International Association of Risk and Compliance Professionals (IARCP)
1200 G Street NW Suite 800, Washington DC, 20005-6705 USA
Tel: 202-449-9750, Web: www.risk-compliance-association.com

Monday, December 6, 2021

Top 10 risk and compliance related news stories and world events that (for better or for worse) shaped the week's agenda, and what is next

Dear members and friends,

The Federal Reserve Board has published its semiannual *Supervision and Regulation Report*, and it is very interesting. We read:

"Supervised firms are exploring a range of services involving digital assets such as *bitcoin or stablecoins*. While the use of digital assets, and the distributed ledger technology they operate on, presents opportunities, it also poses heightened risks.

Risks to supervised firms include those related to the Bank Secrecy Act/anti-money-laundering, cybersecurity, price volatility, and consumer protection.

The federal bank regulatory agencies are committed to working together to provide an active, coordinated, and timely response to innovation in digital assets.

To that end, the agencies are engaging in a series of "policy sprints" to better understand risks associated with digital asset activities and provide further clarity as appropriate with specific regard to digital assets."

We also read:

"Operational resilience and cybersecurity remain a high priority. Operational resilience is defined as a firm's ability to withstand and recover from disruptive events. This continues to be an area of focus for firms and supervisors.

In assessing a large firm's operational resilience, the Federal Reserve evaluates the following:

- the effectiveness of the board of directors in overseeing—and senior management in implementing—sound practices to manage operational resilience;

- the resilience of the firm's information systems for the firm's critical operations and core business lines; and

- the effectiveness of the firm's business continuity and disaster recovery plans, processes, and procedures to support timely restoration of systems or assets affected by incidents.

Cybersecurity is a critical component of operational resilience and *remains the top risk* identified at supervised firms. Cyber threats and attacks have increased significantly since the onset of the COVID event."

This is good, the report recognizes that cybersecurity remains the top risk identified at supervised firms. According to T. S. Eliot, *only those who will risk going too far can possibly find out how far one can go*. Adversaries do exactly that. Have the defenders decided to do the same? Are offensive countermeasures and cyber intelligence out of the checklist?

Read more at number 1 below. Welcome to our Top 10 list.

Best regards,

George Lekatis
President of the IARCP

Number 1 (Page 5)

Supervision and Regulation Report, November 2021

Number 2 (Page 8)

PCAOB Approves 2022 Budget

Number 3 (Page 14)

Basel Committee publishes more details on global systemically important banks

Number 4 (Page 16)

2021 List of Global Systemically Important Banks (G-SIBs)

Number 5 (Page 20)

Introductory statement

Christine Lagarde, President of the ECB, at the Hearing of the Committee on Economic and Monetary Affairs of the European Parliament

Number 6 (Page 27)

Designing a digital euro for the retail payments landscape of tomorrow

Fabio Panetta, Member of the Executive Board of the ECB, at the ECON Committee of the European Parliament

Number 7 (Page 34)

Part II of Security Guidance for 5G Cloud Infrastructures

Number 8 (Page 37)

Crises as a catalyst for change – lessons from the past, challenges for the future

Keynote speech at the 31st Frankfurt European Banking Congress

Number 9 (Page 44)

Cybersecurity Talent Management System (CTMS)

DHS Launches Innovative Hiring Program to Recruit and Retain World-Class Cyber Talent

Number 10 (Page 46)

Biomanufacturing: Coming Soon to a Galaxy Near You?

B-SURE program aims to develop fundamental understanding of microbial capabilities for bioproduction in space

Number 1

Supervision and Regulation Report, November 2021

The Federal Reserve Board publishes its semiannual Supervision and Regulation Report to inform the public and provide transparency about its supervisory and regulatory policies and actions, as well as current banking conditions.

The report is typically released in conjunction with Congressional testimony by the Vice Chair for Supervision.

This report focuses on the Federal Reserve's regulatory and supervisory response to the "COVID event"—the economic and financial stresses resulting from the containment measures adopted in response to public health concerns.

The banking system was a source of strength through the COVID event. As the broader economy continues to recover, the Federal Reserve continues to closely monitor banking conditions, including banks' risks and operations.

In response to the COVID event, the Federal Reserve made temporary adjustments to its regulations and supervisory programs.

These adjustments helped the banking industry meet the needs of customers and communities.

In addition, the Federal Reserve modified its supervisory programs and approaches to allow banks to focus on their operations, conducting more supervision off site.

Examinations were either paused or moved to monitoring exercises. As the economy continues to recover, supervisory approaches have begun returning to normal. Many of the temporary adjustments to supervisory programs have ended. However, supervisors will maintain a focus on risks that may persist in this period of recovery.

This report focuses on developments in three areas:

1. *Banking System Conditions* provides an overview of current financial conditions in the banking sector.

The first half of 2021 showed that banking conditions continued to improve from strong positions in 2020.

Potential risks from the COVID event remain and will continue to be monitored. The report describes measures of health of the system, as well as areas of focus given ongoing uncertainty.

2. *Regulatory Developments* provides an overview of the Federal Reserve's recent regulatory policy work.

3. *Supervisory Developments* provides an overview of the Federal Reserve's supervisory programs and priorities. Supervisory activities are returning to pre-COVID approaches, but potential COVID-event risks remain a priority.

The report also highlights differences in supervisory approaches among large, community, and regional banking organizations.

Banks and Digital Asset Activities

Supervised firms are exploring a range of services involving digital assets such as bitcoin or stablecoins.

While the use of digital assets, and the distributed ledger technology they operate on, presents opportunities, it also poses heightened risks.

Risks to supervised firms include those related to the Bank Secrecy Act/anti-money-laundering, cybersecurity, price volatility, and consumer protection.

The federal bank regulatory agencies are committed to working together to provide an active, coordinated, and timely response to innovation in digital assets.

To that end, the agencies are engaging in a series of "policy sprints" to better understand risks associated with digital asset activities and provide further clarity as appropriate with specific regard to digital assets.

The Federal Reserve recognizes that the market will continue to innovate, grow, and expand globally, creating new opportunities and risks.

The Federal Reserve will continue to look to respond in a timely and transparent manner to support responsible innovation at our supervised institutions.

To read more:
https://www.federalreserve.gov/publications/files/202111-supervision-and-regulation-report.pdf

Number 2

PCAOB Approves 2022 Budget

The Public Company Accounting Oversight Board (PCAOB) approved its fiscal year 2022 budget at an open meeting held today.

Public Company Accounting Oversight Board
2022 Budget by Cost Category
2020 - 2022

$ in thousands

Cost Category	2020 Actuals	2021 Budget*	2022 Budget
Personnel			
Salaries /1	163,922	176,767	185,150
Employee Benefits /2	25,121	27,881	28,866
Payroll Taxes /3	9,497	10,557	11,045
Training /4	1,468	2,275	2,596
Recruitment and Relocation /5	1,014	1,045	2,956
Sub-total	201,022	218,524	230,612
Non-personnel			
Administrative Expenses /6	6,023	7,889	8,816
Consulting and Professional Fees /7	14,203	19,895	18,932
Facilities /8	20,243	19,449	19,909
Information Technology /9	13,082	13,834	16,585
Travel and Other Expenses /10	756	7,635	15,376
Sub-total	54,306	68,703	79,618
Capital Expenditures			
IT Development and Infrastructure /9	979	—	—
Facilities Build-out /11	402	52	55
Sub-total	1,380	52	55
Total Outlays /12	**256,709**	**287,279**	**310,285**

The 2022 budget is $310.3 million (funding 891 positions), as compared to the 2021 budget of $287.3 million (funding 859 positions).

The 2022 budget includes investments to enhance the PCAOB's oversight activities, stakeholder engagement, business processes, and IT infrastructure.

The increased funding in 2022 principally reflects cost escalation for inflation, additional staff positions primarily to support inspections and

standard-setting activities, and increased travel costs in anticipation of travel resuming in 2022 after being halted given the pandemic.

"Our budget sets forth the resources required to enable the Board and our dedicated staff to fulfill our statutory mandate and drive continuous improvement in audit quality through proactive, responsive, and innovative oversight," said PCAOB Acting Chairperson Duane M. DesParte.

Guiding the development of the budget is the PCAOB's current five-year Strategic Plan. Given the ongoing leadership transition at the PCAOB, the Board used the organization's 2020-2024 Strategic Plan as the basis for the 2022 budget, with the expectation that the new Board will reassess the PCAOB's strategic goals and priorities in 2022.

The PCAOB's budget is subject to approval by the U.S. Securities and Exchange Commission.

An audio recording of today's open meeting, which was held virtually, will be available on the PCAOB website.

You may visit:
https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/about/administration/documents/fiscal_year_budgets/pcaob-fy2022-budget.pdf?sfvrsn=6c10ba46_4

Statement on the PCAOB 2022 Budget

Duane M. DesParte, Acting Chairperson
PCAOB Open Board Meeting

I am pleased to support the PCAOB's 2022 Budget.

