THE FINANCIAL SERVICES INSIDER

Risk & Regulatory insights

Regulatory updates

January 2023

Highlights

The 4th quarter of 2022 was marked by several regulatory developments in various areas such as AML, ESG, Risk Management, Insurance and Capital Markets.

Anti-Money Laundering (AML)

EBA published guidelines on remote customer onboarding and consults on new guidelines to tackle de-risking.

Capital Markets

EBA published an updated report on total loss-absorbing capacity and minimum requirement for own funds and eligible liabilities while FSB published a report on liquidity in core government bond markets. ESMA published a consultation on standards for benchmark administrator applications and updated guidelines on stress tests for MMF. Furthermore, ESAs published joint advice to the EC on the review of the securitisation prudential framework and ECB published the LSI supervision report 2022.

Environmental, Social and Governance (ESG)

ECB set deadline for EU banks to deal with climate risks and published a report on good practices for climate stress testing. FSB published recommendations for supervisory and regulatory approaches to climate-related risks and calls for continued progress on disclosures, while EC and CEB signed agreement to mobilise €500 million in financing for social investments.

Furthermore, EC:

- approved €800 million Greek scheme to support non-household electricity consumers in context of Russia's war against Ukraine;
- adopted revised State aid Framework for research, development and innovation;
- steps up green transition away from Russian gas by accelerating renewables permitting;
- issued a new €6 billion NextGenerationEU green bond and raised an additional €2.5 billion to support Ukraine;
- welcomed political agreement on REPowerEU under the RRF;
- approved €380 million for 168 new green projects all around Europe.

Moreover, EBA:

- issued an Opinion in response to the EC’s proposed amendments to the EBA final draft technical standards on Pillar 3 disclosures on ESG risks;
- published a report on the integration of ESG risks in the supervision of investment firms;
- published its roadmap on sustainable finance.

Highlights

FinTech

FSB published a proposed framework for the international regulation of crypto-asset activities while CPMI and IOSCO published a report related to the monitoring of implementation of the PFMI. Furthermore, DSA, EU's landmark rules for online platforms, entered into force.

Insurance

ISSB made key announcements towards the implementation of climate-related disclosure standards in 2023, while FSB endorsed an improved framework for the assessment and mitigation of systemic risk in the insurance sector and discontinues annual identification of G-SIIs. Also, EIOPA's first IORPs climate stress test shows material exposure to transition risks.

Furthermore, EIOPA:

- set out its strategy for the years 2023 – 2026;
- issued a warning for insurers and banks about consumer protection issues related to the sale of credit protection insurance products;
- issued its methodology for assessing value for money in the unit-linked market;
- published its Risk Dashboard;
- issued staff papers related to the IRRD proposal;
- underlined its commitment to supporting the insurance and pensions sectors in tackling climate change;
- consults on cyber component in its insurance stress testing framework.

Moreover, Insurance Europe:

- published a set of key points on the EC's proposal for an EU Data Act;
- published its comments on a consultation conducted by EIOPA on its draft statement on differential pricing practices;
- published its response to the EC's Better Regulation consultation on its review of EU sectorial social dialogue;
- published a set of key messages regarding the repeal of the EU's Directive on Distance Marketing of Consumer Financial Services.

MIFID II

ACER and ESMA enhanced cooperation to strengthen oversight of energy and energy derivatives markets. Moreover, ESMA i) issued a consultation on rules for passporting for Investment Firms, ii) published Annual Report on Waivers and Deferrals, iii) provided guidance for supervision of cross-border activities of investment firms and iv) provides guidance to applicants under the DLT pilot regime.

Highlights

Risk Management

ECB published i) its Financial Stability Review which shows risks increasing as economic and financial conditions worsen, ii) the update of the supervisory priorities for 2023–2025 and iii) an overview of the key observations from the annual horizontal analysis of IT and cyber risk.

Furthermore, EBA:

- clarified the status of several disclosure guidelines, and ensured continuous transparency of credit quality of exposures by all types of credit institutions;
- published methodology and draft templates for the 2023 EU-wide stress test;
- published its closure report of Covid-19 measures and repeals its Guidelines on Covid-19 reporting and disclosure;
- consults on Guidelines to institutions and resolution authorities on resolvability testing;
- consults on Guidelines on the overall recovery capacity in recovery planning;
- published final standards and guidelines on interest rate risk arising from non-trading book activities;
- published final RTS on the measurement of liquidity risks for investment firms.

Other

EC endorsed positive preliminary assessment of Greece's request for nearly €3.6 billion under the RRF and raised €7.05 billion for SURE and MFA programmes in its last syndicated transaction of 2022. Also, EU institutions agreed on joint priorities for 2023 and 2024. Furthermore:

- BoG published its Financial Stability Report;
- FSB published its Annual Report;
- EPC published the first version of the SPAA scheme; and
- Monitoring Group reported on progress to implement recommendations to strengthen the International Audit and Ethics Standard-Setting System.

Anti-Money Laundering (AML)

EBA published guidelines on remote customer onboarding.

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On November 22, 2022 the European Banking Authority (EBA) published its final guidelines on the use of remote customer onboarding solutions. These guidelines set out the steps credit and financial institutions should take to ensure safe and effective remote customer onboarding practices in line with applicable anti-money laundering and countering the financing of terrorism (AML/CFT) legislation and the EU's data protection framework. The guidelines apply to all credit and financial institutions that are within the scope of the Anti-money Laundering Directive (AMLD).

Amendment of Decision No. 1/506/08.04.2009 (Prevention of the use of the financial system for the purpose of money laundering and terrorist financing) of HCMC BoD.

On December 05, 2022 Decision No. 4/971/24.11.2022 of Hellenic Capital Market Commissions' (HCMC) Board of Directors (BoD), was published in the Greek Government Gazette (B' 6145), amending Article 10(2) of existing Decision No. 1/506/08.04.2009.

EBA consults on new guidelines to tackle de-risking.

On December 06, 2022 the European Banking Authority (EBA) launched a public consultation on new guidelines on the effective management of money laundering and terrorist financing (ML/TF) risks when providing access to financial services. Through these guidelines, the EBA aims to ensure that customers, especially the most vulnerable ones, are not denied access to financial services without valid reason. This consultation runs until 6 February 2023.

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Capital Markets

ECB published the LSI supervision report 2022.

EBA updates on the monitoring of total loss-absorbing capacity and minimum requirement for own funds and eligible liabilities instruments.

On October 07, 2022 the European Banking Authority (EBA) published an updated total loss-absorbing capacity and minimum requirement for own funds and eligible liabilities (TLAC/MREL) monitoring Report. Following the first TLAC-MREL monitoring Report, the EBA has observed that its recommendations have been, overall, well implemented. However, it has identified the need for a few new notable provisions to be recommended and for some others to be avoided. This Report provides policy views based on TLAC/MREL instruments assessed up to February 2022 with a view to continue strengthening the quality of the instruments and to have more standardized information across the EU.

The EBA has observed convergence and standardization in terms of legal drafting of the notes and programmes, deriving also from the actual implementation of the EBA recommendations from the first TLAC/MREL monitoring Report and the ESG recommendations in the latest AT1 monitoring report. Therefore, the updated Report integrates only a few new recommendations.

Going forward, the EBA will continue to monitor the quality of the TLAC/MREL instruments issued also with the objective of covering as many jurisdictions as possible and enriching the observations and recommendations.

FSB analyses liquidity in core government bond markets.

On October 20, 2022 the Financial Stability Board (FSB) published a report on liquidity in core government bond markets. The report forms part of the FSB's work programme to enhance the resilience of non-bank financial intermediation (NBFI). Changes in core government bond markets over the past decade may have made them more prone to liquidity imbalances in times of stress.

The report outlines policies to consider for enhancing the resilience of core government bond markets, including measures to:

- mitigate unexpected and significant spikes in liquidity demand by non-bank investors. This involves assessing and mitigating factors that give rise to such spikes, e.g. liquidity mismatches, margining practices or the build-up of leverage.
- enhance the resilience of liquidity supply in stress. This involves exploring potential ways to increase the availability and use of central clearing for government bond cash and especially repo transactions, as well as the use of all-to-all trading platforms.
- enhance market oversight, risk monitoring and the preparedness of authorities and market participants. This involves increasing the level of transparency in government bond markets and closing some of the substantial data gaps identified in the report.

ESMA amends and consults on standards for benchmark administrator applications.

On November 28, 2022 the European Securities and Markets Authority (ESMA), published:

1) a Final Report on the review of the regulatory technical standards (RTS) on the form and content of applications for recognition by non-EU benchmark administrators, and;
2) a consultation on amendments to the RTS on the information that EU benchmark administrators need to provide in applications for authorization and registration.

The Final Report includes draft RTS in respect to the alignment of the information provided in a recognition application with the amended BMR subsequent to the transfer of direct supervisory responsibilities to ESMA. The aim of the RTS is to ensure that these applications include all necessary information for ESMA to assess whether the applicant meets BMR requirements.

In relation to the published consultation, ESMA is seeking stakeholder views on proposed changes to the RTS on authorisation and registration. The objective is to put safeguards in place for equal treatment between EU and non-EU Benchmarks administrators through alignment of the information requested in applications from EU administrators with the information requested in recognition applications from non-EU administrators.

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The draft RTS on recognition are sent to the European Commission (EC) for endorsement in the form of a Commission Delegated Regulation. Finally, ESMA will consider the responses to its consultation before submitting the draft RTS on authorisation and registration to the European Commission for adoption. The closing date for responses from stakeholders is 31 January 2023.

ESMA updated guidelines on stress tests for MMF.

On November 30, 2022 the European Securities and Markets Authority (ESMA), published the final report on the 2022 update of guidelines on MMF stress tests under the Money Market Funds Regulation (MMFR).

The 2022 update of the guidelines on MMFs stress tests is published in the context of the resurgence of the COVID-19 pandemic, compounded with zero-COVID policies in some regions, uncertainty about the economic consequences of the Russian invasion of Ukraine and geopolitical tensions.

It also reflects the very high risks to ESMA's remit identified in ESMA Report on Trends, Risks and Vulnerabilities, including risks to MMFs, which experienced a stress episode on the GBP money market in 2022. The calibration takes into account the systemic risks identified in the Warning issued by the ESRB on vulnerabilities in the Union's financial system.

ESAs published joint advice to the EC on the review of the securitisation prudential framework.

On December 12, 2022 the European Securities Authorities (ESAs) published joint advice in response to the European Commission's earlier call for advice on the review of the securitisation prudential framework.

