



Key Trends in Core Banking This Week

S38-2026-BNK • Reporting Period: September 14 – 20, 2026

China Moves Duration Risk into the Macroprudential Framework. On September 14, Reuters reported, citing people familiar with the matter, that the People's Bank of China plans to add new metrics to its Macroprudential Assessment framework to curb banks' excessive holdings of long-dated bonds and bond funds. The plan would also track deviations in money-market and bond yields. Benchmarks are still being discussed with the industry and have not been finalized. China's bond market has rallied this year against a global selloff, with the 10-year yield at 1.68% that day, near its lowest level since July 2025.

The proposal treats what banks hold in their securities portfolios as a system-level matter. A government bond carries little credit risk, yet a banking sector concentrated in the same long duration can take heavy valuation losses when rates turn, as U.S. regional banks found in 2023. The move also connects with FARO S37: the same falling long-term yields that led Beijing to recapitalize its state insurers are now drawing banks further out the curve. Supervision is extending beyond capital and liquidity ratios to the structure of the assets themselves.

Revolut Takes the Banking-License Route into Colombia. Revolut announced on September 15 that the Superintendencia Financiera de Colombia had granted its license to operate, the final regulatory step before launching as a bank, expected in 2027. It is Revolut's sixth full banking license. The company will invest an additional \$62 million locally, doubling its initial commitment, starting with deposit and high-yield savings accounts and credit cards and adding unsecured consumer loans in 2027. Deposits will be covered by Fogafin, and about 200,000 Colombians are already on its waiting list. A day later, Revolut confirmed a license application with Swiss regulator FINMA.

This extends the regulatory-perimeter theme followed in FARO S35 and S37. Chime reached a charter by buying its sponsor bank; Revolut has pursued direct licensing in markets such as Colombia while choosing to acquire a small licensed lender, Banco Cetelem, in Argentina. Either route leads to the fact that fintechs are moving away from partner-bank arrangements toward owning a regulated balance sheet, with deposit insurance, capital requirements, and local supervision attached. In Latin America, digital-banking competition will depend increasingly on which challengers are prepared to carry the full obligations of a bank.

Oracle Shows Where AI Credit Risk Can Stay on Bank Balance Sheets. On September 18, the Financial Times reported that about \$18 billion of loans financing Project Jupiter, an Oracle-leased data center campus in New Mexico, were being quoted by syndicate banks including Santander and Jefferies at 89–91 cents on the dollar. Efforts to sell the debt to a wider investor base have stalled over Oracle's rising borrowing and weaker credit profile, rated one notch above junk by S&P since July, and over local opposition to the project. Banks are consequently holding more of the debt than they had planned.

This is the first clear stress signal in the AI-financing thread FARO has followed since S31, when record CDS premiums on Oracle first appeared. S33 examined compute-backed finance, S36 the \$29.6 billion unsecured loan to ByteDance, and S37 the BIS financial-stability warning. Oracle adds distribution risk: loans a bank arranges to sell can remain on its books once investor appetite fades. For the arranging institutions, AI financing carries underwriting and inventory risk in addition to exposure to the borrower and the collateral.

“The structure of an asset matters, but so does the balance sheet on which it ultimately remains.”

MY TAKE

Banking this week is about where risk ends up. China wants to know whether long-duration bonds are piling up inside its banks; Revolut is choosing to take deposits and credit onto its own regulated balance sheets; and the Oracle financing shows how debt meant for distribution can stay with the banks that arranged it once investors step back. Financial innovation changes products, channels, and funding structures, yet the risk still has to sit somewhere. For banks and supervisors, knowing who holds it at the end of the chain now matters as much as understanding how it was created.

TECH TERM OF THE WEEK: “Macro Prudential Assessment (MPA)”

The framework the People's Bank of China has used since 2016 to evaluate banks through a scorecard that covers areas such as capital, leverage, liquidity, asset quality, and adherence to national credit policy. Where microprudential supervision asks whether each institution is sound on its own terms, the MPA considers how the combined behavior of banks affects the financial system. The proposed duration metrics illustrate that logic: a bond position that is reasonable for one bank can become a supervisory concern when the same position accumulates across the sector.