Independent and consistently high quality financial statement audits are essential in helping ensure reliable and relevant financial reporting for our capital markets. The PCAOB's oversight of public company audits is critical in driving continuous improvement in audit quality for the protection of investors.

The 2022 Budget provides us the resources to continue to deliver and enhance our mandated standard-setting, inspections, and enforcement responsibilities as well as to further optimize our business processes and culture.

Of course, we cannot succeed without our staff. We are fortunate to have a team of highly dedicated and capable professionals. The 2022 Budget supports our commitment to further develop, empower and meaningfully

engage our people and further cultivate a high-integrity, collaborative, and inclusive culture.

Of note, the Budget provides for additional resources in certain areas, including targeted staffing increases in our standard-setting and inspections programs.

Additional staffing in the Office of the Chief Auditor will provide increased capacity to further advance our standard-setting and research projects, including our important quality control and data and technology projects, and support our continuing assessment of environmental, social, and governance assurance matters.

Additional staffing in the Division of Registration and Inspections will allow us to devote increased focus to emerging risks, continue to improve the relevance and timeliness of our inspection reports and other information we share about audit quality, and make progress on certain international inspections deferred during the pandemic.

As stewards of the fees collected to fund our efforts, we must operate as effectively and efficiently as possible. It is important, therefore, that we continue to optimize our program effectiveness, our internal processes, and our information technology investments. I have reviewed the spending amounts reflected in the 2022 Budget, and believe they are appropriate and reasonable.

Typically we present an updated Strategic Plan along with our annual Budget. This year, given the Board transition, we have deferred considering an updated Strategic Plan until the new Chairperson and other Board member are seated.

In the months to come, I look forward to conferring with my new Board colleagues in reassessing our strategic objectives and priorities and to working together alongside our staff in further fulfilling the PCAOB's essential mission.

I thank everyone at the PCAOB involved in completing this year's Budget, especially our Chief Financial Officer and Acting Chief Administrative Officer, Holly Greaves, Budget Officer, Jim Hearn, and the rest of their team and the leadership of each of the Divisions and Offices.

I also thank the SEC, especially in the Office of the Chief Accountant, for their input and direction.

Finally, I want to thank the entire PCAOB staff for their collaboration and partnership this past year, and especially for the tremendous support they have provided me these past six months as Acting Chair.

Statement on the Adoption of the 2022 Budget

Christina Ho, Board Member
PCAOB Open Board Meeting

Thank you, Duane. Good morning everyone. First, I would like to take a moment to say that I am honored to join the PCAOB and that I am looking forward to working with my fellow Board members and the PCAOB's talented and committed staff. I also want to thank Duane DesParte for his leadership during this transition period. I appreciate his open and collaborative approach. I am sure his knowledge and transparency provided the PCAOB staff the steady leadership during a time of uncertainty.

I am pleased to support the PCAOB's 2022 Budget as my first vote at an Open Meeting. The Budget is foundational to the PCAOB's operations because it allocates resources to implement the Board's mission of improving audit quality and protecting investors. It also provides an opportunity for the Board to transparently convey to the public some of our priorities, and how those priorities will be realized through the funding of our programs.

As you have heard, there is an increase in the 2022 budget from the 2021 budget. The increase allows us to direct more resources to our inspections program, our standard-setting efforts, and our engagement with stakeholders, among other things. All these programs are important to the fulfillment of our mission.

I would also like to take a moment to highlight some of the opportunities that I, as a new Board member, see for the PCAOB. In particular, I am interested in working with the Board to identify ways to advance data-driven decision making across our programs including inspections, enforcement, and standard setting.

The PCAOB collects large amounts of data through its inspections and other processes. By leveraging PCAOB's data as well as data made publicly available by the SEC and others, we may be able to more effectively inform standard-setting priorities and predict the risks of audit deficiencies and violations.

As a result, we could use our resources more efficiently to further improve audit quality and protect investors. I am looking forward to exploring these ideas with my fellow Board members and our staff.

Finally, I thank the PCAOB staff for their hard work in completing the 2022 budget and the SEC for their feedback and collaboration. I look forward to working together to advance our mission of protecting investors and promoting public trust in financial disclosures.

I fully support the adoption of the 2022 budget.

PCAOB Open Board Meeting on FY 2022 Budget

Kara M. Stein, Board Member
PCAOB Open Board Meeting

It is an honor and a privilege to join my fellow Board members this morning. This is my first vote as a PCAOB Board member. I am pleased it will be in support of the PCAOB's budget submission to the Securities and Exchange Commission.

I want to thank Acting Chair DesParte and his staff for all of their hard work on this budget document. I also would like to thank the heads of each division, and the staff from the Office of Administration; in particular Holly Greaves, Jim Hearn, Alfredo Azocar, Yoss Missaghian, and Marcia Saavedra.

This 2022 budget highlights how very important people are to the PCAOB's mission. Almost three-quarters of the resources we are requesting in our budget submission are for personnel. It is the people at the PCAOB who work day in and day out to improve audit quality on behalf of investors and our capital markets.

I am also supportive of the additional resources included in the budget for completing new audit standards, researching further uses of data and technology, and evaluating developments in the ESG metrics and assurance space.

This budget also recommits funds towards investor and other stakeholder outreach, both for events and advisory group activities. This is critically important to our mission of protecting investors and the integrity of the capital markets.

Although I am supporting today's proposed budget, I plan to work closely with my fellow Board members and our new Chair, Erica Williams, to reassess the PCAOB's Strategic Plan, and determine if additional staffing and resources may be needed in the months ahead.

I want to thank again the Board's staff for making today's budget document a reality, and I am pleased to support its submission to the Commission.

You may also visit:
https://pcaobus.org/news-events/events/event-details/open-board-meeting-to-consider-2022-budget

https://soundcloud.com/pcaobdialogues/pcaob-open-board-meeting-to-consider-2022-budget?utm_source=clipboard&utm_campaign=wtshare&utm_medium=widget&utm_content=https%253A%252F%252Fsoundcloud.com%252Fpcaobdialogues%252Fpcaob-open-board-meeting-to-consider-2022-budget

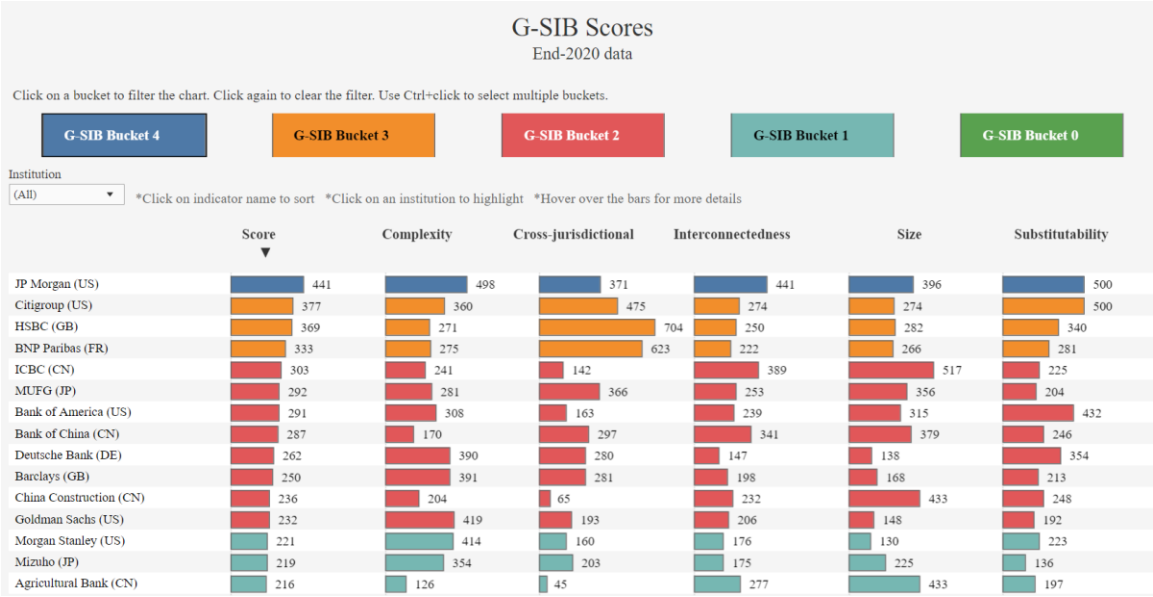
Number 3

Basel Committee publishes more details on global systemically important banks

- The Committee provides additional information regarding the end-2020 G-SIB assessment.

- Further details include global denominators and individual bank indicators.

- The release accompanies the Financial Stability Board's updated G-SIB list.



G-SIB Scores
End-2020 data

Click on a bucket to filter the chart. Click again to clear the filter. Use Ctrl+click to select multiple buckets.