The targeted proposals in the advice aim at improving the consistency and risk sensitivity of the capital framework for banks whereas the liquidity framework for banks and the prudential framework for (re)insurers should be maintained as it currently stands. However, the ESAs believe that re-calibrating the securitisation prudential framework would not be a solution that in itself would ensure the revival of the securitisation market.

ECB: LSI supervision report 2022.

On December 13, 2022 the European Central Bank (ECB) published a report on the supervision of less significant institutions (LSIs).

The report on LSI supervision examines key developments in the less significant institutions sector, its structure, and major activities aimed at addressing challenges from the supervisory perspective. The findings show that the number of less significant institution fell from more than 3,167 to about 2,089 by the end of 2021, with Germany, Austria and Italy accounting for the bulk of this reduction. The outlook for the LSI sector remains challenging as credit and liquidity risks are on the rise and there has been no fundamental improvement in profitability. When planning, LSIs need to allow for potential impacts on their balance sheets and capital adequacy, particularly from exposures to borrowers hit by at least first and second-round effects of a crisis. Prudent provisioning for credit losses and changes to capital distribution plans should be considered, as may be required by future developments.

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Environmental, Social and Governance (ESG)

ECB set deadline for EU banks to deal with climate risks and published a report on good practices for climate stress testing.

State aid: Commission approved €800 million Greek scheme to support non-household electricity consumers in context of Russia's war against Ukraine.

On October 03, 2022 the European Commission approved a €800 million Greek scheme to support non-household electricity consumers in the context of Russia's war against Ukraine. The scheme was approved under the State aid Temporary Crisis Framework, adopted by the Commission on 23 March 2022 and amended on 20 July 2022, based on Article 107(3)(b) of the Treaty on the Functioning of the European Union ("TFEU"), recognizing that the EU economy is experiencing a serious disturbance.

FSB publishes recommendations for supervisory and regulatory approaches to climate-related risks and calls for continued progress on disclosures.

On October 13, 2022 the Financial Stability Board (FSB), as part of its work on addressing climate-related financial risks outlined in its Roadmap, published a final report on supervisory and regulatory approaches to climate-related risks, a progress report on climate-related disclosures, the 2022 status report by its industry-led Task Force on Climate-related Financial Disclosures (TCFD).

The final report aims to assist supervisory and regulatory authorities in developing their approaches to monitor, manage and mitigate cross-sectoral and system-wide risks arising from climate change and to promote consistent approaches across sectors and jurisdictions.

Moreover, the progress report takes stock of progress made over the past year by the new global standard-setter, by national and regional authorities and by firms, while the TCFD status report describes the further progress by firms in making TCFD-aligned disclosures.

The reports have been delivered to G20 Finance Ministers and Central Bank Governors for their 12-13 October 2022 meeting.

EBA issues an Opinion in response to the European Commission's proposed amendments to the EBA final draft technical standards on Pillar 3 disclosures on ESG risks.

On October 17, 2022 the European Banking Authority (EBA) published its Opinion on the amendments proposed by the European Commission to the EBA final draft Implementing Technical Standards (ITS) on prudential disclosures of environmental, social and governance (ESG) information. In the Opinion, while accepting the two substantive changes proposed by the Commission to enhance proportionality, the EBA insists that institutions should make every effort to collect and disclose the very relevant information reflected in the Banking Book Taxonomy Alignment Ratio (BTAR).

In more detail, the European Commission's version of the ITS, compared to the final draft ITS submitted by the EBA on January 2022, includes two substantive changes, mainly with regard to the calculation and disclosure of the BTAR. In particular, the Commission has proposed amendments to emphasize:

i. that institutions 'may' choose to disclose this information, instead of being required to do it on a 'a best effort basis', and
ii. that the collection of the information from the counterparties will be on a 'voluntary basis', including that institutions need to inform the counterparties about the voluntary nature of this request of information.

In the Opinion, the EBA recognizes the importance of proportionality and, therefore, although favouring the original wording requesting institutions to disclose this information on a best effort basis, the EBA accepts the amendments proposed by the European Commission.

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Environmental, Social and Governance (ESG)

The EBA also highlights that the aim of the BTAR is to prevent an asymmetric treatment of exposures towards counterparties which may raise similar level of riskiness to the institution and emphasizes the importance that institutions make every effort to disclose this ratio and to collect the relevant information from their counterparties.

State aid: Commission adopted revised State aid Framework for research, development and innovation.

On October 19, 2022 the European Commission adopted a revised Communication on State aid rules for research, development and innovation ("2022 RDI Framework"), which sets out the rules under which Member States can grant State aid to companies for RDI activities, while ensuring a level playing field. The revised RDI Framework includes a number of targeted adjustments (i) to simplify and reflect the experience gained from the application of the 2014 RDI Framework, (ii) to reflect regulatory, economic and technological developments, and (iii) to align the relevant rules to the current EU policy priorities, such as the European Green Deal and the Industrial and Digital Strategies.

EBA publishes Report on the integration of ESG risks in the supervision of investment firms.

On October 24, 2022 the European Banking Authority (EBA) published a Report, addressed to competent authorities, on how to incorporate ESG risks in the supervision of investment firms. The Report also provides an initial assessment of how ESG factors and ESG risks could be included in the supervisory assessment of investment firms.

The Report should be considered in conjunction with the EBA report on the management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18) and EBA guidelines on common procedures and methodologies for the supervisory review and evaluation process under IFD (EBA/GL/2022/09).

General conclusions and policy recommendations set out in the Report include:

- EBA sees the need to embed ESG factors and risks in the scope of the supervisory review. The ESG considerations should be incorporated in the supervisory processes in a proportionate manner, considering the investment firm's business model, size, internal organization and the nature, scale, and complexity of its services and activities, as well as the materiality of its exposure to ESG risks.
- The integration of ESG risks into supervisory review should be implemented gradually. In the short-term, competent authorities should focus on the integration of ESG risks in the investment firms' strategy, as part of the business model analysis, and in their internal governance arrangements. In terms of risk management, competent authorities should assess how investment firms identify, assess, and manage their exposures subject to ESG risks, including any concentration in investment activities that are vulnerable to ESG risks.
- Data and quantification methodologies are at a nascent stage and expected to develop and improve in the future. Until the available quantification methodologies reach a more mature level, the use of proxies or approximation methodologies may be beneficial to establish a dialogue with investment firms that are materially exposed to ESG risks. As part of the supervisory review, competent authorities should monitor investment firms' efforts to put in place necessary internal infrastructure and processes to increase coverage and collection of ESG data.

Genesis 2.0: Smart contract-based carbon credits attached to green bonds.

On October 24, 2022 the Bank for International Settlements (BIS), the UN Climate Change Global Innovation Hub (UNFCCC), and the Hong Kong Monetary Authority (HKMA) tested two prototypes of tokenized green bonds. The project, called Genesis 2.0, sought to explore the use of blockchain technology, smart contracts, and the Internet of Things (IoT) in global environmental protection.

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Environmental, Social and Governance (ESG)

As a result of the project, two teams independently developed prototypes of tokenized green bonds. The new instruments are measured in units designated as “mitigation outcome interests” (MOIs). This is a kind of derivative that represents contracts for the future supply of verified carbon credits for their producers. Buyers, on the other hand, get to offset their carbon emissions with the future supply of carbon credits.

The first green bond prototype, developed by Goldman Sachs, Allinfra, and Digital Asset, implemented a decentralized infrastructure based on blockchain and smart contracts to create and distribute MOIs, as well as tools to provide IoT-based source data transparency.

The second prototype was developed by InterOpera, Krungthai Bank, Samwoo, and Sungshin Cement. It used blockchain-based automation and carbon credit producers’ APIs to track the entire “life cycle” of MOIs.

The project was a continuation of Genesis 1.0, which aimed to explore mechanisms for issuing blockchain-based retail green bonds. As conceived by its initiators, Genesis 2.0 will solve the problems of “green laundering” and the reliability of data from carbon credit providers.

Recall that blockchain technology is already common practice in programs related to the carbon credit market and other environmental initiatives. For example, Shell, Accenture, and Amex GMT have launched a blockchain platform for trading tokenized carbon-neutral aviation fuel.

ECB sets deadline for EU banks to deal with climate risks.

On November 02, 2022 the European Central Bank (ECB) published the results of its thematic review, which shows that banks are still far away from adequately managing climate and environmental risks.

The thematic review aimed to check whether EU banks adequately identify and manage climate risks as well as environmental risks such as biodiversity loss. It also delved into EU banks’ risk strategies and their governance and risk management processes. The ECB’s supervisory expectations on EU banks were set out in the ECB guide on climate-related and environmental risks published in November 2020 to ensure that the EU banking sector effectively and comprehensively addresses climate-related and environmental risks.

The review concluded that, even if 85% of EU banks now have in place at least basic practices in most areas, they are still lacking more sophisticated methodologies and granular information on climate and environmental risks.

While there can be exceptions in individual cases, the ECB has communicated its expectation to EU banks to reach, as a minimum, the following milestones:

- The ECB expects EU banks to adequately categorise climate and environmental risks and conduct a full assessment of their impact on their activities by March 2023 at the latest.
- The ECB expects EU banks to include climate and environmental risks in their governance, strategy and risk management by, at the latest, the end of 2023.
- By the end of 2024 EU banks are expected to meet all remaining supervisory expectations on climate and environmental risks, including full integration in the Internal Capital Adequacy Assessment Process and stress testing.

REPowerEU: EC steps up green transition away from Russian gas by accelerating renewables permitting.

On November 09, 2022 the European Commission (EC) proposed a new temporary emergency regulation to accelerate the deployment of renewable energy sources. Together with diversifying supplies and saving energy, deploying more renewable energy is part of the EU's plan to end dependence on Russian fossil fuels. Renewables reduce the EU's demand for fossil fuels in the power, heating and cooling, industry and transport sectors, both in the short term and for the future. Thanks to their low operational costs, a larger share of renewable energy sources in the EU's energy system can help to reduce energy bills.

The abovementioned proposal complements previous emergency measures to tackle the exceptional situation on the energy markets and to accelerate the clean energy transition.

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It will apply for one year, covering the time needed for the adoption and transposition of the Renewable Energy Directive, currently discussed by the co-legislators, in all Member States. It targets specific technologies and types of projects which have the highest potential for quick deployment and the least impact on the environment, contributing to EU's energy security in the face of Russia's invasion of Ukraine and weaponization of its energy supplies.

EC issued a new €6 billion NextGenerationEU green bond and raised an additional €2.5 billion to support Ukraine.

