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Hedge Funds News, July 2022

Dear members and friends,

Fabio Panetta, Member of the Executive Board of the European Central Bank, gave an interesting presentation at the Committee on Economic and Monetary Affairs of the European Parliament, Brussels

The digital euro and the evolution of the financial system

I am pleased to join you here today to discuss the progress we have made in our digital euro project.

A digital euro would enable Europeans to use public money for digital payments throughout the euro area – just like they can use cash for physical payments.

Bringing central bank money into the digital era is a logical step as payments become increasingly digitalised. And this is critical for two main reasons.

First, we need to preserve the role of public money as the anchor of the payments system in order to ensure the smooth coexistence, the convertibility and the complementarity of the various forms that money takes. A strong anchor is needed to protect the singleness of money, monetary sovereignty and the integrity of the financial system.

Second, a digital euro would contribute to our strategic autonomy and economic efficiency by offering a European means of payment that could be used for any digital payment, would meet Europe's societal objectives and would be based on a European infrastructure.

We will design the digital euro in a way that makes it attractive to users, who would like to use it to pay anywhere.

Giving legal tender status to the digital euro would make this possible, and it will be decided by you, the co-legislators. It would also help to achieve the network effects that are key to the success of payment solutions.

We will also strive for the highest standards of privacy and aim to contribute to financial inclusion and foster digital innovation, including as regards the programmability of payments.

As for implementation, we are working to minimise the time to market, costs, risks and ecological footprint associated with the digital euro.

In particular, we will make sure that the digital euro builds on the experience of financial intermediaries in consumer-facing services, does not crowd out private means of payment, and preserves financial stability. And this is the aspect that I will focus on today: the potential impact of a digital euro on the financial system.

The digital euro and the evolution of the financial system

As we explore the design of the digital euro, we are not only looking at the payments landscape of today – we are in fact also considering how it might evolve in the future.

Imagine a world in which the central bank continues to offer only cash, but people increasingly prefer to pay digitally and the only digital forms of money available to them are private ones. In such a world, central bank money would lose its key role in payments, and it would not be possible to ensure the complementarity and convertibility of public and private money.

The entire monetary and financial sector would be deprived of its anchor – central bank money – and would be exposed to potential instability.

It is also conceivable that non-European digital payment solutions and technologies operated abroad might dominate our payments market, as we are already seeing in some segments like cards and online payments.

This risk would be exacerbated by the expansion of means of payment offered by big techs, which could use their very large customer base to their advantage.

This would raise questions about our autonomy and privacy in payments. It could even endanger European sovereignty.

Moreover, the international monetary system may see the emergence of central bank digital currencies (CBDCs) in large economies. Such CBDCs would offer benefits in terms of efficiency, scalability, liquidity and safety that would support their attractiveness internationally.

And they would have the potential to facilitate cross-border payments, which may enhance their role as a global payment unit. In such a context, not issuing a digital euro could undermine the international role of the euro and create additional risks to sovereignty.

This scenario is not imminent, but it could potentially materialise in the future if we do not start acting today. And if we don't act, we will also see increasing confusion about digital money. Crypto-assets are a case in point.

Unbacked crypto-assets, for example, cannot perform the functions of money. They are neither stable nor scalable. Transactions are slow and costly. And, in some forms, they pose a danger to the environment and to other societal objectives.

Stablecoins, meanwhile, are vulnerable to runs, as we have recently seen with algorithmic stablecoins. In this context, it is vital that any remaining regulatory gaps in the crypto-asset ecosystem are closed.

I count on the work of this Parliament to ensure that an ambitious regulatory framework emerges from the current negotiations on the EU Regulation on Markets in Crypto-Assets (MiCA) and on the current legislative proposals on anti-money laundering and countering the financing of terrorism, especially in relation to information accompanying transfers of funds and certain crypto-assets (FCTR).

To avoid this confusion about what digital money is and what it is not, we need the central bank to provide one of its own, responding to the demand for digitalisation and providing an anchor of stability in the world of digital finance.

Protecting the stability of the financial system

For the digital euro to play this role, we need to carefully evaluate its potential impact on monetary policy, financial stability and the provision of services by financial intermediaries.

A digital euro would of course be issued by the central bank. And unlike potentially dominant private actors in tomorrow's digital payments market – such as big techs – the central bank would pay close attention to financial stability considerations and to preserving a diverse and vibrant ecosystem.

This does not imply that the status quo must be maintained. It means that any potential risks emerging from the introduction of a digital euro should be contained in both normal times and times of financial stress. We have been discussing these aspects in detail over the past few months.

We are looking very closely at the risks to monetary policy transmission and financial stability that could be associated with the conversion of large parts of euro area bank deposits into digital euro.

Deposits represent the main source of funding for euro area banks today. If not well designed, a digital euro could lead to the substitution of an excessive amount of these deposits.

Banks can respond to these outflows, managing the trade-off between funding cost and liquidity risk.

The attractiveness of commercial bank deposits will also influence the degree of substitution.

But any undesirable consequences that may result from the issuance of digital euro for monetary policy, financial stability and the allocation of credit to the real economy should be minimised in advance by design.

And it is indeed possible to design a digital euro with effective tools to prevent it from being used as a form of investment rather than solely as a means of payment.

To read more: https://www.bis.org/review/r220616a.pdf

Competitiveness and productive investment - what parts do they play in the reform of insurance regulation?

Ms Charlotte Gerken, Executive Director of Insurance Supervision of the Bank of England, at the JP Morgan European Insurance Conference.

Thank you for your introduction and for inviting me to this conference. Since the Government announced the **Solvency II review**, there has been much emphasis on the desirability of reform to enhance the insurance sector's competitiveness and its capacity to make productive investment.

Today I would like to outline how competitiveness and productive investment relate to the Prudential Regulation Authority's (PRA) approach to the review by focussing on three areas:

1. Investment flexibility
2. The valuation of liabilities
3. Process improvements

To put the review in context, though: the core framework underlying the Solvency II regime and its principles are broadly fit for purpose, and are in line with existing and emerging international standards.

The review does not involve tearing it up and starting again – not least because of the substantial sums invested by industry in the last decade in adopting it.

Industry responses to HM Treasury's Call for Evidence were largely in agreement with this approach.

However, the review does give an opportunity we are seizing, to deal with those areas of Solvency II that we know are not working as well as they could.

Sam Woods and I have both previously discussed the PRA's concerns relating to the current regime.

Taken together, the improvements we want to make represent an important set of reforms and can achieve the objectives of the review.

Objectives for the Solvency II review

The Government set three high level objectives for regulatory reforms, namely

1. to spur a vibrant, innovative, and internationally competitive insurance sector;

2. to protect policyholders and ensure the safety and soundness of firms; and

3. to support insurance firms to provide long-term capital to underpin growth, including investment in infrastructure, venture capital and growth equity, and other long-term productive assets, as well as investment consistent with the Government's climate change objective.

These Government objectives are aligned with the PRA's two primary statutory objectives of safety and soundness of regulated firms, and protection of policyholders.

The PRA's statutory objectives are reflected directly in one of the Government's review's objectives, and they underpin the other two: only a financially sound insurance sector can provide sustainable contributions to long-term investment.

Similarly, the sector's competitiveness depends on its operating under a robust prudential regime.

The first and third of the Government review objectives are also mutually supportive: breadth of investment is essential to the business model of a large part of the UK industry, so by removing unnecessary barriers to investment we further both objectives.

So why focus on competitiveness and productive investment today? Apart from being front of mind in most of my discussions with the insurance sector, they feature amongst the principles the PRA 'has regard to' when making rules or designing policy.

Matters that PRA 'has regard to' serve to focus the decision-makers' minds in weighing up how best to advance the PRA's objectives given to us in law.

To put this more colloquially, the PRA does not make rules or design policy solely in pursuit of a secondary objective or the goals underlying a 'have regard'.

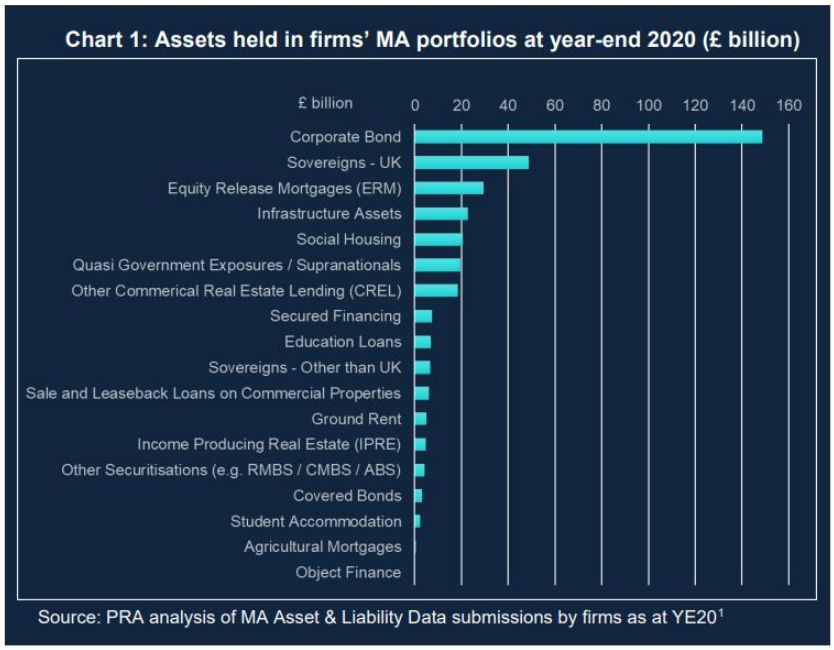
Rather, the existing secondary competition objective, and also the principles underlying our 'have regards' shape how we go about advancing our primary objectives.

