



The Financial Services Insider

Risk & Regulatory Insights

Q2 2024 – Q3 2024



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01 Highlights

Highlights

The 2nd & 3rd quarter of 2024 were marked by several regulatory developments in various areas such as AML, ESG, Fintech, Risk Management, Insurance, MIFID II and Capital Markets.

Anti-Money Laundering (AML)

EBA welcomed the entry into force of the new EU framework regarding AMLA and issued new guidelines to tackle ML/TF in transfers of funds and crypto assets.

Capital Markets

ESMA published i) first overview of EU securities financing transactions markets, ii) a follow-up report to the peer review into supervisory practices regarding EMIR data quality improving and iii) data on markets and securities in the EEA. Moreover, EBA published its final guidelines on STS criteria for on-balance-sheet securitization and amended its guidelines on arrears and foreclosure following changes to the MCD. Furthermore, ECB published the results of the June 2024 SESFOD and the July 2024 euro area bank lending survey.

ESG

ESMA published i) guidelines establishing harmonised criteria for use of ESG and sustainability terms in fund names, ii) a report on GLESI and a public statement on the first application of the ESRS, and iii) an opinion on its long-term vision on the functioning of the Sustainable Finance Framework. Furthermore, ESAs published their final reports on greenwashing in the financial sector and proposed improvements to the SFDR. Moreover, ECB published its second set of climate-related financial disclosures while BCBS issued a discussion paper on the role of CSA in strengthening the management and supervision of climate-related financial risks.



Fintech

ESMA published final MiCA rules on conflict of interest of crypto assets providers and new MiCA rules that aim to increase transparency for retail investors. Also, Basel Committee published a report on the implications of the digitalisation of finance.

Highlights

Insurance

The Climate Resilience Dialogue released a report outlining strategies to address insurance protection gap. Insurance Europe published a statement which outlines that Solvency II is a “golden opportunity” to unlock billions of capital for Europe. Furthermore, EIOPA published:

- a consultation on natural catastrophe risk reassessments in the standard formula
- a study which explores the impact of new accounting standard in insurance after first year of IFRS 17's implementation
- a report regarding the level of digitalisation in the European insurance sector
- the second edition of its Occupational Pensions Risk Dashboard
- its May 2024 Insurance Risk Dashboard
- its June 2024 Financial Stability Report
- its risk dashboard for IORPs
- its insurance risk dashboard
- a consultation on new proportionality regime under Solvency II

MIFID II

ESMA launched a consultation on commodity derivatives under MiFID review and issued a statement providing guidance to firms using AI in investment services .

Risk Management

ECB published the final guide on effective risk data aggregation and risk reporting outlining the prerequisites for effective RDARR to assist banks in strengthening their capabilities, building on good practices observed in the industry. BCBS published consultation on guidelines for counterparty credit risk management and FSB published a stocktake of member financial authorities' initiatives related to the identification and assessment of nature-related financial risks.

Furthermore, EBA:

- published amendments to counterparty credit risk standards
- published final draft RTS on market risk
- updated monitoring of Additional Tier 1, Tier 2 and TLAC/MREL eligible liabilities instruments of EU institutions
- published its European Resolution Examination Programme report
- published for informal consultation its draft methodology, templates, and guidance for the 2025 EU-wide stress test
- launched the 2024 EU-wide transparency exercise

Moreover, EC proposed to postpone by one year the market risk prudential requirements under Basel III in the EU while ESAs issued their Autumn 2024 Joint Committee report on risks and vulnerabilities in the EU financial system.

Other

EC proposed an annual EU budget of €199.7 billion for 2025 and endorsed preliminary assessment of Greece's 4th payment request for €998.6 million under RRF. ESAs published their individual annual reports, along with their joint annual report for 2023. Moreover, EBA published the European Supervisory Examination Programme for 2025 and ESMA published the 2024 ESEF Reporting Manual. Furthermore, CPMI published its work programme and strategic priorities for 2024-25 while BIS published its quarterly review. Also, EBA and ECB released a joint report on payment fraud.



02 Risk & Regulatory Insights

Anti-Money Laundering (AML)

EBA issued new guidelines to tackle ML/TF in transfers of funds and crypto assets.

