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Regulatory newsletter | Prudential and Risk

FSI France

January to April 2022

Highlights of the period

In the period from January to April 2022, the EU regulatory bodies have made public their views on the review of the macro-prudential framework, following the EU Commission's Call for Advice of 31 July 2021. The ECB has also made public its opinion on the EU Commission's CRR3 / CRD 6 proposal, which adapts the EU prudential regulation to the 'Basel 4' standards, suggesting a series of significant changes to the Commission's proposal. As regards climate change, the ECB has clearly stated that 2022 will be the year that climate and environmental risks will become integrated in the day-to-day activities of the Joint Supervisory Teams (JST) and in the Pillar 2 framework. The EBA has published the final version of the technical standards on Pillar 3 disclosures for ESG risks. The ECB has found that the transparency of banks on climate and environmental (C&E) risks is not sufficient and has announced that it will review the banks' C&E disclosures again at the end of 2022. Digitalisation and the implications on the traditional banks' business models, as well as ICT (Information and Communication Technology) risks, particularly the risks associated with outsourcing, continue to be a focus for Supervisors.

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This note is produced for information only on a best effort basis and does not constitute advice of any kind. The scope covered by this regulatory newsletter is set out on the second last page.

Capital

On 24 Mar. 2022, the ACPR published an overview of the EU Commission's CRR3 / CRD 6 proposal, which in particular adapt the EU prudential regulation to the Basel 3.1 standards (sometimes colloquially referred to as "Basel 4"). As a reminder, according to the EU proposal, most of the Basel 3.1 rules would start to apply from 1 Jan. 2025, with some transition periods. This paper summarises the key proposals from the EU Commission and is not a position paper from the ACPR.

On 29 Mar. 2022, the ECB provided an opinion to the EU Commission on the proposed draft regulation of 27 Oct. 2021 amending the CRR ("CRR3"). It reiterated its opinion that it is of importance to fully and faithfully implement the Basel 3.1 standards and called for important changes to be considered by the co-legislators:

- **Output floor:** The ECB considers that some of the transitional arrangements proposed for the calculation of the output floor (residential real estate loans with low historical losses, exposures to unrated corporates, calibration of counterparty credit risk related to derivatives) are unjustified deviations from Basel 3.1 and may leave pockets of risks unaddressed. If retained, these mechanisms should remain of a strictly temporary and limited nature. The ECB also proposes to apply the output floor at the highest level of consolidation only, and to couple this rule with an obligation for banks and competent authorities to ensure the capital adequacy of standalone entities.
- **New standard credit approach:** The ECB is concerned with some of the deviations to the Basel 3.1 standards, especially as regards (i) specialised lending exposures, (ii) equity exposures, (iii) retail exposures and (iv) the methodology for collateral valuation for exposures secured by immovable property. In addition, the ECB is of the view that the existing deviations which are maintained in the draft CRR3 (e.g., supporting factors for SMEs and infrastructure) should be reassessed by the co-legislators.
- **IRB approach:** The ECB calls for some clarifications on the implementation of the IRB approach at exposure class level in Retail.
- **New standard operational approach:** The ECB regrets that the Commission did not opt for a

recognition of internal losses in the calculation of capital requirements. It favours the gradual implementation of the internal loss multiplier.

- **Market risk ("FRTB"):** The ECB suggests limiting the powers given to the EU Commission to change the calibration of capital requirements or to postpone the implementation of the new framework.
- **CVA:** The ECB considers that the existing exemptions which are proposed to be maintained in the CRR3 are material and unjustified deviations from Basel 3.1. Additional disclosures are suggested if the co-legislators opt to maintain them.
- **Pillar 3:** The ECB suggests a series of amendments and clarifications regarding the new integrated Pillar 3 hub managed by the EBA. The ECB also strongly supports the proposal to apply the ESG disclosure requirements to all institutions.
- **Macro prudential buffers:** Further consideration should be given to removing disincentives to using capital buffers in stressed periods.

On 27 Apr. 2022, the ECB published its opinion on the proposed CRD6 Directive issued on 27 Oct. 2021. The ECB does not see the need for permanently enshrining in the Level 1 text how the output floor should be considered when setting Pillar 2 requirements. It is of the view that the neutralisation should take place when the bank becomes bound by the output floor. In subsequent years, any needed adjustment would be done as part of the regular SREP (supervisory review and evaluation process). It thus suggested that the EBA be mandated to develop guidelines on how competent authorities should deal with the impact of the output floor when setting Pillar 2 requirements. The ECB has also expressed concerns about the mandatory review of the calibration rates for the SyRB (Systemic Risk Buffer) and O-SII (Other Systemic Important Institutions), which includes a dynamic cap on the buffers, freezing them at pre-output floor levels until the outcome of the review is published. The ECB proposes to explicitly clarify that the SyRB and O-SII may not be used to address the risks captured by the output floor, regardless of whether the output floor is binding or not.

On the fit and proper assessment, the ECB is open to further explore ways to ensure the proportionality of the new framework and provided comments on specific aspects.

On third-country branches, the ECB suggested some amendments in the level-1 text to capture the actual systemic importance of a branch. The ECB noted that not only the assets that are booked in the branch should be taken into consideration, but also the assets that are originated by the branch but booked remotely to another location. The ECB has also proposed that the scope of reporting requirement related to services provided by the head-office be enhanced to also capture the direct provision of cross border investment services by the third country group on the basis of reverse solicitation.

On 28 Mar. 2022, the ECB updated its 4 policy instruments on options and discretions (O&D):

- A revised version of the ECB Guide on O&D (applicable from 28 Mar. 2022).
- An ECB regulation amending the regulation (EU) 2016/445 on the exercise of O&D (applicable from 5 Apr. 2022).
- A draft recommendation amending the recommendation ECB/2017/10 on common specifications for the exercise of O&D in relation to less significant institutions (applicable from the adoption date).
- A guideline amending the ECB guideline (EU) 2017/697 on the exercise of O&D in relation to less significant institutions (applicable from 1 Oct. 2022).

The publication follows the public consultation which ended on 30 Aug. 2021, which led the ECB to also issue a "feedback statement", with detailed answers to the comments received from banks.

These amendments relate to the changes introduced by the CRR2 / CRD 5 banking package, particularly the NSFR, for instance how banks should treat off-balance sheet exposures for which the regulation does not already provide a dedicated treatment, how the ECB assesses applications from banks asking for a capital reduction or for an exemption of third-country intragroup exposures from the large exposure limits, and what documentation banks need for such applications.

On 31 March 2022, the ECB made a series of proposals as part of the EU Commission's Call for Advice of 31 July 2021 on the review of the macroprudential framework, launched in accordance with Art. 513 CRR:

- Create additional macro-prudential policy space – in the form of a higher amount of releasable capital buffers – to enhance the ability of the financial system to withstand large and disruptive systemic shocks. It proposes several policy options to achieve this goal.
- Strengthen the features of Additional Tier 1 (AT1) instruments to reduce the stigma effects associated with banks cancelling AT1 coupon payments when they fall beneath the level of their combined buffer requirements.
- Increase the flexibility of the CCyB (Counter-Cyclical Buffer) framework by supporting a timelier activation in the build-up phase and release in stress periods (e.g., enhance the role of other quantitative cyclical indicators that could be considered when setting a CCyB rate, reduce the prominent role of the credit-to-GDP gap; allowing multiple decisions within a quarter, or applying a shorter

transitional period if justified by the circumstances).

- Enhance information exchange between authorities. Looking ahead, the ECB sees merit in further assessing the interactions between the prudential and resolution frameworks and suggests that, in a subsequent review of the EU macroprudential framework, the Commission should assess whether the leverage ratio and the MREL present material obstacles to buffer usability, due to multiple use of capital for buffers and minimum requirements.
- To not extend the leverage buffers to O-SIIs, as this might decrease the usability of releasable buffers in the risk-based framework and increase potential procyclical adjustments.
- Introduce a data collection requirement for a minimum set of common lending standard indicators for residential real estate (RRE) loans.
- Consolidate all macroprudential risk weight measures for real-estate into a single CRR article.
- To not introduce the power to impose binding system-wide restrictions on distributions at EU and/or national level in the CRR/CRD, as this might signal that such measures could occur more frequently in the future, with a potential negative effect on the banks' valuations and ability to raise capital.
- Mandate the EBA, in consultation with the ESRB, to issue guidelines on a revised methodology for O-SII identification and buffer calibration.
- Increase the EU-wide consistency, by mandating the ESRB to report on identifying systemic risks for the purposes of setting the SyRB (Systemic Risk Buffer) and, if needed, to issue a recommendation to designated authorities on the application SyRB based on that report.
- Streamline the procedures governing the national flexibility measures in Art. 458 CRR and revise the rules on calculating the thresholds for the sectoral SyRB and the interaction between the systemic risk buffer (SyRB) and the capital buffers for global and other systemically important institutions (G/O-SIIs).

On 31 March and 28 April 2022, the ESRB released a concept note and its response to the EU Commission's Call for Advice on the Review of the EU banking Macroprudential Framework.

The ESRB noted that more releasable capital can be obtained by building up the countercyclical capital buffer (CCyB) and Systemic Risk Buffer (SyRB) earlier and in a more forward-looking manner and that systemically important banks are not able to fully use their capital buffers, due to overlapping capital requirements (e.g., with the leverage and MREL requirements). The ESRB supported an EU-wide floor methodology and guidance for calibrating O-SII (Other Systematically Important Institutions) buffers and the inclusion of a consistent set of borrower-based measures in the EU macro prudential toolkit. To increase the usability of capital buffers in crisis times, the ESRB also considers different policy options to extend the implementation of leverage buffers.

On residential and commercial real estate, the ESRB advocated the creation of a new single harmonised macroprudential article on risk weights in the CRR, replacing the current provisions in Art. 124, 164 and 458 CRR.

The ESRB stressed that the macroprudential mandate needs to be extended (e.g., to cover third-party ICT providers) and that additional cyber resilience requirements for systemically important institutions need to be introduced to address systemic risks of cyber incidents.

The ESRB also pointed out that, with some amendments, the systemic risk buffer and large exposure limits could potentially be relevant tools to address systemic risks related to climate change.

Finally, the ESRB noted that investment funds, money market funds and other financial institutions represent an important source of wholesale funding for the banking sector and that it is therefore important to monitor liquidity flows at the scale of the whole EU financial system and ensure coherent system-wide analysis of liquidity risks. The ESRB also supported the introduction of activity-based measures in the EU prudential toolkit on top of entity-based measures, to apply consistent rules across all financial institutions when they perform the same activities, whichever the applicable regulatory regime.

On 29 Apr. 2022, the EBA made some proposals as part of its response to the EU Commission's Call for Advice on the review of the EU banking macroprudential framework:

- Evaluate the interaction of macroprudential measures with other binding capital requirements introduced with the CRR2, such as the leverage ratio and MREL requirements. The EBA also suggests postponing the assessment of the potential interactions between the macroprudential measures and the input and output floors under Basel 3.1 ("CRR3/CRD6" in the EU), until those floors are fully applicable.
- Include a legal mandate in the CRD for the EBA to develop methodologies to identify the other systemically important institutions (O-SIIs) and to set the systemic buffer rates. The EBA noted that the identification of O-SII is currently framed by the EBA Guidelines and the setting of O-SII buffers is currently largely left at the discretion of national authorities, leading to unexplained variations in the O-SII buffer rates.
- Simplify the CRD and CRR provisions on the governance procedures for some of the macroprudential measures. The

EBA calls for clear delineation of responsibilities between all authorities involved. A couple of clarifications are also suggested about the sectoral systemic risk buffer recently added to the macroprudential toolkit.

- Further assess the ability of the current macroprudential tools to address environmental, crypto assets and cyber security risks. The EBA considers that it is prematured to introduce new macroeconomic tools to address the systemic aspects of these risks and suggested that the experience that will be acquired with the application of the regulation on Markets in Crypto-assets (MiCA) and of the Digital Operational Resilience Act (DORA) should inform the subsequent assessments of the need for macroprudential tools to address those risks.
- Establish an oversight and monitoring system for non-bank lenders and enlarge the scope of the macroprudential framework to cover non-bank lenders. The EBA noted the increasing trend of non-bank lending over the past years, including FinTech lenders and peer-to-peer lending platforms.