G-SIB Bucket 4 | G-SIB Bucket 3 | G-SIB Bucket 2 | G-SIB Bucket 1 | G-SIB Bucket 0

Institution
(All)

*Click on indicator name to sort *Click on an institution to highlight *Hover over the bars for more details

	Score	Complexity	Cross-jurisdictional	Interconnectedness	Size	Substitutability
JP Morgan (US)	441	498	371	441	396	500
Citigroup (US)	377	360	475	274	274	500
HSBC (GB)	369	271	704	250	282	340
BNP Paribas (FR)	333	275	623	222	266	281
ICBC (CN)	303	241	142	389	517	225
MUFG (JP)	292	281	366	253	356	204
Bank of America (US)	291	308	163	239	315	432
Bank of China (CN)	287	170	297	341	379	246
Deutsche Bank (DE)	262	390	280	147	138	354
Barclays (GB)	250	391	281	198	168	213
China Construction (CN)	236	204	65	232	433	248
Goldman Sachs (US)	232	419	193	206	148	192
Morgan Stanley (US)	221	414	160	176	130	223
Mizuho (JP)	219	354	203	175	225	136
Agricultural Bank (CN)	216	126	45	277	433	197

The Basel Committee on Banking Supervision today published further information related to its 2021 assessment of global systemically important banks (G-SIBs), with additional details to help understand the scoring methodology.

The publication accompanies the Financial Stability Board's release of the updated list of G-SIBs and includes:

- the denominators of each of the 12 high-level indicators used to calculate banks' scores;

- the 12 high-level indicators for each bank in the sample used to calculate these denominators; and

- the cutoff score used to identify the G-SIBs in the updated list and the thresholds used to allocate G-SIBs to buckets for the purpose of calculating the specific higher loss-absorbency requirements.

The Committee's methodology assesses the systemic importance of global banks using indicators calculated from data for the previous fiscal year-end (2020) supplied by banks and validated by national authorities. The final scores are mapped to corresponding buckets that determine the higher loss absorbency requirement for each G-SIB.

To read more:
https://www.bis.org/temp/panels/smartembed5.htm?hasTabs=true&isResponsive=true&minWidth=500&midWidth=1100&url=https://dataviz.bis.org/t/MED/views/Rep_MPG_All_ScoresForDissemination_HS_new/Scores?:isGuestRedirectFromVizportal=y&:embed=y

Number 4

2021 List of Global Systemically Important Banks (G-SIBs)

G-SIBs as of November 2021[13] allocated to buckets corresponding to required levels of additional capital buffers

Bucket[14]	G-SIBs in alphabetical order within each bucket
5 **(3.5%)**	(Empty)
4 **(2.5%)**	JP Morgan Chase
3 **(2.0%)**	BNP Paribas Citigroup HSBC
2 **(1.5%)**	Bank of America Bank of China Barclays China Construction Bank Deutsche Bank Goldman Sachs Industrial and Commercial Bank of China Mitsubishi UFJ FG
1 **(1.0%)**	Agricultural Bank of China Bank of New York Mellon Credit Suisse Groupe BPCE Groupe Crédit Agricole ING Bank Mizuho FG Morgan Stanley Royal Bank of Canada Santander Société Générale Standard Chartered State Street Sumitomo Mitsui FG Toronto Dominion UBS UniCredit Wells Fargo

[13] Compared with the list of G-SIBs published in 2020, the number of banks identified as G-SIBs remains 30. Three banks have moved to a higher bucket: JP Morgan Chase has moved from bucket 3 to bucket 4, BNP Paribas has moved from bucket 2 to bucket 3 and Goldman Sachs has moved from bucket 1 to bucket 2.

[14] The bucket approach is defined in Table 2 of the Basel Committee document *Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement*, July 2013. The numbers in parentheses are the required level of additional common equity loss absorbency as a percentage of risk-weighted assets that each G-SIB will be required to hold in 2023.

The 2021 list of globally systemic banks (G-SIBs) is based on end-2020 data and an assessment methodology designed by the Basel Committee on Banking Supervision (BCBS).

The 30 banks on the list remain the same as the 2020 list. Within the list, three banks have moved to a higher bucket: JP Morgan Chase has moved from bucket 3 to bucket 4, BNP Paribas has moved from bucket 2 to bucket 3 and Goldman Sachs has moved from bucket 1 to bucket 2.

The assignment of G-SIBs to the buckets, in the list published today, determines the higher capital buffer requirements that will apply to each G-SIB from 1 January 2023.

In the near term, the BCBS will review the implications of developments related to the European Banking Union for the G-SIB methodology. In particular, this will include a targeted review of the treatment of cross-border exposures within the Banking Union on the G-SIB methodology.

2021 List of Global Systemically Important Banks (G-SIBs)

1. The Financial Stability Board (FSB), in consultation with Basel Committee on Banking Supervision (BCBS) and national authorities, has identified the 2021 list of global systemically important banks (G-SIBs).

The list is based on end-2020 data and the updated assessment methodology published by the BCBS in July 2013. The revised assessment methodology published in July 2018 will apply from 2022 (based on end-2021 data).

2. The overall number of G-SIBs remains 30. The changes in the allocation of the institutions to buckets (see below for details) largely reflect the effects of changes in underlying activity of banks.

The higher loss absorbency requirement established with this list will be effective beginning 1 January 2023.

3. FSB member authorities apply the following requirements to G-SIBs:

- **Higher capital buffer:** Since the November 2012 update, the G-SIBs have been allocated to buckets corresponding to higher capital buffers that they are required to hold by national authorities in accordance with international standards.

  The capital buffer requirements for the G-SIBs identified in the annual update each November will apply to them as from January fourteen months later.

  The assignment of G-SIBs to the buckets, in the list published today, therefore determines the higher capital buffer requirements that will apply to each G-SIB from 1 January 2023.

- **Total Loss-Absorbing Capacity (TLAC):** G-SIBs are required to meet the TLAC standard, alongside the regulatory capital requirements set out in the Basel III framework. The TLAC standard has begun being phased-in from 1 January 2019 for GSIBs identified in the 2015 list that continued to be designated as G-SIBs.

- **Resolvability:** These include group-wide resolution planning and regular resolvability assessments. The resolvability of each G-SIB is also reviewed in a high-level FSB Resolvability Assessment Process (RAP) by senior regulators within the firms' Crisis Management Groups.

- **Higher supervisory expectations:** These include supervisory expectations for risk management functions, risk data aggregation capabilities, risk governance and internal controls.

4. The BCBS publishes the annually updated denominators used to calculate banks' scores and the thresholds used to allocate the banks to buckets and provides the links to the public disclosures of the full sample of banks assessed, as determined by the sample criteria set out in the BCBS G-SIB framework.

The BCBS also publishes the twelve high-level indicators of the banks in the main sample used in the G-SIB scoring exercise.

5. The methodology for G-SIB identification is described in the technical summary published by the BCBS in November 2014.

The BCBS approved in November this year a technical amendment to the G-SIB assessment methodology review process, which replaces the previous three-year review cycle with a process of ongoing monitoring and review.

6. In the near term, the BCBS will review the implications of developments related to the European Banking Union for the G-SIB methodology.
In particular, this will include a targeted review of the treatment of cross-border exposures within the Banking Union on the G-SIB methodology.
7. A new list of G-SIBs will next be published in **November 2022.**

To read more: https://www.fsb.org/wp-content/uploads/P231121.pdf

Number 5

Introductory statement

Christine Lagarde, President of the ECB, at the Hearing of the Committee on Economic and Monetary Affairs of the European Parliament

We are nearing the end of the year, which means that you will soon reach the midway point of this legislative term. For my part, I have just completed the first two years of my mandate at the ECB.

I'm sure that, on taking office, none of us thought that a global pandemic would be at the top of our agendas. But in the face of turbulence, we came together as Europeans and mounted an unprecedented response to protect people's lives and livelihoods.

The challenge is not over yet. Not only the course of the pandemic, but also the decisions taken by policymakers will continue to determine the strength of the recovery. And that is why our regular hearings are so important.

My remarks today will focus on the outlook for the euro area and the relevance of the cost of housing for inflation – as requested by this Committee.

I will do this with the help of a small innovation I introduced: you should all have received a two-page document which visualises the content in this statement.

At your request, I will conclude by discussing how to effectively discharge the ECB's accountability obligations.

The economic outlook and monetary policy

Economic activity continued to recover strongly in the third quarter: quarterly gross domestic product (GDP) growth stood at 2.2 per cent and GDP is still expected to exceed its pre-pandemic level around the end of the year.

After the great financial crisis, euro area GDP took seven years to return to its pre-crisis level. This time, thanks to the strong and combined fiscal and

monetary policy responses, we expect it to exceed its pre-pandemic level in less than two years.

At the same time, growth momentum is moderating to some extent owing to supply bottlenecks and the rise in energy prices.

Consumer spending is solid, but shortages of materials, equipment and labour are weighing on manufacturing production, weakening the near-term outlook. Although the duration of supply constraints is uncertain, they are likely to persist for several months and gradually ease only during 2022.