On November 15, 2022 the European Commission (EC) issued a further €8.5 billion, of which €6 billion through a NextGenerationEU green bond for its recovery programme and €2.5 billion to support Ukraine under the emergency MFA programme put forward following Russia's war of aggression against the country. The NextGenerationEU green bond has a 10-year maturity, due on 4 February 2033, and the MFA bond a 30-year maturity, due on 4 March 2053. With the abovementioned green bond, the Commission has issued a total of €35.5 billion of NextGenerationEU green bonds to finance green projects under EU Member States' Recovery and Resilience plans.

LIFE Programme: €380 million for 168 new green projects all around Europe.

On November 23, 2022 the European Commission approved more than €380 million of funding for 168 new projects across Europe under the LIFE Programme for the environment and climate action. At the heart of the European Green Deal, LIFE projects can help the EU become climate-neutral by 2050 and reach climate, energy and environmental goals. The funding is a 27% increase on last year's funding, and will mobilize a total investment of over €562 million. Projects from almost all EU countries will benefit from this EU funding in four themes (sub-programmes): nature and biodiversity, circular economy and quality of life, climate change mitigation and adaptation, and the clean energy transition.

InvestEU: EC and CEB signed agreement to mobilize €500 million in financing for social investments.

On November 28, 2022 the European Commission (EC) and the Council of Europe Development Bank (CEB) signed an InvestEU guarantee agreement worth up to €159 million. This makes the CEB an InvestEU implementing partner and will mobilize around €500 million in additional loans for social projects.

It represents an important milestone, as this is the first time InvestEU supports the investments of a multilateral development bank with an exclusively social mandate.

The guarantee agreement will unlock significant investments under the InvestEU "social investment and skills" and "sustainable infrastructure" windows. This includes social, affordable and student housing; education, employment, and skills; health care, long-term care and social care; as well as clean and smart urban mobility, water and wastewater services, and flood protection. The portfolio of projects covered by this InvestEU guarantee will also support cross-cutting objectives such as gender equality and the social and economic inclusion of vulnerable groups, including persons with disabilities. The first operations under the agreement are expected to be approved over the course of 2023.

BCBS clarifies how climate-related financial risks may be captured in the existing Basel Framework.

On December 08, 2022 the Basel Committee on Banking Supervision (BCBS) issued responses to frequently asked questions to clarify how climate-related financial risks may be captured in existing Pillar 1 standards. The responses, which are consistent with the Basel Committee's Principles for the effective management and supervision of climate-related financial risks, cover the calculation of risk weighted assets for credit risk, operational risk, market risk and the liquidity coverage ratio.

REPowerEU: New industrial Alliance to boost the EU's solar power and energy security.

On December 09, 2022 the European Commission together with industrial actors, research institutes, associations and other relevant parties launched the European Solar PV Industry Alliance. The alliance will help mitigating supply risk by securing diversification of supplies through more diverse imports and scaled up solar PV manufacturing of innovative and sustainable solar PVs in the EU. In a joint statement, the Commission and signatories of the Alliance set out the immediate priorities for 2023.

Boosting domestic manufacturing capacity will be key for the EU to reach the REPowerEU objectives of over 320 GW of newly installed solar photovoltaic capacity by 2025, and almost 600 GW by 2030.

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Environmental, Social and Governance (ESG)

EBA published its roadmap on sustainable finance.

On December 13, 2022 the European Banking Authority (EBA) published its roadmap on sustainable finance.

The roadmap outlines the EBA's work plan on sustainable finance and environmental, social and governance (ESG) risks. The roadmap explains the EBA's approach and objectives in this area of ESG and describes the mandates and tasks received from the EU legislators and directly from the European Commission, together with the EBA's associated planned activities and timelines.

The roadmap outlines:

- In the area of transparency and disclosures, the EBA will continue its work related to the development and implementation of institution's ESG risk and wider sustainability disclosures. Similarly, the EBA will continue its efforts to ensure that ESG factors and risks are adequately integrated in institutions' risk management frameworks and in their supervision, including through further developments on climate stress tests.
- In the area of prudential regulation, the EBA has initiated an assessment of whether amendments to the existing prudential treatment of exposures to incorporate environmental and social considerations would be justified.
- The EBA will contribute to the development of green standards and labels, and measures to address emerging risks in this field, such as greenwashing.
- The EBA will be assessing and monitoring developments in sustainable finance and institutions' ESG risk profile, including based on the expected supervisory reporting.

EC welcomed political agreement on REPowerEU under the RRF.

On December 14, 2022 the European Commission (EC) welcomed the political agreement reached between the European Parliament and the Council on financing REPowerEU and enabling Member States to introduce REPowerEU chapters in their recovery and resilience plans. This agreement builds on the Recovery and Resilience Facility (RRF) to further respond to the economic hardship and global energy market disruption caused by Russia's invasion of Ukraine.

Thanks to the abovementioned agreement, Member States will be able to get their reforms and investments rolling, thereby phasing out imports of Russian fossil fuels and providing clean, affordable, and secure energy to households and businesses across Europe.

The agreement also covers the SAFE (Supporting Affordable Energy) measures under Cohesion Policy, which will enable Member States to use unspent funds under their 2014-2020 allocation to provide direct support to vulnerable families and small and medium-sized businesses (SMEs) to help them face increased energy costs, as proposed by the Commission in October.

ECB report on good practices for climate stress testing.

On December 19, 2022 the European Central Bank (ECB) published a report on good practices for climate stress testing.

According to the report, climate stress testing exercises have emerged as a key tool for supervisors to assess the impact of climate-related risks on the banking system. The 2022 ECB climate stress test (CST) was a unique exercise in terms of its exploratory nature and learning character. The exercise acted as a catalyst for banks to start or continue working on all aspects of prudent climate stress testing.

The aim of the report is to provide banks with examples and suggestions on how to improve their climate stress testing capabilities based on identified good practices from the 2022 ECB CST and to support banks in their transitional journey. The report aims to facilitate banks' efforts to align their practices with the supervisory expectations set out in the ECB Guide on climate-related and environmental risks.

The report highlights amongst other things that, whilst banks have made some progress on incorporating climate-related risks into their stress testing frameworks and have delivered comprehensive and innovative information despite the prevailing challenges, there is a high level of inconsistency across banks' practices, and several areas of climate stress testing have identified where there is need for improvement.

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FSB published a proposed framework for the international regulation of crypto-asset activities.

FSB proposes framework for the international regulation of crypto-asset activities.

On October 11, 2022 the Financial Stability Board (FSB) published a proposed framework for the international regulation of crypto-asset activities. The core components of this framework are proposals for:

- recommendations that promote the consistency and comprehensiveness of regulatory, supervisory and oversight approaches to crypto-asset activities and markets and strengthen international cooperation, coordination and information sharing; and
- revised high-level recommendations for the regulation, supervision, and oversight of “global stablecoin” arrangements to address associated financial stability risks more effectively.

The two sets of recommendations are closely interrelated, reflecting the interlinkages between stablecoins and the broader crypto-asset ecosystem. The proposed recommendations are issued for public consultation.

DSA: EU's landmark rules for online platforms enter into force.

On November 16, 2022 the Digital Services Act (DSA) was implemented a safer and more accountable online environment. The DSA scope of application includes all digital services that connect consumers to goods, services, or content.

The DSA introduces a comprehensive new set of rules for online intermediary services on how they have to design their services and procedures. The new rules include new responsibilities to give users more choice and better information, increase the protection of minors and limit the spread of illegal content and products online.

All online intermediaries will have to comply with wide-ranging new transparency obligations to increase accountability and oversight.

Smaller platforms and start-ups will have benefits since they will be subjected to a reduced set of obligations, special exemptions from certain rules, and most crucial increased legal clarity and certainty for operating across the whole EU's single market.

New rules also require platforms' terms to be presented in a clear and concise manner and to respect users' fundamental rights. Very large online platforms and search engines will in addition have to execute a comprehensive risk assessment against fundamental rights, including the freedom of expression, the protection of personal data, and freedom and pluralism of the media online as well as the rights of the child.

Following the entry into force of the DSA, online platforms will have 3 months to report the number of active end users (17 February 2023) on their websites.

Implementation monitoring of the PFMI: Level 3 assessment on Financial Market Infrastructures' Cyber Resilience.

On November 29, 2022 the Bank for International Settlements Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) published a report related to the monitoring of implementation of the Principles for financial market infrastructures (PFMI).

This report reviews the state of cyber resilience (as of February 2021) at a sample of 37 financial market infrastructures (FMIs) from 29 jurisdictions. The results show reasonably high adoption of the June 2016 CPMI-IOSCO Guidance on cyber resilience for financial market infrastructures by FMIs. One serious issue identified was that a small number of FMIs did not fully meet expectations regarding the development of cyber response and recovery plans to meet the two-hour recovery time objective (2hRTO).

In addition, the report also focuses on four issues of concern among some of the assessed FMIs that relate to: (i) shortcomings in established response and recovery plans to meet the 2hRTO under extreme cyber-attack scenarios; (ii) a lack of cyber resilience testing after a significant system change; (iii) a lack of comprehensive scenario-based testing; and (iv) inadequate involvement of relevant stakeholders in testing of their responses.

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Insurance

ISSB made key announcements towards the implementation of climate-related disclosure standards in 2023. Also, European Insurers urge caution on potential supervisory overreach on pricing.

Strengthening the resilience and sustainability of the insurance and pensions sectors: EIOPA sets out its strategy for 2023 – 2026.

On October 01, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) set out its strategy for the years 2023 - 2026.

The necessity for competent monitoring is highlighted by the current geopolitical tensions brought on by Russia's aggressive invasion of Ukraine, as well as the pandemic's continuing consequences, market volatility, and inflation. The plan, which is built on a solid basis, is intended to increase the resilience and sustainability of the insurance and pensions sectors as well as to guarantee the robust and constant protection of consumer interests throughout the European Union.

Under the overall vision of building a safe and sustainable EU for citizens in times of transformation, EIOPA has identified strategic priorities on which to focus.

- Financially sustainable. To benefit both residents and enterprises, contribute to the development of sustainable insurance and pension systems, especially through resolving protection gaps.
- Electronic transformation by developing a data-driven culture even more, you may help the supervisory community and industry reduce the risks and take advantage of the opportunities presented by the digital transition.
- Supervision. Encourage prudential and conduct supervision that is sound, effective, and consistent throughout Europe, especially considering the rise in international trade.
- Deliver high-quality recommendations and other policy work while considering the effects of new horizontal regulations as well as the evolving and expanding requirements of society.
- Monetary security. Boost financial stability even further by analyzing the risks, weaknesses, and new threats facing the financial sector.
- Internal management. Be a role model EU Authority with high ethical standards, efficient budgetary management, and a strong reputation both inside the EU and internationally.