Liquidity and treasury

On 28 Mar. 2022, the ECB updated its 4 policies instruments on options and discretions (O&D). Please refer to the capital section above for further information.

Resolution and Crisis Management

On 10 Jan. 2022, Elke König, Chair of the Single Resolution Board, highlighted 3 key priorities for 2022:

- **MREL build-up:** as banks now know their requirements until 2024, the SRB encourages them to continue issuing. The MREL policy will be further enhanced in 2022, (i) by reviewing the non-creditor-worse-off (NCWO) approach, (ii) implementing the upcoming EBA Regulatory Technical Standards (RTS) into the SRB policy, and (iii) reviewing the MREL calibration for transfer strategies. The SRB will also broaden the scope of non-resolution entities subject to internal MREL. It will continue lowering the materiality threshold of the relevant legal entities, moving it from 3% to 2%. The SRB will review its MREL policy holistically in 2023, possibly envisaging a public consultation with the industry, with a view to consider the feedback received in the overall SRB policy before the final MREL targets will apply in 2024.
- **Separability and reorganisation plans:** For mid-sized banks, the SRB prioritises the work on transfer tools, separability and MREL adjustments for such transfer tools. Elke König pointed out that, if "sale of business" is one of the tools in the toolbox, it needs excellent and timely preparation and a willing buyer and recalled that, in 2021, the SRB issued a guidance note on separability.
- **Management Information Systems:** While some banks have stepped up their efforts, others still lag behind. IT and cyber risks management, and timely availability of data must be key priorities for banks.

End 2023 remains the deadline for banks becoming compliant with the MREL-target and having reached resolvability in line with the "Expectations for Banks". Building upon the heat-map on resolvability assessment that the SRB designed in 2021, it may publish an aggregated heat-map in 2022, once the results are of sufficient quality.

The SRB's bi-annual reporting note to the Eurogroup of 4 April 2022 also dwells on the SRB progress and priorities in 2022. It also gives an update on the Single Resolution Fund (SRF), incl. the common backstop to be provided by the ESM (European Stabilisation Mechanism) in case the SRF is depleted, and on the SRB consultation on ex-ante 2022 contributions to the SRF (launched on 3 Mar. 2022).

On 17 Mar. 2022, the SRB released an operational guidance on the identification and mobilisation of collateral in resolution, as part of its broader objective to enhance continuity of liquidity and funding in resolution. This guidance complements the SRB's "Expectations for Banks (EfB)" on resolvability, by providing banks with additional guidance on the identification and mobilisation of collateral during and after resolution.

On 27 Jan. 2022, the ESRB issued a report on the mitigation of systemic cyber risk. The ESRB noted that cyber incidents could pose a systemic risk to the financial system and that the systemic dimension of cyber risk is referenced in the EU Commission's DORA proposal (Digital Operational Resilience Act). The DORA also seeks to harmonise the ICT-related incident reporting across all financial sectors to the EU financial authorities. Following-up on the report, the ESRB has issued a recommendation to the Joint Committee of the ESAs (European Supervisory Agencies - the EBA, EIOPA and ESMA) to establish a pan-European Systemic Cyber Incident Coordination Framework (EU-SCICF), as envisaged in the DORA proposal, to enable the swift communication and coordination among authorities and avoid a coordination failure. The deadline for its full implementation is set to 31 Dec. 2025, with intermediary deadlines also set in the recommendation.

The ESAs have published a statement on the ESRB recommendation.

Governance, supervision, and risk management

On 10 Feb. 2022, the ECB published the results of the 2021 cycle of the Supervisory Review and Evaluation Process (SREP).

The banks' SREP scores have remained broadly stable overall. The sum of the overall capital requirements (OCR) and Pillar 2 Guidance (P2G) in total capital have increased slightly for 2022, averaging around 15.1% of risk-weighted assets (RWAs), compared with 14.9% in the 2020 SREP assessment. The average amount of OCR + P2G in CET1 has increased to around 10.6% of RWAs, up from 10.5%.

The marginal increase in total capital has been driven by Pillar 2 Requirements (P2R), which have risen to 2.3%, up from 2.1%. That is mostly due to the introduction of a specific requirement (a provisioning shortfall add-on) imposed on banks which have not booked enough provisions to cover the credit risk on Non-Performing Loans (NPLs) granted before 26 Apr. 2019. Banks that actively address their shortfall in provisions vis-à-vis the ECB expectations may reduce that new add-on in 2022 without waiting for the next SREP assessment. The Pillar 2 Requirements (P2R) applicable to individual banks in 2022 have been published on the ECB's website.

The P2G, which captures risks indicated by the results of the supervisory stress tests, has increased by 0.2 percentage points to stand at 1.6%, up from 1.4%. As part of the ECB's relief measures, banks can make full use of their capital buffers or their P2G until the end of 2022. By 1 Jan. 2023 – as communicated in a separate press release – the ECB expects banks to operate above their P2G.

In the 2021 SREP cycle, credit risk and internal governance were the two main areas for remediation actions asked from banks. Several banks were found to have insufficiently strong credit risk management practices, with some having inadequate provisioning processes. In those cases, the ECB has downgraded the credit risk scores and has required more follow-up actions. The ECB noted some signs of deteriorating credit quality, particularly in the economic sectors that have benefited the most from support measures during the pandemic.

As regards internal governance, weaknesses were found in boards' steering capabilities and governance arrangements. The ECB pointed out weaknesses in the banks' IT strategic plans, impeding the remediation of risk data aggregation issues, which remain a concern for 20% of JST (Joint Supervisory Teams). Many banks also need to take steps to improve the composition and collective suitability of their management bodies, with insufficient emphasis on diversity (e.g., as regards gender and professional expertise). The ECB is using operational acts to require banks to establish diversity policies and to set gender-related targets.

The business model assessment (BMA) has shown that most banks are still failing to generate returns that exceed the cost of capital, even if profitability recovered in 2021. The supervisory concerns relate primarily to unsatisfactory strategic plans and/or inadequate execution of such plans, particularly regarding digitalisation.

The ECB has underlined that the newly developed methodology for assessing the risk of excessive leverage will be used in 2022 to identify institutions which might need P2R or qualitative measures in respect of the leverage ratio. The methodology aims mainly to capture contingent leverage risk originating from extensive use of derivatives, securities financing transactions, off-balance sheet items and regulatory arbitrage.

On 18 March 2022, the EBA published its final revised SREP Guidelines. The revisions aim at implementing the CRD V / CRR 2 amendments to:

- Better articulate the principle of proportionality, through the categorisation of institutions.
- Fully incorporate the ML/CF risks (Money laundering and Terrorist Financing).
- Review the provisions on Pillar 2 Requirements (P2R) and the Pillar 2 guidance (P2G), to ensure they reflect a purely micro-prudential perspective.
- Implement the separate capital stack for the leverage ratio ("P2R - LR" and "P2G-LR"). The Pillar 1 leverage requirement and P2R-LR (Pillar 2 Leverage Requirement) are expected to be always met. Similarly to P2G, the P2G-LR is based on the outcomes of the supervisory stress tests. Firms are expected to hold Tier-1 capital to cover their P2G-LR.
- Align the assessment of the interest rate risk in the banking book (IRRBB) and liquidity risk with the current regulatory framework.

These revised SREP guidelines will apply from 1 Jan. 2023.

On 28 March 2022, the ECB sent a letter to CEOs, setting out its expectations regarding the risk appetite of significant banks for leveraged transactions.

The ECB pointed out the declining underwriting standards, the high levels of risk taking, with several indicators suggesting that risks are now higher than they were before the Global Financial Crisis of 2007/2008, and the increased exposures of banks on leveraged transactions. On aggregate, highly leveraged transactions (HLT, i.e., counterparties with total debt being more than 6.0 times the EBITDA at the time of the deal's origination) accounted for around half of all new leveraged transaction volumes originated in 2019 and 2020. The ECB noted that HLT origination is often unrestricted, with no limits on origination activities or on HLT levels in the hold book, and where restrictions are imposed, they are overly permissive. The ECB also noted a failure to accurately capture, in a timely manner, the market value of the inventory subject to syndication and inadequate capture of market risk via stress testing and appropriate risk appetite metrics.

The ECB expects that banks will reduce the HLT origination as a share of total origination to low levels consistent with the prudent risk management described in the ECB Guidance of May 2017 ("Guidance on leveraged transactions"). The annexes attached to the ECB letter set out the detailed ECB expectations with respect to risk appetite and risk limits, as well as stress-testing and market risk measurement and monitoring practices.

In an opinion piece dated 30 March 2022, Andrea Enria, Chair of the ECB Supervisory Board, underlined that the ECB and the Bank of England have recently flagged leveraged lending and prime brokerage as specific areas of concern. He stated that the ECB is also considering the application of specific Pillar 2 capital charges to address individual cases of persistent deviation from the ECB guidance of May 2017. The ECB plans to follow up with targeted reviews and on-site inspections in the areas of counterparty credit risk governance and management — including of prime brokerage — to identify any relevant deficiencies.

On 31 Jan. 2022, the EBA published draft RTS setting up 'EuReCa', a central database for anti-money laundering and counter-terrorism financing (AML/CFT). The database will contain information on material weaknesses in individual EU financial institutions that competent authorities have identified, the measures imposed to rectify them, and the internal audit findings identified by a prudential authority during an on-site inspection about which the management body or the senior management appeared to have been informed and decided not to remediate. The EBA will use information from EuReCA to inform its view of ML/TF risks affecting the EU financial sector. It will also share information from EuReCA with the competent authorities should specific ML/TF risks or trends emerge and to support them at all stages of the supervisory process.

On 31 March 2022, the FSB published its 2022 work programme and the indicative timeline of the main publications. Priorities areas include:

- Resilience of the non-bank financial intermediation (NBFI) sector, in particular the development of a systemic approach to NBFI.
- Enhancement of cross-border payments, in coordination with the Committee on Payments and Market Infrastructures (CPMI).
- Containment of risks associated with digital innovation, with a particular focus on crypto assets, including decentralised finance (DeFi), and the enhancement of operational and cyber resilience.
- Financial risks resulting from climate change. The FSB's roadmap include building and strengthening the analytical basis for monitoring climate related risks to financial stability; and identifying regulatory and supervisory approaches to address climate-related financial risks.

Environment, climate change and social risks

On 27 Jan. 2022, the ECB launched the supervisory climate risk stress test (CRST). The exercise is conducted in the first half of 2022 after which the ECB will publish the aggregate results. The exercise consists of 3 modules:

- A questionnaire on the banks' climate stress test capabilities.
- A peer benchmark analysis to assess the sustainability of banks' business models and their exposure to emission-intensive companies.
- A bottom-up stress test, in which smaller banks are not asked to provide their own stress test projections.

The stress test targets specific asset classes exposed to climate risk rather than the banks' overall balance sheets and relies upon scenarios prepared by the Network of Central Banks and Supervisors for Greening the Financial System. These reflect possible future climate policies and assess both physical and transition risks.

Banks had to submit their climate risk stress test templates to the ECB in March 2022. The ECB then provided feedback and ensured consistent outcomes. The results could indirectly impact the Pillar 2 requirements (P2R) through the Supervisory Risk and Evaluation Process (SREP) scores but will not directly impact capital through Pillar 2 guidance (P2G).

The CRST complements other ECB climate-related deliverables. These include: (i) the economy-wide climate change stress test, published in Sept. 2021, (ii) the assessment, of banks' practices to manage climate-related and environmental risks published in Nov. 2021, and (iii) the 2022 thematic review on the incorporation of climate-related and environmental risks into the banks' risk strategies, governance and risk management frameworks and processes.

On 18 Feb. 2022, Franck Elderson, Member of the ECB Executive Board and Vice-Chair of the ECB Supervisory Board, delivered a keynote speech in which he underlined that 2022 will be the year that Climate and Environmental (C&E) risks become integrated in the day-to-day activities of the Joint Supervisory Teams (JST) and in the Supervisory Review and Evaluation Process (SREP). This will ultimately influence banks' minimum capital requirements through the SREP scores. He has emphasized that the ECB expect banks to perform forward-looking analyses of how C&E risks can or will affect their portfolios and products over the short, medium, and long term, and under various scenarios. The ECB wants to see firm progress in how banks incorporate C&E risks in their risk management in 2022. In doing so, banks should adopt a strategic approach to managing these risks, including strategically realigning portfolios, setting clear risk appetites, developing mitigation strategies, adjusting qualitative credit criteria, and quantifying and holding capital. He has also spoken about the objectives of the ongoing ECB's thematic review on C&E risks.

