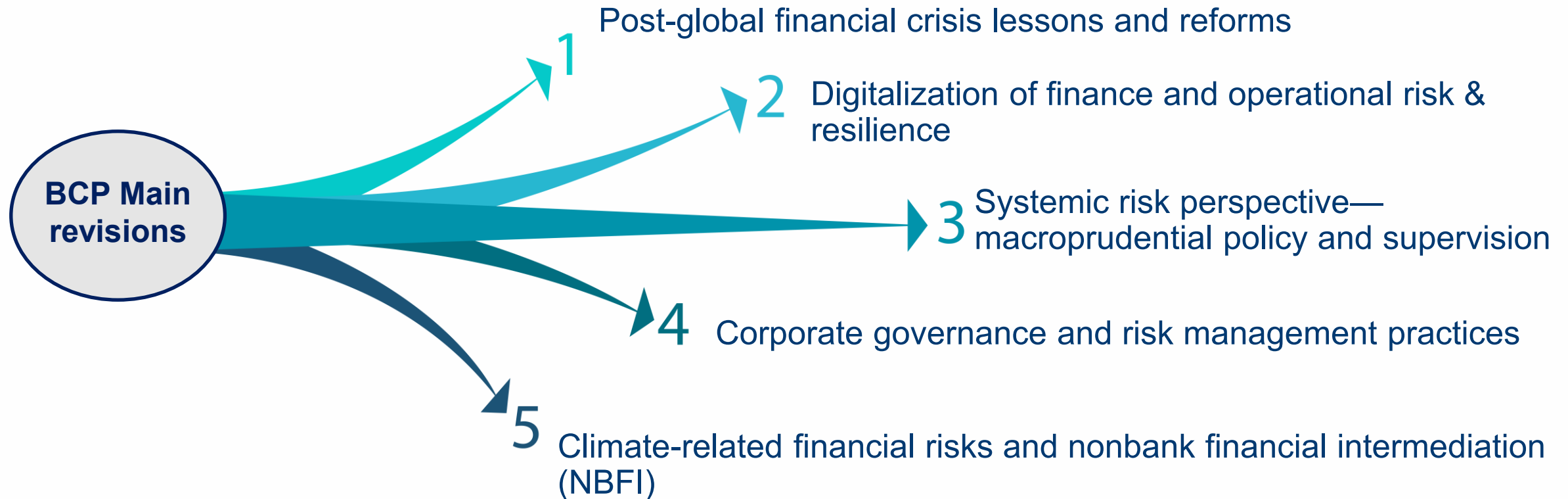
- Extend recovery and resolution plans & loss absorbing capacity to a wider set of banks.
- Even small banks can prove systemic at times of wider stress



## Resolution execution

- Increase flexibility
- Be prepared to act quickly
- Work through securities law issues in resolution

# BCBS Revised its Core Principles to Reflect Structural Changes in the Banking System over the Last Decade



# Nonbank Financial Intermediation

NBFI liquidity, leverage, and interconnectedness interact to amplify stress across the financial system, but data gaps preclude a clear and timely lens on vulnerabilities

# Liquidity Risks and Market Resilience



Thematic Review on Money Market Fund Reforms

Peer review report



Revised Recommendations  
for Liquidity Risk  
Management for Collective  
Investment Schemes