We have thought carefully about the impact of our potential reforms in these areas. So, I want to explain how we're having regard to competitiveness and productive investment as we develop reform proposals.

Investment flexibility and productive investment

Looking first at investment flexibility. UK insurers manage almost £890bn of investment assets, and it is an objective of regulatory reform to support the productive investment of those funds.

In the UK, we have a strong flow of defined benefit pension liabilities to insurers, which provides a further incentive to ensure the regulatory regime can facilitate productive investments within the bounds of appropriate risk management of those funds.
To read more:
https://www.bankofengland.co.uk/speech/2022/june/charlotte-gerken-keynote-speaker-at-the-jp-morgan-european-insurance-conference



Crypto-Assets and Decentralized Finance through a Financial Stability Lens

Vice Chair Lael Brainard, At Bank of England Conference, London, UK

Recent volatility has exposed serious vulnerabilities in the crypto financial system. While touted as a fundamental break from traditional finance, the crypto financial system turns out to be susceptible to the same risks that are all too familiar from traditional finance, such as leverage, settlement, opacity, and maturity and liquidity transformation. As we work to future-proof our financial stability agenda, it is important to ensure the regulatory perimeter encompasses crypto finance.

Distinguishing Responsible Innovation from Regulatory Evasion

New technology often holds the promise of increasing competition in the financial system, reducing transaction costs and settlement times, and channeling investment to productive new uses.

But early on, new products and platforms are often fraught with risks, including fraud and manipulation, and it is important and sometimes difficult to distinguish between hype and value.

If past innovation cycles are any guide, in order for distributed ledgers, smart contracts, programmability, and digital assets to fulfill their potential to bring competition, efficiency, and speed, it will be essential to address the basic risks that beset all forms of finance.

These risks include runs, fire sales, deleveraging, interconnectedness, and contagion, along with fraud, manipulation, and evasion. In addition, it is important to be on the lookout for the possibility of new forms of risks, since many of the technological innovations underpinning the crypto ecosystem are relatively novel.

Far from stifling innovation, strong regulatory guardrails will help enable investors and developers to build a resilient digital native financial infrastructure.

Strong regulatory guardrails will help banks, payments providers, and financial technology companies (FinTechs) improve the customer

experience, make settlement faster, reduce costs, and allow for rapid product improvement and customization.

We are closely monitoring recent events where risks in the system have crystallized and many crypto investors have suffered losses.

Despite significant investor losses, the crypto financial system does not yet appear to be so large or so interconnected with the traditional financial system as to pose a systemic risk.

So this is the right time to ensure that like risks are subject to like regulatory outcomes and like disclosure so as to help investors distinguish between genuine, responsible innovation and the false allure of seemingly easy returns that obscures significant risk.

This is the right time to establish which crypto activities are permissible for regulated entities and under what constraints so that spillovers to the core financial system remain well contained.

Insights from Recent Turbulence

Several important insights have emerged from the recent turbulence in the crypto-finance ecosystem.

First, volatility in financial markets has provided important information about crypto's performance as an asset class. It was already clear that crypto-assets are volatile, and we continue to see wild swings in crypto-asset values.

The price of Bitcoin has dropped by as much as 75 percent from its all-time high over the past seven months, and it has declined almost 60 percent in the three months from April through June. Most other prominent crypto-assets have experienced even steeper declines over the same period.

Contrary to claims that crypto-assets are a hedge to inflation or an uncorrelated asset class, crypto-assets have plummeted in value and have proven to be highly correlated with riskier equities and with risk appetite more generally.

Second, the Terra crash reminds us how quickly an asset that purports to maintain a stable value relative to fiat currency can become subject to a run.

The collapse of Terra and the previous failures of several other unbacked algorithmic stablecoins are reminiscent of classic runs throughout history.

New technology and financial engineering cannot by themselves convert risky assets into safe ones.

Third, crypto platforms are highly vulnerable to deleveraging, fire sales, and contagion—risks that are well known from traditional finance—as illustrated by the freeze on withdrawals at some crypto lending platforms and exchanges and the bankruptcy of a prominent crypto hedge fund. Some retail investors have found their accounts frozen and suffered large losses.

Large crypto players that used leverage to boost returns are scrambling to monetize their holdings, missing margin calls, and facing possible insolvency.

As their distress intensifies, it has become clear that the crypto ecosystem is tightly interconnected, as many smaller traders, lenders, and DeFi (decentralized finance) protocols have concentrated exposures to these big players.

Finally, we have seen how decentralized lending, which relies on overcollateralization to substitute for intermediation, can serve as a stress amplifier by creating waves of liquidations as prices fall.

Same Risk, Same Regulatory Outcome

The recent turbulence and losses among retail investors in crypto highlight the urgent need to ensure compliance with existing regulations and to fill any gaps where regulations or enforcement may need to be tailored—for instance, for decentralized protocols and platforms.

As we consider how to address the potential future financial stability risks of the evolving crypto financial system, it is important to start with strong basic regulatory foundations.

A good macroprudential framework builds on a solid foundation of microprudential regulation.

Future financial resilience will be greatly enhanced if we ensure the regulatory perimeter encompasses the crypto financial system and reflects the principle of same risk, same disclosure, same regulatory outcome.

By extending the perimeter and applying like regulatory outcomes and like transparency to like risks, it will enable regulators to more effectively address risks within crypto markets and potential risks posed by crypto markets to the broader financial system.

Strong guardrails for safety and soundness, market integrity, and investor and consumer protection will help ensure that new digital finance products, platforms, and activities are based on genuine economic value and not on regulatory evasion, which ultimately leaves investors more exposed than they may appreciate.

Due to the cross-sectoral and cross-border scope of crypto platforms, exchanges, and activities, it is important that regulators work together domestically and internationally to maintain a stable financial system and address regulatory evasion.

The same-risk-same-regulatory-outcome principle guides the Financial Stability Board's work on stablecoins, crypto-assets, and DeFi; the Basel consultation on the prudential treatment of crypto-assets; the work by the International Organization of Securities Commissions' FinTech network; the work by federal bank regulatory agencies on the appropriate treatment of crypto activities at U.S. banks; and a host of other international and domestic work.

In implementing a same-risk-same-regulatory-outcome principle, we should start by ensuring basic protections are in place for consumers and investors.

Retail users should be protected against exploitation, undisclosed conflicts of interest, and market manipulation—risks to which they are particularly vulnerable, according to a host of research. If investors lack these basic protections, these markets will be vulnerable to runs.

Second, since trading platforms play a critical role in crypto-asset markets, it is important to address noncompliance and any gaps that may exist.

We have seen crypto-trading platforms and crypto-lending firms not only engage in activities similar to those in traditional finance without comparable regulatory compliance, but also combine activities that are required to be separated in traditional financial markets.

For example, some platforms combine market infrastructure and client facilitation with risk-taking businesses like asset creation, proprietary trading, venture capital, and lending.

Third, all financial institutions, whether in traditional finance or crypto finance, must comply with the rules designed to combat money laundering and financing of terrorism and to support economic sanctions.

Platforms and exchanges should be designed in a manner that facilitates and supports compliance with these laws.

The permissionless exchange of assets and tools that obscure the source of funds not only facilitate evasion, but also increase the risk of theft, hacks, and ransom attacks.

These risks are particularly prominent in decentralized exchanges that are designed to avoid the use of intermediaries responsible for know-your-customer identification and that may require adaptations to ensure compliance at this most foundational layer.

Finally, it is important to address any regulatory gaps and to adapt existing approaches to novel technologies. While regulatory frameworks clearly apply to DeFi activities no less than to centralized crypto activities and traditional finance, DeFi protocols may present novel challenges that may require adapting existing approaches.

The peer-to-peer nature of these activities, their automated nature, the immutability of code once deployed to the blockchain, the exercise of governance functions through tokens in decentralized autonomous organizations, the absence of validated identities, and the dispersion or obfuscation of control may make it challenging to hold intermediaries accountable.

It is not yet clear that digital native approaches, such as building in automated incentives for undertaking governance responsibilities, are adequate alternatives.

Connections to the Core Financial Institutions

There are two specific areas that merit heightened attention because of heightened risks of spillovers to the core financial system: bank involvement in crypto activities and stablecoins.

To date, crypto has not become sufficiently interconnected with the core financial system to pose broad systemic risk. But it is likely regulators will continue to face calls for supervised banking institutions to play a role in these markets.

Bank regulators will need to weigh competing considerations in assessing bank involvement in crypto activities ranging from custody to issuance to customer facilitation.

Bank involvement provides an interface where regulators have strong sightlines and can help ensure strong protections. Similarly, regulators are drawn to approaches that effectively subject the crypto intermediaries that resemble complex bank organizations to bank-like regulation.

But bringing risks from crypto into the heart of the financial system without the appropriate guardrails could increase the potential for spillovers and has uncertain implications for the stability of the system.

It is important for banks to engage with beneficial innovation and upgrade capabilities in digital finance, but until there is a strong regulatory framework for crypto finance, bank involvement might further entrench a riskier and less compliant ecosystem.

Private Digital Currencies and Central Bank Digital Currencies

Stablecoins represent a second area with a heightened risk of spillovers. Currently, stablecoins are positioned as the digital native asset that bridges from the crypto financial system to fiat. This role is important because fiat currency is referenced as the unit of account for the crypto financial system.

Stablecoins are currently the settlement asset of choice on and across crypto platforms, often serving as collateral for lending and trading activity. As highlighted by large recent outflows from the largest stablecoin, stablecoins pegged to fiat currency are highly vulnerable to runs.