Disclosure, reporting and valuation

On 30 March 2022, the ESMA issued its 2021 Corporate Reporting Enforcement and Regulatory Report. The Report provides an overview of the ESMA and enforcers activities on financial and non-financial information, consisting of:

- 711 examinations of financial statements drawn up under IFRS, covering circa 17% of issuers listed on the EU regulated markets. The examinations led to enforcement actions against 250 issuers in order to address the material departures from IFRS.
- 537 management reports examined to assess whether the presentation and disclosure of alternative performance measures (APM) complied with the ESMA's APM Guidelines, covering 13% of all IFRS listed issuers in the EU. Enforcement actions were taken in relation to 97 issuers.
- 711 examinations of non-financial statements (i.e., 36% of the total estimated number of issuers required to publish a non-financial statement), with enforcement actions taken against 72 issuers.

The ESMA expects issuers, audit committees and auditors to consider the recommendations of the ESMA Report when preparing and auditing financial reports. In 2022, ESMA and the enforcers will focus on ensuring that adequate transparency is provided regarding the enforcement priorities outlined in its 2021 European Common Enforcement Priorities Statement.

On 13 April 2022, the EU Commission adopted an implementing regulation amending the implementing regulation EU 2021/637 ("Pillar3 disclosures") in order to incorporate the disclosures of exposures to interest rate risk in the banking book (IRRBB). The regulation entered into force on 9 May 2022.

Environment, climate change and social risks

On 24 Jan. 2022, the EBA published the final version of the binding ITS on Pillar 3 disclosures on ESG risks (Environmental, Social and Governance) as per Art. 434a CRR.

The ITS focus at this stage on climate-change related transition and physical risks, including information on exposures towards carbon related assets and assets subject to climate change events.

They also include quantitative disclosures on institutions' mitigating actions supporting their counterparties in the transition to a carbon neutral economy and in the adaptation to climate change, as well as qualitative information on how institutions are embedding ESG considerations in their governance, business model, strategy, and risk management framework.

In addition, the ITS include KPIs on institutions' assets financing activities that are environmentally sustainable according to the EU taxonomy (GAR - Green Asset Ratio and BTAR - Banking-book Taxonomy Alignment Ratio).

The ITS will be reviewed in 2024, with a view to broaden the scope of the quantitative disclosures in relation to environmental and ESG risks.

The ITS apply to large institutions which have issued securities that are admitted to trading on a regulated market in the EU. The first disclosure must be available in the first months of 2023 (as-of 31 Dec. 2022). A phased-in approach is proposed for some of the requested disclosures until the June-2024 reference date.

On 14 March 2022, the ECB published an updated assessment of the progress made by 109 ECB-supervised banks on disclosing climate and environmental (C&E) risks as set out in the ECB's Nov. 2020 guide.

Although there have been improvements since the ECB's first assessment in late 2020, none of the banks fully meets the ECB expectations. The ECB found that the overall level of transparency is insufficient. Roughly 75% of the banks do not disclose whether C&E risks have a material impact on their risk profile, even though around half of the banks that fail to do so have indicated to the ECB that they view themselves as exposed to such risks. Almost 60% of the banks in the sample do not describe how transition or physical risks could affect their strategy.

Banks' disclosure of key metrics is also not sufficiently in line with the ECB expectations. Only around 50% of banks publish key performance or risk indicators on C&E risks and only 15% disclose their Scope 3 financed emissions covering the entire value chain of the business activities, including counterparties in their lending portfolios. Banks do not sufficiently substantiate their C&E risk disclosures. For example, almost 30% of the banks that have committed to aligning their exposures with the Paris Agreement do not provide any information to back this up. The ECB has noted that the users of banks' disclosures will increasingly seek more detailed information on their progress and on the ensuing risks should they fail to align.

The ECB has sent individual feedback letters to banks explaining the shortcomings founds. It expects them to take decisive action. The ECB will review the banks' C&E disclosures again at the end of 2022.

In a keynote speech on 14 March 2022, Frank Elderson, Member of the ECB Executive Board and Vice-Chair of the ECB Supervisory Board, underlined that failure to disclose meaningful follow-up information on climate commitments has already led to significant litigation and has given rise to heightened reputational and legal risks for some banks. He pointed out that the ECB expects to see major progress by end-2022 in the banks' disclosures. He has also recalled that the BCBS is evaluating how to consider climate-related financial risks in all pillars of the Basel framework.

On 2 Feb. 2022, the EU Commission presented a Taxonomy Complementary Climate Delegated Act on climate change mitigation and adaptation, covering certain gas and nuclear activities, as well as related Q&A. The Complementary Climate Delegated Act introduces conditions, under Art. 10(2) of the Taxonomy Regulation, under which certain nuclear and gas activities can be added as transitional activities to those already covered by the first Delegated Act on climate mitigation and adaptation, applicable since 1 Jan. 2022. These conditions are, for both gas and nuclear, that they contribute to the transition to climate neutrality; for nuclear, that it fulfils nuclear and environmental safety requirements; and for gas, that it contributes to the transition from coal to renewables. More specific additional conditions are specified in the Complementary Delegated Act. The Taxonomy Disclosures Delegated Act has also been amended, so that investors can identify which investment opportunities include gas or nuclear activities and make informed choices.

Once the scrutiny period from the EU Parliament and EU Council is over and if neither of the co-legislators objects, the Complementary Delegated Act will enter into force and apply as of 1 Jan. 2023. The EU Commissioner, Mairead McGuiness, also pointed out that the next steps will also include further Delegated Acts on the other environmental objectives of the Taxonomy: water, circular economy, pollution prevention and biodiversity.

Technology risks and data protection

On 16 Feb. 2022, the FSB issued a report on the vulnerabilities associated with 3 segments of the crypto-asset markets: unbacked crypto-assets (such as Bitcoin); stablecoins; and decentralised finance (DeFi) and other platforms on which crypto-assets trade. The FSB noted that DeFi is a fast-emerging sector, providing financial services using both unbacked crypto-assets and stablecoins. Moreover, a relatively small number of crypto-asset trading platforms aggregate multiple types of services and activities, including lending and custody. Some of these platforms operate outside of a jurisdiction's regulatory perimeter or are not in compliance with applicable laws and regulations. This presents the potential for concentration of risks and underscores the lack of transparency on their activities.

The report highlights several vulnerabilities associated with crypto-asset markets. These include increasing linkages between crypto-asset markets and the regulated financial system; liquidity mismatch, credit and operational risks that make stablecoins susceptible to sudden and disruptive runs on their reserves, with the potential to spill over to short term funding markets; the increased use of leverage in investment strategies; concentration risk of trading platforms; and the opacity and lack of regulatory oversight of the sector.

The report also notes wider public policy concerns related to crypto-assets, such as low levels of investor and consumer understanding of crypto-assets, money laundering, cyber-crime and ransomware.

On 14 March 2022, the Economic and Monetary Affairs Committee of the EU Parliament adopted its negotiating position on Markets in Crypto-Assets (MiCA). These provisions apply to those issuing and trading crypto-assets (including asset-referenced tokens and e-money tokens) cover transparency, disclosure, authorisation and supervision of transactions.

To reduce the high carbon footprint of crypto-currencies, MEPs ask the Commission to present them with a legislative proposal to include in the EU taxonomy for sustainable activities, any crypto-asset mining activities that contribute substantially to climate change, by 1 Jan. 2025.

The EU Parliament also called for a global approach to the regulation of crypto-assets to avoid legislative dumping and to prevent the creation of legislative discrepancies that are detrimental to consumer protection. MEPs want the European Securities and Markets Authority (ESMA) to supervise the issuance of asset-referenced tokens and proposed that the ESMA be mandated to specify the conditions under which a crypto-asset should be treated as a financial instrument based on its substance and regardless of its form. The EBA will supervise electronic money tokens

On 31 March 2022, MEPs from the Committee on Economic and Monetary Affairs (ECON) and the Committee on Civil Liberties (LIBE) adopted their position on the draft legislation strengthening the EU rules against money laundering and terrorist financing with regard to crypto assets. The legislation is part of the new EU anti-money laundering package. Under the requirements agreed by MEPs, all transfers of crypto-assets will have to include information on the source of the asset and its beneficiary. MEPs want the EBA to create a public register of businesses and services involved in crypto-assets that may have a high risk of money-laundering, terrorist financing and other criminal activities, including a non-exhaustive list of non-compliant providers.

Other publications over the period

The following list covers the other publications related to prudential and risk management regulations applicable to banks and investment firms over the period from January to April 2022.

Capital

Title	Date	Overview
EU Parliament's amendments on the multiple point of entry (MPE) resolution strategy of GSII (Globally Systematically Important Institutions)	26/01/2022	The amendments about the MPE resolution strategy of GSII relate in particular to the deductions rules to be applied to capital and eligible instruments of intermediate EU parent institutions which holds capital instruments or eligible liabilities instruments issued by one or more subsidiaries which do not belong to the same resolution group as that parent institution.
EBA's Regulatory Technical Standards (RTS) on the identification of advanced economy countries for market risk capital requirements, under the FRTB (Fundamental Review of the Trading-Book)	02/02/2022	The RTS concluded that all EU and EEA Member States should be considered as being "advanced economies", attracting lower risk weights for equity risk, as per the sensitivities-based method under the alternative standardised approach of the FRTB, as transposed in the CRR2 regulation in the EU. The RTS also set out the list of third countries deemed to be "advanced economies" for that purpose. The regulation will enter into force on the 20th day following its publication date in the Official Journal of the EU.
EBA's Opinion on the European Commission's proposed amendments to the EBA final draft regulatory technical standards (RTS) on fixed overheads requirements	11/02/2022	The EBA has identified a substantive change in the Commission's version of the draft RTS on fixed overheads requirements in the context of the Investment Firms Regulation (IFR). Investment firms acting as market makers would be allowed to deduct the trading fees from the total expenses, also when these are not passed directly to the clients. The RTS will enter into force on the 20th day following the publication date in the Official Journal of the EU.
EBA's adjustments to the Single Rulebook Q&A process and guidance for asking questions	11/02/2022	According to the EBA' statement, the Q&As received prior to 1 Jan. 2020 which the EBA has not addressed yet will be rejected, unless they are almost finalised. The EBA will notify the concerned submitters, indicating the possibility to resubmit the question, provided that it is adapted to reflect legislative, regulatory, or other relevant developments. Going forward, the EBA will prioritise Q&As that: i) are relevant to a broad set of stakeholders, ii) are material from a prudential, payments, consumer protection, resolution or other perspectives within the EBA's remit, iii) need guidance or clarification. The EBA is also taking measures to target closing Q&As within 9 months, based on the above priority criteria. If this period is unlikely to be met, the submitter will be informed, and additional steps would be taken.
EBA updates on the methodology for assessing third country equivalence of regulatory frameworks	21/02/2022	The EBA questionnaires used for the assessment of regulatory and supervisory frameworks of third countries have been updated, to reflect certain provisions recently introduced in the CRR2 / CRD 5 banking package published in June 2019.
EU Commission delegated regulations on the calculation of K-factors used to determine the capital requirements of investment firms under Art. 4(1) point 26 of the EU regulation 2019/2033 (IFR)	22/02/2022	Four delegated regulations were published about the calculation of K-factors: • The first one published on 11 Jan. 2022 specifies the methods for measuring the K-factors referred to in Art. 15 of IFR and entered into application on 31 Jan. 2022 (Delegated Regulation (EU) 2022/25); • The second one published on 20 Jan. 2022 specifies the adjustments to the K-factor 'daily trading flow' (K-DTF) coefficients in case of stressed market conditions and entered into application on 10 Feb. 2022 (Delegated Regulation (EU) 2022/76); • The third one published on 22 Feb. 2022 specifies the amount of total margin for the calculation of the K-factor 'clear margin given' (K-CMG) and entered into application on 12 Mar. 2022 (Delegated Regulation (EU) 2022/244); • The fourth one published on 11 Jan. 2022 specifies the notion of segregated accounts for the purpose of calculating "client money held" and entered into application on 31 Jan. 2022 (Delegated Regulation (EU) 2022/26) .