EIOPA will continue to work in a collaborative and consultative manner to achieve its goals, appreciating the advice of its Board of Supervisors and the feedback from a variety of stakeholders. Finally, the Annual Work Program for 2023 is included in the Single Programming Document that EIOPA has recently released.

EU Data Act proposal welcomed, but rules must boost data portability, ensure level playing field, and align with GDPR.

On October 03, 2022 Insurance Europe has published a set of key points on the European Commission’s proposal for an EU Data Act, which aims to create an EU single market for data and to give individuals and businesses more control over their data.

While there are many positive elements in the EC’s proposals, there are also some areas which can be improved. The insurance industry fully endorses the enhanced data portability rights of users of connected products. This includes their right to access the data generated through the use of their products and to allow access to that data by a third party of their choice. Also, welcome the provisions establishing that gatekeepers under the Digital Markets Act do not have access to the data generated by users via their connected products, as well as the prohibition on third parties developing competing products based on the data received. These requirements are a step in the right direction towards achieving a level playing field in the data economy.

A key element of any future cross-sectoral data-sharing framework is the horizontal provision to protect trade secrets, most notably by allowing data-holders to refuse to share such data with a third party. Data-holders should not be obliged to share business-sensitive information or proprietary data that they have generated and analyzed/enriched themselves, and that is the outcome of their own work.

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According to the article there are several fields which should be clarified/improved. Data Act’s provisions should ensure a more level playing field between players of all sizes. Data portability rights should prohibit the data-holder from making it cumbersome or effectively impractical for the user to request that the data be shared with third parties. Government access to data should be more strictly defined. The provisions on cloud adaptability are also a positive perspective but should be refined to fully enable companies and SMEs to switch freely between cloud services without undue burden.

EIOPA calls for better value for money in bancassurance in warning to banks and insurers.

On October 04, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) issued a warning for insurers and banks about consumer protection issues related to the sale of credit protection insurance products.

Whilst EIOPA acknowledges and confirms the various benefits of credit protection insurance (CPI) products, the Review finds that the “bancassurance business model”, in which there is a relationship between an insurer manufacturing CPI product and a bank providing a channel for distributing these products on the insurer’s behalf, harbors several key issues that affect impact consumer outcomes. In more detail:

- Despite the fact that consumers are free to combine credit products offered by banks with a CPI product from any provider, widespread cross-selling practices prevent consumers from doing so as 83% of banks tie CPIs to their main credit product.
- The thematic review revealed large differences in the coverage, terms and conditions, exclusions, product design and features of CPI products, making it difficult for consumers to compare them and make informed decisions.
- Consumers encounter difficulties when wishing to cancel CPIs or change providers.
- CPIs appear to be a highly profitable business for both the insurance undertakings and the banks distributing them. High commissions can lead to significant and detrimental conflicts of interest and to poor business practices to maximize profits.

Such practices can be highly detrimental to consumers and raise concerns about whether insurers and banks adequately apply the fundamental regulatory principles set out in the Insurance Distribution Directive (IDD). EIOPA expects all insurers and banks acting as insurance distributors to fully comply with the Insurance Distribution Directive (IDD), including the product oversight and governance (POG) requirements, to take action to address issues with high remuneration and prevent detrimental conflicts of interest.

Insurers urge caution on potential supervisory overreach on pricing.

On October 12, 2022 Insurance Europe published its comments on a consultation conducted by the European Insurance and Occupational Pensions Authority (EIOPA) on its draft statement on differential pricing practices.

The industry remains committed to the financial inclusion and fair treatment of customers. In its paper, EIOPA outlines potential examples of what would constitute the unfair treatment of certain categories of customers. If evidence of unfair treatment is found, then such behavior would rightly need to be addressed. Access to insurance and fair treatment are both vital, emphasizes the Insurance Europe document.

However, EIOPA's decision to publish specific measures targeting pricing and commercial decision making would be unprecedented and must be treated sensitively to avoid calling on national insurance supervisors to overstep their specified mandates.

In response to the consultation, Insurance Europe has made some recommendations on key issues that should be considered, if action is to be taken in this area:

- There are existing national and EU rules that should be considered in assessing whether further action is necessary.
- EIOPA and national competent authorities (NCAs) have an extremely limited role in taking action that directly impacts individual insurers' ability to set prices and commercial terms.

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- The IDD product oversight and governance (POG) rules are unlikely to be a sound basis for any action on this issue.
- Freedom to set prices is a key element of free and fair competition.
- The best competition is achieved when there are numerous business models in a market, as long as there is transparency towards the individual consumer.
- There is no evidence that the use of AI to set premium levels is damaging.

EIOPA evaluates progress on supervising the propriety of (re)insurers' administrative, management and supervisory body members and qualifying shareholders.

On October 12, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published a follow-up report to the 2019 peer review on the propriety assessment of administrative, management, and supervisory body (AMSB) members and qualifying shareholders within the European Economic Area.

The follow-up report evaluates the progress made by national competent authorities (NCAs) in carrying out the recommendations made in the initial peer review. Even though the development of supervisory techniques is still ongoing in several nations, EIOPA has discovered that the oversight of AMSB members' and qualifying shareholders' propriety evaluation has improved over the past two years.

The report shows that one NCA has fully implemented more than half of the EIOPA recommendations whereas 16 NCAs have fully implemented all the recommendations. Six additional NCAs have worked to implement half of the directives given to them. Less than half of the proposed steps have been carried out by five national competent authorities, one of which has done nothing at all to follow up on the peer review. Moreover, best practices were also uncovered via the 2019 peer review. The majority of these have already been included by NCAs, making supervisory guidance more logical and uniform in its application.

EIOPA advises NCAs to draw inspiration from the cited examples when creating their own national supervisory methods if they have not yet completely adopted the suggested activities. EIOPA will keep a careful eye on how the suggested actions are being carried out.

Insurers reiterate call for EC to provide greater resources and visibility to European sectorial social dialogue.

On October 20, 2022 Insurance Europe published its response to the European Commission's Better Regulation consultation on its review of EU sectorial social dialogue, which is an important instrument to achieve sustainable economic development and build resilience in the EU.

The Insurance Sectoral Social Dialogue Committee (ISSDC) — of which Insurance Europe is an active member — has enabled social partners to address several issues of key relevance to employers and employees in the insurance sector, such as digitalization, artificial intelligence and COVID-19. To facilitate this, the Commission should:

- Improve the visibility and accessibility of sectoral social dialogue deliverables. The Commission should facilitate access to translation resources and improve visibility of SSDC outcomes on its dedicated websites.
- Ensure that sectorial social dialogue has appropriate resources. Budgets for sectoral social dialogue are being reduced and the administrative work to organize European social dialogue activities has been increasingly moved from the Commission to the social partners.
- Facilitate coordination between sectorial social dialogue committees. Regular exchange across sectors on common issues could benefit all social partners and can contribute towards increasing the weight given to the outcomes of social dialogue committees.
- Improve the consultation of social partners on new Commission initiatives. Insurance Europe welcomes the proposal made by the special advisor to Commissioner Nicolas Schmit, Andrea Nahles, to appoint a social dialogue coordinator in each directorate-general. This would ensure a more consistent approach to the consultation of social partners throughout Commission departments.
- Support capacity building to benefit national social partners. The capacities of national social partners vary substantially across Europe. The EU should step up its financial support for capacity building and call on national governments to make better use of the available funding.

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Insurers welcome repeal of DMD, but warn on unintended consequences of remaining provisions.

On October 25, 2022 Insurance Europe published a set of key messages regarding the repeal of the EU's Directive on Distance Marketing of Consumer Financial Services (DMD), pleasing for transferring its remaining provisions to more recent sector-specific EU legislation, such as the Insurance Distribution Directive.

Insurance Europe has stressed out that it is also important for policymakers to:

- Ensure legal certainty and avoid duplication of requirements, such as disclosures, should the remaining provisions be transferred to the Consumer Rights Directive.
- Avoid unintended detrimental consequences resulting from the introduction of a new withdrawal button, as, for example, consumers may find themselves inadvertently uninsured. On the other hand, abuse of contract withdrawals could increase, whereby contracts are terminated after the risk of loss has passed without occurring.
- Remove the requirement for pre-contractual information at least one day before the time at which the consumer is bound by any distance contract. This is at odds with consumers' expectations of speedy and easy purchasing processes in an increasing digital world, and their need for immediate insurance coverage, for example when travelling or renting a car.
- Remove the requirement to always be able to obtain human intervention as it would not be compatible with digital developments. For example, chatbots are available 24/7 and requiring human intervention to also be available 24/7 would be extremely burdensome.
- Provide insurers with sufficient transposition time: for example, a minimum of six months from the end of the implementation period.

EIOPA issued its methodology for assessing value for money in the unit-linked market.

On October 31, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published its methodology for assessing value for money in the unit-linked market.

The methodology outlines a common European approach on how to identify UL products which offer poor or no value for money.

The methodology sets out a layered approach, whereby national competent authorities (NCAs) will conduct a top-down analysis: a market wide assessment, an enhanced product analysis and an assessment of the product oversight and governance (POG) process and documentation.

As well as providing a minimum common approach for NCAs across the EU, the methodology should be of use for insurance manufacturers and distributors when implementing their POG policies and when performing their value for money assessments to determine whether their products are aligned with the target market's needs, objectives and characteristics.

EIOPA Risk Dashboard indicates overall resilience among insurers even amid high macro and market risks.

On November 04, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published its Risk Dashboard based on Solvency II data from the second quarter of 2022. The results show that insurers' exposures to macro and market risks are currently the main concern for the insurance sector. All other risk categories, such as profitability and solvency, climate as well as digitalization and cyber risks stay at medium levels.

ISSB at COP27: ISSB makes key announcements towards the implementation of climate-related disclosure standards in 2023.

On November 08, 2022 the International Sustainability Standards Board (ISSB) of the IFRS Foundation made several announcements at COP27 and with respect to its work on the sustainability standards. The International Accounting Standards Board (IASB) also announced that it has expanded the scope of its maintenance project on the work plan for proposed narrow-scope amendments to IFRS 9 Financial Instruments.