For these reasons, it is vital that stablecoins that purport to be redeemable at par in fiat currency on demand are subject to the types of prudential regulation that limit the risk of runs and payment system vulnerabilities that such private monies have exhibited historically.

Well-regulated stablecoins might bring additional competition to payments, but they introduce other risks. There is a risk of fragmentation of stablecoin networks into walled gardens.

Conversely, there is a risk that a single dominant stablecoin might emerge, given the winner-takes-all dynamics in such activities.
Indeed, the market is currently highly concentrated among three dominant stablecoins, and it risks becoming even more concentrated in the future.

The top three stablecoins account for almost 90 percent of transactions, and the top two of these account for 80 percent of market capitalization.

Given the foundational role of fiat currency, there may be an advantage for future financial stability to having a digital native form of safe central bank money—a central bank digital currency. A digital native form of safe central bank money could enhance stability by providing the neutral trusted settlement layer in the future crypto financial system.

A settlement layer with a digital native central bank money could, for instance, facilitate interoperability among well-regulated stablecoins designed for a variety of use cases and enable private-sector provision of decentralized, customized, and automated financial products.

This development would be a natural evolution of the complementarity between the public and private sectors in payments, ensuring strong public trust in the one-for-one redeemability of commercial bank money and stablecoins for safe central bank money.

Building in Risk Management and Compliance

Crypto and fintech have introduced competition and put the focus on how innovation can help increase inclusion and address other vexing problems in finance today.

Slow and costly payments particularly affect lower-income households with precarious cash flows who rely on remittances or miss bills waiting on paychecks. Many hard-working individuals cannot obtain credit to start businesses or to respond to an emergency.

But while innovation and competition can reduce costs in finance, some costs are necessary to keep the system safe.

Intermediaries earn revenues in exchange for safely providing important services. Someone must bear the costs of evaluating risk, maintaining resources to support those risks through good times and bad, complying with laws that prevent crime and terrorism, and serving less sophisticated customers fairly and without exploitation.

In the current crypto ecosystem, often no one is bearing these costs. So when a service appears cheaper or more efficient, it is important to understand whether this benefit is due to genuine innovation or regulatory noncompliance.

So as these activities evolve, it is worth considering whether there are new ways to achieve regulatory objectives in the context of new technology. Distributed ledgers, smart contracts, and digital identities may allow new forms of risk management that shift the distribution of costs.

Perhaps in a more decentralized financial system, new approaches can be designed to make protocol developers and transaction validators accountable for ensuring financial products are safe and compliant.

Conclusion

Innovation has the potential to make financial services faster, cheaper, and more inclusive and to do so in ways that are native to the digital ecosystem.

Enabling responsible innovation to flourish will require that the regulatory perimeter encompass the crypto financial system according to the principle of like risk, like regulatory outcome, and that novel risks associated with the new technologies be appropriately addressed.

It is important that the foundations for sound regulation of the crypto financial system be established now before the crypto ecosystem becomes so large or interconnected that it might pose risks to the stability of the broader financial system.

To read more:
https://www.federalreserve.gov/newsevents/speech/brainard20220708a.htm

Executive Order on Protecting Access to Reproductive Healthcare Services

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered as follows:

Section 1. Policy. Nearly 50 years ago, Roe v. Wade, 410 U.S. 113 (1973), articulated the United States Constitution's protection of women's fundamental right to make reproductive healthcare decisions. These deeply private decisions should not be subject to government interference. Yet today, fundamental rights — to privacy, autonomy, freedom, and equality — have been denied to millions of women across the country.

Eliminating the right recognized in Roe has already had and will continue to have devastating implications for women's health and public health more broadly. Access to reproductive healthcare services is now threatened for millions of Americans, and especially for those who live in States that are banning or severely restricting abortion care.

Women's health clinics are being forced to close — including clinics that offer other preventive healthcare services such as contraception — leaving many communities without access to critical reproductive healthcare services. Women seeking abortion care — especially those in low-income, rural, and other underserved communities — now have to travel to jurisdictions where services remain legal notwithstanding the cost or risks.

In the face of this health crisis, the Federal Government is taking action to protect healthcare service delivery and promote access to critical reproductive healthcare services, including abortion. It remains the policy of my Administration to support women's right to choose and to protect and defend reproductive rights. Doing so is essential to justice, equality, and our health, safety, and progress as a Nation.

Sec. 2. Definitions. (a) The term "agency" means any authority of the United States that is an "agency" under 44 U.S.C. 3502(1), other than one considered to be an independent regulatory agency, as defined in 44 U.S.C. 3502(5).

(b) The term "reproductive healthcare services" means medical, surgical, counseling, or referral services relating to the human reproductive system, including services relating to pregnancy or the termination of a pregnancy.

Sec. 3. Protecting Access to Reproductive Healthcare Services. (a) Within 30 days of the date of this order, the Secretary of Health and Human Services shall submit a report to the President:

(i) identifying potential actions:

(A) to protect and expand access to abortion care, including medication abortion; and

(B) to otherwise protect and expand access to the full range of reproductive healthcare services, including actions to enhance family planning services such as access to emergency contraception;

(ii) identifying ways to increase outreach and education about access to reproductive healthcare services, including by launching a public awareness initiative to provide timely and accurate information about such access, which shall:

(A) share information about how to obtain free or reduced cost reproductive healthcare services through Health Resources and Services Administration-Funded Health Centers, Title X clinics, and other providers; and

(B) include promoting awareness of and access to the full range of contraceptive services, as well as know-your-rights information for those seeking or providing reproductive healthcare services; and

(iii) identifying steps to ensure that all patients -- including pregnant women and those experiencing pregnancy loss, such as miscarriages and ectopic pregnancies — receive the full protections for emergency medical care afforded under the law, including by considering updates to current guidance on obligations specific to emergency conditions and stabilizing care under the Emergency Medical Treatment and Labor Act, 42 U.S.C. 1395dd, and providing data from the Department of Health and Human Services concerning implementation of these efforts.

(b) To promote access to reproductive healthcare services, the Attorney General and the Counsel to the President shall convene a meeting of private pro bono attorneys, bar associations, and public interest organizations in order to encourage lawyers to represent and assist patients, providers, and third parties lawfully seeking these services throughout the country.

Sec. 4. Protecting Privacy, Safety, and Security. (a) To address potential heightened safety and security risks related to the provision of reproductive healthcare services, the Attorney General and the Secretary of Homeland

Security shall consider actions, as appropriate and consistent with applicable law, to ensure the safety of patients, providers, and third parties, and to protect the security of clinics (including mobile clinics), pharmacies, and other entities providing, dispensing, or delivering reproductive and related healthcare services.

(b) To address the potential threat to patient privacy caused by the transfer and sale of sensitive health-related data and by digital surveillance related to reproductive healthcare services, and to protect people seeking reproductive health services from fraudulent schemes or deceptive practices:

(i) The Chair of the Federal Trade Commission (FTC) is encouraged to consider actions, as appropriate and consistent with applicable law (including the Federal Trade Commission Act, 15 U.S.C. 41 et seq.), to protect consumers' privacy when seeking information about and provision of reproductive healthcare services.

(ii) The Secretary of Health and Human Services shall consider actions, including providing guidance under the Health Insurance Portability and Accountability Act, Public Law 104-191, 110 Stat. 1936 (1996) as amended by Public Law 111-5, 123 Stat. 115 (2009), and any other statutes as appropriate, to strengthen the protection of sensitive information related to reproductive healthcare services and bolster patient-provider confidentiality.

(iii) The Secretary of Health and Human Services shall, in consultation with the Attorney General, consider actions to educate consumers on how best to protect their health privacy and limit the collection and sharing of their sensitive health-related information.

(iv) The Secretary of Health and Human Services shall, in consultation with the Attorney General and the Chair of the FTC, consider options to address deceptive or fraudulent practices related to reproductive healthcare services, including online, and to protect access to accurate information.

Sec. 5. Coordinating Implementation Efforts. (a) The Secretary of Health and Human Services and the Director of the Gender Policy Council shall establish and co-chair an Interagency Task Force on Reproductive Healthcare Access (Task Force).

Additional members shall include the Attorney General and the heads of other agencies as determined by the Secretary of Health and Human Services and the Director of the Gender Policy Council. The Task Force shall work to identify and coordinate activities to protect and strengthen

access to essential reproductive healthcare services. In addition, the Task Force shall coordinate Federal interagency policymaking, program development, and outreach efforts to address barriers that individuals and entities may face in seeking and providing reproductive healthcare services.

The Department of Health and Human Services shall provide funding and administrative support as may be necessary for the performance and functions of the Task Force.

(b) The Attorney General shall provide technical assistance, as appropriate and consistent with applicable law, concerning Federal constitutional protections to States seeking to afford legal protection to out-of-State patients and providers who offer legal reproductive healthcare.

Sec. 6. General Provisions. (a) Nothing in this order shall be construed to impair or otherwise affect:

(i) the authority granted by law to an executive department or agency, or the head thereof; or

(ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

JOSEPH R. BIDEN JR.
THE WHITE HOUSE,
July 8, 2022.

Annual report 2021

EIOPA's Board of Supervisors (BoS) takes note of the Consolidated Annual Activity Report (CAAR) 2021, submitted by the Authorising Officer in accordance with Article 48(1) of the Financial Regulation (FR) applicable to EIOPA. Analysing and assessing the CAAR 2021 BoS has made the following observations:

1. The report contains a comprehensive and thorough account of the activities carried out by EIOPA in the implementation of its mandate and programme of work during 2021.

EIOPA has met its obligations under Article 48(1), providing a detailed account of the results achieved in relation to the objectives set in the Annual Work Programme 2021, financial and management information, as well as the risks related to the organisational activities and measures taken to address them.