EBA: Getting ready for AMLA

On June 26, 2024, the European Banking Authority (EBA) welcomed the entry into force of the new EU framework that will transform how Europe tackles money laundering and terrorist financing. The EBA is proud to be paving the way for the establishment of the new anti-money laundering and countering the financing of terrorism authority (AMLA) and is committed to facilitating a smooth transition and making the EU a hostile place for financial crime.

EBA: Guidance to tackle ML/TF in transfers of funds and crypto assets.

On July 04, 2024, the European Banking Authority (EBA) issued new guidelines on the so-called 'travel rule', i.e. the information that should accompany transfers of funds and certain crypto assets. This rule will help tackle the abuse of such transfers for money laundering (ML) and terrorist financing (TF) purposes.



Capital Markets

ESMA published its first overview of EU securities financing transactions markets & EBA published its final guidelines on STS criteria for on-balance-sheet securitization.

ESMA published first overview of EU securities financing transactions markets.

On April 09, 2024, the European Securities and Markets Authority (ESMA) published a report on EU securities financing transactions (SFT) markets which provides first comprehensive market-level overview of the EU repo market, based on information reported by market participants. It contributes to ESMA's financial stability objective, by monitoring repo market developments and providing key risk metrics for its monitoring framework on securities financing transactions.

ESMA shows EU regulators' supervisory practices regarding EMIR data quality improving.

On April 11, 2024, the European Securities and Markets Authority (ESMA) published a follow-up report to the peer review into supervisory actions aiming at enhancing the quality of data reported under the European Market Infrastructure Regulation (EMIR). The follow up updates on the actions that Member State competent authorities (NCAs) and ESMA (in its role as supervisor), or trade repositories have undertaken to address the issues identified in the ESMA 2019 peer review into supervisory actions aiming at enhancing the quality of data reported under EMIR.

The follow-up report highlights that it is important that EMIR data reported to supervisors is of high quality to allow them to make informed, data driven decisions of related risks.

ESMA published data on markets and securities in the EEA.

On May 16, 2024, the European Securities and Markets Authority (ESMA) published the Statistics on Securities and Markets (ESSM) report, with the objective of increasing access to data of public interest. The report provides details about how securities markets in the European Economic Area (EEA30) were organised in 2022, including structural indicators on securities, markets, market participants and infrastructures. It covers the distribution of legal entities by member states, either based on their supervisory role or their location. It also contains information on third country entities when their activities are recognised (e.g., CCPs or benchmark administrators) or when their securities are traded in EEA30 (e.g., information on issuers and securities available for trading).



Capital Markets

EBA published its final guidelines on STS criteria for on-balance-sheet securitization.

On May 27, 2024, the European Banking Authority (EBA) published its final guidelines on the simple, transparent and standardised (STS) criteria for on-balance sheet securitisations under Article 26a (2) of the Securitisation Regulation. The main objective of the guidelines is to provide a single point of consistent interpretation of the STS criteria and ensure a common understanding of them by originators, original lenders, securitisation special purpose entities, investors, competent authorities and third-party verification agents verifying STS compliance in accordance with Article 28 of the Securitisation Regulation, throughout the EU.

EBA amended its guidelines on arrears and foreclosure following changes to the MCD.

On June 28, 2024, the European Banking Authority (EBA) published its amended guidelines on arrears and foreclosure following the changes introduced in the Mortgage Credit Directive (MCD). The EBA assessed the impact of the recent revision of Article 28(1) of the MCD and concluded that, in order to adhere to the principle that EBA Guidelines must not repeat, amend or contradict requirements set out in Level 1 legislation, the EBA Guidelines on arrears and foreclosure needed to be amended. Guideline 4 on 'resolution process' has therefore been removed from the EBA Guidelines on arrears and foreclosure, as its content is now embedded in binding Union Law. The aggregate requirements set out in the MCD and the EBA Guidelines have remained unchanged.



Results of the June 2024 SESFOD.

On July 10, 2024, the European Central Bank (ECB) published the results of the June 2024 Survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD). According to the survey:

- Credit terms and conditions eased somewhat over the period from March to May 2024
- The maximum amount of funding, maximum maturity of funding and demand for funding increased across many types of collateral
- Improved liquidity and trading conditions for foreign exchange, interest rate and credit derivatives referencing both sovereigns and corporates.