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Below are the key announcements of ISSB with respect to the work in the area of sustainability reporting and disclosures:

- In a recently published statement, ISSB announced further steps in its delivery of the architecture needed for a global baseline as well as partnerships agreed at Sharm El-Sheikh's COP27 to help jurisdictions prepare for the implementation of climate-related disclosure standards. At COP27, ISSB Chair was slated to share details of the ISSB's new Partnership Framework with more than 20 partner organizations. The framework is designed to support preparers, investors, and other capital market stakeholders as they prepare to use IFRS Sustainability Disclosure Standards. The Partnership Framework will be a coordinated effort driven by the IFRS Foundation for five years leading up to 2027, with specified focus on key activities in each of the three described phases.
- The G7 Finance Ministers and Central Bank Governors issued a statement on climate issues in which they reiterate their commitment to move toward mandatory climate-related financial disclosures and welcome the International Sustainability Standards Board (ISSB) work to develop a truly global baseline of sustainability disclosures to inform investment decisions.
- ISSB unanimously confirmed Scope 3 greenhouse gas (GHG) emissions disclosure requirements with strong application support, among other key decisions.
- ISSB unanimously confirmed that companies will be required to use climate-related scenario analysis to inform resilience analysis.
- ISSB notified that the CDP plans to incorporate the ISSB Climate-related Disclosures Standard into its global environmental disclosure platform and that the Financial Reporting Council of Nigeria announced, at COP27, its decision to move to adopt the ISSB Sustainability Disclosure Standards in Nigeria when they are issued in 2023.

As part of the post-implementation review of IFRS 9, IASB is proposing amendments in response to stakeholder feedback on the Request for Information published in September 2021 as part of the Post-implementation Review of IFRS 9—Classification and Measurement. The proposed amendments will cover three areas: contractual cash flow characteristics, electronic cash transfers, and equity instruments and other comprehensive income.

With respect to the electronic cash transfers, amendments have been proposed to the derecognition requirements in IFRS 9 to permit an accounting policy choice to allow an entity to derecognize a financial liability before it delivers cash on the settlement date when specified criteria is met.

EIOPA issued staff papers related to the IRRD proposal.

On November 10, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published two new staff papers aimed at providing more clarity on the proposal for an Insurance Recovery and Resolution Directive ("IRRD Proposal") that was published back in September 2021 as part of the Solvency II review package.

A paper titled "Proposal for an Insurance Recovery and Resolution Directive: Frequently Asked Questions" and a paper titled "A Comparison of Recovery and Resolution Frameworks in Banking and Insurance" ("Comparison Paper").

Both papers are part of a series of staff papers on the IRRD Proposal. They follow-up on the staff paper published back in July 2022 that provided an overview of the most relevant aspects of the IRRD Proposal.

Both papers specify that they deliberately focus on the original IRRD Proposal published by the European Commission and that EIOPA is aware that several aspects touched upon in the papers are subject to further discussions during the on-going negotiations.

The bill regarding the rationalization of the insurance legislation was submitted to the Greek Parliament.

On November 17, 2022 the bill regarding the rationalization of the insurance legislation was submitted to the Greek Parliament. The regulations in the bill are divided into four main categories: financial assistance for vulnerable groups, rationalization of insurance and pension provisions, control of labor market difficulties, equality, and the elimination of discrimination in the workplace.

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The following are the most significant additions to the text that was offered for public comment:

- The introduction of a regulation that states that the Joint Ministerial Decision on the Adjustment of Pensions will be issued from this point forward until the end of the year, considering the information from the Indicative Report of the State Budget of the relevant year, shortens the time frame for payment of the amounts that will result from the "unfreezing" of pensions on January 1, 2023.
- The 3-percentage point cut in insurance contributions is made permanent.
- With the elimination of the previously anticipated distinction between "old" and "new" insured persons, all individual pension provisions of the entities that have joined the EFKA (National Social Security Fund) for the granting of a disability pension due to a common disease are abolished and a single framework is created for all Persons with Disabilities.
- Children 0–6 years old with impairments or developmental challenges are eligible for the Early Intervention program.

EIOPA underlined its commitment to supporting the insurance and pensions sectors in tackling climate change.

On November 18, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) reiterated its dedication to support the insurance and pension sectors in combatting climate change.

EIOPA noted that sustainability has been a central tenet of its work for a long time and that it was now moving from considering what should be done to defining how it can be achieved. EIOPA referenced the guidance it has issued on the own risk and solvency assessment (ORSA) and its intention to provide guidance on the application of the Sustainable Finance Disclosures Regulation (SFDR) in the context of sustainability. In line with its commitment at COP 26 in Glasgow, EIOPA also announced its plan to publish a European-wide dashboard on the natural catastrophe insurance protection gap, in December 2022.

EIOPA consults on cyber component in its insurance stress testing framework.

On November 24, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published a discussion paper on methodological principles of Insurance stress testing with a focus on cyber risk.

To support the design stage of prospective future insurance stress tests with an emphasis on cyber risk, several theoretical and practical techniques are presented in this discussion paper. This should add new tools to the toolbox for bottom-up stress tests that could be used in subsequent tests.

To assess insurers' financial resilience in the face of severe but realistic cyber event scenarios, EIOPA wants to build the framework. The report goes into detail about two key topics:

- cyber resilience, defined as an insurance company's ability to withstand the financial effects of a bad cyber catastrophe.
- cyber underwriting risk is the capacity of an insurance company to withstand the financial impact of an extreme but conceivable adverse cyber scenario affecting underwritten business from a capital and solvency standpoint.

EIOPA’s dashboard identifies the European natural catastrophe insurance protection gap.

On December 05, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) launched the first pilot dashboard that depicts the insurance protection gap for natural catastrophes. This tool is the first dashboard which presents the drivers of a climate-related insurance protection gap to identify measures that will help in decreasing society’s losses in the event of natural catastrophes in Europe.

In the past, about a quarter of the total losses caused by extreme weather and climate-related events across Europe were not insured. Losses to properties and businesses are expected to grow due to climate change, with the price of insurance also expected to increase. Over the medium-to-long term, this can lead to insurance becoming unavailable or unaffordable, resulting in a further widening of the insurance protection gap.

Insurers outline benefits of official registers for beneficial ownership; call for further improvements at member state and EU level.

On December 08, 2022 Insurance Europe published its response to a consultation conducted by the Financial Action Task Force (FATF) on beneficial ownership, which is where property is owned under another name.

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In several EU member states the procedure for consulting registers has been made more effective, but further improvements are needed.In addition, further improvements are needed to the interconnection of registers at EU level. In fact, even though interconnection is the best solution for dealing with the beneficial ownership of foreign legal entities, its implementation is still far from being completed.

A different approach would be less effective, as it would not allow the same quality and reliability of information. For instance, the provision of beneficial ownership information by regulated persons would be dependent on the information-handling procedures of each regulated person. This, as well as the multiplication of sources of information could lead to a loss of efficiency.

FSB endorses an improved framework for the assessment and mitigation of systemic risk in the insurance sector and discontinues annual identification of G-SIIs.

On December 09, 2022 the Financial Stability Board (FSB) endorsed an improved framework for the assessment and mitigation of systemic risk in the insurance sector and discontinues annual identification of global systemically important insurers (G-SIIs).

The FSB in consultation with the International Association of Insurance Supervisors (IAIS) reviewed whether to either discontinue or re-establish an annual identification of global systemically important insurers (G-SIIs), based on the initial years of implementation of the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector. The FSB decided to discontinue the annual identification of G-SIIs. Going forward the FSB will utilise assessments available through the Holistic Framework to inform its considerations of systemic risk in the insurance sector.

Insurance Europe: No need to develop an extensive recovery and resolution framework for insurers.

On December 13, 2022 Insurance Europe published a set of key messages on the European Commission's proposal for an Insurance Recovery and Resolution Directive (IRRD).

Insurance Europe does not consider there to be a need to develop an extensive recovery and resolution framework for insurers. Should such a framework nevertheless be adopted, it should be properly tailored to the insurance sector and take into consideration the specific characteristics of the EU's different national markets.

The Commission's proposal for an IRRD needs a number of significant changes to make it fit for purpose and to avoid subjecting European insurers and their policyholders to a greater and more costly unnecessary regulatory burden.

The key messages outline how the Commission's IRRD proposal could be streamlined to deliver a pragmatic yet effective approach to resolution for Europe's insurance industry.

EIOPA's first IORPs climate stress test shows material exposure to transition risks.

On December 13, 2022 EIOPA published the results of its climate stress test of European Institutions for Occupational Retirement Provisions (IORPs).

In the first climate stress test of the sector, EIOPA set out to assess the resilience of IORPs against a climate change scenario that simulates a sudden, disorderly transition to a green economy as a consequence of the delayed implementation of policy measures. While the stress test is not a pass or fail exercise, findings indicate that IORPs have a material exposure to transition risks.

The stress test was complemented by a qualitative survey on mitigation and adaptation measures, which revealed that although IORPs are increasingly considering ESG factors in their investment decisions, they still experience noteworthy hurdles in allocating investments to climate risk-sensitive categories.

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EIOPA updated representative portfolios to calculate volatility adjustments to the Solvency II risk-free interest rate term structures for 2023 and the RFR Technical Documentation.

On December 13, 2022 The European Insurance and Occupational Pensions Authority (EIOPA) published the updated representative portfolios that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures for Solvency II.

EIOPA will start using these updated representative portfolios for the calculation of the VA end of March 2023, which will be published at the beginning of April 2023.

The updated portfolios are based on the end-of-2021 annual reporting templates as reported by European (re)insurance companies to their national supervisory authorities. The updated portfolios enable more accurate reflection of the impact of market volatility under the Solvency II framework.

The updated representative portfolios are included in an updated version of the RFR Technical Documentation. The updated version of the Technical Documentation also contains some errata to the former version of the Technical Documentation.

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MIFID II

ESMA published Annual Report on Waivers and Deferrals.

ACER and ESMA enhance cooperation to strengthen oversight of energy and energy derivatives markets.

On October 18, 2022 the EU Agency for the Cooperation of Energy Regulators (ACER) and the European Securities and Markets Authority (ESMA) announced that they are strengthening their cooperation to further improve information exchange and avoid potential market abuse in Europe's spot and derivative markets.

Henceforth, ACER and ESMA have announced the following:

- New joint ACER-ESMA Task Force – ACER and ESMA are establishing a joint Task Force to reinforce their cooperation and enhance coordination in respect of the exchange of data and knowledge among their staff and respective national authorities. This enhanced coordination will further support investigations and enforcement so that rules are applied with vigour and in a convergent and holistic way in national jurisdictions.
- Enhanced market surveillance and enforcement – The joint ACER-ESMA Task Force will provide a framework for broadening cooperation on the monitoring of energy and energy derivative markets. ACER and ESMA are also ready to cooperate in additional areas in the future. This could notably be the case in the context of the possible new LNG benchmark currently under consideration by the European Commission, and with an enhanced monitoring of risks in energy markets, helping to preserve financial stability in EU markets.