2. BoS acknowledges that EIOPA delivered a very demanding Annual Work Programme that included work deprioritised in 2020 due to COVID-19 impact on its work.

3. BoS acknowledges the continued challenges EIOPA faces to manage a demanding workload towards monitoring and mitigating risks, supporting the recovery of the economy, assisting in building more resilient insurance and pensions sectors and further strengthening a common supervisory culture. The BoS welcomes EIOPA's efforts to prioritise in order to deal with a demanding workload and a challenging macro-economic environment.

4. BoS welcomes the significant contribution EIOPA has made in the field of conduct of business supervision and its work to address conduct risks for consumers through the use of EIOPA's product intervention powers and a range of supervisory and oversight tools, including the continued consumer trends and market monitoring work, and visits to national competent authorities (NCAs).

Furthermore, BoS welcomes EIOPA's work together with the other ESAs in developing regulatory technical standards for a targeted Level 2 Review on PRIIPs and for the Sustainable Finance Disclosure Regulation and Taxonomy Regulation.

Finally, the BoS welcomes the work initiated in 2021 on providing input to the Commission's call for advice on Retail Investor Protection and the

review of the PRIIPs Regulation where a short deadline of 9 months is envisaged to complete the work by end of April 2022.

5. BoS welcomes EIOPA's continued contribution to building an effective and consistent level of supervision across the EU.

In particular, the ongoing focus on cross-border business, particularly with regards to EIOPA's cross-border cooperation platforms and work on cross-border cases with possible detriment to consumers. At the same time, the BoS acknowledges the limitation of EIOPA's toolbox and impact of the current European supervisory architecture.

6. BoS supports EIOPA's supervisory convergence plans and acknowledges the comprehensive set of objectives and activities established in these plans to achieve supervisory convergence.

In particular, BoS welcomes EIOPA's criteria for the independence of supervisory authorities, which is crucial for the legitimacy and credibility of the supervisory process.

7. BoS welcomes EIOPA's work on the monitoring of Solvency II. In particular, the report on the use of limitations and exemptions from reporting 2019-2020, on the use of capital add-ons during 2019 and 2020, on long-term guarantees measures and measures on equity risk 2020, and the report on European Insurance Overview (solo undertakings).

8. BoS welcomes EIOPA's technical advice on the development of Pension Tracking Systems providing a set of principles, good practices and recommendations, aiming to facilitate citizens' digital access to personal pension information.

BoS also welcomes EIOPA's technical advice on pensions dashboard with an aim to strengthen the monitoring of pension developments in the EU by presenting a complete set of indicators that allow for enhanced analysis and comparison and are also easy to comprehend.

9. BoS welcomes EIOPA's continued monitoring and analysis of vulnerabilities in the market and financial stability risks and in particular, EIOPA's quarterly risk dashboard and semi-annual financial stability reports.

BoS welcomes the 2021 stress test exercise that focused on a prolonged Covid-19 scenario targeting European (re)insurance groups and covering 75% of the EU-wide market based on total assets under Solvency II. Furthermore, BoS welcomes additional areas of financial stability

work such as the liquidity monitoring framework, the methodological framework for stress-testing IORPs setting out theoretical and practical rules, guidance and possible approaches to support future IORP stress test exercises.

10. BoS welcomes EIOPA's activities following the entry into force of the PEPP, including an efficient IT infrastructure and the development of a supervisory framework.

11. BoS welcomes EIOPA's achievements in the area of sustainable finance to support the European Commission's Sustainable Finance Agenda, including the Renewed Sustainable Finance Strategy, in striving for greater protection against climate and environmental risks through insurance coverage, and integrating sustainability risks to the prudential framework for insurers.

In particular, the BoS welcomes EIOPA's Opinion on the supervision of the use of climate change scenarios in Own Risk and
Solvency Assessment (ORSA)10.

12. BoS also welcomes EIOPA's work on the use of digital technology identifying ways to better protect consumers without hindering innovation including work on Digital Ethics, open insurance, and the adoption and implementation of Guidelines on information and communication technology (ICT) security and governance.

BoS welcomes EIOPA's work, alongside ESMA and EBA, in preparing a response to the European Commission's Call for the Advice on the Digital Finance Strategy, providing technical input on issues with changing value chains in the insurance sector, the emergence of platforms and the supervision of entities undertaking mixed activities.

13. BoS notes the positive results of successful management of the Authority's tasks and resources, indicated by the high rate of delivery of products and services as planned or within a minor delay, as well as the targets met in terms of EIOPA's key performance indicators on management of its financial resources.

14. BoS notes EIOPA's diligent response to findings from the European Court of Auditors, the Internal Audit Service and the Authority's Quality Control Committee and supports EIOPA's efforts in its transparent implementation of the respective recommendations.

15. BoS considers that EIOPA is running effectively and efficiently and is delivering the expected products and services to high standards of quality.

Petra Hielkema
Chairperson of the Board of Supervisors

To read more:
https://www.eiopa.europa.eu/sites/default/files/publications/annual_reports/2021-eiopa-annual-report.pdf

2021 IN FIGURES

At the end of 2021, EIOPA employed
193 full-time employees

52% 48%

347
products and services
included in the work programme

EUR 32 839 626 budget

Interaction with stakeholders

25	Consultations, discussion papers, surveys and information requests
15	Sectoral workshops
13	Public events, including 3 flagship events
11	Virtual trainings on insurance supervision
167	Speaking engagements
135	Visits

Publications, outreach and communications activities in 2021

1.2 million	23000	125	11,000
visits on the corporate website	followers on social media	news published	newsletter subscribers

The 2021 insurance stress test involved

44	117	20	75%
(re)insurers for the capital component	solo undertakings for the liquidity component	jurisdictions	market coverage in EEA based on total assets

Oversight activities at a glance

3 Joint on-site inspections on companies based in Germany, Liechtenstein and Luxembourg

80	56	11	23
colleges of supervisors meetings	involving insurance groups	cooperation platforms	participating National Supervisory Authorities

243 questions on regulation were closed in 2021

Q&As on regulation

143 questions were sent to EIOPA

Annual report 2021

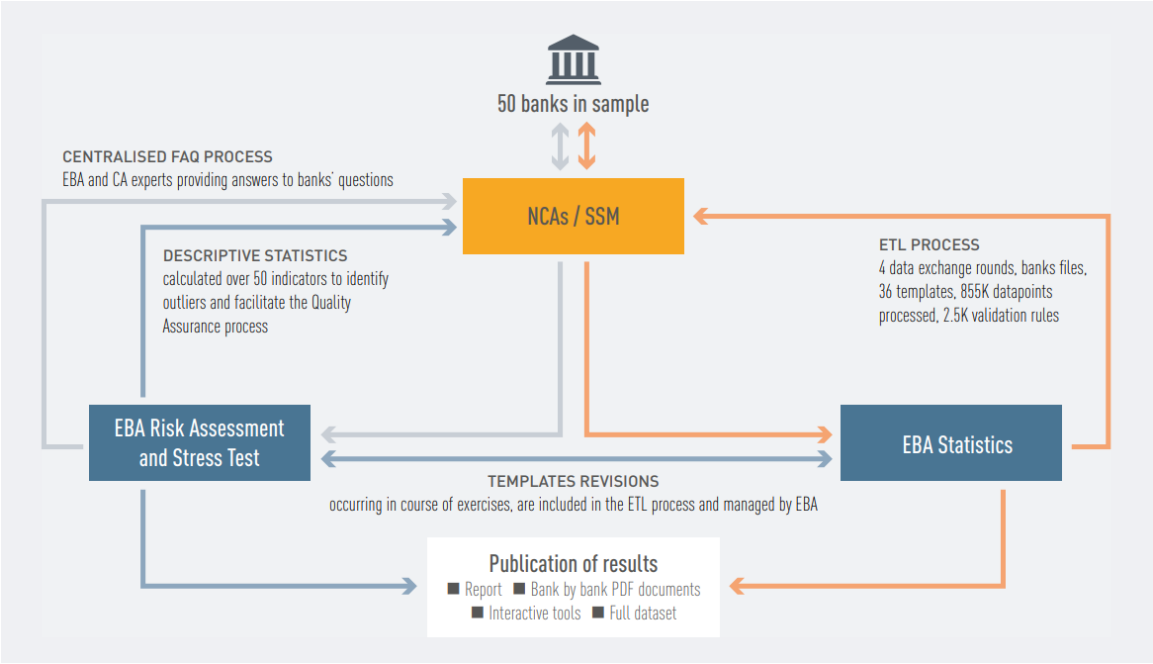
Identifying, assessing and monitoring risks in the EU banking sector

Improving the EU-wide stress testing framework

In line with the feedback received on the discussion paper on the future changes to the EU-wide stress testing framework, the EBA Board of Supervisors supported the exploration and implementation of a hybrid approach.

While the status quo remains an option in the short term, the hybrid approach will mean that some selected elements will follow a centralised approach while the rest of the methodology will remain inherently bottom-up.

Investigating the role of top-down elements in the EU-wide stress test



The EBA Board of Supervisors has identified net interest income and net fee and commission income as suitable candidates for centralisation, potentially for the 2023 EU-wide stress test exercise.

Due to the strict timelines for the finalisation of the methodology for the 2023 EU-wide stress test, the EBA Board of Supervisors decided to continue working in parallel on the bottom-up methodology considering the lessons learned in the 2021 EUwide stress test exercise.

A final decision on the implementation of some top-down elements in the 2023 EU-wide stress test is expected in the second quarter of 2022.

THE 2021 EU-WIDE STRESS TEST: ASSESSING BANKS' CAPACITY TO WITHSTAND FURTHER SHOCKS

In July 2021, the EBA published the results of the 2021 EU-wide stress test, which involved 50 banks covering broadly 70% of total EU banking sector assets.