CONSULTATION REPORT



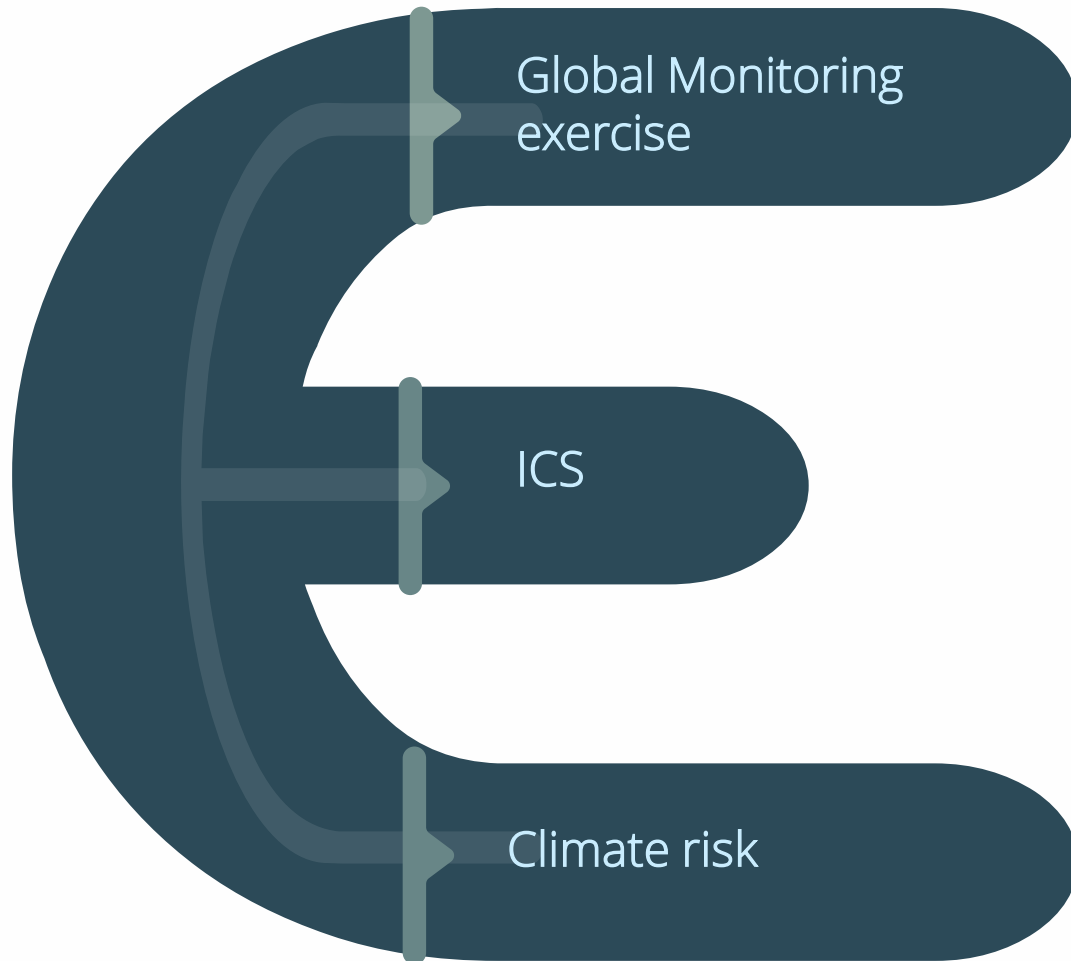
Enhancing the Functioning and Resilience of  
Commercial Paper and Negotiable Certificates  
of Deposit Markets

- **Money Market Funds (MMFs)**
  - FSB published recommendations to address MMF vulnerabilities in 2021; reforms now in implementation phase
  - In Feb 2024, FSB published an implementation peer review; IOSCO's future work includes proposals to revisit its own policy recommendations on MMFs
- **Open-ended funds (OEFs)**
  - Significant progress made on recommendations to address liquidity risks in OEFs:
    - FSB updated recommendations and IOSCO guidance on anti-dilution liquidity management tools in 2023; updated IOSCO recommendations with implementation guidance for public consultation in 2024.
  - Work now in implementation phase including on data gaps.
- **Short term funding markets**
  - Following up from its 2021 MMF report, in 2024, FSB published a report on the CP/CD market, analyzing vulnerabilities and policy options.