Capital Markets

ECB: July 2024 euro area bank lending survey.

On July 16, 2024, the European Central Bank (ECB) published the July 2024 euro area bank lending survey. According to the survey:

- Credit standards were broadly unchanged at tight levels in the second quarter of 2024
- Loan demand continued to decline for firms, while recording the first increase for households since 2022
- Credit standards for firms displayed some heterogeneity across economic sectors, tightening strongly in commercial real estate



ESG

ESMA published guidelines establishing harmonised criteria for use of ESG and sustainability terms in fund names. ESAs published their final reports on greenwashing in the financial sector and proposed improvements to the SFDR.

The role of CSA in strengthening the management and supervision of climate-related financial risks.

On April 16, 2024, the Basel Committee on Banking Supervision (BCBS) issued a discussion paper on how climate scenario analysis (CSA) can be practically used to help strengthen the management and supervision of climate-related financial risks.

ESMA guidelines establish harmonised criteria for use of ESG and sustainability terms in fund names.

On May 14, 2024, the European Securities and Markets Authority (ESMA) published the final report containing guidelines on funds' names using ESG or sustainability-related terms. The objective of the guidelines is to ensure that investors are protected against unsubstantiated or exaggerated sustainability claims in fund names, and to provide asset managers with clear and measurable criteria to assess their ability to use ESG or sustainability-related terms in fund names.

ESAs call for enhanced supervision and improved market practice on sustainability-related claims.

On June 04, 2024, the European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published their Final Reports on Greenwashing in the financial sector. Each ESA provides a stocktake of the current supervisory response to greenwashing risks under their remit and notes that national competent authorities (NCAs) are already taking steps in the area of supervision of sustainability-related claims. In addition, the ESAs provide a forward-looking view of how sustainability-related supervision can be gradually enhanced in coming years.

ESAs propose improvements to the sustainable finance disclosure regulation.

On June 18, 2024, the European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published a joint Opinion on the assessment of the Sustainable Finance Disclosure Regulation (SFDR). The ESAs call for a coherent sustainable finance framework that caters for both the green transition and enhanced consumer protection, taking into account the lessons learned from the functioning of the SFDR. The ESAs focus on ways to introduce simple and clear categories for financial products. The simplifications consist of two voluntary product categories, “sustainable” and “transition”, that financial market participants should use to ensure consumers understand the purpose of the products. The rules for the categories should have a clear objective and criteria to reduce greenwashing risks.

Eurosystem and ECB portfolios steadily decarbonising, climate-related disclosures show.

On June 25, 2024, the European Central Bank (ECB) published its second set of climate-related financial disclosures, which provides information on the carbon footprint of its portfolios and their exposure to climate risks, as well as on climate-related governance, strategy and risk management. According to the report:

- Eurosystem tilting framework played a meaningful part in reducing financed emissions associated with corporate assets in monetary policy portfolios in 2022 and 2023
- Disclosures expanded to cover over 99% of Eurosystem monetary policy holdings
- Disclosures aim to improve transparency and support wider efforts to narrow climate data gap
- Interim targets to be set to monitor emission reduction trajectory of corporate asset portfolios on a path that supports the goals of the Paris Agreement

ESMA puts forward measures to support corporate sustainability reporting.

On July 05, 2024, the European Securities and Markets Authority (ESMA) published a Final Report on the Guidelines on Enforcement of Sustainability Information (GLES) and a Public Statement on the first application of the European Sustainability Reporting Standards (ESRS). These documents will support the consistent application and supervision of sustainability reporting requirements. The purpose of the GLES is to provide guidance to build convergence on supervisory practices on sustainability. Through the Public Statement on the first-time application of the ESRS, ESMA intends to support large issuers in going through the learning curve associated with the implementation of these new reporting requirements.



ESMA sets out its long-term vision on the functioning of the Sustainable Finance Framework.

On July 24, 2024, the European Securities and Markets Authority (ESMA) published an Opinion on the Sustainable Finance Regulatory Framework, setting out possible long-term improvements. ESMA acknowledges that the EU Sustainable Finance Framework is already well developed and includes safeguards against greenwashing. At the same time, ESMA considers that, in the longer-term, the Framework could further evolve to facilitate investors' access to sustainable investments and support the effective functioning of the Sustainable Investment Value Chain.