Title	Date	Overview
EBA's Reports on the 2021 Credit and Market Risk Benchmarking Exercises	22/02/2022	The market risk report found a low dispersion in the initial market valuation (IMVs) and an increased dispersion in the VaR (slightly higher for Stressed VaR) and IRC (Incremental Risk Charge) submissions. For credit risk, the variability of RWA remained rather stable, despite the pandemic and banks' efforts to re-develop or re-calibrate their models to comply with the IRB repair roadmap. In this year's Credit Report, a particular focus has been put on analysing the impact on the IRB models of the pandemic and the compensating public measures.
EU Commission delegated regulation on the assessment methodology of compliance with the requirements to use the Internal Ratings Based (IRB) approach	18/03/2022	The delegated regulation sets out the assessment methodology that competent authorities are to follow when assessing the compliance of credit institutions and investment firms with the requirements to use the IRB Approach. All the regulatory technical standards relating to the assessment methodology of the IRB Approach under the CRR have been integrated in this piece of regulation. The regulation entered into force on 7 Apr. 2022.
EBA's draft Regulatory Technical Standards (RTS) on PD and LGD estimations under the Internal Model Approach (IMA) for market risk under the FRTB (Fundamental Review of the Trading Book)	21/03/2022	Firms using the IMA to compute capital requirements for market risk under the FRTB must calculate additional capital requirement using an internal default risk model for their positions in traded debt and equity instruments included in IMA trading desks. The draft Regulatory Technical Standards (RTS) specify the requirements for estimating PDs and LGDs using an institution's internal methodology or external sources. The regulation will enter into force on the 20th day following its publication date in the Official Journal of the EU.
Public Hearing held by the Committee on Economic and Monetary Affairs (ECON) of the EU Parliament on the Basel 3 final package	24/03/2022	Mr José Manuel Campa, EBA Chairperson, Mr Wim Mijs, Chief Executive Officer of the EBF, Mr Thierry Philipponnat, Finance Watch, Chief Economist and Prof. Dr. Rosa María Lastra, Queen Mary University of London, made keynotes speech at the public hearing on the "Basel 3 – Finalisation Package" held by the ECON.
EBA' survey on the application of the infrastructure supporting factor introduced in the CRR2 regulation	05/04/2022	The infrastructure supporting factor was frontloaded to 27 Jun. 2020, in the "quick-fix" CRR package in response to the COVID-19 pandemic. The EBA' survey aims at assessing the application of the supporting factor and the materiality of infrastructure project loans across EU banks. The survey, conducted across the largest banks, ran until 27 May 2022.
EBA's RTS on the requirements for originators, sponsors, original lenders and servicers relating to risk retention requirements under the Securitisation Regulation, as amended by the (CMRP)	12/04/2022	The modifications made to the 2018 EBA RTS are the result of the the CMRP. They focus on the modalities of risk retention in non-performing exposure (NPE) securitisations and the impact of fees payable to retainers on the risk retention requirement. Clarity is also provided on the risk retention requirement applicable to resecuritisations, as well as the treatment of synthetic excess spread as a possible form of compliance. This Regulation will enter into force on the 20th day following the publication date in the Official Journal of the EU.
EU Commission delegated regulation setting out the conditions under which the prudential consolidation is to be carried out in some cases	26/04/2022	The regulation addresses the following cases: • Where a parent-subsidiary relationship does not exist under Art 18(3) CRR, • Cases where proportional consolidation is required under Art. 18(4) CRR, • Cases where an institution exercises a significant influence over an institution or financial institution without holding a participation or other capital ties in those institutions and cases where those institutions or financial institutions are placed under single management other than pursuant to a contract, memorandum or articles of association under Art. 18(6) CRR, • Use and application of the BCBS' criteria for step-in-risk in cases referred to in Art. 18(5), 18(6) and 18(8) CRR. The delegated regulation entered into force on 15 May 2022.
ESRB (European Systemic Risk Board) recommendation on the voluntary reciprocity of macroprudential policy measures adopted by some of the Member States	28/04/2022	As per the recommendation amending the recommendation ESRB/2015/2, other national relevant authorities are in particular recommended to reciprocate the tightening to 5% of Tier-1 capital of the large exposure limit applicable in France to systemic banks (G-SII and O-SII) regarding their exposures to highly indebted large non-financial corporations having their registered office in France. The recommendation also recommends the French Authorities to reciprocate some of the macro-prudential measures taken in other Member States (Belgium, Luxembourg, Netherlands, Norway, Sweden and Lithuania).
Covid-19 targeted measures		
ECB's decision to not extend capital and leverage relief for banks	10/02/2022	The ECB statement clarifies that banks are expected to operate above Pillar 2 Guidance (P2G) from 1 Jan. 2023 and are expected to reinclude central bank exposures in their leverage ratio from 1 Apr. 2022.

Liquidity and treasury

Title	Date	Overview
EBF's updated Guidelines on the European Interbank Compensation and Liquidity Management	17/01/2022	The EBF has published the revised versions of (i) the European Interbank Compensation Guidelines and of the (ii) the European Interbank Liquidity Management Guidelines, that have been reviewed in light of the replacement of EONIA by ESTER.
EBA's ITS on currencies with constraints on the availability of liquid assets	26/01/2022	The EBA has amended the implementing technical standards on currencies with constraints on the availability of liquid assets in the LCR context. The proposed amendments remove the Norwegian Krone (NOK) from the list.
Covid-19 targeted measures		
ECB's decision to gradually phase out the package of pandemic collateral easing measures	24/03/2022	The ECB has announced the timeline to gradually phase out temporary pandemic collateral easing measures introduced in April 2020, in three steps between 8 July 2022 (step 1), June 2023 (step 2) and March 2024 (step 3). A more detailed analyses has been also published as part of the ECB Economic Bulletin (Issue 3/2022).

Resolution and Crisis Management

Title	Date	Overview
EBA's Guidelines on improving banks' resolvability and consultation on transferability Guidelines	13/01/2022	The EBA's Guidelines on banks' resolvability set-out the minimum requirements to improve resolvability in the areas of operational continuity in resolution, access to financial market infrastructure, funding and liquidity in resolution, bail-in execution, business reorganisation and communication. Institutions and authorities should comply with these Guidelines in full by 1 Jan. 2024. The EBA has also consulted on transferability guidelines, that aim at assessing the feasibility and credibility of transfer strategies and at setting out the requirements on the implementation of transfer tools when considered as the preferred or alternative strategies for institutions. The Guidelines deal with the transfer perimeter definition, separability (i.e., how to facilitate separation of an entity or a business from the rest of the group in resolution) and operational transfer of this perimeter. The consultation ran until 15 Apr. 2022.
SRB's approach to the public interest assessment (PIA) and contagion from a failing bank to the insurance sector	26/01/2022	The SRB announced that it is working with the EIOPA to test a methodology for assessing contagion from a bank's failure in the European insurance sector. The first results of this cooperation were recently published in the EIOPA Financial Stability Report.
ESMA's Final Reports on CCP recovery regime	31/01/2022	The ESMA's Final Reports on the central counterparties (CCPs) recovery regime is mandated under the CCP Recovery and Resolution Regulation (CCPRRR). The European Commission has three months from the publication date to decide whether to endorse the proposed standards under a Delegated Regulation.
ACPR' statement of compliance with the revised EBA's guidelines on recovery plan indicators	10/02/2022	The ACPR has stated that it is in compliance with the revised EBA's guidelines on recovery plan indicators (EBA/GL/2021/11) under Art. 9 of Directive 2014/59/EU (BRRD2), repealing and replacing the former guidelines (EBA/GL/2015/02). The guidelines apply to credit institutions, to financing companies ("sociétés de financement") and to investment firms required to submit a recovery plan. The revised guidelines apply from 14 Feb. 2022.
Industry Dialogue event on the MREL dashboard, the 2022 MREL policy update and the SRB permission regime	22/02/2022	The Industry Dialogue event, held on 9 Feb. 2022, brought together banking industry stakeholders, with speakers from the SRB, Société Générale Group, Bankinter, FROB, Intesa Sanpaolo Group, Helaba and Bank of Italy. The video and presentation are available on the SRB's website.

Title	Date	Overview
Speeches of Fernando Restoy (Financial Stability Institute), Edouard Fernandez-Bollo (ECB) and Elke König (SRB) on the issues posed by the EU resolution framework to deal with the resolution of medium-sized banks which are largely funded with deposits	24/02/2022	Fernando Restoy has pointed out that those banks are too large to be subject to standard national insolvency procedures, but also too small and unsophisticated to issue large amounts of bail-in-able debt. He sees benefits in further harmonising the domestic insolvency regimes across the EU and in having a reasonably calibrated MREL for middle-class banks to make the Sale-of-Business (SoB) strategies more feasible in these cases. The DGS (Deposit Guarantee Scheme) support for SoB transactions in the EU is severely limited by legal provisions that stipulate that DGS claims are more senior than uncovered deposits in the creditors' hierarchy. That "super-preference" of DGS makes European DGS unable to support SoB transactions, even if those would help avoid a disruptive liquidation. These provisions should be replaced by a general deposit preference rule. In the same vein, he has suggested that lower minimum bail-in conditions should a apply for the SRF (Single Resolution Fund) to support a SoB resolution strategy for medium-sized banks. On the very same date, Edouard Fernandez-Bollo, Member of the Supervisory Board of the ECB, and Elke König, Chair of the Single Resolution Board, called for similar measures to be taken.
SRB's consultation on 2022 Single Resolution Fund contributions	25/02/2022	The SRB's consultation give credit institutions the opportunity to view and comment on the SRB's preliminary decision on the calculation of the 2022 ex-ante contributions to the SRF. The calculation method has not changed from previous years. The consultation started on 3 March 2022 and ended on 17 March 2022.
FSB's analysis report on the financial resources and tools for CCP recovery and resolution	10/03/2022	The FSB report aims at determining whether further policy work on CCP financial resources and tools is necessary. The report is structured in 2 parts: (i) Assessment of the financial resources and tools available to cover CCP losses in a sample of systematically important CCPs, based on severe stress scenarios, (ii) Quantitative analysis and qualitative review of the potential financial stability implications that may result from the use of the financial resources and tools covered by the existing CPMI-IOSCO guidance on the recovery of financial market infrastructures (FMIs) and FSB guidance on CCP resolution.
ACPR's decisions on the contributions to the National Resolution Funds	13/03/2022	The ACPR Resolution College's Decision 2022-CR-05 sets out how the ACPR will calculate the contributions to the National Resolution Funds (FRN - fonds de résolution national) starting from 2022. The former decisions 2019-CR-04 of 26 Apr. 2019 and 2021-CR-10 of 22 Mar. 2021 are repealed. The ACPR Resolution College's Decision 2022-CR-04 sets out the 2022 target contributions to the FRN.
ACPR' statement of compliance with the EBA's guidelines on stress tests of deposit guarantee schemes	15/03/2022	The ACPR has stated that it is in compliance with the revised EBA's guidelines on stress tests of deposit guarantee schemes (EBA/GL/2021/10) under Directive 2014/49/EU (BRRD) repealing and replacing the Guidelines EBA/GL/2016/04 ('Revised Guidelines on DGS stress tests'). The guidelines apply to the Fonds de garantie des dépôts et de résolution (FGDR).
EBA's opinion on the EU Commission's proposed amendments to the EBA final draft Regulatory Technical Standards (RTS) for own funds and eligible liabilities	08/04/2022	The EBA disagrees with 2 substantive changes proposed by the EU Commission to the EBA final draft RTS for minimum own funds and eligible liabilities - MREL (direct and indirect funding; prior permission regime). The EBA considers that the RTS already contain the necessary principles or tools needed for capturing all cases of direct or indirect funding without any additional description. The EBA is also of the view that the prior permission regime in its final draft RTS is proportionate to the goals of the regulation and that no change is warranted. The EBA agrees with the other amendments, deemed to be non-substantive.
SRB's 2022 Resolution Planning Cycle Booklet	20/04/2022	The 2022 SRB's booklet informs banks about the main processes and phases of the 2022 Resolution Planning Cycle.
SRB' speech on the resolution of Sberbank	28/04/2022	Elke König, Chair of SRB, commented on the preliminary lessons learnt from the resolution of Sberbank, which had operations in Austria, Croatia and Slovenia.
Covid-19 targeted measures		
SRB's approach to the discretion on leverage and MREL calibration under the CRR	07/03/2022	On 10 Feb. 2022, the ECB said that the relief measure, whereby certain exposures to central banks are excluded from the calculation of the leverage amount, will not be extended beyond end of March 2022. Consequently, the final MREL targets applicable from 1 Jan. 2024 will be re-calibrated in the 2022 resolution planning cycle based on the leverage amount that includes the central bank exposures that were temporarily excluded.