The 2021 EU-wide stress test exercise was initially planned for 2020 but postponed to allow banks to prioritise operational continuity while the COVID-19 pandemic was unfolding.

The stress test helped supervisors assess banks' capacity to withstand further shocks. Given the unprecedented macroeconomic shock due to the pandemic in 2020, the baseline scenario provided a useful yardstick for assessing and comparing the situation of EU banks, assuming an orderly exit from the pandemic.

Hence, the stress test also helped provide a perspective on how the banking system could develop after the pandemic.

During 2020, EU banks continued to build up their capital base, with a CET1 ratio at the beginning of the exercise (i.e. at the end of 2020) of 15%, the highest since the EBA has been performing stress tests, despite the unprecedented decline in gross domestic product (GDP) and the initial effects of the COVID-19 pandemic in that year.

Under the adverse scenario, the average impact on the EU banking system was equal to a 485 bp decline in the CET1 fully loaded ratio for banks.

In the baseline scenario, banks' CET1 fully loaded ratio increased by 78 bps, bringing the sector's average CET1 fully loaded ratio to 15.8% at the end of 2023.

It is encouraging to see that overall, EU banks in aggregate remained above the 10% mark and hence would be able to continue lending despite a very severe adverse scenario.

In line with previous exercises, the EBA published granular stress test data at a bank-by-bank level, which is a must for fostering market discipline at times of increased uncertainty in the markets, while the results of the exercise represent a key input to the supervisory review and evaluation process (SREP).

The EBA is responsible for initiating and coordinating the EU-wide stress test, supplying the methodology, working with the ESRB and the ECB to provide a common scenario and publishing the results, including a report and granular bank-by-bank data together with analytical interactive tools.

During the exercise, the EBA, together with the supervisory authorities, closely manage the data extraction, transformation, and loading (ETL) process to ensure a high level of data quality.

More than 850,000 data points are processed and around 2,500 validation rules ensure that this is carried out properly. While the supervisory authorities take responsibility for ensuring the quality of the submissions received from banks with the results, the EBA facilitates the process by providing descriptive statistics and managing the process of clarifying methodological questions from banks through a centralised FAQ process.

To read more:
https://www.eba.europa.eu/sites/default/documents/files/document_library/About%20Us/Annual%20Reports/2021/1035237/EBA%202021%20Annual%20Report.pdf

Welcoming remarks

International Roles of the US Dollar conference

Jerome H Powell, Chair of the Board of Governors of the Federal Reserve System, at "International Roles of the US Dollar", a research conference sponsored by the Federal Reserve Board, Washington DC.

Good morning, and welcome to the inaugural conference on the International Roles of the U.S. Dollar. Thank you all for participating and for lending your expertise on this important topic. This conference marks the first use of our new Martin Conference Center, which I hope you enjoy.

The international financial and monetary system that emerged after World War II has been defined by the centrality of the dollar.

It is the world's reserve currency and the most widely used for payments and investments.

As outlined in recent work by Board staff, this global preeminence has been supported by the depth and liquidity of U.S. financial markets, the size and strength of the U.S. economy, its stability and openness to trade and capital flows, and international trust in U.S. institutions and the rule of law.

Professor Barry Eichengreen will expand on some of these themes later this morning.

The dollar's international role holds multiple benefits. For the United States, it lowers transaction fees and borrowing costs for U.S. households, businesses, and the government.

Its ubiquity helps contain uncertainty and, relatedly, the cost of hedging for domestic households and businesses. For foreign economies, the wide use of the dollar allows borrowers to have access to a broad pool of lenders and investors, which reduces their funding and transaction costs.

The benefits of the dollar as the dominant reserve currency have generated an extensive academic literature. Yesterday's paper on the Treasury market by Alexandra Tabova and Frank Warnock extends that work in meaningful ways.

The Federal Reserve's strong commitment to our price stability mandate contributes to the widespread confidence in the dollar as a store of value. To that end, my colleagues and I are acutely focused on returning inflation to our 2 percent objective.

Meeting our dual mandate also depends on maintaining financial stability. The Fed's commitment to both our dual mandate and financial stability encourages the international community to hold and use dollars.

The wide use of the dollar globally can also pose financial stability challenges that can materially affect households, businesses, and markets.

For that reason, the Federal Reserve has played a key role in promoting financial stability and supporting the use of dollars internationally through our liquidity facilities.

The central bank liquidity swap lines provide foreign central banks with the capacity to deliver U.S. dollar funding to institutions in their jurisdictions.

And the Foreign and International Monetary Authorities (FIMA) Repo Facility allows approved FIMA account holders the option to temporarily exchange their U.S. Treasury securities held by the Federal Reserve for U.S. dollars.

These facilities serve as liquidity backstops so that holders of dollar assets and participants in dollar funding markets can be confident that strains will be eased when these markets come under stress.

That assurance, in turn, mitigates the effect of such strains on the flow of credit to U.S. households and businesses. Both facilities enhance the standing of the dollar as the dominant global currency.

The swap lines were extensively used during the Global Financial Crisis, the 2011 euro-area debt crisis, and the financial turmoil at the outset of the COVID-19 pandemic in 2020.

The paper on central bank swap lines presented yesterday by Gerardo Ferrara, Philippe Mueller, Ganesh Viswanath-Natraj, and Junxuan Wang provides novel micro-level evidence on the usefulness of swap lines in providing cross-border liquidity to support the real economy.

Looking forward, rapid changes are taking place in the global monetary system that may affect the international role of the dollar in the future. Most major economies already have or are in the process of developing instant, 24/7 payments.

Our own FedNow service will be coming online in 2023. And in light of the tremendous growth in crypto-assets and stablecoins, the Federal Reserve is examining whether a U.S. central bank digital currency (CBDC) would improve on an already safe and efficient domestic payments system. As the Fed's white paper on this topic notes, a U.S. CBDC could also potentially help maintain the dollar's international standing.

As we consider feedback from the paper, we will be thinking not just about the current state of the world, but also how the global financial system might evolve over the next 5 to 10 years. The paper by Jiakai Chen and Asani Sarkar, which is on today's program, and our distinguished panelists on this topic this afternoon, will provide important insights on this issue.

To summarize, I would like to stress the importance of the dollar to the U.S. and global economies and financial markets. It is critical that we understand the channels, connections, and effects of the role of the dollar.

In closing, I want to thank you all for taking the time to join our discussion on the dollar's international roles. This conference brings together world-class researchers, practitioners, and policymakers dedicated to understanding and addressing these vital issues. I look forward to their insights and I hope you enjoy the conference.

To read more: https://www.bis.org/review/r220620i.htm

Rowing in unison to enhance cross-border payments

Victoria Cleland, Executive Director for Payments, Bank of England, at the Central Bank Payments Conference 2022

The importance of cross-border payments

I am delighted to be speaking once again at the Central Bank Payments Conference.

I have previously highlighted the establishment of the roadmap and targets to enhance cross-border payments.

Today, I want to update you on some of the tangible progress already made in this area.

And to stress the important role that you can play in working collaboratively across the public and private sectors to deliver real improvements to the cost, speed, transparency and accessibility of cross-border payments.

Cross-border payments are essential to the global economy. It is estimated that this year the global cross-border payment market will settle $156 trillion.

And it is not just the wholesale markets that are impacted: cross-border payments are crucial to businesses, consumers and remittances.

In Greece alone remittances reached an all-time high of 338 EUR million in January 2022.

And the importance of cross-border payments is due to grow further.

Business-to-business crossborder payments grew over 25% over the past two years and reached $34 trillion in 2021.

A recent study suggested that 87% of global merchant executives see cross-border sales as their biggest growth potential.

But despite their importance, many cross-border payments are still slow, expensive and difficult to track.

While some wholesale payments are very effective, there are too many cases, for remittance payments in particular, where payments can take up to 10 days and cost more than 10% of the value of the underlying transfer.

And this has a very real impact on businesses and individuals. This underlines why enhancing cross-border payments is so critical and why the G20 made it a priority in 2020.

To recap briefly, the first step was a Financial Stability Board (FSB), report assessing the frictions and challenges.

The Committee on Payments and Market Infrastructures (CPMI) then set out the building blocks that would be instrumental in addressing the challenges.

And in October 2020 the FSB coordinating with CPMI and other standard setting bodies, published a roadmap - a high-level plan of the timelines, actions and actors required to progress each building block.

The roadmap consists of 19 building blocks that were arranged into 5 focus areas.

The first 4 focus areas seek to enhance the existing payments ecosystem by, for example, coordinating regulatory, supervisory and oversight

frameworks; improving existing payment infrastructures; and increasing data quality.

The fifth focus area is more exploratory and covers emerging payment infrastructures and arrangements including Central Bank Digital Currencies (CBDCs).

In October 2021, following a public consultation, the FSB announced clear quantitative global targets to address the 4 challenges of cross-border payments - cost, speed, access and transparency across 3 market segments – wholesale, retail and remittances – the majority of which will come into effect in 2027.

Work is underway to assess how to measure progress against the targets. And crucially work is underway to enable the targets to be met. To achieve the magnitude of change needed at pace will require collaborative effort. Given the conference is in Athens, I wanted to bring collaboration to life with an example from Greece – the Trireme.

This famous ship – the fastest in the ancient world - derives its name from its three tiers of oars, and its success has been attributed to the collaborative efforts of these three tiers working together.