Fintech

ESMA published final MiCA rules on conflict of interest of crypto assets providers and new MiCA rules.

Basel Committee published report on the digitalisation of finance.

On May 16, 2024, the Basel Committee published a report on the implications of the digitalisation of finance for banks and supervision. The report considers both the benefits and risks of new technologies and the emergence of new technologically enabled suppliers for the provision of banking services. Also, the report identifies eight implications for banks and supervisors relating to macro-structural elements, specific digitalisation themes, and capacity building and coordination.

Final MiCA rules on conflict of interest of crypto assets providers.

On May 31, 2024, the European Securities and Markets Authority (ESMA) published the final report on the rules on conflicts of interests of crypto-asset service providers (CASP) under the Markets in Crypto Assets Regulation (MiCA). In the report ESMA sets out draft regulatory technical standards on certain requirements in relation to conflicts of interest for crypto-asset service providers (CASPs) under MiCA, with a view to clarifying elements in relation to vertical integration of CASPs and to further align with the draft European Banking Authority (EBA) rules applicable to issuers of asset-referenced tokens.

New MiCA rules increase transparency for retail investors.

On July 04, 2024, the European Securities and Markets Authority (ESMA) published the second Final Report under the Markets in Crypto-Assets Regulation (MiCA) covering eight draft technical standards that aim to provide more transparency for retail investors, clarity for providers on the technical aspects of disclosure and record-keeping requirements, and data standards to facilitate supervision by National Competent Authorities (NCAs). The final report includes the following draft technical standards:

- sustainability indicators for crypto-asset consensus mechanisms
- business continuity measures for crypto-asset service providers (CASPs)
- trade transparency
- content and format of orderbooks and record-keeping by CASPs
- machine readability of white papers and the register of white papers
- public disclosure of inside information



Insurance

EIOPA & Insurance Europe in discussions regarding the review of Solvency II standard formula aiming to release capitals. Furthermore, EIOPA explored IFRS 17's impact in insurance industry after its first year of implementation.

EIOPA consults on natural catastrophe risk reassessments in the standard formula.

On April 03, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) launched a public consultation on reassessing natural catastrophe risks in the standard formula. EIOPA's review of the parameters aims to better capture the risks stemming from perils such as earthquake, flood, hail and windstorm based on new insights, new data and new models that have come online since the last reassessment in 2018.

EIOPA study explores impact of new accounting standard in insurance after first year of IFRS 17's implementation.

On April 15, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published a report analyzing how insurance undertakings in the EU implemented the new insurance accounting standard IFRS 17 as well as the synergies and differences in the calculation of insurance liabilities with the Solvency II framework.

EIOPA report takes the pulse of digitalisation in the European insurance market.

On April 30, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published a report in which it analyses the level of digitalisation in the European insurance sector. The findings of the report – based on responses to EIOPA's 2023 Digitalisation Market Monitoring Survey and insights from a dedicated Eurobarometer poll – show a broad spectrum of practices in the market and point to substantial differences in the digital readiness of individual insurers.



Insurance

EIOPA's IORP Risk Dashboard highlights market risks as key concern for occupational pension funds.

On May 02, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published the second edition of its Occupational Pensions Risk Dashboard, which shows that the exposure of Institutions for occupational retirement provisions (IORPs) to market & asset return risks remains at a high level due to market volatility and real estate market vulnerabilities. Annual indicators such as portfolio return (based on 2022) do not yet capture the positive market performance of 2023.

EIOPA Insurance Risk Dashboard flags market risks for insurers amid market volatility and declining real estate prices.

On May 14, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published its May 2024 Insurance Risk Dashboard, which shows that risks in the EU's insurance sector are stable and overall at medium levels, with pockets of vulnerabilities stemming from market uncertainty and potential risks in the real estate sector.

Europe's insurance and pension fund sectors stay resilient amid tense risk landscape.

On June 27, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published its June 2024 Financial Stability Report, which offers a stocktake of key developments and risks in Europe's insurance and occupational pensions sectors.

Insurance Europe: Solvency II a "golden opportunity" to unlock billions of capital for Europe.