Supply bottlenecks are not the only source of downside risk to the growth outlook. Higher energy prices could also dampen growth by limiting purchasing power and holding back the rebound in consumption. On the upside, households still have considerable excess savings which could boost activity levels if deployed.

Turning to inflation, the rate increased by more than we had anticipated in September, standing at 4.1 per cent in October. The upswing in inflation is being driven by three primary forces.

The first of these is energy prices. In October energy inflation accounted for just over half of overall headline inflation. The second is that the recovery in demand related to the reopening of the economy is outpacing constrained supply and this is pushing up prices. And the third is that the reversal of the temporary cut in German VAT last year is mechanically driving up current headline inflation figures.

The latter factor will fall out of the inflation calculation from January 2022 but the other two may last longer. Current futures prices point towards a noticeable easing of energy prices in the first half of 2022. As the recovery continues and supply bottlenecks unwind, we can expect the price pressure on goods and services to normalise.

As a result, we still see inflation moderating in the next year, but it will take longer to decline than originally expected.

If energy prices keep rising or supply constraints persist, inflation may remain higher for longer than we currently anticipate. This could feed into higher wages and subsequently higher prices. But so far, we see no evidence of this in the data for negotiated wages. We do see wage growth next year potentially rising somewhat more than this year, but the risk of second-round effects remains limited.

Overall, we continue to foresee inflation in the medium term remaining below our new symmetric two per cent target.

Growth and medium-term inflation dynamics still depend on favourable financing conditions for all sectors of the economy. Such conditions remain favourable and bank lending rates to firms and households remain at historically low levels.

At our October meeting the Governing Council continued to judge that favourable financing conditions could be maintained with the stance endorsed in September.

Regarding policy interest rates, in our forward guidance we clearly articulated the three conditions that need to be satisfied before rates will start to rise. Despite the current inflation surge, the outlook for inflation over the medium term remains subdued, and thus these three conditions are very unlikely to be satisfied next year.

Meanwhile our asset purchases under the pandemic emergency purchase programme continue to safeguard favourable financing conditions for all sectors of the economy. At a time when purchasing power is already being squeezed by higher energy and fuel bills, an undue tightening of financing conditions is not desirable, and would represent an unwarranted headwind for the recovery.

As for the further calibration of bond purchases, we will announce our intentions in December. Even after the expected end of the pandemic emergency, it will still be important that monetary policy – including the appropriate calibration of asset purchases – supports the recovery throughout the euro area and the sustainable return of inflation to our target of two per cent.

Inclusion of housing costs in our inflation measurement

I will now turn to the treatment of owner-occupied housing for inflation measurement, as requested by this Committee. The ECB considers that price stability is best maintained by aiming for two per cent inflation over the medium term, with the Harmonised Index of Consumer Prices (HICP) being the appropriate price measure. It is thus of primary importance to the ECB that the HICP appropriately represents the consumption patterns of euro area households.

Shelter being a primary need, the cost of housing is an issue that is foremost in many people's minds. This was reflected in our ECB Listens events and in your resolution adopted earlier this year.

We have listened to you and to the public, and we are now proposing steps to better reflect housing costs in the measurement of inflation in the euro area. Doing so we are mindful of the various technical challenges posed by incorporating housing costs in the HICP and the role that different EU institutions have in this process.

Let me explain this in more detail, as things are more complicated than they may first appear.

One challenge is that housing has a dual nature: at first, buying a house is an investment in an asset. But buyers may have different intentions: they could use the house only as an investment – by renting it out – or use it primarily for consumption – by occupying it as an owner. As the owner-occupier will also benefit from the increase in the house's value over time, it will be used for both investment and consumption.

To ensure that HICP maintains its focus on consumption expenses as required by the HICP regulation, only the consumption part of housing costs must be captured. However, doing so is quite challenging from a technical point of view, as shown by the considerable variation in ways the matter is dealt in other countries.

The first step is to define what should be measured: the owner pays for the house only once, at the time of the transaction, but consumes the housing service for a long time. This issue is solved under the so-called net acquisition approach whereby a house is treated like any other durable good: prices for new cars, for example, are included at the time of purchase even though the car will be used for the next few years.

The second step, in line with the HICP regulation, is to derive a price index by looking only at transactions to, but not within, the household sector.

Sales of houses between households should be ignored, which means focusing mainly on new builds. This results in a relatively small number of transactions per month, which, for smaller countries, may make it impossible to calculate a monthly price index.

In the strategy review we looked at all of these technical issues and how to solve them. As part of the review, the Governing Council decided in favour of including owner-occupied housing using the net acquisition approach.

However, the HICP is not compiled by the ECB but by Eurostat and the national statistical institutes. The Governing Council thus proposed a roadmap that takes into account the role of the various EU institutions involved in this process.

This roadmap foresees four main stages for moving to an HICP including owner-occupied housing.

First, we are constructing an analytical index which includes owner-occupied housing for internal purposes. Second, we would like Eurostat to publish an experimental quarterly HICP including owner-occupied housing costs, possibly by 2023.

In parallel, the necessary legal work will be started so that an official quarterly index can be made available, possibly in 2026. Here, I am counting on the support of the European Parliament, given that it already requested the integration of owner-occupied housing in 2016.

The aim – and final stage – would be to include owner-occupied housing at a monthly frequency and in a timely manner, hence fully usable for monetary policy purposes.

The Governing Council also decided that, during the transition period, the main reference index for monetary policy will remain the current HICP.

Nevertheless, the quarterly standalone owner-occupied housing price index as well as the quarterly indices, combining HICP and owner-occupied housing, once available, will play an important supplementary role and inform our monetary policy decisions. Let us now review some preliminary calculations of the experimental index envisaged for the first stage of the roadmap.

Adjusted inflation figures including the owner-occupied house price indices would currently be slightly higher than the annual HICP inflation rate. Preliminary estimates indicate that the difference was around 0.2 percentage points in the second quarter of 2021, slightly higher than the average since 2012.

This reflects strong euro area house price dynamics in the recent period, which remained unabated during the COVID-19 crisis and continued to be supported by strong fundamentals and favourable financing conditions. At the same time, it is important to highlight that during periods when there is downward pressure on housing prices, such adjustments may also result in a lower HICP inflation rate.

Effectively discharging the ECB's accountability obligations

Let me now conclude by discussing an issue which I believe is of crucial importance to both our institutions: namely, how to effectively discharge the ECB's accountability obligations.

Over the past few years, the European Parliament has asked the ECB to improve its communication practices to ensure that we earn people's trust. As you know, I am personally very committed to this issue. I am therefore pleased to say that we have listened to you and made progress in this area.

Our new clear and symmetric two per cent inflation target makes it easier to hold us accountable.

Moreover, we have taken concrete measures to enhance the clarity and accessibility of our communication to the public, such as the new monetary policy statement following our Governing Council meetings.

And we are also making "listening events" a structural feature, extending the principle of two-way communication that we have with you in the European Parliament directly to citizens.

But this direct communication with citizens can only complement our accountability relationship with the European Parliament, which is prominently enshrined in the Treaty.

We need you, as the representatives of EU citizens, to channel their concerns to us and help explain our policies to them. Delivering on the ECB's Treaty obligations is a challenge shared by both the ECB and the European Parliament.

Over the past two years, I have answered around 300 questions in hearings and responded to more than 90 written letters from you. But we have also gone beyond the regular practices and taken several initiatives to enhance the scrutiny of the ECB's actions.

Together, we have organised additional hearings and visits to the ECB on topical issues, such as the strategy review and the digital euro.

As soon as the digital euro project was launched, my Executive Board colleague Mr Panetta clearly communicated our willingness to have additional regular exchanges following progress made in the investigation phase.

The next of these will take place on Thursday of this week.

The flexibility that has shaped our accountability practices in recent years has paid off and we should build on that.

The literature on how we can improve our accountability practices – which has been enriched by the studies commissioned by the European

Parliament – shows that once you take into account the statutory differences of major central banks, what matters is how we do things.

These international experiences and things we have learned from past years, together with the provisions of primary EU law, should be our guiding principles when we discuss how to effectively discharge the ECB's accountability obligations in years to come.

As the British human rights activist and environmental campaigner Anita Roddick once said, "If you do things well, do them better".

Thank you for your attention. I now stand ready to take your questions.

Number 6

Designing a digital euro for the retail payments landscape of tomorrow

Fabio Panetta, Member of the Executive Board of the ECB, at the ECON Committee of the European Parliament

Madam Chair, honourable members of the Committee on Economic and Monetary Affairs,

Thank you for inviting me to report on the investigation phase of the digital euro project, which we started in October. I am happy to finally meet at least some of you in person, once again. Our interactions started a year ago when we published the Eurosystem report on a digital euro.

I am pleased that these exchanges of views continue, and I am committed to having regular topical hearings with you during the investigation phase of the project.