Key Trends in Insurance This Week

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Europe Treats the Climate Protection Gap as a Fiscal Risk. In her State of the Union address on September 16, European Commission President Ursula von der Leyen announced a Climate Insurance Alliance bringing together insurers, investors, risk modelers, public authorities, and policyholders. Only about a quarter of climate-related economic losses in the EU are currently insured. The alliance will examine instruments such as group and parametric insurance to reduce the extent to which national budgets act as insurers of last resort. Its scope and structure have not yet been defined, and the Commission will present a climate resilience framework next month.

The initiative takes the policyholder-protection discussion FARO followed in S36 from insurer failure to catastrophe financing. The question has moved past whether insurers remain solvent after large losses to how much of that risk reaches them at all. If climate losses keep rising while penetration stays low, the uninsured share falls on households and businesses and, eventually, on the state. Brussels is beginning to treat the protection gap as a matter of public financial resilience rather than a distribution problem for the industry alone.

UK Dynamic Stress Testing Pushes Supervision into Real Time. According to a September 17 report from Reuters, UK insurers have urged the Prudential Regulation Authority to rethink its Dynamic General Insurance Stress Test after the exercise strained their resources. Run over three weeks in May with firms representing about 80% of the UK general insurance market, the test disclosed its scenarios only as they unfolded: a U.S. West Coast earthquake, a Gulf of Mexico hurricane, a UK windstorm, European floods, and a cyber event. Some firms brought in technical experts at short notice and canceled staff leave.

A conventional stress test asks whether a balance sheet survives a set of predefined losses. This one also examined how management responds as information changes: who decides, whether capital can be mobilized, how exposures are reassessed, and whether operations hold. Industry feedback is telling on that point. Several participants found the live phase useful as a crisis rehearsal; the heavier burden came from the reporting that followed, which coincided with mid-year renewals. For supervisors, resilience is now measured as much by the capacity to decide under uncertainty as by a static solvency calculation.

Swiss Re Puts a \$300 Billion Price on Florida Exposure Concentration. Ahead of the centenary of the 1926 Great Miami Hurricane, on September 16, Swiss Re Institute estimated that a Category 5 hurricane striking Miami or Tampa Bay today could generate insured losses of \$300 billion or more, above any single insured loss on record. A repeat of the 1926 storm, a Category 4, would cost around \$200 billion, and Hurricane Andrew on its 1992 track close to \$100 billion. Miami-Dade had just over 100,000 residents in 1926; it has about 2.8 million today.

Those figures show that catastrophe severity depends increasingly on what lies in a storm's path. Population growth, property values, and asset concentration have turned the same coastline into a far larger insured exposure. This complements FARO S37 from the opposite direction: non-peak perils strain insurers through the accumulation of frequent, smaller events, while peak events strain them through extreme concentration at a single moment. In both cases, modeling the hazard is insufficient; insurers and reinsurers must also track the value that keeps building up where it strikes.

“Insurance risk grows not only when hazards intensify, but when economic value accumulates where those hazards strike.”

MY TAKE

Insurance this week moves the resilience debate from capital toward preparedness. Europe wants more climate losses carried by insurance instead of public budgets; the PRA is testing whether insurers can make decisions while a crisis unfolds; and Swiss Re is quantifying what a century of asset accumulation has done to catastrophe severity. Problems differ, but they share one constraint: risk transfer works only when exposure has been identified, priced, and made operationally manageable before the loss arrives. Closing protection gaps without building those capabilities would widen coverage without necessarily making anyone more resilient.

TECH TERM OF THE WEEK: “Dynamic Stress Test”

A supervisory exercise in which institutions respond to an evolving sequence of adverse events rather than a single predefined scenario. New shocks and information are introduced as the exercise progresses, requiring management to reassess exposures, capital, liquidity, and operational responses in real time. Whereas a conventional stress test measures the financial effect of fixed assumptions, a dynamic test also evaluates decision-making, coordination, and crisis-management capacity as conditions change.