ESMA consults on rules for passporting for Investment Firms.

On November 17, 2022 the European Securities and Markets Authority (ESMA) issued a consultation seeking input on the review of the technical standards under Article 34 of the Markets in Financial Instruments Directive (MiFID II), covering the provision of investment services across the EU.

The key proposed amendments add certain items to the information that must be provided by investment firms at the passporting stage:

- the marketing means the firm will use in host Member States;
- the language(s) for which the investment firm has the necessary arrangements to deal with complaints from clients from each of the host Member States in which it provides services;
- in which Member States the firm will actively use its passport as well as the categories of clients targeted and
- the investment firm's internal organisation in relation to the cross-border activities of the firm.

Cross-border provision of investment services fosters competition and expands the offer available to consumers who can choose among a broader number of firms and investment opportunities.

The consultation closes on 17 February 2023. ESMA will consider the feedback it receives to the consultation in Q2 2023 and will publish a final report by the end of 2023.

ESMA published Annual Report on Waivers and Deferrals.

On November 21, 2022 the European Securities and Markets Authority (ESMA), published its Annual Report on waivers and deferrals.

The report depicts the European trading landscape in 2021, encompassing the net effect of Brexit and the relocation process from the UK to the European Union (EU).

Trading under waivers and deferrals has been significant and trading volumes, both in terms of total turnover and in the number of transactions, have exponentially increased from 2020 to 2021 for equity instruments as a result of Brexit.

In addition, ESMA identified a number of significant issues in the data received via the ad-hoc data collection exercise in respect to non-equity instruments. In this context, the analysis of non-equity instruments is limited to the trading activity under waivers and deferrals. For this reason, ESMA included a recommendation in the report to amend MiFIR to allow ESMA to request data on the use of waivers and deferrals via the Financial Instruments Transparency System (FITRS) also for non-equity instruments.

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Finally, ESMA included other recommendations such as streamlining the current deferral regime via a targeted set of amendments, deleting the SSTI waiver and deferral for non-equity instruments, and increasing the pre- and post-trade transparency LIS threshold for Exchange-Traded Funds.

ESMA provides guidance for supervision of cross-border activities of investment firms.

On December 14, 2022 the European Securities and Markets Authority (ESMA) published a supervisory briefing on the supervision of cross-border activities of investment firms.

The supervisory briefing has been designed for supervisors as an accessible introduction to the supervision of cross-border activities to retail clients by investment firms in accordance with MiFID II. It summarises the key elements of the rules and includes indicative questions that supervisors are expected to ask themselves, or a firm, when assessing the approach to the supervision of cross-border activities to retail clients of investment firms.

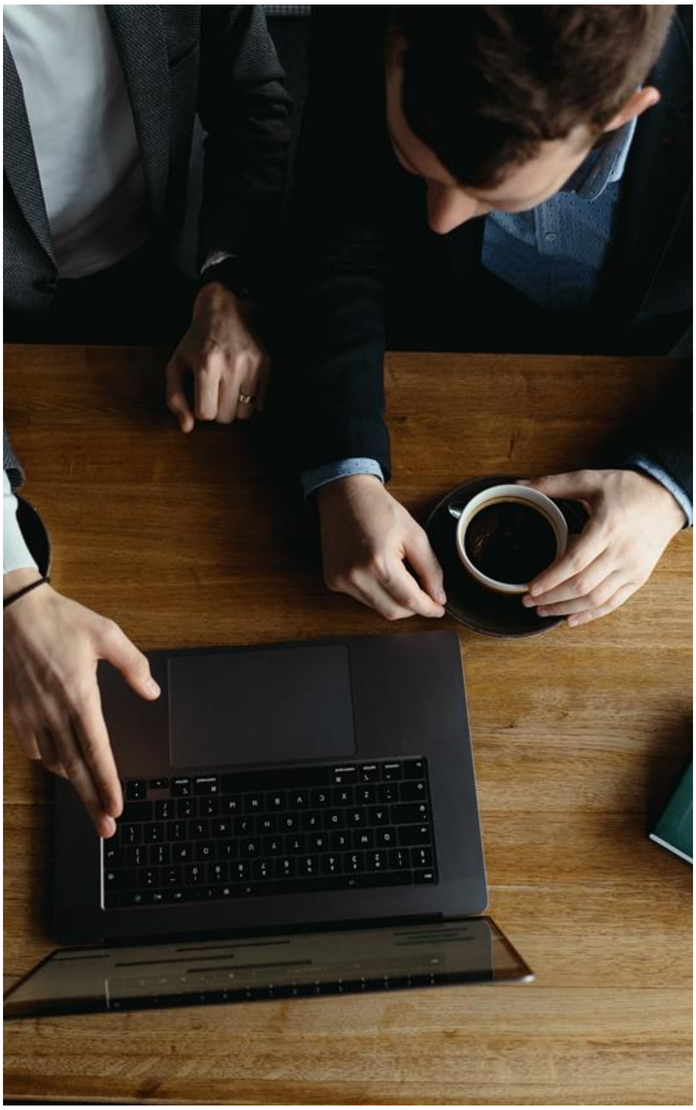
The supervisory briefing covers the following areas:

- authorisation of firms with cross-border plans;
- processing of passport notifications and their impact on the supervisory approach applied to firms;
- arrangements in place to carry out ongoing supervisory activities;
- carrying out of ongoing supervision; and
- carrying out of investigations and inspections.

ESMA provides guidance to applicants under the DLT pilot regime.

On December 15, 2022 the European Securities and Markets Authority (ESMA) published a final report including guidelines on standard templates, forms and formats to apply for permission to operate a DLT market infrastructure.

These guidelines include templates to be used by market participants to apply for specific permission to operate any type of DLT market infrastructure (DLT MI) under the DLT Pilot Regulation (DLTR). They also include templates for the applicants DLT MIs to request limited exemptions from specific requirements under MiFIR, MiFID II or CSDR, provided they comply with certain conditions.
The Guidelines will enter into force on 23 March 2023.



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Risk Management

ECB published its Financial Stability Review and the update of the supervisory priorities for 2023–2025.

Ratings & Credit Risk

EBA clarifies the status of several disclosure guidelines and ensures continuous transparency of credit quality of exposures by all types of credit institutions.

On October 12, 2022 the European Banking Authority (EBA) repealed three outdated disclosure guidelines and amended the scope of application of the Guidelines on disclosure of non-performing and forborne exposures.

With this amendment, the EBA is ensuring a sufficient level of transparency on the credit quality of the exposures held by all institutions. In more detail, the EBA has repealed the following three guidelines which were replaced partially or totally by the Implementing Technical Standards (ITS) on Pillar 3 disclosure:

- Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11);
- Guidelines on liquidity coverage ratio (LCR) disclosure to complement the disclosure of liquidity risk management (EBA/GL/2017/01);
- Guidelines on disclosure of encumbered and unencumbered assets (EBA/GL/2014/03).

The amending Guidelines published ensure the continuity of public disclosures on non-performing and forborne exposures by all credit institutions.

Moreover, the EBA amending Guidelines adjust the scope of application of the Guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10) to clarify that these Guidelines will continue to apply to listed small- and non-complex institutions and to other medium-sized institutions that are non-listed. The amending Guidelines will apply from 31 December 2022.

The joint application of the amending Guidelines and the ITS on Pillar 3 disclosures will ensure that all EU institutions will continue to disclose relevant information regarding non-performing and forborne exposure, where transparency on this topic is of particular relevance considering the worsening economic outlook post COVID-19 and the current geopolitical developments.

EBA published methodology and draft templates for the 2023 EU-wide stress test.

On November 04, 2022 the European Banking Authority (EBA) published the final methodology, draft templates and template guidance for the 2023 EU-wide stress test along with the milestone dates for the exercise. The methodology and templates cover all relevant risk areas and have considered the feedback received from industry. The stress test exercise will be launched in January 2023 with the publication of the macroeconomic scenarios. The results will be published by the end of July 2023.

The 2023 EU-wide stress test uses a constrained bottom-up approach with some top-down elements. Balance sheets are assumed to be constant. Focus is on the assessment of the impact of adverse shocks on banks' solvency. Banks are required to estimate the evolution of a common set of risks under an adverse scenario. Banks are also asked to project the impact of the scenarios on main income sources. For net fee and commission income, risk weights of securitization, and the credit loss path of sovereign exposures, banks are required to make use of prescribed parameters.

ECB Financial Stability Review shows risks increasing as economic and financial conditions worsen.

On November 16, 2022 the European Central Bank (ECB) published the Financial Stability Review that shows:

- Households and firms face multiple challenges, including weakening economic outlook, higher inflation and tighter financial conditions;
- Diminished market liquidity raises risk of disorderly asset price adjustments, which could test investment fund resilience;
- Governments should ensure support to vulnerable sectors is targeted and does not interfere with monetary policy normalization.

COVID-19

EBA publishes its closure report of Covid-19 measures and repeals its Guidelines on Covid-19 reporting and disclosure.

On December 16, 2022 the European Banking Authority (EBA) published its closure report of Covid-19 measures, providing an overview of the wide range of policy measures adopted due to the pandemic, their state of play and the path out of policy support.

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Risk Management

The progressive weaning of policy support is leading the path to normalisation and the return to pre-pandemic standards, under continuous vigilance. Overall, the EU banking system showed resilience against the Covid-19 crisis, through the preservation of adequate capital ratios, improved asset quality and maintenance of substantial liquidity. However, the wide-ranging spectrum of support measures that helped weather the crisis does not give room to complacency on the resilience of the framework, which will be further enhanced with a swift implementation in the EU of the Basel III reforms.

The published report is supplemented by an update to the list of public guarantee schemes (PGS) and general payment moratoria schemes issued in response to the pandemic. Finally, the EBA Guidelines on Covid-19 reporting and disclosure have been repealed in response to the decreasing relevance of the related public support measures, and the overall EBA proportionate approach to reporting.

Recovery / Resolutions

EBA consults on Guidelines to institutions and resolution authorities on resolvability testing.

On November 15, 2022 the European Banking Authority (EBA) launched a public consultation on its draft Guidelines addressed to institutions and resolution authorities on resolvability testing. The Guidelines aim to set-out a framework to ensure that resolvability capabilities developed to comply with the resolvability and transferability Guidelines are fit for purpose and effectively maintained. The consultation runs until 15 February 2023.