On July 23, 2024, Insurance Europe published a statement which outlines that by increasing insurers' investment capacity, the industry could further contribute to the political guidelines laid out by the recently re-elected President of European Commission, namely increasing competitiveness, accelerating the green and digital transitions, and creating a more efficient capital market. The statement was published accompanied by three position papers on Improving the treatment of long-term business, Increasing regulatory efficiency (proportionality and reporting) and Solvency II Sustainability risk plans.

EIOPA published its risk dashboard for IORPs.

On July 29, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published its July 2024 risk dashboard for the institutions for occupational retirement provision (IORPs), which shows that their exposure to market and asset return risks remains high due to continued market volatility and real estate market vulnerabilities.



Insurance

EIOPA published its insurance risk dashboard.

On July 31, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published its July 2024 Insurance Risk Dashboard, which shows that risks in the European insurance sector are stable and overall at medium levels, with pockets of vulnerabilities stemming from market volatility and real estate prices.

EIOPA launched consultation on new proportionality regime under Solvency II.

On August 02, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) launched a public consultation on the future implementation of the new proportionality framework under Solvency II. The consultation covers two aspects, namely, the fine-tuning of the methodology for classifying insurance undertakings as small and non-complex – who would stand to benefit from proportionality measures – as well as the conditions for granting similar proportionality measures (i.e. certain reduced requirements) to insurers that do not by default fall in the small and non-complex category.

Climate change: EU report proposes ways to tackle insurance protection gap.

On September 03, 2024, the Climate Resilience Dialogue (an initiative first launched by the European Commission in 2021 which gathered a broad range of stakeholders including the insurance industry) published a report that has laid out recommendations on how to reduce the protection gap caused by climate change - the gulf between how much is lost and how much is insured. The report's key proposals to overcome the climate protection gap include:

- Increase risk awareness – develop accessible tools for consumers and offer more information specific to the needs of each locality
- Exploit the opportunities of data to ensure proper risk assessments
- Advise and incentivize policyholders to implement adaptation measures
- Share responsibility and involve a range of stakeholders to build resilience
- Consider higher levels of mutualisation, public-private partnerships and/or subsidies to address the twin challenge of affordability and insurability.



MIFID II

ESMA launched a consultation on commodity derivatives under MiFID review and issued a statement providing guidance to firms using AI in investment services.

ESMA provides guidance to firms using artificial intelligence in investment services.

On May 30, 2024, the European Securities and Markets Authority (ESMA) issued a Statement providing initial guidance to firms using Artificial Intelligence technologies (AI) when they provide investment services to retail clients. When using AI, ESMA expects firms to comply with relevant MiFID II requirements, particularly when it comes to organisational aspects, conduct of business, and their regulatory obligation to act in the best interest of the client.

ESMA consults on commodity derivatives under MiFID review.

On May 23, 2024, the European Securities and Markets Authority (ESMA) launched a public consultation on proposed changes to the rules for position management controls and position reporting. The changes come in the context of the review of the Market in Financial Instruments Directive (MiFID II) and aim to minimise the burden on reporting entities. ESMA is consulting on changes to the technical standards (RTS) on position management controls, the Implementing Technical Standards (ITS) on position reporting, and on position reporting in Commission Delegated Regulation (EU).



Risk Management

ECB published the final guide on effective risk data aggregation and risk reporting outlining the prerequisites for effective RDARR to assist banks in strengthening their capabilities, building on good practices observed in the industry.

ECB published the Final Guide on effective risk data aggregation and risk reporting.

On May 03, 2024, the European Central Bank (ECB) published the final guide on effective risk data aggregation and risk reporting. The Guide outlines prerequisites for effective risk data aggregation and risk reporting (RDARR) to assist banks in strengthening their capabilities, building on good practices observed in the industry. The Guide intends to specify and reinforce supervisory expectations in this field, taking into account the Basel Committee on Banking Supervision's Principles for effective risk data aggregation and risk reporting (BCBS 239). It complements and does not replace the guidance already provided since 2016 in public communications and in institution-specific supervisory activities.

The Guide is part of a wider strategy intended to ensure that supervised banks ultimately achieve substantial progress in remedying their identified structural shortcomings in risk data aggregation.