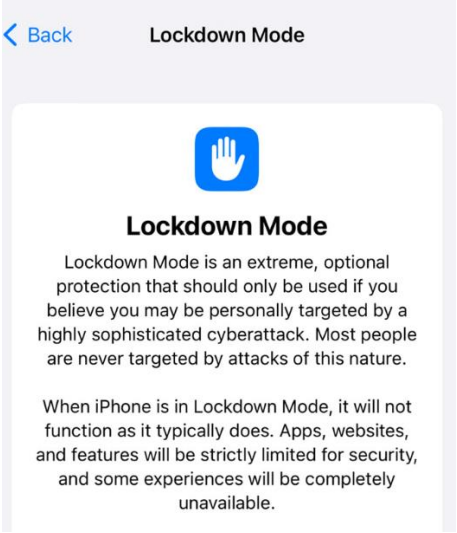
This ship and its ethos of teamwork provide a key metaphor for how we can successfully bring about change in how cross-border payments work. In the world of cross-border payments the three key groups are: central banks, industry and public authorities.

There is a saying "If you want to go fast, go alone. If you want to go far, go together." We need to go far together to reach the FSB targets on cost, speed, access and transparency.

To read more:
https://www.bankofengland.co.uk/speech/2022/june/victoria-cleland-speech-at-the-currency-research-central-bank-payments-conference-2022

Apple expands industry-leading commitment to protect users from highly targeted mercenary spyware

Apple is previewing a groundbreaking security capability that offers specialized additional protection to users who may be at risk of highly targeted cyberattacks from private companies developing state-sponsored mercenary spyware. Apple is also providing details of its $10 million grant to bolster research exposing such threats.



Apple detailed two initiatives to help protect users who may be personally targeted by some of the most sophisticated digital threats, such as those from private companies developing state-sponsored mercenary spyware.

Lockdown Mode — the first major capability of its kind, coming this fall with **iOS 16, iPadOS 16, and macOS Ventura** — is an extreme, optional protection for the very small number of users who face grave, targeted threats to their digital security.

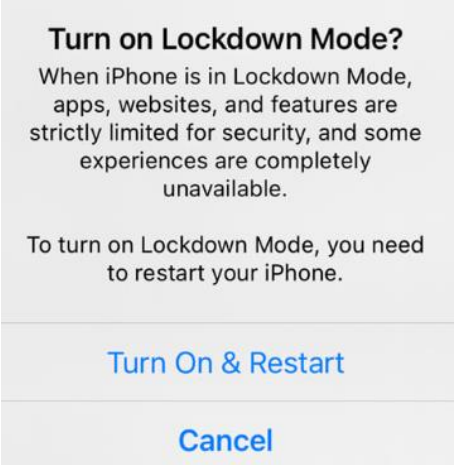
Apple also shared details about the $10 million cybersecurity grant it announced last November to support civil society organizations that conduct mercenary spyware threat research and advocacy.

“Apple makes the most secure mobile devices on the market. Lockdown Mode is a groundbreaking capability that reflects our unwavering commitment to protecting users from even the rarest, most sophisticated attacks,” said Ivan Krstić, Apple’s head of Security Engineering and Architecture. “While the vast majority of users will never be the victims of highly targeted cyberattacks, we will work tirelessly to protect the small

number of users who are. That includes continuing to design defenses specifically for these users, as well as supporting researchers and organizations around the world doing critically important work in exposing mercenary companies that create these digital attacks."

Lockdown Mode offers an extreme, optional level of security for the very few users who, because of who they are or what they do, may be personally targeted by some of the most sophisticated digital threats, such as those from NSO Group and other private companies developing state-sponsored mercenary spyware.

Turning on Lockdown Mode in iOS 16, iPadOS 16, and macOS Ventura further hardens device defenses and strictly limits certain functionalities, sharply reducing the attack surface that potentially could be exploited by highly targeted mercenary spyware.



At launch, Lockdown Mode includes the following protections:

- Messages: Most message attachment types other than images are blocked. Some features, like link previews, are disabled.

- Web browsing: Certain complex web technologies, like just-in-time (JIT) JavaScript compilation, are disabled unless the user excludes a trusted site from Lockdown Mode.

- Apple services: Incoming invitations and service requests, including FaceTime calls, are blocked if the user has not previously sent the initiator a call or request.

- Wired connections with a computer or accessory are blocked when iPhone is locked.

- Configuration profiles cannot be installed, and the device cannot enroll into mobile device management (MDM), while Lockdown Mode is turned on.

Apple will continue to strengthen Lockdown Mode and add new protections to it over time. To invite feedback and collaboration from the security research community, Apple has also established a new category within the Apple Security Bounty program to reward researchers who find Lockdown Mode bypasses and help improve its protections. Bounties are doubled for qualifying findings in Lockdown Mode, up to a maximum of $2,000,000 — the highest maximum bounty payout in the industry.

Apple is also making a $10 million grant, in addition to any damages awarded from the lawsuit filed against NSO Group, to support organizations that investigate, expose, and prevent highly targeted cyberattacks, including those created by private companies developing state-sponsored mercenary spyware.

The grant will be made to the Dignity and Justice Fund established and advised by the Ford Foundation — a private foundation dedicated to advancing equity worldwide — and designed to pool philanthropic resources to advance social justice globally. The Dignity and Justice Fund is a fiscally sponsored project of the New Venture Fund, a 501(c)(3) public charity.

“The global spyware trade targets human rights defenders, journalists, and dissidents; it facilitates violence, reinforces authoritarianism, and supports political repression,” said Lori McGlinchey, the Ford Foundation’s director of its Technology and Society program. “The Ford Foundation is proud to support this extraordinary initiative to bolster civil society research and advocacy to resist mercenary spyware. We must build on Apple’s commitment, and we invite companies and donors to join the Dignity and Justice Fund and bring additional resources to this collective fight.”

The Dignity and Justice Fund expects to make its first grants in late 2022 or early 2023, initially funding approaches to help expose mercenary spyware and protect potential targets that include:

- Building organizational capacity and increasing field coordination of new and existing civil society cybersecurity research and advocacy groups.

- Supporting the development of standardized forensic methods to detect and confirm spyware infiltration that meet evidentiary standards.

- Enabling civil society to more effectively partner with device manufacturers, software developers, commercial security firms, and other relevant companies to identify and address vulnerabilities.

- Increasing awareness among investors, journalists, and policymakers about the global mercenary spyware industry.

- Building the capacity of human rights defenders to identify and respond to spyware attacks, including security audits for organizations that face heightened threats to their networks.

To read more: https://www.apple.com/newsroom/2022/07/apple-expands-commitment-to-protect-users-from-mercenary-spyware/

Annual Report 2021/22

The Annual Report highlights the steps the BIS has taken to deliver on its Innovation BIS 2025 strategy and to respond to the challenges facing central banks: the effects of the Covid-19 pandemic, higher than expected inflation and the impact of the war in Ukraine.

Promoting global monetary and financial stability

The global financial system is increasingly complex and interdependent, which makes the policymaking environment in which central banks operate ever more multifaceted.

Against this backdrop, the work of the BIS in supporting central banks and promoting global financial stability has never been more relevant.

The Bank achieves this by focusing on developments in financial markets, monetary policy and technological innovation.

Promoting international cooperation

The BIS acts as a global forum for dialogue and cooperation among central banks and financial supervisory authorities from around the world.

In the aftermath of the Covid-19 pandemic, central banks are assessing how robust growth is while addressing inflation which has been unleashed in most of the world.

In addition to an exacting macroeconomic environment, digitisation is changing the structure of the financial and monetary system globally and demanding central banks' attention.

The BIS is committed to fostering international cooperation among central banks and financial supervisory authorities from around the world, with a view to supporting their efforts to ensure monetary and financial stability.

Innovation BIS 2025 has allowed us to increase our global outreach by further deepening our engagement with central bank committees and hosted organisations in the context of the Basel Process. The BIS convenes high-level meetings of central bank Governors and financial supervisory authorities to enable dialogue and knowledge-sharing.

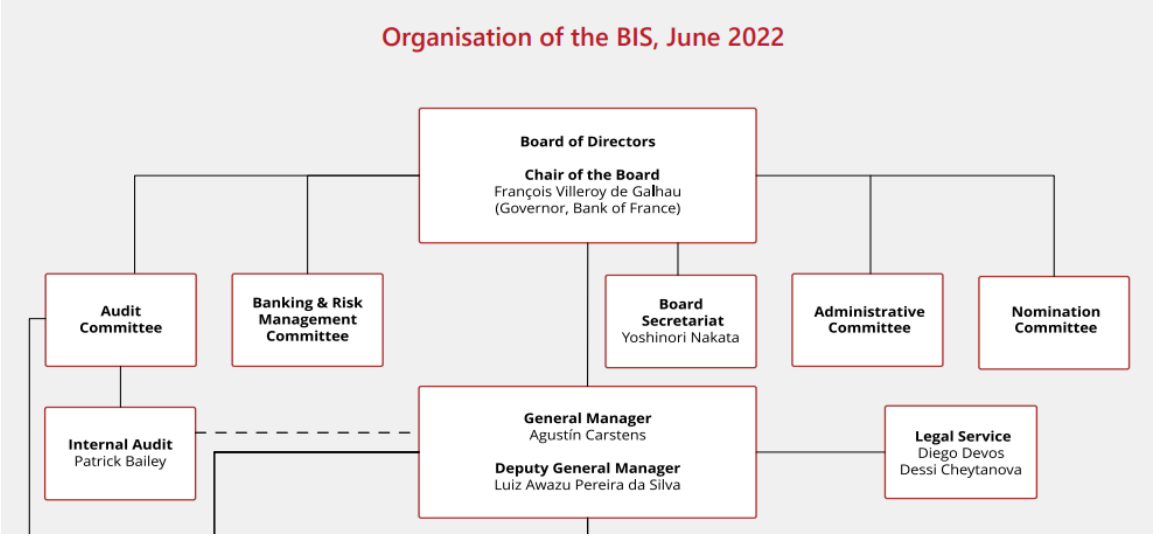
These meetings are coordinated at a global level in Basel and complemented by regional discussions through the Bank's Representative Offices for Asia-Pacific and the Americas.