# Future Work and Priorities

- **Leverage and liquidity interplay**
  - FSB is focusing work on repo markets (ongoing) and NBFIs leverage, including how it amplifies liquidity risks (proposed)
  - Data gaps are a significant concern—the April 2024 GFSR chapter on private credit highlighted data gaps precluding a comprehensive and systemic view of leverage
- **Interconnectedness risks**
  - Increasing level of cross-border and cross-sectoral interconnectedness, particularly via investment funds
  - Plugging data gaps and enhancing regulatory cooperation (intra-jurisdictional and cross-border) are paramount
- **Data gaps**
  - Work on data gaps on several fronts a key future priority- including on leverage, liquidity and interconnectedness, and overall linkages with banks
  - Workstreams within FSB and IOSCO on this topic

# Insurance (IAIS)

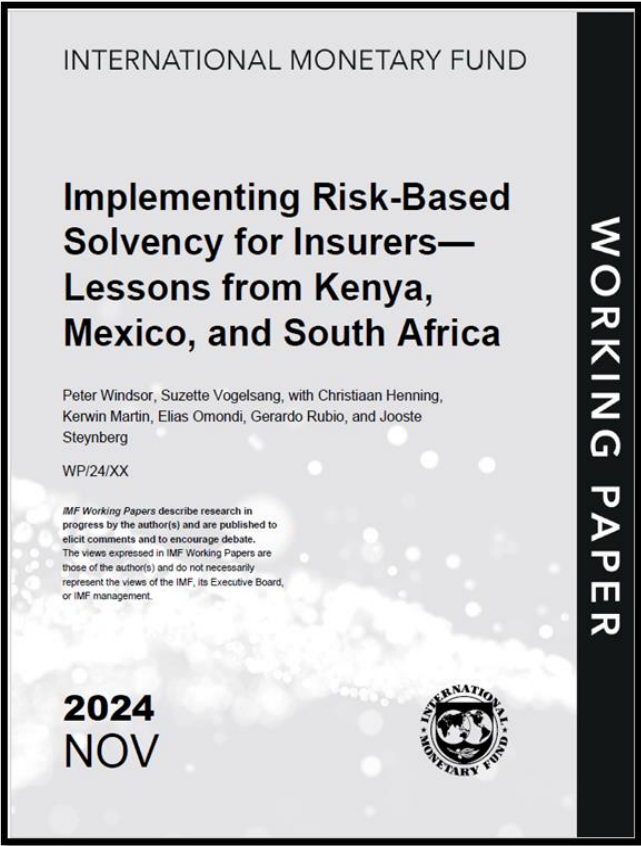
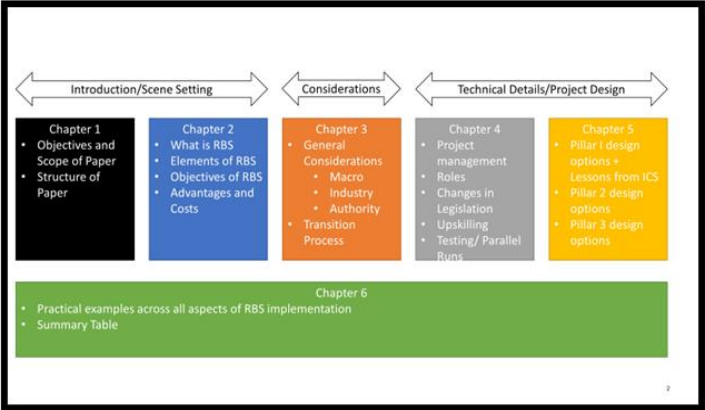
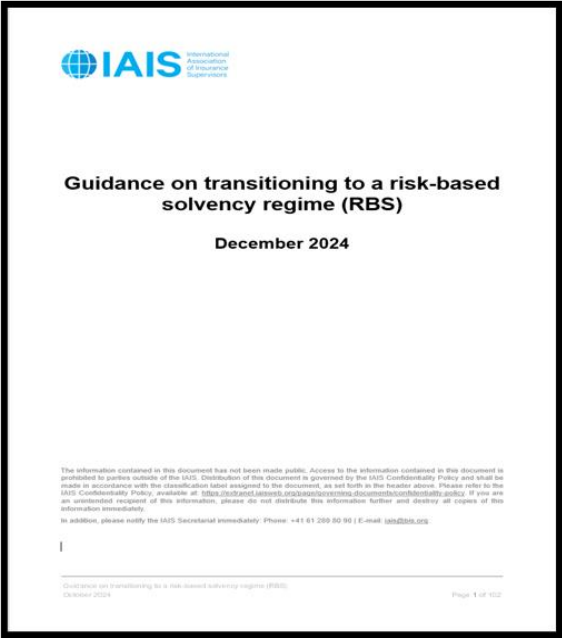
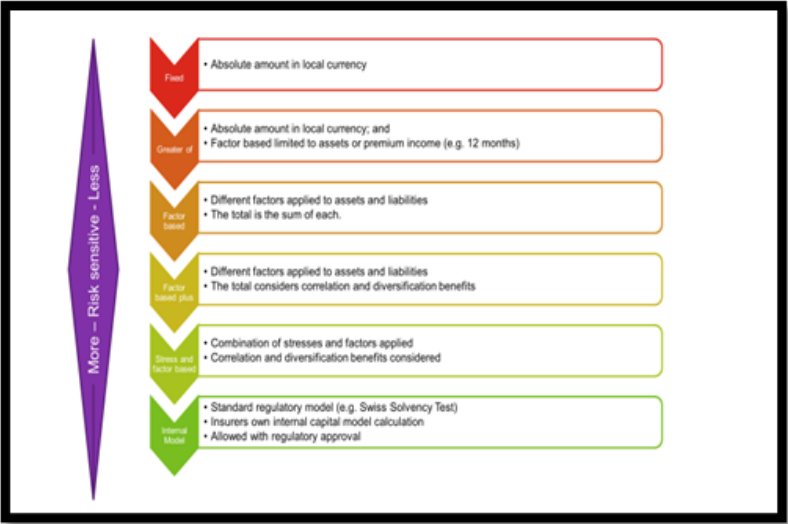
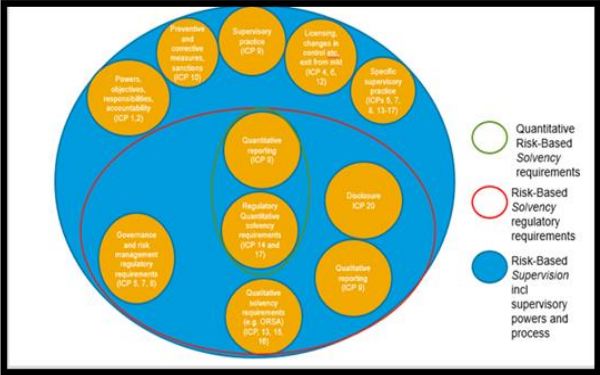