In my remarks today I will focus on why we would issue a digital euro. I will then outline how we will structure our work in the investigation phase to ensure that we design a digital means of payment that is attractive to consumers.

Maintaining the role of central bank money in the digital age

When we decided to launch the investigation phase of the digital euro project in July, we did so knowing that we had the support of the European Parliament and other EU institutions, which all recognised the importance of this project.

Let me recall why such a project is necessary.

Issuing a digital euro for use in retail payments may appear superfluous to some, given that Europeans already have access to a wide range of private digital means of payment.

These include bank deposits, credit cards and mobile applications.

But even if private money and central bank money are used interchangeably by the public, we should not forget why this is possible. We take certain things for granted, and they are often the things that could create the biggest problems if they didn't exist.

Central bank money is by definition the safest form of money, because it is backed by the strength, the credibility and the authority of the State.

Private forms of money are liabilities of private issuers. They rely on the soundness of the issuer and, ultimately, on the promise of convertibility into central bank money. But this promise could prove to be ephemeral, for instance if the issuer manages its liquidity or solvency imprudently.

In practice, many people are unaware of these differences. This is what economists call "rational inattention". We don't think twice about storing and using our money via private intermediaries because we can regularly go to the cash machine and withdraw banknotes from our deposits without any problems.

This provides tangible proof that our money in the bank is safe. It reassures us that we will always be able to get cash if we ask for it and that, when private forms of money cannot be used, we will still be able to make payments in cash. Runs on private money usually only start when the confidence in convertibility disappears.

Convertibility with central bank money on a one-to-one basis anchors people's confidence in private money, supporting its wide acceptance.

This is not to say that other safeguards like banking regulation and supervision, deposit insurance and the monitoring function of capital markets are not also important and effective.

But they need to be complemented by the convertibility anchor as a basis for maintaining a well-functioning payments system and financial stability. And this is a pre-condition for preserving the transmission of monetary policy, and thus for protecting the value of money and trust in the currency.

Today, people have easy access to central bank money in the form of cash. But we know that they increasingly prefer to pay digitally and shop online.

In an increasingly digital economy, cash could become marginalised because it would no longer serve people's payment needs. And people would have little incentive to hold cash if they were unable to use it as a means of exchange.

Let me be clear: the ECB intends to ensure that people continue to have access to cash.

But at the same time, we need to ensure that central bank money remains fully usable and can provide an effective anchor at a time when payment behaviours are changing. And this is where our work on a digital euro comes in: it would enable people to continue using central bank money as a means of exchange in the digital era.

But the decline in the use of cash is not the only factor that could alter the payments landscape in the years to come.

Non-European payment providers already handle around 70% of European card payment transactions and if the footprint of these providers continues to grow, it would raise serious questions for Europe's autonomy in payments, with potential implications for users.

Let me give you an example: today, many Europeans can use their debit cards – such as the German EC-Karte or the Italian Bancomat – abroad, thanks to an existing agreement between their banks and international credit card companies.

But for some debit card schemes, this use in cross-border settings could be curtailed in the future as it depends on the continued willingness of the international card schemes to provide such services.

Moreover, although the take-up of digital assets such as crypto-assets and stablecoins – as well as their reach in payments – has remained limited so far, they are growing rapidly: the market capitalisation of stablecoins has increased from USD 5 billion to USD 120 billion since early 2020.

In parallel, big tech companies have entered the world of financial services. If these two trends meet, the functioning of global financial markets could be altered and traditional payment services could be crowded out.

These developments mean there is reason to redefine the regulatory and supervisory landscape, but this may not be enough.

The presence of a digital euro could reduce the risk that the functioning of – and competition in – European payments could be altered by the dominance of digital means of payment managed by foreign-based entities and big techs with scale and information advantages.

If we want to preserve an open, level playing field in payments and monetary sovereignty, we should start taking action today.

Designing a retail central bank digital currency

While individuals may currently only have access to central bank money in physical form, this is not the only form of central bank money that exists.

Banks have been able to access central bank digital currency via the so-called TARGET services for a long time, and the Eurosystem is currently working on a new consolidated TARGET platform to offer the market enhanced and modernised services.

In July 2021, the ECB's Governing Council decided to launch a new Eurosystem work stream in order to explore possible technological improvements in the wholesale infrastructure.

By comparison, the digital euro project is about ensuring that everyone can use central bank money in digital form for their daily transactions. It would also allow users to benefit from high standards of privacy.

With the digitalisation of payments, each individual transaction contains a large amount of personal data, which are often used by private companies for a variety of purposes.

Regulation does its best to avoid these data being abused, but it often struggles to keep pace with technological innovation.

Crucially, however, the ECB has no commercial interest in monetising user data, so a digital euro would improve citizens' welfare by giving them the option to use a form of digital money that protects their privacy.

Finally, a digital euro would provide new business opportunities and act as a catalyst for technological progress and innovation in the private sector.

It would create a level playing field for financial intermediaries and strengthen their competitiveness. And it would offer them the opportunity not only to distribute central bank money, but also to develop new services with "digital euro inside".

Over the next two years we will investigate the key issues related to the design and distribution of a digital euro.

We will have to strike the right balance between different priorities.

For example, the digital euro will be designed to be an efficient means of payment, but also to preserve financial stability. We will be careful to ensure the financial sector can adjust in an orderly manner. To prevent

excessive and abrupt shifts from commercial to central bank money, we will need to strike a balance between maximising its appeal as a means of exchange and limiting its use as a form of investment.

Different design options and decisions all have a bearing on one another, so making a coherent set of choices will be key. We have a clear timeline that takes these interlinkages into account and will ensure a coherent product.

The Eurosystem High-Level Task Force on Central Bank Digital Currency that I chair is working to identify use cases and design options. After this phase we will move on to examining technological solutions. We expect to narrow down the design-related decisions by the beginning of 2023 and develop a prototype in the following months.

I must stress that the digital euro will not be able to be everything everyone wants it to be on day one. We will need to strike a balance to design a digital euro that is immediately valuable to users but can be developed in a reasonable time frame.

This brings me to my last point: finding out what potential users of a digital euro would want from this new means of payment.

Making the digital euro attractive to consumers

As already mentioned, the digital euro would be available for daily transactions to all potential users. However, the vast majority of transactions will likely involve consumers' daily purchases at the "point of interaction" (in other words, payments at physical shops, from person to person and online).

Consumers will only use a digital euro if it is widely accepted for payments, and merchants will want to be reassured that enough consumers want to use it.

In practice, while we often mention the financial stability risk that would emerge if a digital euro were too successful, we equally need to address the opposite risk – the risk of it not being successful enough.

To be successful, a digital euro must be attractive to users by providing a low-cost, efficient means of payment that is available everywhere.

To find out what users want, we will engage extensively with the public, merchants and other stakeholders during the investigation phase.

Focus groups in all euro area countries will help us gain in-depth insights into the preferences of the public and small merchants, including people who do not currently have access to the internet or banking services.

Given the need to make the digital euro fully interoperable with existing payment services, we have also appointed 30 senior business professionals to provide expertise from an industry perspective.

Consumers, retailers, small and medium-sized enterprises and market representatives will have further opportunities to share their views through the Euro Retail Payments Board. In addition, technical workshops with experts will help us explore technological options for the design of a digital euro.

At the same time, the success of a digital euro will heavily depend on European authorities and institutions being closely aligned.

We are therefore engaging closely with the European Parliament, the European Commission and the Eurogroup on major design issues and the aspects of a digital euro that are relevant for EU policy more broadly.

Our discussion today is part of this endeavour. As representatives of European citizens, you have an important role to play in making sure that we design a digital euro that would meet their needs in the retail payments landscape of tomorrow.

We are committed to holding regular exchanges like this one so that your views can inform the Eurosystem's technical discussions before any endorsement by the ECB's Governing Council, and so we can debrief you on any decisions taken thereafter.

As co-legislators you will play a key role in any changes to the EU legislative framework that may be necessary to introduce a digital euro.

The ECB and the European Commission services are already jointly reviewing a broad range of legal questions at the technical level, taking into account their respective mandates and independence as provided for in the Treaties.

Conclusion

Let me conclude.

Effective policymaking requires forward thinking. Central banks must innovate in the face of changing payment habits and global developments.

When designing a digital euro, we need to consider not only the payments landscape of today, but also the landscape of tomorrow, which may be characterised by new actors, new digital assets and new payment solutions.

The stakes here are high and we are in uncharted waters. We want to move fast, but we must not rush.

We need to take the time to get it right and consider all aspects so that central bank money continues to play its role as an anchor of stability at the heart of the payment and financial system.

I now look forward to your questions.

Number 7

Part II of Security Guidance for 5G Cloud Infrastructures

SECURITY GUIDANCE FOR 5G CLOUD INFRASTRUCTURES

Part II:
Securely Isolate Network Resources

2021

As part of the Enduring Security Framework (ESF), the National Security Agency (NSA) and the Cybersecurity and Infrastructure Security Agency (CISA) published guidance today to mitigate cyber threats within 5G cloud infrastructure. Securely Isolate Network Resources examines threats to 5G container-centric or hybrid container/virtual network, also known as Pods.