Risk measurement & reporting

BCBS published consultation on guidelines for counterparty credit risk management.

On April 30, 2024, the Basel Committee on Banking Supervision (BCBS) issued a consultative document on guidelines for counterparty credit risk (CCR) management. The guidelines include key practices critical to resolving long-standing industry weaknesses in CCR management, including the need to; (i) conduct comprehensive due diligence of counterparties both at initial onboarding and on an ongoing basis, (ii) develop a comprehensive credit risk mitigation strategy to effectively manage counterparty exposures, (iii) measure, control and limit CCR using a wide variety of complementary metrics, and (iv) build a strong CCR governance framework. The guidelines provide a supervisory response to the significant shortcomings that have been identified in banks' management of CCR, including the lessons learned from recent episodes of non-bank financial intermediary (NBFI) distress.



Risk Management

EBA launched a consultation on draft RTS on equivalent mechanism for unfinished property under the standardised approach of credit risk.

On May 13, 2024, the European Banking Authority (EBA) launched a public consultation on its draft regulatory technical standards (RTS) under the Capital Requirements Regulation (CRR3) regarding the equivalent mechanism for unfinished property. These technical standards specify the conditions that a legal mechanism should meet in order to recognise a property under construction in the own fund requirements calculation under the standardised approach of credit risk.

EBA launched a consultation on draft guidelines on acquisition, development and construction exposures to residential property under the standardised approach of credit risk.

On May 17, 2024, the European Banking Authority (EBA) launched a public consultation on its draft Guidelines (GLs) under the Capital Requirements Regulation (CRR3) regarding acquisition, development and construction (ADC) exposures to residential property. These Guidelines specify the credit risk-mitigating conditions that allow institutions to assign a risk weight of 100% instead of 150% for ADC exposures to residential property. Furthermore, the Guidelines also address the specificities of institutions' lending to public housing or not-for profit entities.

EBA published amendments to counterparty credit risk standards.

On June 24, 2024 the European Banking Authority (EBA) published its final draft amending Regulatory Technical Standards (RTS) on the standardised approach for counterparty credit risk (SA-CCR). This regulatory product is part of the new roadmap on the Banking Package.



The amendments to the Capital Requirements Regulation (CRR3) have expanded the EBA mandate to specify the formula to calculate the supervisory delta of options under the SA-CCR framework. Alongside the supervisory delta formula for interest rate options compatible with negative interest rates, the mandate now also requires the specification of the supervisory delta formula for commodity options compatible with negative commodity prices. Therefore, the existing RTS on SA-CCR have been amended to include the formula for commodity options.

Risk Management

EBA responded to the EC's Delegated Act postponing the application of the market risk framework in the EU.

On August 12, 2024, the European Banking Authority (EBA), following the European Commission's adoption of a Delegated Act postponing the application of the revised market risk framework in the EU, published a no-action letter on the boundary between the banking book and the trading book and shares its considerations on technical questions and issues arising from the postponement.

EBA published final draft RTS on market risk.

On August 13, 2024, the European Banking Authority (EBA) the European Banking Authority (EBA) published final amendments to its Regulatory Technical Standards (RTS) on the fundamental review of the trading book (FRTB). The revisions mostly aim to align these RTS with the Capital Requirements Regulation (CRR3) and ensure stability in the applicable regulatory framework. The RTS are part of the roadmap on the Banking Package.



Risk Management

Recovery/Resolutions

EBA updated monitoring of Additional Tier 1, Tier 2 and TLAC/MREL eligible liabilities instruments of EU institutions.

On June 27, 2024, the European Banking Authority (EBA) published an updated report on the monitoring of Additional Tier 1 (AT1), Tier 2 and total loss absorbing capacity (TLAC) as well as the minimum requirement for own funds and eligible liabilities (MREL) instruments of European Union (EU) institutions. The updated report provides new guidance on the prudential valuation of non-CET1 instruments and on other aspects related to the terms and conditions of the issuances.

EBA launched consultation to overhaul its resolution planning reporting framework.

On July 30, 2024, the European Banking Authority (EBA) launched a public consultation on its draft Implementing Technical Standards overhauling the EBA resolution planning reporting framework. The consultation runs until 30 October 2024.