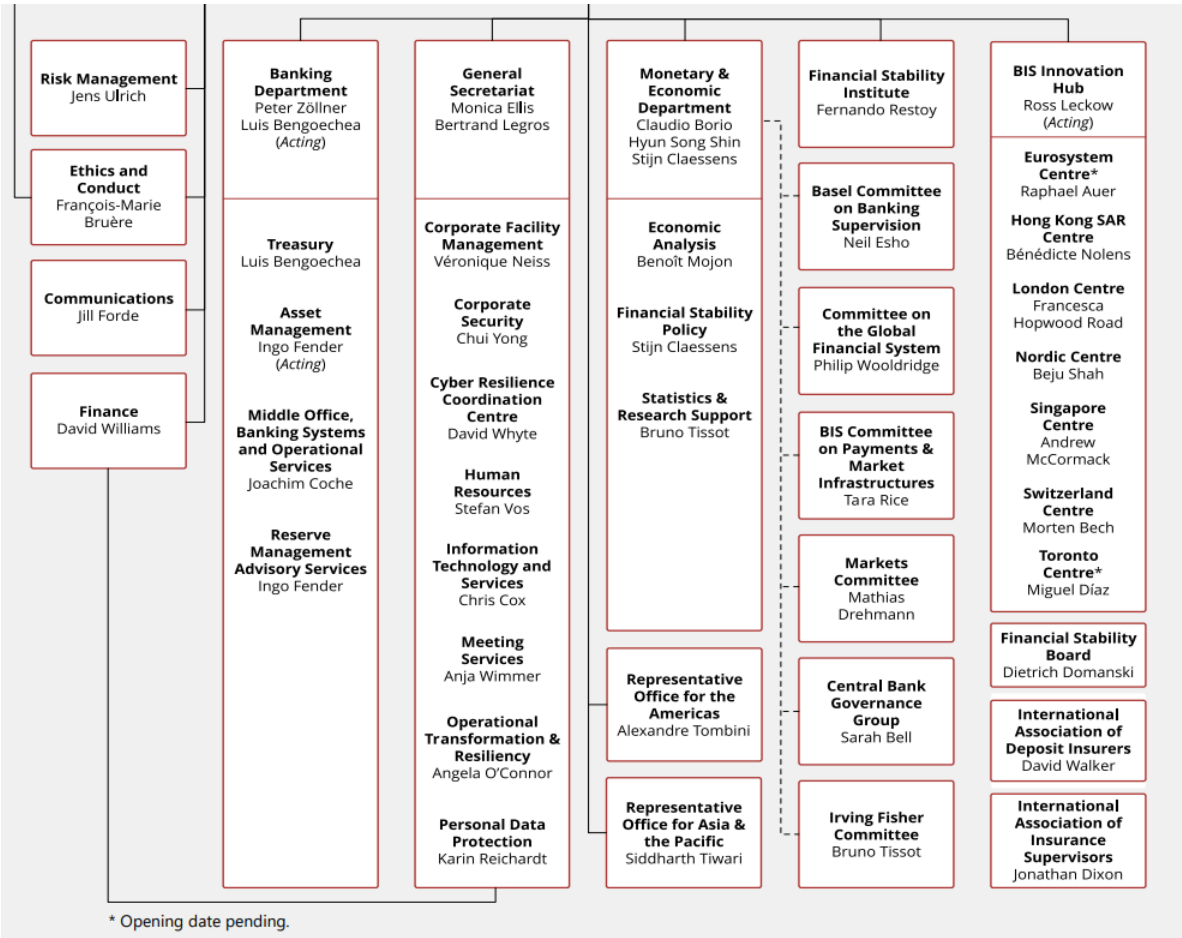
The offices serve as centres for BIS activities in their respective regions and are uniquely positioned to understand the needs of the central banks in those regions and anticipate the changes affecting them.

The Bank's Financial Stability Institute assists central banks and financial regulatory and supervisory authorities worldwide in strengthening their financial systems, by supporting the implementation of global regulatory standards and sound supervisory practices. It does so through policy work, knowledge-sharing activities and capacity-building.

BIS committees

- The **Basel Committee on Banking Supervision** develops global regulatory standards for banks and seeks to strengthen micro- and macroprudential supervision.
- The **BIS Committee on Payments and Market Infrastructures** establishes and promotes global regulatory/oversight standards for payment, clearing, settlement and other market infrastructures, and monitors and analyses developments in these areas.
- The **Committee on the Global Financial System** monitors and analyses issues relating to financial markets and systems.
- The **Markets Committee** monitors developments in financial markets and their implications for central bank operations.
- The **Central Bank Governance Group** examines issues related to the design and operation of central banks.
- The **Irving Fisher Committee on Central Bank Statistics** addresses statistical issues relating to economic, monetary and financial stability.


Organisation of the BIS, June 2022
Board of Directors
Chair of the Board
François Villeroy de Galhau
(Governor, Bank of France)
Audit Committee
Banking & Risk Management Committee
Board Secretariat
Yoshinori Nakata
Administrative Committee
Nomination Committee
Internal Audit
Patrick Bailey
General Manager
Agustín Carstens
Deputy General Manager
Luiz Awazu Pereira da Silva
Legal Service
Diego Devos
Dessi Cheytanova


Risk Management
Jens Ulrich
Ethics and Conduct
François-Marie Bruère
Communications
Jill Forde
Finance
David Williams
Banking Department
Peter Zöllner
Luis Bengoechea
(Acting)
Treasury
Luis Bengoechea
Asset Management
Ingo Fender
(Acting)
Middle Office, Banking Systems and Operational Services
Joachim Coche
Reserve Management Advisory Services
Ingo Fender
General Secretariat
Monica Ellis
Bertrand Legros
Corporate Facility Management
Véronique Neiss
Corporate Security
Chui Yong
Cyber Resilience Coordination Centre
David Whyte
Human Resources
Stefan Vos
Information Technology and Services
Chris Cox
Meeting Services
Anja Wimmer
Operational Transformation & Resiliency
Angela O'Connor
Personal Data Protection
Karin Reichardt
Monetary & Economic Department
Claudio Borio
Hyun Song Shin
Stijn Claessens
Economic Analysis
Benoît Mojon
Financial Stability Policy
Stijn Claessens
Statistics & Research Support
Bruno Tissot
Representative Office for the Americas
Alexandre Tombini
Representative Office for Asia & the Pacific
Siddharth Tiwari
Financial Stability Institute
Fernando Restoy
Basel Committee on Banking Supervision
Neil Esho
Committee on the Global Financial System
Philip Wooldridge
BIS Committee on Payments & Market Infrastructures
Tara Rice
Markets Committee
Mathias Drehmann
Central Bank Governance Group
Sarah Bell
Irving Fisher Committee
Bruno Tissot
BIS Innovation Hub
Ross Leckow
(Acting)
Eurosystem Centre*
Raphael Auer
Hong Kong SAR Centre
Bénédicte Nolens
London Centre
Francesca Hopwood Road
Nordic Centre
Beju Shah
Singapore Centre
Andrew McCormack
Switzerland Centre
Morten Bech
Toronto Centre*
Miguel Díaz
Financial Stability Board
Dietrich Domanski
International Association of Deposit Insurers
David Walker
International Association of Insurance Supervisors
Jonathan Dixon
* Opening date pending.

International associations at the BIS

Financial Stability Board

The Financial Stability Board (FSB) promotes international financial stability by coordinating the work of national financial authorities and international standardsetting bodies as they develop regulatory, supervisory and other policies. It fosters a level playing field by encouraging consistent implementation of these policies across sectors and jurisdictions.

The FSB is chaired by Klaas Knot, President of the Netherlands Bank, who succeeded Randal K Quarles, Vice Chair of the US Federal Reserve, in December 2021.

In 2021/22, the FSB continued its efforts to address the strains to the financial system resulting from the Covid-19 pandemic.

The FSB set out key lessons for financial stability made apparent by the pandemic, which require further attention from policymakers, including work to enhance the resilience of non-bank financial intermediation.

These lessons define a path forward on financial stability policy and lay the foundation for a more efficient and resilient financial system in the future.

Looking beyond the pandemic, the FSB also coordinated international work on addressing the financial stability implications of key structural changes, including climate change and digital innovation.

To this end, the FSB took forward the roadmap to address climate-related financial risks and the roadmap to enhance cross-border payments.

In the light of the war in Ukraine, the FSB stepped up its surveillance of market developments, with a focus on the resilience of critical nodes in the global financial system.

The FSB is also conducting in-depth analysis and assessment of specific potential vulnerabilities, with a particular focus on commodity markets, margining and leverage.

In addition, ensuring that cryptoasset markets are properly regulated is a key priority for the FSB.

International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI) is the global standardsetting body for deposit insurance systems.

It contributes to the stability of financial systems by advancing standards and guidance for effective deposit insurance systems and promoting international cooperation among deposit insurers, bank resolution authorities and other safety net organisations.

The Acting President and Chair of IADI's Executive Council is Alejandro López, Chief Executive Officer of Seguro de Depósitos Sociedad Anónima, Argentina.

In November 2021, the new IADI Strategic Plan, for 2022–26, was approved at the Annual General Meeting, which set the goals to:

- promote the Core Principles for Effective Deposit Insurance Systems (Core Principles) and deposit insurance compliance;

- advance deposit insurance research and policy development;

- provide Members with technical support to modernise and upgrade their systems; and

- enhance IADI's governance by improving efficiency and transparency.