The guidance provides several aspects of pod security including limiting permissions on deployed containers, avoiding resource contention and denial of service attacks, and implementing real time threat detection.

In Part I of the series, ESF discussed best practices on preventing and detecting malicious cyber actor activity in a 5G cloud infrastructure and recommended mitigations aimed at preventing cybersecurity incidents.

Part II of the series dives into Pod security and preventing a process that runs in a container from escaping the isolation boundaries of its container and gaining access to the underlying host.

“5G changes the traditional mobile network operations architecture, allowing for the core network to be moved away from proprietary hardware and software to a modular cloud-native infrastructure,” said Jorge Laurel, NSA Project Director for ESF. “This is more flexible in its development and deployment, but also introduces new cybersecurity implications and risks that need to be mitigated.”

"The deployment of 5G is built on an agile, highly configurable network architecture, a foundation of virtualization that can bring a wealth of benefits to our lives and work as well as greater security risks," said, Matt Hartman, Deputy Executive Assistant Director for Cybersecurity, CISA. "With our partners at NSA and ESF, CISA encourages the 5G community to review this guidance to ensure they achieve the necessary heightened level of Pod security in 5G cloud."

TABLE OF CONTENTS

Pods are the isolated environments used to execute 5G network functions in a 5G container-centric or hybrid container/virtual network function design and deployment. Pods provide highly configurable, flexible workloads that can be scaled and orchestrated from a central control plane, while enforcing isolation of each workload.

The scale and interoperability requirements of 5G cloud components makes securely configuring Pods a challenging but important ongoing effort. A strong Pod security posture leverages containerization technology to harden the deployed application, protects interactions between Pods, and detects malicious/anomalous activity within the cluster.

"5G changes communication capabilities and risks," said Rob Joyce, NSA Cybersecurity Director. "This guidance document from ESF brings to light the need to secure Pods as an important aspect of securing 5G cloud environments."

5G cloud providers, integrators, and network operators share the responsibility to securely configure, deploy, and orchestrate Pods that provide services.

This series has been published under the Enduring Security Framework (ESF), a public-private cross-sector working group led by NSA and CISA.

You may visit:
https://media.defense.gov/2021/Nov/18/2002895143/-1/-1/0/SECURITY_GUIDANCE_FOR_5G_CLOUD_INFRASTRUCTURES_PART_II_20211118.PDF

Number 8

Crises as a catalyst for change – lessons from the past, challenges for the future

Keynote speech at the 31st Frankfurt European Banking Congress

1 Introduction

Ladies and gentlemen,

I am delighted to be back here at the European Banking Congress. Of course, I would have preferred to meet you in person at the Alte Oper. But we are all deeply concerned about the latest wave of infections that has spread across Germany.

The Alte Oper has always provided an excellent venue for this event and for cultural life more generally. Another great cultural location in Frankfurt, by the way, is the Städel Museum, where an impressive Rembrandt exhibition is currently on display.

One highlight of the exhibition is The Blinding of Samson. The painting depicts Samson, a heroic figure from the Old Testament, seized by the Philistines. Rembrandt captured the dramatic story on a single monumental canvas.

Standing up close, you marvel at the many small intricacies, especially Rembrandt's masterful play with light and shadow.

At this short distance, though, you lose sight of the big picture (quite literally) – the connections and interrelationships escape you. But if you take a couple of steps back, suddenly you understand the whole story.

In a similar way, I would now like to take a few steps back with you and place recent developments in monetary policy in the overall picture. We are overcoming the economic slump caused by the COVID-19 shock.

Like other severe crises before, the pandemic will not pass without leaving its mark – including on monetary policy. Therefore, it is worth broadening our view and looking in both directions: backwards and forwards.

2 Past: lessons from the financial and sovereign debt crises

Ten years ago, almost to the day, I gave my first speech at the EBC. Back then, we were dealing with the aftermath of the global financial crisis, and the sovereign debt crisis was shaking the euro area to its very foundations.

To prevent the situation from coming to a head, policymakers granted joint assistance loans to financially distressed Member States. The Eurosystem also stepped in, taking on the role of a 'crisis response unit' and buying governments and parliaments time for reforms.

Since then, much has been done to shore up the resilience of the financial system. The core idea was to strengthen the liability principle again in order to curb adverse incentives. Stricter financial market regulation has helped achieve this, as have higher capital requirements for banks.

We also learned that, for a stable financial system, it is not enough to monitor the stability of individual institutions. Macroprudential policy was established to take a comprehensive view and use a toolkit of its own.

Much has changed for the better in institutional terms as well. Today, the ESM stands ready to provide financial support to Member States facing severe crises. Another major step forward was the creation of the European banking union with joint supervision and a single mechanism for restructuring and resolution.

All this has made the monetary union more stable. Nevertheless, by the end of the last decade, there were still some items left on the post-crisis to-do list.

For example, the sovereign-bank nexus has not been decisively broken. Many banks still hold large portfolios of domestic government bonds. This practice is being encouraged by the preferential treatment afforded to sovereign exposures in terms of capital requirements and the large exposures regime.

I am convinced that regulation should not give banks incentives to overinvest in sovereign exposures and to tie their fate to their sovereign's solvency. Abolishing the preferential treatment would also add to the credibility of the no-bail out rule under the Maastricht Treaty.

Meanwhile, the impression seemed to have grown in public that the central banks were always ready to step into the breach for other policy areas, if push came to shove. In addition, the monetary policy setting had changed:

First, inflation in the euro area was stubbornly low – partly as an after-effect of the crisis years.

Second, equilibrium real interest rates have fallen, which is likely to have reduced central banks' room for manoeuvre regarding policy rates. Consequently, monetary policy resorted to unconventional instruments such as quantitative easing to achieve the desired expansionary effect.

While unconventional monetary policy measures have been supportive for growth and inflation, they have also led us into largely uncharted territory. In particular, large-scale bond purchases transformed the Eurosystem central banks into the biggest creditors of Member States. This caused monetary and fiscal policy to become more closely intertwined, weakening the incentives for sound public finances.

Painted with broad brush strokes, that was the situation we found ourselves in when the pandemic hit.

3 Present: unsound developments laid bare

The previous crises originated in the financial system or the economy. The pandemic, by contrast, is at its core a health crisis. However, like the crises that came before, it is exposing existing problems and laying bare longer-term challenges.

Take fiscal policy, for example. It was right for governments to act swiftly and comprehensively to avert a downward spiral that could have inflicted serious, permanent damage on the economy. Hence, it was appropriate that the requirements of the Stability and Growth Pact were suspended during this phase.

Indeed, it was precisely for circumstances like these that the general escape clause was created in the first place. But, before the crisis, the EU fiscal rules lacked teeth. Not only did they grow more and more complex, they were also stretched in practice. Especially countries with high debt ratios didn't do enough to scale back their structural deficits. Thus, during the crisis, debt ratios there rose strongly from an already elevated level.

Monetary policy is another case in point: Last year, the Eurosystem took swift and decisive action. This helped stabilise the economy and laid the foundations for its rapid recovery. However, when the pandemic crisis hit, policy rates were already at a record low – arguably, they weren't all that far away from their effective lower bound. So monetary policy was forced to extend the use of unconventional instruments even further.

Indeed, the Eurosystem's holdings of public sector bonds are still growing. Taking all programmes together, these holdings will probably come to roughly one-third of euro area GDP by the end of this year.

The fundamental issue goes beyond the euro area. According to calculations by Stephen Cecchetti and Paul Tucker, in 2007, the central banks in the US, UK, and Japan had total assets ranging from 6% to 20% of nominal GDP. By the end of 2020, the Fed's balance sheet was 34% of GDP, the Bank of England's 40%, and the Bank of Japan's 127%.

Mervyn King, the former Governor of the Bank of England, has recently warned that quantitative easing could become a "dangerous addiction", saying: "QE tends to be deployed in response to bad news, but isn't reversed when the bad news ends. As a result, the stock of bonds held by central banks ratchets up, expanding their balance sheets into the longer term." The path you follow then is like climbing up a mountain. And with every new crisis, you go up a few steps. But the higher you climb, the thinner the air becomes.

Looking back, monetary policy has never quite managed to get out of crisis mode. Thus, a return to normality could become more and more elusive.

4 Future: challenges after the COVID-19 crisis

As inflation rates have shot up recently, the issue of monetary policy normalisation has made a forceful return to the public debate.

By coincidence, the Eurosystem adopted a new monetary policy strategy this summer. As part of the strategy review, we reformulated our price stability goal as a symmetric 2% inflation target and confirmed the medium-term orientation of monetary policy. This allows us to "look through" short-term fluctuations in the inflation rate, for example.