EBA sets 2025 priorities for resolution authorities and reports on the progress achieved in 2023.

On August 13, 2024, the European Banking Authority (EBA) published its European Resolution Examination Programme (EREP) report. It sets three priorities for resolution authorities and banks for 2025: operationalisation of their resolution tools, liquidity strategies in resolution, and management information system for valuation. The report also looks at the progress achieved in 2023 and identifies areas of improvement.



Risk Management

Risk-Weighted Assets

EBA updates the Pillar 3 disclosure framework finalising the implementation of the Basel III Pillar 3 framework.

On June 21, 2024, the European Banking Authority (EBA) published a final draft implementing technical standards (ITS) on public disclosures by institutions that implement the changes in the Pillar 3 disclosure framework introduced by the amending Regulation (EU) 2024/1623 (CRR 3). These ITS will ensure that market participants have sufficient comparable information to assess the risk profiles of institutions and understand compliance with CRR 3 requirements, further promoting market discipline.

EBA starts dialogue with the banking industry on 2025 EU-wide stress test methodology.

On July 05, 2024, the European Banking Authority (EBA) published for informal consultation its draft methodology, templates, and guidance for the 2025 EU-wide stress test. This step marks the beginning of the dialogue with the banking industry and builds upon the methodology used in the 2023 exercise, with improvements reflecting new insights and regulatory changes. Some important changes are introduced, notably the integration of the upcoming Capital Requirements Regulation (CRR3), set to be implemented on January 1, 2025. It also considers the Commission's announcement to postpone the application date of the fundamental review of the trading book (FRTB). Other enhancements include the centralisation of net interest income (NII) projections and advancements in the market risk methodology to increase risk sensitivity.

EBA published its annual report on convergence of supervisory practices for 2023.

On July 08, 2024, the European Banking Authority (EBA) published its annual report on convergence of supervisory practices for 2023. The EBA confirms that the key topics identified for supervisory attention in 2023 were adequately included by most competent authorities, but there is still disparity in the implementation of risk areas like ESG and data aggregation capabilities in the supervisory processes. Regarding the convergence of supervisory practices in the context of Pillar 2 and liquidity measures, the analysis shows that there is still room for further consistency in the identification and treatment of risks covered by Pillar 2 requirements across the EU. Lastly, the EBA's monitoring of supervisory colleges has confirmed that the annual college cycle is functioning well.

EC proposed to postpone by one year the market risk prudential requirements under Basel III in the EU.

On July 24, 2024, the European Commission (EC) adopted a delegated act that postpones by one year (i.e. until 1 January 2026) the date of application of one part the Basel III standards in the EU – the Fundamental Review of the Trading Book (FRTB). The FRTB incorporates more sophisticated risk measurement techniques that aim to align capital charges more closely to the actual risks banks are facing in their activities in capital markets.

Risk Management

Surveys and Statistics

FSB takes stock of the wide range of regulatory and supervisory initiatives on nature-related financial risks.

On July 18, 2024, the Financial Stability Board (FSB) published a stocktake of member financial authorities' initiatives related to the identification and assessment of nature-related financial risks. The stocktake describes not only supervisory and regulatory initiatives, but central banks' and supervisors' analytical work on whether and how nature degradation, including loss of biodiversity, is a financial risk.

EBA launched 2024 EU-wide transparency exercise.

On September 09, 2024, the European Banking Authority (EBA) launched the 2024 EU-wide transparency exercise. Ahead of the 2025 stress tests, this year's transparency exercise will offer preliminary and valuable insights into the health and resilience of Europe's banking sector. The results will be published at the end of November, together with the release of the Risk Assessment Report (RAR).

EBA Risk Dashboard: Net interest margin of EU/EEA banks slightly decreased on a quarterly basis.

On September 19, 2024, the European Banking Authority (EBA) published its Q2 2024 quarterly Risk Dashboard (RDB), which discloses aggregated statistical information for the largest EU/EEA institutions.



Risk Management

Other General aspects

ESAs consult on RTS for joint examination teams under DORA.

On April 18, 2024, the European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) launched a public consultation on the draft Regulatory Technical Standards (RTS) on the conduct of oversight activities in relation to the joint examination teams under the Digital Operational Resilience Act (DORA).