In 2021/22, IADI produced research, guidance and briefing papers on topics including deposit insurance coverage, the resolution of financial cooperatives and emerging issues such as fintech and climate change.

It also initiated a new programme for conducting thematic assessments of compliance with the Core Principles and began a process to review and update the Core Principles.

On capacity-building efforts, IADI conducted numerous international conferences, webinars and training and technical assistance activities virtually.

It worked closely with the FSB, the FSI, the IMF, the World Bank and other international financial organisations in conducting conferences and meetings on deposit insurance and bank resolution issues.

International Association of Insurance Supervisors

The International Association of Insurance Supervisors (IAIS) is the global standardsetting body for insurance supervision.

The Association is chaired by Victoria (Vicky) Saporta, Executive Director of Prudential Policy Directorate at the Bank of England.

During the past year, the IAIS 's key focus areas included:

Risk assessment: 2021 was the first year of full implementation of the IAIS's annual Global Monitoring Exercise, which covers over 90% of the worldwide insurance sector and monitors key trends and the possible build-up of systemic risk.

Results published in the 2021 Global Insurance Market Report focused on the low-yield environment and the related growth in private equity ownership of insurers, increased credit risk and heightened cyber risk.

Finalising and implementing key reforms: the IAIS's global Insurance Capital Standard entered the third year of a five-year monitoring period ahead of its adoption in 2024, marked by strong participation by volunteer insurance groups across all regions.

The IAIS also began in-depth assessment of implementation of supervisory measures related to its Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector in 10 jurisdictions, covering the major global insurance markets.

Promoting peer exchange and guidance on supervisory approaches to key accelerating trends and risks, such as climate change, digital transformation and cyber risk.

On climate risk, the IAIS undertook a global assessment of the impact of climate change on insurers' investment exposures and published a guide to supervisory practices in addressing climate risk in the insurance sector.

Other areas of international cooperation

The BIS participates in international forums such as the G20 and collaborates with key international financial institutions. It also contributes to the activities of central banks and regional central bank organisations by participating in their events as well as hosting joint events.

During the past year, the Bank co-organised events or collaborated with the following organisations:

• Arab Monetary Fund (AMF)
• Asian Forum of Insurance Regulators (AFIR)
• Association of Insurance Supervisors of Latin America (ASSAL)
• Association of Supervisors of Banks of the Americas (ASBA)
• Center for Latin American Monetary Studies (CEMLA)
• European Banking Authority (EBA)
• European Commission
• European Money and Finance Forum (SUERF)
• European Stability Mechanism (ESM)
• Eurostat
• Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)
• Group of Banking Supervisors from Central and Eastern Europe (BSCEE)
• Group of International Finance Centre Supervisors (GIFCS)
• International Journal of Central Banking (IJCB)
• International Monetary Fund (IMF)
• International Organization of Securities Commissions (IOSCO)
• Joint Vienna Institute (JVI)
• Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)
• Network of Central Banks and Supervisors for Greening the Financial System (NGFS)
• Organisation for Economic Co-operation and Development (OECD)
• South East Asian Central Banks (SEACEN)
• World Bank Group

Cyber Resilience Coordination Centre

Innovation is a key component of the digital transformation journey that enables organisations to modify existing or create new business processes, corporate cultures and customer experiences to meet ever changing business and market requirements.

However, the rapid adoption of technology used to accelerate this transformation introduces complexity and exposes organisations to an expanding and increasingly diverse cyber risk landscape.

Accordingly, it is imperative for organisations to manage the related cyber resilience risks that are introduced into their environment.

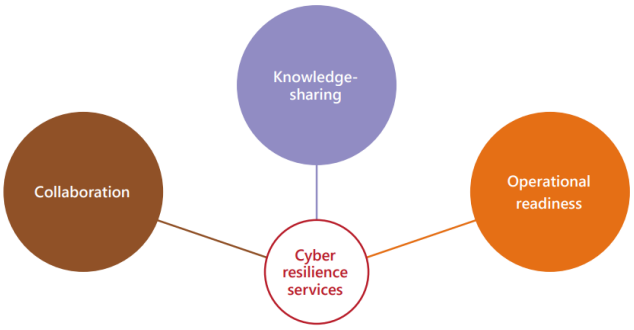
The Cyber Resilience Coordination Centre (CRCC) helps to strengthen the collective cyber resilience of central banks by providing a structured approach to knowledgesharing, collaboration and operational readiness. The CRCC carries out its mandate as one of the BIS's key entities to

support the central bank community by delivering cyber resilience services in three main activity areas:

• **Knowledge-sharing**: The CRCC provides a platform where central banks can share knowledge on strategic and tactical cyber resilience issues and work together on shared initiatives.

• **Collaboration**: The CRCC aims to build relationships between central banks and within the broader financial sector to ensure coordination and to contribute to an accurate and swift response to major cyber threats.

• **Operational readiness**: Realistic hands-on cyber response training exercises and active collaboration by the CRCC with BIS member central banks help strengthen operational readiness.



The report: https://www.bis.org/about/areport/areport2022.pdf

The landscape in 2030 - Central Bank Digital Currencies (CBDC) or private digital payment solutions?

Burkhard Balz, Member of the Executive Board of the Deutsche Bundesbank, at the Central Bank Payments Conference, Athens.

1. High activity among central banks on CBDC

Ladies and gentlemen,

It is a pleasure for me to be here in Athens and to speak to you about central bank digital currency (CBDC) in the vicinity of the ancient Agora where – if I am not mistaken – Aristotle discussed questions of ethics, economics and politics with his disciples while walking in the shade of the Peripatos.

Now I know full well that philosophers from antiquity cannot provide us with any immediate input on CBDC. But take it from me: even in our discussions about a digital euro Aristotle does play a role from time to time. I will come back to this at the end of my speech.

CBDC is a digital form of money, issued by the Central Bank, and in its retail version accessible for the general public. According to the latest BIS survey, more than two-thirds of central banks worldwide will possibly issue, or are likely to issue, a retail CBDC in either the short or medium term. As a result, retail CBDC, as a new means of payment for everyday transactions, may exist in at least some countries at the end of the decade, so by 2030.

At the moment, there are only two countries where a retail CBDC has actually been launched: the Bahamas launched their digital Sand Dollar in October 2020, and Nigeria issued an eNaira in September 2021. Meanwhile, the Eastern Caribbean Currency Union is piloting DCash, and China is running extensive pilots with its eYuan.

All these countries had very different motivations for these endeavours: logistical issues concerning the proper supply of cash across a widely spread archipelago in the Bahamas, support for financial inclusion in Nigeria, and in China the eYuan ranks as a state-run alternative to the two quite dominant private payment solutions.

In many other jurisdictions, for example in the United States and the United Kingdom, central banks have also initiated public debates on the possible launch of a CBDC. I am looking forward to the results and the conclusions that will be drawn from them.

In the euro area, we are one step ahead. We published a report on the groundwork for a digital euro in October 2020 and launched our Eurosystem project eight months ago. The aim is to investigate whether we should introduce a digital euro and what it might look like.

As in all the other countries the question arises, why are we doing this? If you asked the average consumer on the street, the majority would probably not see an immediate need for something called the "digital euro". But would the response have been any different if Steve Jobs had asked whether we needed a thing called the "iPhone" at the beginning of this century?

2. Good reasons to come up with CBDC

As I said, central banks have different reasons to consider the introduction of CBDC a worthwhile undertaking. In the euro area, we are seeing decreasing demand for physical cash which, up to now, is the only form of central bank money that is available to the general public. But cash isn't suitable for payments in the digital world, like in e-commerce.

Therefore, it could be beneficial to additionally offer a digital version of cash to support digitalisation in the European Union. Let me clarify: the digital euro would complement cash, not replace it. We will stick to our current practice of market neutrality: consumers should choose their means of payment at their own discretion.

Some also take the view that a digital euro is not needed because other innovative means of payment like stablecoins, already exist. But the recent turmoil has clearly illustrated that not everything that glitters is gold. And even if stablecoins were properly regulated, like "e-money" in the European Union today, there would still be issues such as the risk of fragmentation along which a lack of interoperability and broad acceptance. Issues, ladies and gentlemen, that a digital euro would, in any case, remedy from the start.

Moreover, there are further reasons that might be unique in Europe compared with other jurisdictions.

Since the single market for cashless payment solutions in the euro area currently only exists for credit transfers and direct debits, both the Eurosystem and the European Commission see the need for a pan-

European payment solution, running on European infrastructures. As of now, payment cards and online payments, too, are still based on national structrures. And the competitors are big and financially potent: international card schemes as well as BigTech firms with their global offerings.

Against this background, the digital euro goes hand in hand with the political idea of supporting pan-European infrastructure and protecting European sovereignty. However, we need to stop regarding the digital euro and private payment solutions as rivals. Quite the opposite: both could be integral and important parts of a sound future ecosystem in payments:

- The digital euro would be offered alongside private payment solutions.

- There needs to be full interoperability between the digital euro and private payment solutions.

- Both segments will have to allow for instant payment processing, 24 hours a day, 365 days a year.

Banks and payment service providers will also have to play an important role in the distribution of the digital euro. In that respect, they can build add-on services on top of the digital euro.

According to the BIS survey mentioned before, more than 70 per cent of central banks – engaged in some form of retail CBDC work – think the private sector needs to play a role in the CBDC ecosystem. This includes various aspects of the client-facing interface, especially client onboarding (including "know your customer procedures") and the handling of retail payments.

To read more: https://www.bundesbank.de/en/press/speeches/the-landscape-in-2030-cbdcs-or-private-digital-payment-solutions--893650

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