Today, the most important question for monetary policymakers is thus: how stubborn will the high price pressures be? The elevated inflation rates will probably take longer than previously projected to recede again. Indeed, supply shortages may wear on for some time, and energy prices have surged further.

Beyond that, the price outlook is exceptionally uncertain. Higher inflation expectations and higher wage growth could strengthen price pressures in the medium term. Thus, the fallout from the pandemic could have a marked impact on the inflation setting. And it could well be that inflation rates will not fall below our target over the medium term, as previously forecast.

We should not ignore the risk of too high inflation and instead remain watchful. Moreover, given the considerable uncertainty about the inflation outlook, monetary policy should not commit to its current very expansionary stance for too long.

And to keep inflation expectations well anchored, we need to reiterate over and over again: if required to safeguard price stability, monetary policy as a whole will have to be normalised.

This should be crystal clear to everyone – to financial markets as well as to governments, whose funding costs may rise.

But higher funding costs on the primary market will not be the only impact on public finances. Central banks' extensive bond purchases have made government budgets more dependent on changes in policy rates than before.

On central bank accounts, medium and long-term bonds on the asset side are matched by short-term commercial banks' deposits on the liability side. Thus, an increasing deposit rate will squeeze central banks' profits and, through profit distributions, lower government revenues as well.

Against this background, central banks will come increasingly under pressure from governments and financial markets to keep monetary policy expansionary for longer than the rationale of price stability would call for.

At this point, there's another remark by Mervyn King that might spring to mind: if central banks are obsessed with anything, he said, it is with fiscal policy.

For monetary policy to safeguard price stability in the long term, it relies on solid fiscal policy.

It is therefore vital that all Member States forge a path to sound public finances after the crisis. Hence, the upcoming reform of the EU fiscal rules should draw on the lessons of the past. We need a credible and more binding set of rules. To that end, these rules must become simpler and more transparent.

But there is a temptation to give practically free rein to fiscal policy while expecting monetary policy to fix any solvency problems. Ricardo Reis put it this way: "With its mystical ability to print money and its frequent purchases of government bonds, it is tempting to look at the central bank as a source of solace and respite."

In general, the demands placed on central banks have grown from crisis to crisis. One reason might be that central banks have, in emergencies, taken action when politicians were not ready yet. Thanks to the independence of monetary policy, they did not have to compete for political majorities. This has created desires to harness central banks for other goals as well.

We don't have superpowers, unlike Samson, depicted in Rembrandt's masterpiece. He was blessed with superhuman strength. But even great heroes have their weak points: Achilles' weakness was his heel, Superman's was kryptonite, for Samson it was his hair. As soon as his hair was cut off, he lost his power.

Undoubtedly, central banks are powerful institutions. However, if even fictional heroes can stumble, we should certainly not overestimate central banks' capabilities. One of the secrets of success for an independent monetary policy has always been recognising and respecting one's own limitations.

The Eurosystem was granted independence in order to achieve its primary objective of price stability. The more broadly we interpret our mandate, the more we run the risk of becoming entangled with politics and overburdening ourselves with too many tasks.

5 Conclusion

Ladies and gentlemen,

Sometimes pictures are too big. Rembrandt's famous The Night Watch was even trimmed on all four sides to fit onto a wall between two doors in Amsterdam's Town Hall.

The picture I draw in this speech should be spared such a fate. So let me conclude.

For a stability-oriented monetary policy in the long run, three things have to come together: First, a fiscal policy framework within the monetary union that ensures sound public finances; second, central banks that won't become harnessed to fiscal policy or financial markets; and third, a narrow interpretation of our mandate.

Especially in times of high uncertainty, it is important to see as much of the picture as possible, and that means drawing on all the data, different concepts and a broad variety of perspectives. That is what we do on the ECB Governing Council. To my mind, the diversity of opinions and viewpoints on the Council has always been a strength, not a weakness.

One aspect that undoubtedly unites the members of the Council is their shared quest for price stability in the euro area.

Like the meetings of the Governing Council, EBC events like this one have always been a forum for exchanging views and engaging in fruitful debate.

Over all these years, I have had the pleasure and the privilege to share in this experience. Oscar Wilde supposedly said: “When bankers get together, they discuss art. When artists get together, they discuss money.” And as you have seen today, the EBC even offers room for both.

Thank you for your attention.

Number 9

Cybersecurity Talent Management System (CTMS)

DHS Launches Innovative Hiring Program to Recruit and Retain World-Class Cyber Talent

The Department of Homeland Security (DHS) has launched the *Cybersecurity Talent Management System (CTMS),* a new personnel system that will enable DHS to more effectively recruit, develop, and retain our Nation's top cybersecurity professionals.

CTMS will enable DHS to fill mission-critical cybersecurity positions by screening applicants based on demonstrated competencies, competitively compensating employees, and reducing the time it takes to be hired into the Department.

Employees hired through this system will join the new DHS Cybersecurity Service, the Nation's preeminent federal cybersecurity team working to protect U.S. critical infrastructure and the American people from cybersecurity threats, and increase nationwide resilience.

"The DHS Cybersecurity Talent Management System fundamentally re-imagines how the Department hires, develops, and retains top-tier and diverse cybersecurity talent," said Secretary of Homeland Security Alejandro N. Mayorkas.

"As our Nation continues to face an evolving threat landscape, we cannot rely only on traditional hiring tools to fill mission-critical vacancies. This new system will enable our Department to better compete for cybersecurity professionals and remain agile enough to meet the demands of our critical cybersecurity mission."

Federal hiring practices need to meet mission and market demands in the dynamic field of cybersecurity. CTMS is one tool that will help DHS overcome challenges related to recruiting, developing, and retaining top-tier cybersecurity talent.

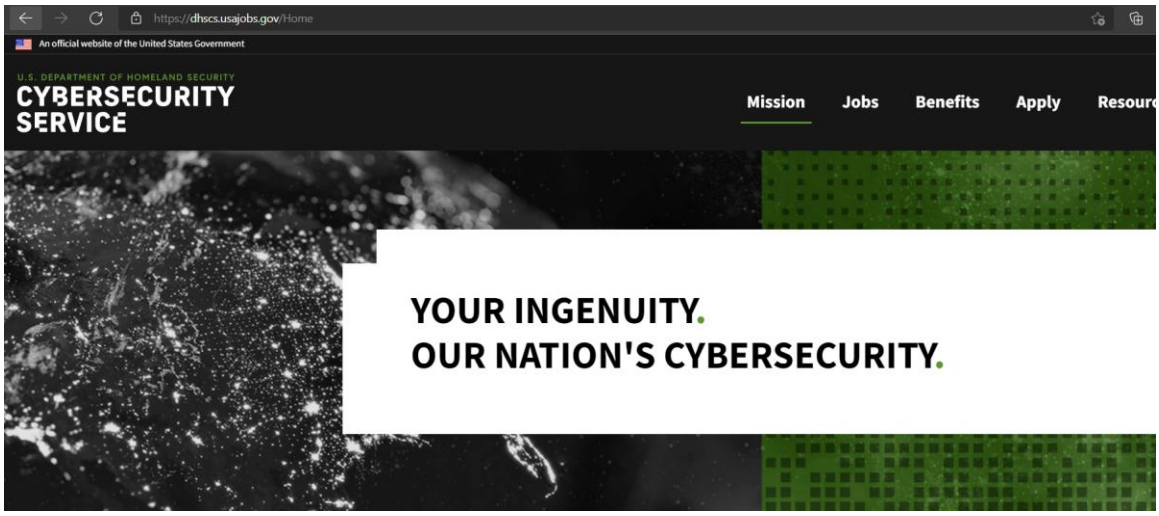
DHS will initially leverage CTMS to fill high-priority jobs at the Cybersecurity and Infrastructure Security Agency (CISA) and DHS Office of the Chief Information Officer.

Beginning in 2022, DHS Cybersecurity Service jobs will be available across several DHS agencies with a cybersecurity mission.

CTMS builds on the Department's efforts to create a robust, diverse cybersecurity workforce and fill critical positions. Earlier this year, Secretary Mayorkas announced the most successful cyber hiring initiative in the Department's history and established the Secretary's Honors Program to recruit talented recent graduates. You may visit: https://www.dhs.gov/news/2021/07/01/secretary-mayorkas-announces-most-successful-cybersecurity-hiring-initiative-dhs

To learn more about CTMS and jobs in the DHS Cybersecurity Service, visit https://www.dhs.gov/homeland-security-careers/cybersecurityservice

To apply for jobs in the DHS Cybersecurity Service, visit https://dhscs.usajobs.gov/Home



Number 10

Biomanufacturing: Coming Soon to a Galaxy Near You?

B-SURE program aims to develop fundamental understanding of microbial capabilities for bioproduction in space

DARPA DEFENSE ADVANCED RESEARCH PROJECTS AGENCY

The DoD has a role in orbital and lunar missions as defined by the US Space Force (USSF) Space Capstone Publication. You may visit: https://www.spaceforce.mil/Portals/1/Space%20Capstone%20Publication_10%20Aug%202020.pdf

CONTENTS

In this document, USSF notes the "inherent value of the space domain and the tremendous influence space has on U.S. prosperity and security."