Resolution authorities and banks should now move to the resolvability testing following several years of policy development by authorities and policy implementation by institutions. Both now need to ensure that the arrangements put in place to support the execution of the resolution strategy are in fact adequate and that institutions will be ready to use those in the run-up to and upon entry into resolution.

The Guidelines are also aiming to promote the involvement of firms into the resolvability assessment process and increase they ownership of resolvability.

Finally, for the most complex banks, the Guidelines are proposing to have them develop a master playbook to ensure a holistic approach to resolution planning.

EBA consults on Guidelines on the overall recovery capacity in recovery planning.

On December 14, 2022 the European Banking Authority (EBA) published a consultation paper on its draft Guidelines in the context of the overall recovery capacity (ORC) in recovery planning. The aim of the Guidelines is the formation of a consistent framework to determine the ORC of institutions in their recovery plans and the respective assessment by competent authorities. The main goal of the Guidelines is to harmonise the observed practices on the ORC determination and assessment, so as to improve the usability of recovery plans and make crisis preparedness more effective.

ORC's objective is the provision of a summary of the overall capability of the institution to restore its financial position after a significant deterioration through the implementation of suitable recovery options. Competent Authorities assess an institution's overall recovery capacity to understand the extent that an institution would be able to recover from a range of potential crisis situations.

The structure of the Guidelines includes two sections. The first addressed to institutions, aims at providing guidance on the relevant steps to set-up a reliable ORC framework. The second, addressed to competent authorities, complements the framework by harmonising the core elements of the competent authorities' assessment of the ORC from both a quantitative and qualitative perspective.

The consultation runs until 14 March 2023.

Risk-Weighted Assets

EBA publishes final standards and guidelines on interest rate risk arising from non-trading book activities.

On October 20, 2022 the European Banking Authority (EBA) published a final set of Guidelines and two final draft Regulatory Technical Standards (RTS) specifying technical aspects of the revised framework capturing interest rate risks for banking book (IRRBB) positions (on the IRRBB standardised approach and on IRRBB supervisory outlier tests).

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The Guidelines on IRRBB and credit spread risk arising from non-trading book activities (CSRBB) will be used as a replacement for the current Guidelines on technical aspects of the management of interest rate risk arising from non-trading activities under the supervisory review process (SREP) published in 2018. The updated Guidelines include new aspects, specifically the criteria to identify non-satisfactory internal models for IRRBB management and those to assess and monitor CSRBB. These Guidelines will apply from 30 June 2023, except for the part on CSRBB, which will apply from 31 December 2023.

Besides providing a simplified standardised approach for smaller and non-complex institutions, the final draft RTS on the IRRBB standardised approach also specify the criteria to evaluate the risks arising from potential changes in interest rates that affect both the economic value of equity (EVE) and the net interest income (NII) of an institution's non-trading book activities. Adjusted thresholds for modelling behavioural assumptions are also included in the final draft RTS to provide for more proportionality.

The final draft RTS on IRRBB supervisory outlier tests (SOT) specify the modelling and parametric assumptions and the supervisory shock scenarios to identify institutions for which the EVE would decline by more than 15% of Tier 1 capital, as well as to evaluate if there is a large decline in the net interest income, that could trigger supervisory measures.

Surveys and Statistics

Competent authorities have applied a risk-based approach to the supervision of ICT risk management, the EBA analysis suggests.

On October 17, 2022 the European Banking Authority (EBA) published the outcome of its peer review regarding the way competent authorities supervise institutions' ICT risk management and have implemented the EBA Guidelines on ICT risk assessment under the supervisory review and evaluation process (SREP).

Overall, the analysis suggests that the competent authorities across the EU have applied a risk-based approach to the supervision of ICT risk management. No significant concerns regarding the supervisory practices were identified by the EBA.

In more detail, the peer review findings indicate that ICT Risk Assessment under the SREP has been largely implemented and applied by EU competent authorities in their supervisory practices. In addition, the findings suggest that the competent authorities have applied a risk-based approach to the supervision of ICT risk management where the depth and frequency of the assessments correlate with the level of ICT risk of the institutions.

The peer review also includes recommendations to the EBA to incorporate a number of identified good practices into the Guidelines on ICT risk assessment under the SREP when the latter will be reviewed in the future.

ECB: IT and cyber risk – key observations.

On December 16, 2022 the European Central Bank (ECB) Banking supervision published an overview of the key observations from the annual horizontal analysis of IT and cyber risk, which is mainly based on data submitted by institutions to the ECB on an annual basis (in the form of a questionnaire).

The questionnaire covers five IT risk level domains and ten IT risk control domains, in addition to general data on the supervised entity's IT environment.

The key observations identified are presented as follows:

1. Main indicators suggest an increasing IT outsourcing risk level, in line with institutions reporting higher risk level scores on average.
2. Banks' self-assessment of the IT security risk level slightly increased while the main indicators showed a slight improvement in comparison with 2020.
3. Data quality management remains one of the weak spots of banks' risk control environments.
4. The increasing number of critical projects means IT change is an emerging risk that deserves further attention.
5. Weaknesses in basic areas of IT governance and risk management are still observed.

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Other General aspects

Basel Committee reports on Basel III implementation progress.

On October 04, 2022 the Basel Committee on Banking Supervision has issued its progress update on the adoption of the Basel regulatory framework.

The update summary and monitoring dashboard set out the jurisdictional adoption status of the Basel III standards as of end-September 2022. The scope of the update summary covers the Basel III post-crisis reforms published by the Committee in December 2017 and the finalised minimum capital requirements for market risk of January 2019. These reforms are due to take effect from 1 January 2023, as announced by the Governors and Heads of Supervision in March 2020.

It is evident that since the previous update as of end-September 2021, member jurisdictions have made further progress in implementing the Basel III standards with past due dates as well as the finalised reforms with the 1 January 2023 due date.

Furthermore, the monitoring dashboard introduced last year has been further refined to offer the full implementation history of standards by member jurisdictions including the publication and implementation dates of their domestic regulations.

Members of the Group of Central Bank Governors and Heads of Supervision (GHOS), the oversight body of the BCBS, have recently reaffirmed their expectation of implementing all aspects of the Basel III framework in a full and consistent manner, and as soon as possible, in order to provide a regulatory level playing field for internationally active banks.

EBA published final RTS on the measurement of liquidity risks for investment firms.

On November 14, 2022 the European Banking Authority (EBA) published its final Regulatory Technical Standards (RTS) on specific liquidity measurement for investment firms under the Investment Firms Directive (IFD). These RTS will ensure that all competent authorities follow the same harmonized approach when adopting the decision to impose further liquidity requirements to an investment firm.

The IFD allows competent authorities to increase an investment firm's liquidity requirements if, following the assessment of liquidity risk in accordance with the supervisory review and evaluation process (SREP), they conclude that the investment firm is exposed to material liquidity risks, which are not sufficiently covered by the minimum liquidity requirements set out in the Investment Firms Regulation (IFR).

In order to have a harmonized application of the specific liquidity requirements, these RTS address in detail the main elements that may affect the liquidity risk of an investment firm.

FSB published 2022 List of G-SIBs.

On November 21, 2022 the Financial Stability Board (FSB) published the 2022 list of globally systemic banks (G-SIBs) which is based on end-2021 data and an assessment methodology designed by the Basel Committee on Banking Supervision (BCBS), which was revised in 2018. The 30 banks on the list remain the same as the 2021 list.

The BCBS reviewed this year the implications of developments related to the European Banking Union (EBU) for the G-SIB methodology, in particular the treatment of cross-border exposures within the Banking Union. The BCBS recognized the progress in the development of the EBU and agreed to give recognition in the G-SIB framework to this progress through the existing methodology, which allows for adjustments to be made according to supervisory judgment.

ECB Banking Supervision: SSM supervisory priorities for 2023-2025.

On December 12, 2022 the European Central Bank (ECB) released the update of the supervisory priorities for 2023–2025, which was based on a thorough assessment of the main risks and vulnerabilities faced by the significant institutions under its direct supervision, as well as considering the progress made on the 2022 priorities and 2022 SREP.

With the emerging risks from the conflict in Ukraine and high inflation in mind, ECB has incorporated the above points and finalised its risks and priorities exercise to again coordinate its activity over a medium-term time horizon i.e.: three years.

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The ECB priorities for 2023–2025 are threefold:

- Priority 1: Strengthening resilience to immediate macro-financial and geopolitical shocks
- Priority 2: Addressing digitalization challenges and strengthening management bodies' steering capabilities
- Priority 3: Stepping up efforts in addressing climate change.

Each priority is of equal importance and associated with an underlying high-level work programme to address identified vulnerabilities, outlined within the priority along with an overview of its planned supervisory activities.

Evaluation of the impact and efficacy of the Basel III reforms.

On December 14, 2022 the Basel Committee on Banking Supervision (BCBS) published its third evaluation report supplemented by a technical Annex, providing its first holistic evaluation of the impact and efficacy of the implemented Basel III reforms.

This evaluation report assesses whether the implemented reforms have met their intended objectives (i.e. increase of bank resilience and reduction of systemic risk). Additionally, the report examines potential unintended effects, notably on banks' lending and capital costs and sets out the Committee's first holistic evaluation of the Basel III reforms since their implementation.

In more detail, the report sheds light on:

1. the impact of the capital and liquidity reforms on bank resilience and systemic risk;
2. potential side effects on banks' lending and capital costs; and
3. interactions among elements of the reforms and the regulatory complexity within the Basel Framework.

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Other

EC endorsed positive preliminary assessment of Greece's request for nearly €3.6 billion under the RRF.

Financial Stability Report (November 2022).

On November 10, 2022 the Bank of Greece published its financial stability report. The report assesses developments, identifies the main drivers of systemic risks in the domestic banking sector and other branches of the financial system and analyzes the function of financial market infrastructures (i.e. payment systems, securities settlement systems and central counterparties).

Section III of the report (pp. 33-69) includes the main developments regarding banking risks, the degree of resilience of the domestic banking system and its interconnection with other sectors of the financial system. Section V of the report (pp. 80-84) includes, among other things, the risks assumed by insurance companies in the first half of 2022 and their analysis, as well as information in respect to their solvency. Furthermore, Section VI of the report (pp. 95-100) includes, among others, the main developments in relation to electronic means of payment (payment cards, credit transfer services, direct debit services).

Promoting Global Financial Stability: 2022 FSB Annual Report.

On November 16, 2022 the Financial Stability Board (FSB) published its financial stability report for the year.