- IAIS monitors 59 Internationally Active Insurance Groups
- Systemic risk has increased due to rising investments in illiquid assets

- IAIS adopted its International Capital Standard
- Applicable to International Active Insurance Groups
- Implementation assessment to start in 2027

- Joint IMF-IAIS event on Protection gap during 2024 IMF annual meetings
- Insurers are exposed to both physical and transition risks
- Supervisory supporting material data collection

# Insurance: Risk-Based Solvency Regime (CD)



# Artificial Intelligence (AI) in Capital Markets

## AI may reduce financial stability risks:

- ✓ Superior risk management
- ✓ Improved market liquidity
- ✓ Improved market monitoring capabilities for both participants and regulators

## But it also brings potential risks:

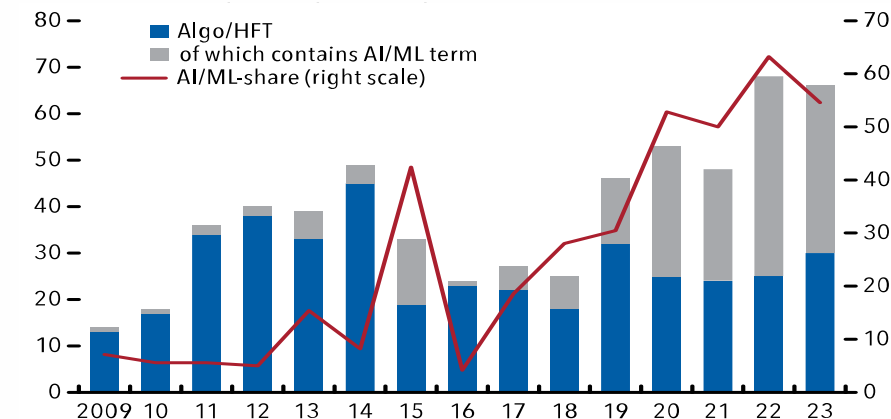
- ❖ Increased market speed and volatility under stress
- ❖ Greater opacity and migration of activities to NBFIs
- ❖ Increased service provider operational risks
- ❖ Increased cyber and market manipulation risks

## Recommendations:

- Review margining requirements and calibration of circuit breakers
- Enhance monitoring and data collection, including of NBFIs
- Conduct risks mappings to understanding interdependencies
- Coordinate approach on critical AI third-party service providers
- Further enhance cyberattack protocols

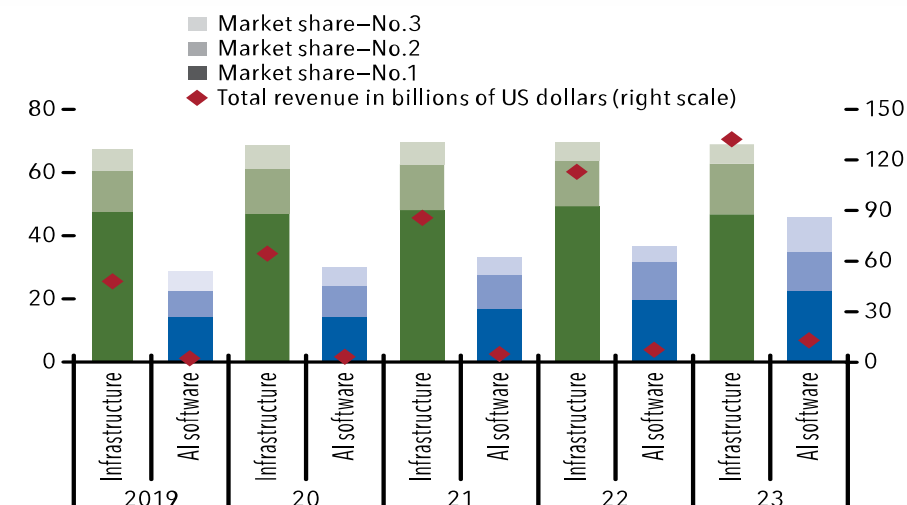
## Patents Related to High-Frequency/Algorithmic Trading

(number of patents; percentage of patents)



## Market Share of Cloud Services and AI Software Platforms

(Percent; revenue in billions of US dollars)



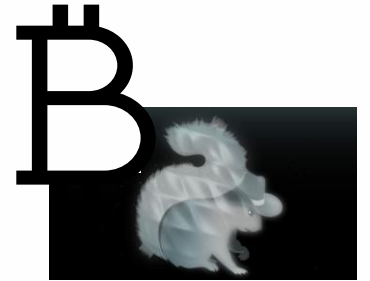
# Digital Finance & Cyber Security

While digitalization can offer significant benefits, it also introduces changes to market structures and cybersecurity challenges

# Fintech Developments

## Crypto

- Global standards and recommendations finalized
- Core part of our TA and already covered in some FSAPs
- Implementations challenges for EMDEs



## Modularization of finance

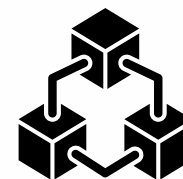
- Core third-party dependencies
- Compliance arrangements
- Concentration risk
- Consumer protection/fraud