Governance, Supervision & Risk management

Title	Date	Overview
EBA's Opinion and Report on de-risking and its impact on access to financial services	05/01/2022	The EBA's Opinion and Report sets out the steps competent authorities should take to tackle unwarranted de-risking. De-risking refers to decisions of financial institutions not to provide services to customers in certain risk categories, which may have a detrimental impact on the effectiveness of the fighting of financial crime, on financial inclusion and on competition in the single market.
ACPR Charter for Fintech	10/01/2022	The ACPR Charter for Fintech sets out the process and expectations for a start-up to be granted a license or to be registered, as appropriate. The Charter also provides some commitments from the ACPR with respect to the time limits in which the APCR will provide feedback at various steps of the process. The Charter is accompanied with the publication of guides on the ACPR's website.
EBA's Discussion Paper on its preliminary observations on selected payment fraud data under PSD2 as reported by the industry	17/01/2022	The EBA has analysed payment fraud data reported by the industry and subsequently aggregated by national authorities in 2019 and 2020. The Discussion Paper provides an overview of the preliminary findings related to 3 payment instruments: credit transfers, card-based payments and cash withdrawals and also outlines other patterns that appear to be inconclusive and that would benefit from comments and views from market stakeholders. The consultation ended on 19 Apr. 2022.
BIS' insights on the benefits and risks of extending banking licences to big techs and fintechs	20/01/2022	The paper assesses the merits of extending a banking licence to tech firms and explores their regulatory landscape in seven jurisdictions. Big techs and large diversified Fintechs pose the most significant supervisory concerns. To mitigate their perceived risks, authorities impose various quantitative and qualitative requirements during authorisation, but supervision and enforcement may pose challenges. In this context, the paper outlines a range of policy options that are mapped to the risk profile of tech firms seeking a banking licence, to help support the gatekeeping role of prudential authorities.
European Systemic Risk Board (ESRB) recommendation on vulnerabilities of Money Market Funds (MMF)	25/01/2022	In response to the vulnerabilities of MMF observed in March 2020, the ESRB issued a Recommendation that makes proposals to reduce threshold effects, to reduce liquidity transformation, to impose the cost of their redemptions on the redeeming investors and to enhance the monitoring and stress-testing frameworks. It is intended to feed into the MMFR (MMF Regulation) review scheduled for 2022. The ESRB has also published a report supporting the ESRB Recommendation by providing its economic rationale and an impact assessment.
ESMA's consultation on CCP anti-procyclicality measures, aiming at amending the EMIR Regulatory Technical Standards (RTS)	27/01/2022	The ESMA consultation aims at amending the EMIR RTS to further harmonise CCP policies on margin changes as well as the use of anti-procyclicality margin tools in the EU. The proposed review follows the surge in initial margin during the early stages of the COVID-19 crisis, which raised questions as to whether some of these increases acted in a procyclical manner, potentially causing or amplifying liquidity stress in the financial system. The consultation ended on 31 Mar. 2022.
ESA (European Supervisort Agencies - EBA, EIOPA and ESMA) response to the EU Commission's call for advice on Digital Finance of Feb. 2021	07/02/2022 09/02/2022	The ESAs have noted that the use of innovative technologies in the EU financial sector is facilitating changes to value chains, that dependencies on digital platforms are increasing rapidly, and that new mixed-activity groups (combining financial and non-financial activities) are emerging. To ensure that the EU financial services regulatory framework remains fit-for-purpose in the digital age, the Report sets out a series of proposals, including in the areas of: • Consumer protection, notably regarding pre-contractual disclosures; • AML/CFT; • The perimeter of prudential consolidation. The ESMA has also published 2 reports, based on a survey sent to National Competent Authorities in March 2021 and on a consultation launched in May 2021 to inform its response to the EU Commission's request. In a keynote speech, Verena Ross, ESMA Chair, has highlighted the opportunities and risks associated with Digital Finance.
ESMA annual Guidelines on stress test scenarios under Art. 8 and 37 of the MMFR (Money Market Funds Regulation)	14/02/2022	The previous version of the Guidelines was published on 16 Dec. 2020. These 2021 Guidelines include updated specifications on the type of the stress tests and their calibration, so that managers of MMFs have the information needed to fill in the reporting template mentioned in Art. 37 of the MMFR. The ESMA has also announced that, in addition to the annual review of the Guidelines, it will consult in 2022-Q2 on the revision of section 4.8 of the guidelines.

ESMA's Opinion on reforms to improve the resilience of Money Market Funds (MMF) under the MMF Regulation (MMFR)	16/02/2020	The ESMA's Opinion sets out proposed reforms to address in particular the liquidity issues and the threshold effects for constant net asset value (CNAV) MMFs. The ESMA also proposes complementary reforms to enhance the MMFs' preparedness for a crisis, including enhancements of reporting requirements and of the stress testing framework. These proposals are based on the lessons learnt from the significant liquidity difficulties faced by MMFs in March 2020.
Speech of Frank Elderson, Member of the Executive Board of the ECB and Vice-Chair of the Supervisory Board of the ECB, on the evolutions in the EU AML/CFT regulatory framework	23/02/2022	Frank Elderson talked about the EU Commission' proposals made in 2021 for major changes to the EU AML/CFT framework. He strongly suggests widening the pool of selected entities that will be under the direct supervision of the future EU AML Authority to promote a common supervisory culture and convergence of the AML/CFT supervisory practices. He has also advised to avoid sending unintended signals to the markets or creating reputational issues for selected obliged entities directly supervised by the new AML authority, in case of the publication of the list of selected obliged entities.
EBA's final guidelines on exclusions from the scope of application of the Payment Service Directive (PSD2)	24/02/2022	The EBA's final Guidelines on the limited network exclusion under the PSD2 clarify how national competent authorities should assess whether a network of service providers or a range of goods and services qualify as 'limited' and are, therefore, not subject to the Directive. The Guidelines aim at addressing significant inconsistencies on how this exclusion has been applied so far. They apply as of 1 June 2022 with a 3-month transitional period for issuers that already benefit from the exclusion to submit a new notification to their national competent authority.
BCBS' strategic priorities for 2022	25/02/2022	The BCBS has four strategic priorities for 2022: • **Covid-19 resilience and recovery**: the BCBS will evaluate some areas in the Basel Framework, including the usability of capital and liquidity buffers and potential procyclical dynamics in the risk-weighted framework. A comprehensive evaluation of the Basel 3 implementation is also ongoing; • **Emerging risks and structural trends**: the BCBS plans (i) to consult again in mid-2022 on the prudential treatment of banks' exposures to cryptoassets and (ii) to finalise the global principles for the effective management and supervision of climate-related financial risks consulted in 2021; • **Strengthening supervisory coordination and practices**: the BCBS will focus on operational resilience, cyber risk and concentration due to reliance on third- and fourth-party service providers; • **Basel 3 implementation**.
Work programme for 2022 / 2023 of the Working Group on EUR Risk Free Rates	02/03/2022	The work programme aims in particular at: (i) fostering the use of €STR in a diverse range of financial products, (ii) assessing the level of implementation and potential impediments to the timely adoption of EURIBOR fallback provisions by EU supervised entities, (iii) identifying potential issues related to the impact of LIBOR discontinuation in the EU.
ESMA' SREP Guidelines for CCPs	10/03/2022	The ESMA has published the final version of the SREP guidelines for Central Counterparties (CCP), which apply from May 2022.
ESMA coordination activity in the response to the war in Ukraine and its impact on the EU financial markets	14/03/2022	The ESMA has outlined its specific supervisory and coordination activity, as well as its recommendations to financial market participants, in the context of the war in Ukraine.
EU Commission's proposal for a refit of CSDR (Central Securities Depositories Regulation) to simplify the application of the regulation and introduce changes to facilitate cross border services.	17/03/2022	The EU commission has issued a proposal to review the CSDR, which was introduced following the financial crisis to improve the safety and efficiency of settlement in financial markets, i.e. the completion of a securities transaction through the transfer of cash or securities, or both. The proposed changes aim at making the CSDR more proportionate and at facilitating cross border services by: • improving the passporting regime of CSD; • improving cooperation between supervisory authorities; • reviewing the thresholds under which CSD can provide banking-type ancillary services, • improving the settlement discipline regime, by giving the Commission the possibility to re-introduce 'mandatory buy-ins" by means of an implementing act in certain circumstances, for example, if the rate of settlement failures does not improve. With "mandatory buy-ins", a third party such as a neutral buy-in agent buys and delivers the securities to the non-failing party against payment and a penalty, should a securities delivery fail in the agreed period; • improving the oversight of third country CSD. The proposal will be submitted to the co-legislators and will enter into force once the EU Parliament and the Council have approved them.

EBF's feedback to the EU Commission consultation on the review of the central clearing framework in the EU	23/03/2022	In its feedback to the consultation, the EBF has outlined the risk of market disruptions of a forced relocation strategy restricted to the EU clearing market. The EBF has asked the EU Commission to only consider measures that make clearing in the EU more attractive, without disproportionally undermining other market participants.
ESRB's letter to Members of the European Parliament on the review of AIFMD (Alternative Investment Fund Managers Directive)	23/03/2022	The letter points out some key aspects of the EU Commission's proposal that should not be watered down in the legislative process (e.g. availability of liquidity management tools for fund managers to deal with redemption pressures when market liquidity becomes stressed). The letter also underlines 3 issues where the EU co-legislators could enhance the proposal (liquidity mismatches in open-ended AIFs, a lack of access to data on the investment fund sector from the ESRB, guidance on the use of macroprudential leverage limits).
Updates of the ESMA on the recognition of Third Country CCPs (TP-CCP) under EMIR	25/03/2022	The ESMA has reviewed the recognitions of 25 Third Country Central Counterparties (TP-CCP) that were already recognised, has revised Memoranda of Understanding (MoUs) with relevant Third Country authorities, and, for the first-time, has recognised the National Securities Clearing Corporation (NSCC).
EU Commission decision on the Monetary Agreement between the EU and the Principality of Monaco	30/03/2022	The Commission Decision (EU) 2022/506 has updated Annex A to the Monetary Agreement between the EU and the Principality of Monaco. The Annex A sets out the legislation applicable to the activities and supervision of credit institutions and the prevention of systemic risks to payment and securities settlement systems in the Principality of Monaco.
BCBS's newsletter on third- and fourth-party risk management and concentration risk	30/03/2022	Following up on the Principles for Operational Resilience (POR) and the revised Principles for the Sound Management of Operational Risk (PSMOR) in March 2021, the BCBS has highlighted some of the most important current concerns and attention points with regard to the management of third- and fourth-party risk management.
Annual report on the ECB supervisory activities in 2021, commenting on: • **banks' governance,** • **ICT risks (Information and Communication Technology),** • **Digital transformation,** • **TRIM (Targeted Review of Internal Models)**	31/03/2022	In the Report, the ECB noted: (i) the low level of involvement and limited ability of the management body in its supervisory function to challenge strategic decisions in the areas most affected by the COVID-19 crisis; (ii) insufficient expertise in banking and risk management of non-executive directors in a few banks; (iii) the lack of a diversity policy and insufficient promotion of diversity in some banks, which hampers the board's collective suitability; (iv) the low proportion of independent board members in some banks. On ICT risks, the ECB noted that : (i) banks are becoming increasingly reliant on third-party service providers, including cloud services; (ii) implementation of basic measures to maintain the health and security of IT systems needs to be improved; (iii) the number of end-of-life systems is increasing; and (iv) data quality management remains the least mature risk control area, owing to fragmented and non-harmonised IT landscapes, a lack of automation, widespread use of manual controls, and deficiencies in data governance (e.g. insufficient independent validation of data quality). The ECB is also assessing banks' digital transformation, looking at key performance indicators and the use of new technologies, focusing on the relevance of these aspects to their business models. While commenting on the outcome from TRIM, the ECB noted a high number of applications related to reverting to less sophisticated approaches, in the context of banks' initiatives to simplify their model landscapes.
ESRB response to the ESMA consultation on APC (Anti Pro-Cyclicality) measures for Central Counterparties (CCPs)	01/04/2022	The ESRB has proposed to include a definition of procyclicality in Art. 2 of EMIR, encompassing both centrally and bilaterally cleared transactions, to provide a more granular guidance on the determination of collateral haircuts and the widening to client clearing of the provisions to limit the procyclicality of margin and haircut requirements of CCPs.
ESRB's response to the EU Commission's consultation on the review of the mortgage credit directive	01/04/2022	In its response, the ESRB has proposed to include borrower-based measures (BBMs) in the EU legislation, including in the mortgage credit directive. The ESRB considers that, given the importance of residential real estate markets, there should be a common minimum basis for BBMs in national legal frameworks. BBMs refers to measures in lending standards such as limits to loan-to-value (LTV), debt- or loan-to-income (D/LTI), debt or loan-service-to income (DSTI/LSTI) and maturity, and amortisation requirements.
EU Commission decisions on equivalences of US exchanges and US CCPs supervised by the	04/04/2022	According to the decision, several US exchanges under the SEC supervision are considered to be equivalent to the EU regulated markets. As a result, derivatives traded on these US exchanges will now be treated as exchange-traded derivatives under EU law. In addition, the EU Commission has complemented the equivalence