This annual report provides an overview of the FSB's work to tackle current and emerging vulnerabilities including enhancing the resolvability of central counterparties (CCPs) and the resilience of the non-bank financial intermediation sector. Intensified monitoring of vulnerabilities and continued support of international cooperation and coordination in the aftermath of COVID-19 and the war in Ukraine are also part of FSB's agenda.

In addition, the report shows FSB's commitment towards strengthening regulation and supervision of risks from financial institutions' reliance on critical third-party providers, as well as those institutions' cyber incident reporting. Last but not least, FSB will also work on the issuance of a set of proposed recommendations to achieve internationally consistent and comprehensive regulation of crypto-assets and markets, including stablecoins.

NextGenerationEU: EC endorsed positive preliminary assessment of Greece's request for nearly €3.6 billion under the RRF.

On November 24, 2022 the European Commission endorsed a positive preliminary assessment of Greece's payment request for €3.6 billion (€1.7 billion in grants and €1.9 billion in loans) under the Recovery and Resilience Facility (RRF).

On 30 September 2022, Greece submitted to the Commission a payment request based on the achievement of the 28 milestones and targets laid out in the Council Implementing Decision for the second instalment. They include re-organising the railways sector to develop, operate and maintain a modern railway network, opening up the public bus transportation market to improve services and to promote a greener bus fleet. They also cover reforms and investments promoting the use of renewable energy so as to make the electricity market fit for a high share of renewables. Other reforms and investments include:

- support the digital transformation of small and medium-sized enterprises; interconnecting payment terminals with the tax administration;
- incentivising green and digital investments by the private sector;
- encouraging small companies to grow and export;
- enhancing the supervision of capital markets;
- creating new funding opportunities for research; and
- encouraging new investments in the tourism, manufacturing and agriculture sectors.

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Other

The Greek recovery and resilience plan will be supported by €17.4 billion in grants and €12.7 billion in loans, of which €4 billion was disbursed to Greece in pre-financing on 9 August 2021. Payments under the RRF are performance-based and contingent on Member States implementing the investments and reforms outlined in their respective recovery and resilience plans.

Publication by the EPC of the first version of the SPAA scheme.

On November 30, 2022 the European Payments Council (EPC) published the first Payment Account Access (SPAA) scheme rulebook. It consists of a set of rules, practices and standards that will allow the exchange of payment accounts related data and facilitates the initiation of payment transactions in the context of "value-added" services provided by asset holders to asset brokers.

In the coming months, the SPAA Multi-Stakeholder Group (SPAA MSG) will progress on defining a "minimum viable product" (MVP), i.e. a sub-set of services - among those contained in version 1.0 of the rulebook - that will have to be supported by the asset holders participating in the SPAA scheme. This selection of the MVP mandatory services will be based on market demand and on the outcome of the work on default business conditions currently being performed by an independent economic consultant. The MVP will be reflected in an updated version of the rulebook which will clearly identify those mandatory services and be published by Q2 2023.

Monitoring Group reported on progress to implement recommendations to strengthen the International Audit and Ethics Standard-Setting System.

On December 02, 2022 the Monitoring Group (MG) reported on its progress to implement its recommendations Strengthening the International Audit and Ethics Standard Setting System issued in July 2020.

In June of 2021, the MG reported on the development of its transition plan to implement the MG Recommendations. Since then, the MG, with strong multi-stakeholder support, has faithfully worked to implement the Recommendations, using the objectives agreed upon in 2020 as its guiding principle.

The objectives of the MG Recommendations are the implementation of an independent and inclusive multi-stakeholder standard-setting structure that is responsive to the public interest in the development of timely, high-quality ethics, independence, audit, and assurance standards. The MG, the Public Interest Oversight Board (PIOB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) (collectively Standard-Setting Boards or SSBs), and the International Federation of Accountants (IFAC) have worked collaboratively to faithfully implement the MG Recommendations.

EC raised €7.05 billion for SURE and MFA programmes in its last syndicated transaction of 2022.

On December 07, 2022 the European Commission (EC) issued €7.05 billion in its last syndicated transaction of 2022. The deal consisted of a new 15-year social bond of €6.548 billion for the EU's SURE programme due in December 2037 and a €500 million tap of an existing bond due in 2052 for the EU's emergency Macro-financial assistance (MFA) programme for Ukraine. Both bonds were very well-supported, allowing the EU to place the bonds on good terms for such a large transaction in this end-of-year window.

With this, the EC closes both its SURE programme and the emergency MFA programme for Ukraine.

The proceeds from the social bond will be used for the implementation of the SURE programme in Bulgaria, Cyprus, Czechia, Greece, Croatia, Lithuania, Latvia, Poland and Portugal, all of which have already benefited from funds under the scheme. With this, €98.4 billion of the full envelope of €100 billion under the programme – which enables EU countries to provide employment and income support to businesses and citizens affected by the pandemic – has been disbursed.

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Other

EBA issued revised list of ITS validation rules.

On December 12, 2022 the European Banking Authority (EBA) published a revised list of validation rules for its reporting standards (Implementing Technical Standards, Regulatory Technical Standards and Guidelines), highlighting those which have been deactivated either for incorrectness or for triggering IT problems. Competent Authorities throughout the EU are informed that data submitted in accordance with these reporting standards should not be formally validated against the set of deactivated rules.

EU institutions agree on joint priorities for 2023 and 2024.

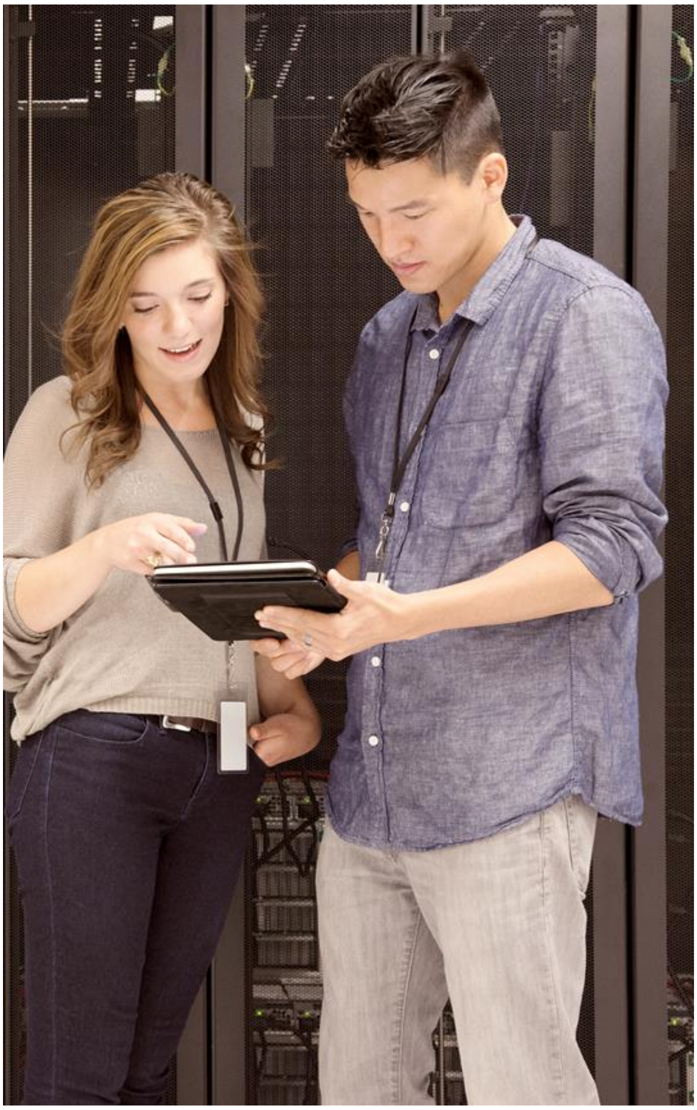
On December 15, 2022 a Joint Declaration on EU legislative priorities for 2023 and 2024 was signed by the Presidents of Parliament, Council and Commission.

The Joint Declaration sets out a shared European vision for a stronger and more resilient Europe in the face of Russia's unprovoked, brutal aggression against Ukraine and its wide-ranging impact – all the while tackling other serious challenges such as the climate crisis and economic headwinds. The European Union will continue standing by Ukraine and its people while accelerating the twin green and digital transitions.

The Joint Declaration highlights key legislative proposals that are currently in the hands of the European Parliament and Council, or will be put forward by the European Commission in 2023. It commits the three EU institutions to giving utmost priority to initiatives aimed at delivering on the European Green Deal, achieving the digital transition and enhancing the EU's resilience, creating an economy that works for people, making Europe stronger in the world. The three institutions aim at achieving the best possible progress on the initiatives included in the Joint Declaration by the next European Elections in 2024.

Decisions taken by the Governing Council of the ECB.

On December 16, 2022 the European Central Bank (ECB) published the decisions taken by the Governing Council of the ECB regarding monetary policy, market operations, market infrastructure and payments, advice on legislation, corporate governance, banknotes and the ECB banking supervision.



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Appendix: Glossary

AANA
Aggregate Average Notional Amount

AML/CFT
Anti-Money Laundering and Countering the Financing of Terrorism

AI
Artificial Intelligence

AISPs
Account Information Service Providers

AIFMD
Alternative Investment Funds Market Directive

BCBS
Basel Committee on Banking Supervision

BIS
Bank of International Settlements

BMR
EU Benchmark Regulation

CDD
Customer Due Diligence

CRD IV
Capital Requirements Directive IV

DGSs
Deposit Guarantee Schemes

DLT
Distributed Ledger Technology

DRSP
Data Reporting service providers

AISPs
Account Information Service Providers

EBA
European Banking Authority

ECON
Economic and Monetary Affairs Committee

EIOPA
European Insurance and Occupational Pensions Authority

EP
European Parliament

ESAs
European Supervisory Authorities

ESG
Environmental, Social and Governance

FICC
Fixed Income Clearing Corporation

GAR
Green Asset Ratio

IOSCO
International Organization of Securities Commissions

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

Appendix: Glossary

IT

Information Technology

ITS

Implementing Technical Standards

IOSCO

International Organization of Securities Commissions

LCR

Liquidity Coverage Ratio

LIBOR

London Inter-Bank Offered Rate

MiCA

Markets in Crypto Assets

NPEs

Non-Performing Exposures

NPL

Non-Performing Loans

P2B

Platform to Business

PISPs

Payment Initiation Services Providers

RTS

Regulatory Technical Standard

RegTech

Regulatory Technology

RWAs

Risk weighted assets

SFDR

EU Regulation on sustainability-related disclosures in the financial services sector

SFTR

Securities Financing Transactions Regulation

SFT

Securities Financing Transactions

SupTech

Supervisory Technology

OTC

Over-the-Counter

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