# Fintech Developments (Continued)

## Tokenization

- Adoption low, benefits yet to be proven; but a growing space
- Potential financial stability risks if scaled up
- Potential for unpredictable stress outcomes

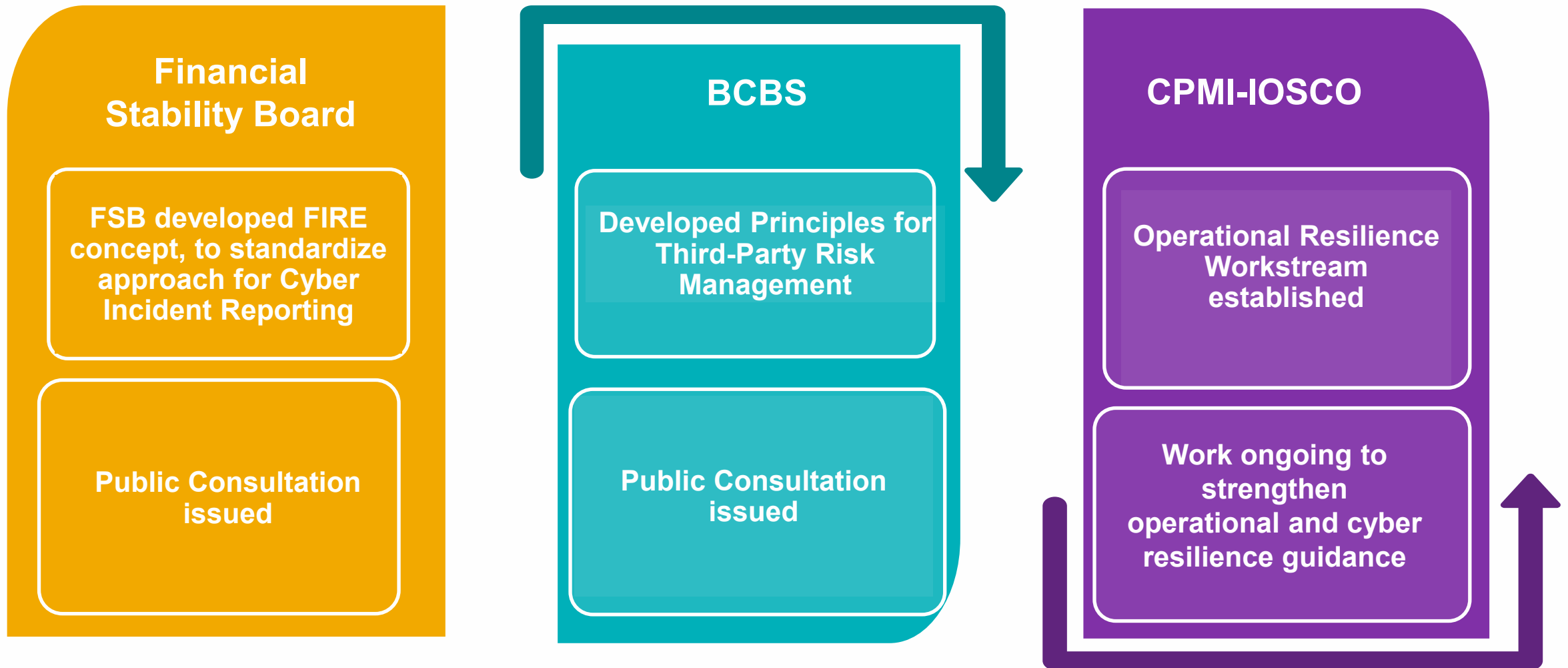


## Suptech

- Influence on authorities' capacity to capture, monitor and assess risks
- Impacts core products like regional Fintech Workshops
- Focus on critical factors for a successful development of SupTech tools



# Cyber Risks: Ongoing Policy Work of the SSBs



# Conclusion

Financial regulation and supervision can bolster the stability and integrity of the global financial system, support the benefits of innovations and fostering sustainable economic growth