Securities Exchange Commission (SEC)		decision of 27 Jan. 2021 for US CCPs registered with the SEC with regard to mortgage-backed securities issued or guaranteed by government sponsored agencies ('Fannie Mae', 'Freddie Mac', 'Ginnie Mae') that are traded on To-Be-Announced basis, a form of product which does not exist in the EU (Commission Implementing Decision (EU) 2022/551). Following the equivalence decision adopted in Jan. 2021, several US CCPs have applied to the ESMA for recognition. Upon successful completion of the process, they will be able to provide central clearing services in the EU, to EU clearing members and trading venues.
FSB' statement on LIBOR transition	05/04/2022	The FSB has noted that all GBP, EUR, CHF, and JPY LIBOR panels, as well as the 1-week and 2-month USD LIBOR settings, ceased as of end-2021. It has also noted that, while key panel-based USD LIBOR settings will continue until end-June 2023, this is intended to support the run-off of a substantial portion of legacy contracts. The FSB has underlined the importance for market participants to transition from LIBOR and other IBORs that are set to be discontinued.
ESMA's and ESRB's responses to the EU Commission (EC) consultation on the review of EMIR to develop the services offered in the EU by central clearing counterparties (CCP)	08/02/2022 23/03/2022 05/04/2022	In Sept. 2020, the EC adopted a time-limited equivalence decision for UK CCP until 30 June 2022. On 8 Feb. 2022, the EC decided to extend this equivalence decision until 30 Jun. 2025. It has also announced its intention to come forward with measures to develop central clearing activities in the EU in 2022-H2 and launched a targeted consultation on EMIR, aiming at improving the attractiveness of the EU CCPs to reduce the EU overreliance on systemic third-country CCPs. In its response to the EC consultation, the ESMA has recommended to further increase the attractiveness of cleared EU markets, to incentivise EU clearing participants to reduce their exposures to UK CCPs, to enhance the EU supervisory framework for CCPs and to mitigate risks remaining at UK CCPs. The ESRB has also published its response to the EC's consultation on 23 Mar. 2022.
EU Commission (EC) targeted consultation under the Money Market Funds Regulation (EU Regulation 2017/1131 - MMFR)	12/04/2022	The MMFR requires the EC to submit a report to the co-legislators assessing the adequacy of the MMFR from a prudential and economic point of view. The questionnaire aims at complementing the information collected by other initiatives and work (including recent work by ESMA, ESRB/ECB, FSB) on the functioning of the existing rules on MMF. The consultation ended on 20 May 2022.
ACPR statement on the EBA Guidelines on internal governance under the IFD	22/04/2022	The ACPR has stated that the EBA Guidelines on internal governance under the Investment Firm Directive (Directive (EU) 2019/2034) fully apply to investment firms under the ACPR supervision. The guidelines apply from 30 Apr. 2022.
ACPR statement on the EBA Guidelines on remuneration policies under the Investment Firm Directive (IFD - Directive (EU) 2019/2034)	22/04/2022	These EBA Guidelines (EBA/GL/2021/13) partially apply to investment firms under the ACPR supervision, unless they qualify as small and non-interconnected (Art. 25 IFD). The guidelines complement the requirements of the IFD as transposed in Art. L533-30 to L533-30-17 of the Financial Monetary Code and in Chapter 8, Title 4 of the Ministerial Order of 3 Nov. 2014 on internal controls. The ACPR has specified that par. 12, 13, 16, 18, 19, 21 of the EBA Guidelines do not apply to investment firms under the ACPR supervision, considering that these provisions have been extended to all staff, whereas the IFD provides that they apply to identified staff only. The par. 280 of the Guidelines does not apply either, considering that these provisions require a specific retention period of at least one year, whereas the IFD requires an appropriate retention policy, to align incentives with the long-term interests of the firm, without being that specific. The guidelines apply from 30 Apr. 2022, incl. for the year 2022.
Covid-19 targeted measures		
FSB Discussion Paper on debt overhang issues of non-financial corporates	22/02/2022	The FSB Discussion Paper explores some of the specific challenges in the context of the Covid-19 pandemic and refers to several examples of policy approaches in FSB member jurisdictions and of emerging industry practices. It looks at these issues from 3 angles: (i) assessing companies' viability in the context of Covid-19, (ii) facilitating and incentivising the timely restructuring and refinancing of the debt of viable companies and how to facilitate the exit of unviable companies and (iii) dealing with a large number of companies with debt restructuring needs, with a particular view to small and medium-sized enterprises (SMEs) and micro companies. The consultation ended on 8 Apr. 2022.
BCBS newsletter on Covid-19 related credit risk issues	02/03/2022	The newsletter sets out the specific credit risk topics that the Committee intends to focus on in greater detail over 2022, in the context of the pandemic, as well as internal discussions on this subject. The newsletter is for informational purpose.
Environment, climate change and social risks		
Roadmap of ESMA on sustainable finance	11/02/2022	The ESMA has announced that it prioritises the fight against greenwashing in its 2022-2024 Sustainable Finance Roadmap. The ESMA sees Greenwashing as a

		complex and multifaceted issue that takes various forms, has different causes, and has the potential to detrimentally impact investors looking to make sustainable investments. The roadmap sets out the follow-up categories of actions to address the challenges posed by Greenwashing.
EBF response to the BCBS "Principles for the effective management and supervision of climate-related financial risks"	15/02/2022	The EBF has pointed out that it is too early for quantitative impact on capital and that the relationship between risk drivers and actual risk levels on capital has not been established yet. The EBF has also mentioned the magnitude of uncertainties as to the evolution of physical and transition climate risk drivers, the lack of reliable data, the lack of skills and methodologies to understand the impact of the interplay between physical and transition risks and the non-linear, incremental nature of physical risks over time. The EBF has noted that the scenario analyses are still in a pilot stage but will become more sophisticated over time. It has concluded that capital impacts should not be implied if data, methodologies, and results of regulatory climate stress testing exercises are not stabilised. Qualitative impacts in the Supervisory Review Process should be restricted to very limited cases (e.g., if a bank has not started to set up the governance and internal processes to integrate and account for climate-related financial risks). The EBF response is accompanied with an introduction to the BCBS consultation from Lukas Bornemann, EBF Prudential Policy & Supervision Policy Adviser.
Briefs of the Financial Stability Institute of the BIS on the regulatory response to climate change risks	17/02/2022	The authors have pointed out the need for authorities to review the prudential framework to take full account of the implications of climate-related financial risks. Given the longer time horizons and the higher degree of uncertainty associated with their materialisation, they found that the Pillar 1 framework might be suboptimal in addressing such risks and that the flexibility of the Pillar 2 makes it the natural candidate for tackling them. They have also concluded that applying the current macroprudential framework and introducing a green supporting factor to contain systemic climate-related financial risks is likely to be ineffective and potentially counterproductive for financial stability.
ESMA's call for evidence on climate risk stress testing for Central Clearing Counterparties (CCPs)	23/02/2022	The ESMA has started developing a climate risk stress testing framework for CCPs. The consultation has focused on the classification of climate risks relevant to CCPs, the methodology to build an EU-wide climate risk stress testing framework for CCPs and the current development of climate risk assessment by CCPs. The consultation ended on 21 Apr. 2022.
EBF's publication on the proposal for the European Green Bond Standard	17/03/2022	This EBF's publication discusses the Commission's proposal on the European Green Bond Standard published in July 2021, including how it has been received by stakeholders and the related legislative process.
Study requested by the ECON Committee (Committee on Economic and Monetary Affairs) of the EU Parliament on the proposed EU Green Bond Standard	12/04/2022	The study analyses the EU Commission's proposal for a Regulation on European green bonds. It compares the proposal against the existing EU legislation on sustainable finance and financial regulation and contextualises it in the EU green bond market. The assessment covers key regulatory aims, advantages of voluntary and mandatory options, different types of sustainable bonds, alignment with the Taxonomy Regulation, corporate and sovereign bonds, transparency requirements, review and supervision, enforcement and sanctions, and international aspects. On each aspect it provides policy recommendations.
FSB's consultation on cross-sectoral and system-wide aspects of climate-related financial risks	29/04/2022	The FSB draft recommendations focus on the cross-sectoral and system-wide aspects of climate-related financial risks. The FSB view is that climate change is likely to represent a systemic risk for the financial sector and, consequently, that potential macroprudential tools or approaches would complement the microprudential instruments. The consultation ended on 30 June 2022.

Disclosure, reporting and valuation

Title	Date	Overview
ESMA updated Market Abuse Regulation (MAR) Guidelines, taking account of interactions between the transparency obligations and the prudential supervisory framework	05/01/2022	The ESMA issued its MAR Guidelines under Art. 17(11) of MAR in 2016. The MAR Guidelines provide a non-exhaustive and indicative list of legitimate interests of the issuers that are likely to be prejudiced by immediate disclosure of inside information and a list of situations where delay of disclosure is likely to mislead the public. This amended version of the MAR Guidelines considers the interaction between the MAR transparency obligations vis-à-vis inside information and the prudential supervisory framework:

Title	Date	Overview
		• It adds to the existing list of legitimate interests, the case where institutions intend to carry out redemptions, reductions and repurchases of own funds, pending regulatory authorisation; • It adds to the existing list of legitimate interests, the case of draft SREP decisions or preliminary information related there to; • It adds a separate section clarifying that: (i) Pillar 2 Requirements (P2R) are highly likely to meet the definition of inside information under MAR; (ii) Pillar 2 Guidance (P2G) may be inside information under MAR if assessed as price sensitive. The Guidelines provide examples of situations where the P2G is price sensitive and therefore would require public disclosure as soon as possible, unless the conditions for a delayed disclosure under MAR are met.
ESA list of financial conglomerates for 2021	07/01/2022	The Joint Committee of the European Supervisory Authorities (ESAs) – EBA, EIOPA and ESMA – has updated the list of financial conglomerates for 2021. The 2021 list includes 66 financial conglomerates with the head of group located in the EU or EEA (of which 11 in France).
ESMA's third Common Supervisory Action (CSA) on the valuation of UCITS and open-ended Alternative Investment Funds (AIFs)	20/01/2022	The ESMA's third CSA with National Competent Authorities aims at assessing the compliance of supervised entities with the valuation-related provisions in the UCITS and AIFMD frameworks, in particular the valuation of less liquid assets (i.e. UCITS and open-ended AIFs investing in unlisted equities, unrated bonds, corporate debt, real estate, high yield bonds, emerging markets, listed equities that are not actively traded, bank loans).
EBA's consultation on Guidelines on the remuneration benchmarking exercise and Guidelines on data collection regarding high earners under the CRD (Capital Requirements Directive) and the IFD (Investment Firm Directive)	21/01/2022	The EBA's consultation aims at updating (i) the Guidelines on the remuneration benchmarking exercise under the CRD and (ii) the Guidelines on data collection exercises regarding high earners, both issued in 2012 and updated in 2014. The templates have been revised and additional information is collected. Specific templates for the benchmarking of the gender pay gap have also been introduced and the review also includes guidance on how to harmonise the benchmarking of approvals granted by shareholders to use higher ratios than 100% between the variable and fixed remuneration. A separate and specific set of Guidelines on the remuneration benchmarking exercise is provided for investment firms under IFD. Moreover, the Guidelines on data collection for high earners will also apply to investment firms, unless they are small and non-interconnected. These consultations ended on 21 March 2022. The new reporting formats are expected to apply for the financial year that ends in 2022. For the gender pay gap, the first data collection will concern the reference year 2023.
ESMA launched its new STS (Simple, Standardised and Transparent) register under the Securitisation Regulation (SecReg)	03/02/2022	The SecReg that entered into force on 1 Jan. 2019 introduced an obligation for originators and sponsors to jointly notify ESMA and their National Competent Authorities that a securitisation meets the STS criteria for being granted the STS label. On 3 Feb. 2022, the ESMA has announced that it has put in place an automated process to facilitate these notifications, and makes them available in an new STS register. The new STS register replaces the previous interim solution of an STS list on the ESMA website.
ACPR instruction on the monitoring of residential real-estate loans in France	08/02/2022	The Instruction 2022-I-02 amends the "CREDITHAB" table. The new table is annexed to the Instruction 2021-I-02. This amendment follows the decision D-HSCF-2021-7 that the Haut Conseil de Stabilité Financière took on 29 Sept. 2021. The Instruction 2022-I-02 applies from 1 Jul. 2022.
ACPR instruction on the framework for anti-money laundering and counter financing of terrorism (AML/CFT)	08/02/2022	The Instruction 2022-I-01 relates to information to be reported yearly to the ACPR concerning the AML/CFT framework of providers of services in relation to crypto assets (i.e. institutions mentioned at Art L54-10-2, points 1 to 4, of the Monetary and Financial Code).
EU Commission's regulations on the information to be notified when exercising the right of establishment and the freedom to provide services	14/02/2022	The Implementing Regulation EU 2022/193 and Delegated Regulation EU 2022/192 amend resp. the Implementing Regulation EU No 926/2014 and the Delegated Regulation EU No 1151/2014 on standard forms, templates, procedures and information to be notified when exercising the right of establishment and the freedom to provide services. The amended regulations apply from 6 Mar. 2022.
Conclusions of 4 European banking associations (EACB, EAPB, EBF and ESBG) from their cohosted workshop on the "Access to better	18/02/2022	The workshop has brought together the European banking industry, the EBA and the international RegTech community to openly exchange views on how RegTech solutions could help banks reduce their reporting costs and what are the hurdles to clear along the way. RegTechs have confirmed complexity is the most challenging aspect in the current reporting environment, identifying

Title	Date	Overview
technology for Reporting" (RegTech)		standardisation, infrastructure, and automation as tools to decrease the complexity. Creating a more functional and interconnected ecosystem is key to start moving towards a standardisation where RegTechs can play a key role. The EBA provided an overview of how the different recently launched initiatives such as the Integrated Reporting System (IRS) and the Commission's supervisory data strategy aim to shape the future of supervisory reporting.
EBA's Report on the implementation on the ESRB recommendation to identify legal entities in financial transactions and financial reporting	25/02/2022	The EBA's Report to the EU co-legislators and to the ESRB relates to the implementation of Recommendation B of Recommendation ESRB/2020/12 issued in 2020, sponsoring the use of the Legal Entity Identifier (LEI) as identifier of legal entities in either financial transactions or financial reporting obligations. The Report provides information on the substance, such as the legal form of the measure and the type of financial institutions covered, as well as on the timing of the actions taken by the EBA in relation to the Recommendation.
EU Commission's regulation on the provision of information on resolution plans of credit institutions and investment firms	04/03/2022	The implementing regulation EU 2022/365 amends the implementing regulation (EU) 2018/1624 on the procedures and standard forms and templates for the provision of information on resolution plans for credit institutions and investment firms, as per the BRRD. The implementing regulation EU 2022/365 amends some of the templates and applies from 24 Mar. 2022.
ACPR's instruction on the implementation of the RUBA reporting	09/03/2022	The ACPR's Instruction 2022-I-06 amends the Instruction 2021-I-03 of 11 Mar. 2021 on the implementation of the Unified Reporting of Banks and Similar Institutions ("RUBA" - Reporting Unifié des Banques et Assimilés). The ACPR's Instruction amends the annexes 1 to 3 of the Instruction 2021-I-03. Annex 1 sets out the various applicable templates, while annex 2 provides information on the scope of application of each reporting template. The Instruction 2022-I-06 applies from 8 Jul. 2022.
ACPR's instructions on reporting obligations applicable to the SCF ("Sociétés de Crédit Foncier") and SFH ("Sociétés de Financement à l'Habitat")	09/03/2022	The ACPR's Instruction 2022-I-04 sets out the information required from SCF and SFH regarding the quality of their assets and the outstanding amount of covered bonds. This information must be reported quarterly to the ACPR by D+45 calendar days and disclosed quarterly. The Instruction 2011-I-07 of 15 Jun. 2011 is repealed. The instruction 2022-I-04 applies from 8 Jul. 2022. The ACPR's Instruction 2022-I-05 sets out the information that SCF and SFH must report to be granted the European certification labels (European Covered Bonds; European Covered Bonds of high quality). The Instruction applies from 8 Jul. 2022. The ACPR's Instruction 2022-I-03 relates to the coverage ratio of SCF and SFH and to the regulatory templates provided at Art. 10 of the CRBF regulation 99-10 of 9 July 1999. The Instructions 2016-I-09 and 2014-I-17 are repealed. The Instruction 2022-I-03 applies from 8 Jul. 2022.
EU Commission's regulation on the information to be disclosed by competent authorities under the Investment Firm Directive (IFD)	09/03/2022	The implementing regulation EU 2022/389 sets out the format, structure, content lists and annual publication date of the information to be disclosed by competent authorities under the IFD (Directive 2019/2034), including on options and national discretions, general criteria and methodologies for the supervisory review and evaluation process (SREP). The regulation applies from 30 Jun. 2022.
EBA's publication on phase 1 of the 3.2 supervisory reporting framework and updates on validation rules	10/03/2022	The EBA technical package covers amendments to the following reports: common reporting (COREP) on own funds, additional liquidity monitoring metrics (ALMM), net stable funding ratio (NSFR), asset encumbrance, global systemically important institutions (G-SII), minor amendments to investment firms reporting). The new reporting requirements are expected to apply from Dec. 2022. The technical package for Supervisory Benchmarking and Remunerations will be published respectively in phase 2 and 3, expected in 2022-Q2 and 2022-Q3. The EBA has also published an updated package of validation rules that reflects the changes to the reporting framework currently in use.
ECB's publication on the plausibility checks performed on the AnaCredit datasets	11/03/2022	The ECB plausibility checks aim to identify AnaCredit data that are likely to be incorrect and hence have to be verified. Together with the validation checks, they constitute the data quality assurance of AnaCredit datasets. The document describes plausibility checks, discusses their features, in addition to setting out the internal and external plausibility checks in detail.
ECB's Guidelines on the notification of securitisation transactions from significant institutions	18/03/2022	The significant institutions acting as originators or sponsors of a securitisation transaction are advised to follow the Guidelines to provide the ECB with information needed for the supervision of compliance with Art. 6 to 8 of the

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		Securitisation Regulation (SecReg). These Guidelines apply to all securitisation transactions originated after 1 Apr. 2022.
EBA's list of institutions involved in the 2022 supervisory benchmarking exercise	23/03/2022	The EBA has updated the list of institutions which have a reporting obligation for the purpose of the 2022 EU supervisory benchmarking exercise. The EBA will be conducting the 2022 benchmarking exercise on a sample of 115 banks from 16 countries across the EU and the EEA.
BCBS executive summary of the BCBS 239 Principles on Risk Data Aggregation and Reporting issed in Jan. 2013 (the 'Principles')	25/03/2022	The BCBS has pointed out that G-SIBs have made tangible progress over the years in several key areas, including governance, risk data aggregation capabilities and reporting practices. However, the 2020 BCBS report noted that none of the G-SIBs has achieved full compliance with the Principles, as attaining the necessary data architecture and IT infrastructure remains a challenge for many.
ESMA's guidelines on transfer of data between Trade Repositories under EMIR and under SFTR (Securities Financing Transactions Regulation)	25/03/2022	The ESMA has published: (i) amendments to the existing Guidelines on transfer of data between Trade Repositories (TR) under EMIR (ESMA70-151-552) and (ii) the new Guidelines on transfer of data between TR under SFTR. The Guidelines under EMIR are amended to maintain and strengthen the existing framework to port records from one TR to another. The Guidelines under SFTR are new Guidelines to set up a framework to enable market participants to safely transfer data from one TR to another under SFTR. These 2 sets of Guidelines will apply from 3 Oct. 2022.
ESMA's second Data Quality Report on the quality of data gathered under EMIR and under the SFTR (Securities Financing Transactions Regulation)	01/04/2022	This second edition of the ESMA Data Quality Report found that the quality of EMIR data improved in 2021, even though certain aspects such as data reconciliation require more efforts from the reporting entities. The report identifies several prerequisites for further enhancing the data quality for both trade repositories and counterparties and suggests that data quality could be enhanced if counterparties also use the same data set and the same identifiers in their internal risk reporting.
ACPR's instruction on the reporting of accounting and prudential documents and of miscalleneous information to the ACPR	11/04/2022	The ACPR's Instruction 2022-I-07, amending the Instruction 2017-I-04 (amended by Instruction 2019-I-07), extends the scope of application of these reporting requirements to investment holding companies as defined in Art. 4(1) par. 23 of the Investment Firm Regulation (EU Regulation 2019/2033). These invesment holding companies are financial institutions, whose subsidiaries are exclusively or mainly investment firms or financial institutions with at least one of them being an investment firm.
Covid-19 targeted measures		
EBA' statement and ACPR's instruction on the application of COVID-19 related reporting and disclosure requirements, to facilitate the monitoring of loans under payment moratoria and public guarantee schemes	17/01/2022 11/04/2022	The EBA has confirmed that the Guidelines on the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis adopted on 2 Jun. 2020 (EBA/GL/2020/07) continue to apply. The Guidelines have established quarterly reporting frequency and semi-annual disclosure of exposures benefitting from such measures. The ACPR's Instruction 2022-I-08 amends the Instruction 2020-I-10 of 15 Jul. 2020 on the reporting of exposures subject to measures applied in response to COVID-19. The ACPR's Instruction remove the related reporting obligations for non-significant groups and entities. The significant groups remain subjected to the EBA Guidelines EBA/GL/2020/07. The Instruction applies from 12 Apr. 2022.
Environment, climate change and social risks		
Audition of Robert Ophèle, AMF Chair, by the Finance Committee of the French Parliament on the implementation of the EU Taxonomy regulation	20/01/2022	Robert Ophèle recalled the timetable for the implementation of the relevant EU regulations, as well as the actions the AMF has conducted to ease the implementation of the Taxonomy regulation in France. Finally, Robert Ophèle has dwelled on the roles and responsibilities of the AMF in the verification of the sustainability disclosures.
Joint report of the EBF and of the United Nations Environment Programme Finance Initiative (UNEP FI) on the practical approaches for banks to applying the EU Taxonomy to bank lending	15/02/2022 17/03/2022	The Report is based on discussions with 24 banks, 12 banking associations and 6 observing organisations and follows a joint project that tested the application of the EU Taxonomy to core banking products. The Report focuses on disclosure requirements under the EU Taxonomy Disclosure Delegated Act, explores how the EU Taxonomy could be further used to gather EU Taxonomy compatible information for banks' clients who do not yet have an obligation to disclose, such as SMEs and non-EU companies, and addresses compliance with minimum safeguards of the Taxonomy regulation. The Report also explores how the