There is a critical DoD need for the continued development and future expansion of orbital manufacturing to enable and ensure supply chain resiliency, sustained technological superiority, and asset security and repair for current and future operations.

To meet this unique challenge, DARPA announced today that it was taking an initial step to explore and de-risk manufacturing capabilities that leverage biological processes in resource limited environments with its Biomanufacturing: Survival, Utility, and Reliability beyond Earth (B-SURE) program.

Imagine you are going to space. There is a long list of items and supplies you will definitely need, but there is an even longer list of things you might need, depending on how your mission progresses.

This includes unforeseen needs like fuel for unexpected maneuvering, replacement parts or tools, and a wide range of other products that could be useful, but may not be utilized. The current paradigm in space is to pack everything you might possibly need, but this approach is complex and logistically burdensome. You may visit: https://ntrs.nasa.gov/api/citations/20150002905/downloads/20150002905.pdf

NASA/TP-2015–218570

Life Support
Baseline Values and Assumptions Document

Imagine instead that you pack only fermentation equipment, feedstocks, and a freezer full of microbes that each convert the feedstock into a different useful molecule, material, or product so you have everything you might need and can produce it on demand.

This is the eventual goal of space biomanufacturing; bring the microbes and equipment you need to manufacture a wide range of raw materials or products that become critical during the course of the mission.

Biomanufacturing offers a novel approach for in-situ manufacturing in far-forward locations, including space.

While biomanufacturing has the potential to provide DoD-relevant molecules and materials and alleviate supply chain burdens associated with space operations, realizing this capability requires fundamental, investigational research to inform future applied research efforts.

To accomplish this goal, B-SURE will collect data on the microbial utilization of space-based alternative feedstocks, optimization of microbial growth in variable gravities, and mitigation strategies for identified effects of galactic cosmic radiation on microbial growth and bioproduction.

"DoD currently has no space-based manufacturing capability. All resources or equipment needed for a given mission are manufactured on Earth and shipped to space," stated Dr. Anne Cheever, B-SURE program manager. "The B-SURE program is an important first step in addressing fundamental biomanufacturing questions to develop this capability."

The 18-month effort involves three tracks to meet program goals.

Track 1 "Alternative Feedstock Utilization" will determine which alternative feedstocks can be consumed by host organisms and at what quantity and purity levels.

Track 2 "Variable Gravity" will identify the impact of variable gravity on cellular performance in the context of biomanufacturing parameters and how terrestrial analogs predict on-orbit molecule production.

Track 3 "Variable Radiation" will discover the effects of variable radiation on microbial molecule production. Program proposers may choose to respond to one or more tracks.

B-SURE performers will have the opportunity to engage with U.S. Government and DoD stakeholders, as well as appropriate regulatory authorities. Teams are also expected to collaborate with ethical, legal, societal implications (ELSI) experts.

"The B-SURE program is a fundamental study that will explore adapting microbes to space conditions. As a proof of concept, the microbes will produce reporter molecules with the hope that eventually this technology

will enable in-space production of molecules relevant to space flight," added Cheever.

Additional details of the program schedule and metrics are available in the broad agency announcement at https://sam.gov/opp/99ed34c6f2a347e0ac260f265952a56c/view

Disclaimer

The Association tries to enhance public access to information about risk and compliance management.

Our goal is to keep this information timely and accurate. If errors are brought to our attention, we will try to correct them.

This information:

- is of a general nature only and is not intended to address the specific circumstances of any individual or entity;

- should not be relied on in the context of enforcement or similar regulatory action;

- is not necessarily comprehensive, complete, or up to date;

- is sometimes linked to external sites over which the Association has no control and for which the Association assumes no responsibility;

- is not professional or legal advice (if you need specific advice, you should always consult a suitably qualified professional);

- is in no way constitutive of an interpretative document;

- does not prejudge the position that the relevant authorities might decide to take on the same matters if developments, including Court rulings, were to lead it to revise some of the views expressed here;

- does not prejudge the interpretation that the Courts might place on the matters at issue.

Please note that it cannot be guaranteed that these information and documents exactly reproduce officially adopted texts.

It is our goal to minimize disruption caused by technical errors.

However, some data or information may have been created or structured in files or formats that are not error-free and we cannot guarantee that our service will not be interrupted or otherwise affected by such problems.

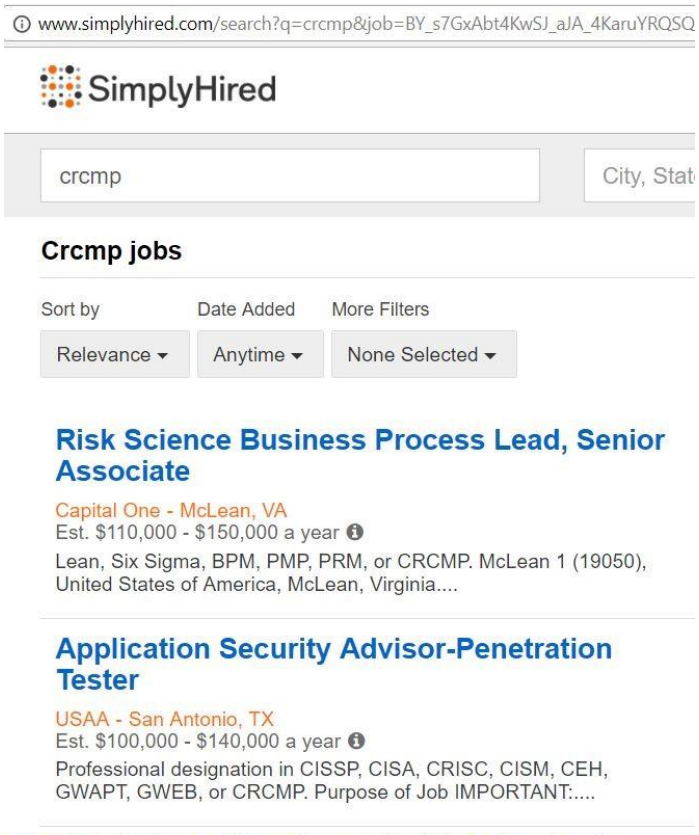
The Association accepts no responsibility regarding such problems incurred because of using this site or any linked external sites.

You can explore what we offer to our members:

1. *Membership* – Become a standard, premium or lifetime member.
You may visit:
https://www.risk-compliance-association.com/How_to_become_member.htm

2. *Weekly Updates* - Visit the *Reading Room* of the association at:
https://www.risk-compliance-association.com/Reading_Room.htm

3. *Training and Certification* – Become a Certified Risk and Compliance Management Professional (CRCMP), a Certified Information Systems Risk and Compliance Professional (CISRCP), a Certified Cyber (Governance Risk and Compliance) Professional - CC(GRC)P, and / or a Certified Risk and Compliance Management Professional in Insurance and Reinsurance - CRCMP(Re)I.



Senior Manager Vendor Risk Management

Johnson & Johnson Family of Companies ★★★★☆ 3,153 reviews - New Brunswick, NJ

Apply On Company Site

- Stay abreast of regulatory environment regarding VRM.

Qualifications

- A minimum of a Bachelor's degree or equivalent is required.
- Compliance Certification (CRCMP) designation is preferred.
- A minimum of 6 years experience in IT compliance, finance compliance and/or payroll compliance is required.
- Experience leading & executing SOX 404 compliance programs is required.
- Prior experience with vendor risk management preferred.
- Experience working with 3rd party vendors is preferred.

Companies and organizations like Accenture, American Express, USAA etc. consider the Certified Risk and Compliance Management Professional (CRCMP) program a preferred certificate. There are CRCMPs in 32 countries.

You can find more about the demand for CRCMPs at:
https://www.risk-compliance-association.com/CRCMP_Jobs_Careers.pdf

For the Certified Risk and Compliance Management Professional (CRCMP) distance learning and online certification program, you may visit:
https://www.risk-compliance-association.com/Distance_Learning_and_Certification.htm

For the Certified Information Systems Risk and Compliance Professional (CISRCP) distance learning and online certification program, you may visit:
https://www.risk-compliance-association.com/CISRCP_Distance_Learning_and_Certification.htm

For the Certified Cyber (Governance Risk and Compliance) Professional - CC(GRC)P distance learning and online certification program, you may visit:
https://www.risk-compliance-association.com/CC_GRC_P_Distance_Learning_and_Certification.htm

For the Certified Risk and Compliance Management Professional in Insurance and Reinsurance - CRCMP(Re)I distance learning and online certification program, you may visit:
https://www.risk-compliance-association.com/CRCMP_Re_I.htm

For *instructor-led* training, you may contact us. We can tailor all programs to meet specific requirements.