Title	Date	Overview
		Taxonomy could be used by banks that wish to engage with clients whose economic activities are eligible for analysis under the EU Taxonomy but are not yet aligned with the listed Technical Screening Criteria. The EBF has also published a statement providing an overview of the content of the Report.
ESMA's consolidated implementation timeline for sustainability disclosures under the various EU pieces of regulations	21/02/2022	The ESMA consolidated timeline covers the period 2021-2024 and the relevant EU pieces of regulations (SFDR - Sustainable Finance Disclosure Regulation; TR - Taxonomy Regulation; CSRD - Corporate Sustainability Reporting Directive; MIFID - Markets in Financial Instruments Directive; IDD - Insurance Distribution Directive; UCITS - Undertakings For The Collective Investment Of Transferable Securities; AIFMD - Alternative Investment Fund Managers Directive).
EBF' statement on the EU Commission proposal for a Corporate Sustainability Reporting Directive (CSRD)	25/02/2022 17/03/2022	The EBF supports the extended scope of sustainability reporting suggested by the Commission (including large undertakings with over 250 employees and listed SMEs). The EBF underlines that it may be beneficial for SMEs, including non-listed SMEs, to have a simplified reporting standard and, for non-listed SMEs, to voluntarily report, especially B2B SMEs. The EBF also calls for legislators to closely evaluate the implications of a mandatory separation of financial and sustainability audit, considering that such separation may wrongfully provide the impression that financial and sustainability performances are not tightly interlinked. Gianluca Manca, Head of Sustainability at Eurizon Capital, interviewed by the EBF on Corporate sustainability reporting, further explains the implications of the CSRD for SMEs.
EBF's response to the ESMA Call for evidence on the market for ESG rating providers	11/03/2022	The EBF calls for a clear framework with consistent global principles and harmonized standards for ESG rating (e.g., EFRAG, IOSCO and International Sustainability Standards Board), in order to make it possible to have a clear and objective evaluation of financial market participants from an ESG perspective.
Keynote speech of Natasha Cazenave, Executive Director of ESMA, on the ESMA priorities for the asset management industry	24/03/2022	ESMA has currently two priorities for the asset management industry: (1) climate transition and (2) the resilience of investment funds to market, credit and liquidity shocks. On priority (1), Natasha Cazenave recalled that the sustainable finance disclosure regulation ('SFDR') applies from 10 Mar. 2021 and that the detailed rules of the "implementing measures" of SFDR will apply from 1 Jan. 2023. The ESMA expects to provide technical advice to the EU Commission on the criteria for products under Art. 8 SFDR (i.e., "light-green products" promoting environmental or social characteristics) and works closely with national authorities to ensure the consistent supervision of the sustainability disclosures. Given the soaring demand for ESG products, the ESMA expects fund managers to do their best to overcome the lack of proper data. On priority (2), the ESMA expects that the EU Commission will launch the review of the Money Market Funds Regulation (MMFR) by mid-2022. She explained the ESMA's proposals in this context. As part of the ongoing review of the Alternative Investment Fund Managers Directive, she pointed out the work the ESMA is doing and is expected to do to address the liquidity and leverage issues.
Statement of the European Supervisory Agencies (ESA – EBA, EIOPA, ESMA) on the application of the Sustainable Finance Disclosure Regulation (SFDR)	25/03/2022	The joint statement replaces the initial supervisory statement of Feb. 2021 and clarifies that during the interim period (i.e. from 10 March 2021 until 1 Jan. 2023), under Art. 5 and 6 of the Taxonomy Regulation (TR - Regulation (EU) 2020/852), the financial market participants should provide an explicit quantification in their product disclosures of the extent to which the underlying investments are taxonomy-aligned. In addition, while estimates should not be used, where information is not readily available from investee companies' public disclosures, the financial market participants may rely on equivalent information on taxonomy-alignment obtained directly from investee companies or from third party providers. The statement recalls that the EU Commission sent on 8 Jul. 2021 a letter to the EU Parliament and Council announcing that it intends to bundle all 13 RTS under SFDR into a single delegated act and to defer the application of 1 Jan. 2022 by six months to 1 Jul. 2022. The EU Commission sent another letter on 25 Nov. 2021 announcing that the application date of the RTS would be 1 Jan. 2023. The annex to the statement sets out more detailed information on the application timeline of some of the provisions in the SFDR, the TR and the related RTS.

Title	Date	Overview
ESMA seeks experts for its new Consultative Working Group (CWG) of the Coordination Network on Sustainability (CNS)	04/04/2022	The CWG will have approximately 20 members, selected for a renewable term of two years, and will be composed of experts in sustainable finance. The CWG, announced in the ESMA's Sustainable Finance Roadmap 2022-24, will provide technical input into various areas of ESMA's work on sustainable finance under the CNS.
EU Commission's consultation on the functioning of the market for ESG ratings	04/04/2022	The EU Commission has launched a targeted consultation on the functioning of the market for ESG ratings and to better understand how credit rating agencies incorporate ESG risks in their credit assessment. The responses will feed into an impact assessment that will evaluate whether a policy initiative on ESG ratings and on sustainability factors in credit ratings is needed. The consultation ended on 10 Jun. 2022.

Technology risks and data protection

Title	Date	Overview
Tests from the BIS, the Swiss National Bank (SNB) and five commercial banks on wholesale CBDC (Central Bank Digital Currency)	13/01/2022 25/01/2022 22/03/2022	As part of the HELVETIA project, the BIS, the SNB and 5 banks (Citi, Credit Suisse, Goldman Sachs, Hypothekarbank Lenzburg and UBS) have integrated wholesale CBDC in their existing back-office systems and processes. The tests performed in 2021-Q4 covered a wide-range of transactions in Swiss francs, i.e. the settlement of interbank, monetary policy and cross-border transactions on the test systems of SIX Digital Exchange (SDX), the Swiss real-time gross settlement system – SIX Interbank Clearing (SIC) – and core banking systems. In 2022, the BIS Innovation Hub also plans to launch new projects into CBDCs, next generation payments systems and Decentralised Finance (DeFi).
ECB's views on the digital transformation of the European banking sector	13/01/2022	In this speech, Pentti Hakkarainen, Member of the Supervisory Board of the ECB, spoke about the advantages and risks of technological changes in the banking sector and the role of supervisors and regulators.
Report from the ESRB's Advisory Scientific Committee (ASC) on digitalisation and the future of banking	18/01/2022	The Report sets out 3 hypothetical scenarios for the EU financial system in 2030 and discusses the appropriate macroprudential policy response. In the 1st scenario, banks continue to dominate, retaining their central role in the areas of money creation and financial intermediation. In the 2nd scenario, banks retrench while big tech firms capture the lending market, leading to a structural shift in the financial system. Under the 3rd scenario, the issuance of retail central bank digital currencies results, under certain specifications, in financial intermediation shifting away from banks.
European Data Protection Board's Guidelines on the notifications of personal data breaches	03/02/2022	The Guidelines, based on 18 cases, aim at guiding firms in the personal data breach notifications to the competent national authorities and to the individuals whose personal data have been affected, as required in Art. 33 and 34 GDPR (General Data Protection Regulation). A translation of the Guidelines into French is planned to be available on the CNIL's website.
CNIL's publication on data protection challenges raised by a digital euro experiment	14/02/2022	The CNIL publication sets out the key data protection challenges raised by the launch of a digital euro experiment, as the ECB announced on 14 Jul. 2021 with a view to start implementation from 2024.
CNIL's publications on data protection challenges raised by Artificial Intelligence	05/04/2022	The CNIL's documents are provided for the use of the general public, in order to explain the data protection challenges raised by Artificial Intelligence and accompany firms to ensure they are compliant with the data protection requirements.
EU Commission's targeted consultation on Digital Euro and Study of the Committee on Economic and Monetary Affairs (ECON) of the EU Parliament on a Digital Euro	05/04/2022 12/04/2022	The EU Commission's targeted consultation complements the ECB's public consultation on a Digital Euro to be used as the single currency, concurrently with euro banknotes and coins. The consultation aims to collect further information on expected impacts on key industries, incl. financial intermediation and payment services, users and other stakeholders in international trade. The consultation ended on 16 Jun. 2022. The ECON Committee' study focuses on the policy implications and perspectives of a Digital Euro.

Surveys and reports of interest

Title	Date	Overview
ACPR' surveys on the use of new technologies in the banking and insurance sectors	14/01/2022	The ACPR conducted 2 surveys in 2021 (one in the banking sector, one in the insurance sector) on the use of new technologies following up on two similar surveys done in 2017 and 2018. As regards banks, the ACPR found that significant progress has been made in the operationalisation of artificial intelligence. French firms already use these technologies in customer relationship management (chatbot, analyses of supporting documents, automated advice, etc.), in compliance management (fight against money laundering, fraud, terrorism financing) and in risk analytics. On the contrary, progress have been so far more limited in the use of distributed ledger technologies, with a few players only exploring their actual use. The surveys also explore the banks and insurers' approach to engage with innovative players and the implications of innovation on the IT systems and on human resources.
ECB's article on the existing regulatory impediments to the cross-border banking consolidation	03/03/2022	The article identifies capital and liquidity ring-fencing of subsidiaries, primarily in host countries, as one of the root cause behind the scarcity of cross-border bank mergers in the euro area. According to Ms. McCaul, ring-fencing could be avoided by completing the European Deposit Insurance Scheme (EDIS) and by creating possibilities for intragroup cross-border capital and liquidity waivers. Ms. McCaul proposed to establish a more solid basis for competent authorities to grant waivers for liquidity requirements of subsidiaries with a stronger mechanism to enforce intragroup liquidity support facilities linked to the group recovery plan. In the context of corporate reorganisations from subsidiaries to branches ("branchification"), she also supported a review of Art. 14(3) of the Deposit Guarantee Schemes Directive, which only allows contributions to Deposit Guarantee Schemes made in the preceding 12 months to be transferred to a new deposit guarantee scheme (DGS). All contributions made before that period are lost when a subsidiary is transformed into a branch of a credit institution established in another Member State.
FSB's Report on the digitalisation of retail financial services during the pandemic	21/03/2022	The FSB found that the pandemic has accelerated the trend toward digitalisation of retail financial services. Insights from market participants suggest that BigTechs in particular have further expanded their footprint in financial services. The report considers the financial stability implications of this accelerated trend towards digitalisation, such as potential market dominance of certain players, and the related concerns around incumbent financial institutions that may be digital laggards.
Environment, climate change and social risks		
EBA's Report and proposals on the EU Green Bond Standard as regards securitisation transactions	02/03/2022	The EBA Report analyses the challenges of introducing sustainability in the EU securitisation market and concludes that it would be premature to establish a dedicated framework for green securitisation. The EBA is of the view that the upcoming EU GBS (Green Bond Standard) regulation should also apply to securitisation, provided that some adjustments are made to the standard. The EBA recommends that the EU GBS requirements apply at originator level (instead of at the issuer/ securitisation special purpose entity level), to allow a securitisation that is not backed by a portfolio of green assets to meet the EU GBS requirements, provided that the originator commits to using all the proceeds from the green bond to generate new green assets. The Report also concludes that it would be inappropriate to establish a dedicated framework for green true sale securitisation at this stage, even though such a framework may become increasingly relevant once the EU economy has further transitioned and the use of proceeds approach prevailing in the EU GBS becomes less relevant. The Report also suggests that the EBA be mandated to monitor the development of the EU green synthetic securitisation market and, if appropriate, further investigate the relevance of a framework for green synthetic securitisation. It is also deemed premature to establish a dedicated framework for social securitisation given that an EU social bond standard is yet to be established and the EU social securitisation market is still in its infancy.
BIS' Report on supervisory practices for assessing the sustainability of banks' business models	07/04/2022	The paper sets out a range of supervisory practices regarding BMA (Business Model Analyses) in the supervisory review process (SRP), including processes and procedures for integrating its outcomes into the overall SRP.

Information on the scope of this newsletter

This newsletter aims at providing general information on recent publications related to prudential and risk management regulation applicable to banks and investment firms. Regulations concerning client protection, conduct and financial crime, incl. money laundering and financing of terrorism, are not covered, except if relevant in the context of prudential and risk management regulation.

List of screened websites for this newsletter:

- Autorité de Contrôle Prudentiel et de Résolution
- Commission Nationale Informatique et Libertés (CNIL)
- Autorité des Marchés Financiers (AMF)
- Haut Conseil de Stabilité Financière
- European Banking Authority & Joint Supervisory Committee
- European Central Bank
- European Commission
- European Parliament
- European Securities and Markets Authority
- European Systemic Risk Board
- Single Resolution Board
- Bank for International Settlement
- Basel Committee on Banking Supervision
- Financial Stability Board

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