EBA identified new types and patterns of payment fraud and develops proposals to mitigate them.

On April 29, 2024, the European Banking Authority (EBA) published an Opinion, in which it assesses payment fraud data that has recently become available to the EBA, identifies new types and patterns of payment fraud, and develops proposals to mitigate them. This Opinion aims at further strengthening the forthcoming legislative framework under the Third Payment Services Directive (PSD3) and Payment Services Regulation (PSR), as it will enshrine anti-fraud requirements for several years to come and needs to be as future-proof as possible.

EBA launched a consultation on the new framework for the operational risk loss as part of the implementation of the EU Banking Package.

On June 06, 2024, the European Banking Authority (EBA) launched a consultation on three sets of draft Regulatory Technical Standards (RTS) aiming to standardise the collection and the record of operational risk losses and to provide clarity on the exemptions for the calculation of the annual operational risk loss and on the adjustments to the loss data set that banks must perform in case of merged or acquired entities or activities.



Risk Management

EBA updates the supervisory reporting framework.

On July 09, 2024, the European Banking Authority (EBA) published its final draft implementing technical standards (ITS) on supervisory reporting requirements implementing the changes necessary to keep the supervisory reporting framework relevant and meaningful and aligned with the amending CRR 3, which implements the latest Basel III reforms. These ITS will allow supervisors to have sufficient comparable information to monitor compliance by institutions with CRR 3 requirements, thus further promoting enhanced and consistent supervision.



ECB consults on governance and risk culture.

On July 24, 2024, the European Central Bank (ECB) launched a public consultation on its new draft guide on governance and risk culture. The guide reflects the ECB's focus on diverse and effective management bodies, which is a supervisory priority of the Single Supervisory Mechanism (SSM) and sets out supervisory expectations regarding the governance and risk culture of supervised banks. The guide, which replaces the 2016 SSM supervisory statement on governance and risk appetite, provides banks with a roadmap to a more effective internal governance and risk culture.

ESAs warn of risks from economic and geopolitical events.

On September 10, 2024, the three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) issued their Autumn 2024 Joint Committee report on risks and vulnerabilities in the EU financial system. The report underlines ongoing high economic and geopolitical uncertainties. The ESAs warn national supervisors of the financial stability risks stemming from these uncertainties and call for continued vigilance from all financial market participants. For the first time, the report also includes a cross-sectoral deep dive into credit risks in the financial sector.

Other

EC endorsed preliminary assessment of Greece's 4th payment request for €998.6 million under RRF. Moreover, EBA published the European Supervisory Examination Programme for 2025.

EBA presented its main achievements in 2023.

On May 06, 2024, the European Banking Authority (EBA) published the first part of its 2023 Annual Report presenting the main achievements and activities of the organisation in fulfilling its mandates under its Work Programme over the last 12 months.

CPMI published work programme and strategic priorities 2024-25.

On May 23, 2024, the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) published its work programme for 2024-25, highlighting its strategic priorities for policy, standard-setting, implementation and analytical activities. The programme's key themes are:

- risk management of financial market infrastructures
- enhancement of cross-border payments; and
- digital innovation in payments, clearing and settlement

ESAs published Joint Annual Report for 2023.

On June 07, 2024, the Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) published its 2023 Annual Report, providing an account of the joint work completed over the past year. The main areas of cross-sectoral focus were joint risk assessment, sustainable finance, digitalisation, consumer protection, securitisation, financial conglomerates and central clearing. Among the Joint Committee's main deliverables were policy products for the implementation of the Digital Operational Resilience Act (DORA) as well as ongoing work related to the Sustainable Finance Disclosure Regulation (SFDR).

EIOPA published its Annual Report.

On June 14, 2024, the European Insurance and Occupational Pensions Authority (EIOPA) published its Annual Report, outlining accomplishments of the past year. Despite the challenges of geopolitical conflicts, high interest rates, inflation, and market volatility, EIOPA met its goals in line with its overall strategy.

ESMA in 2023 - Focus on investor protection, risk monitoring and supervision.

On June 14, 2024, The European Securities and Markets Authority (ESMA) published its Annual Report for 2023. It sets out the key achievements of the authority in the first year of implementing its new 5-year strategy, delivering on the mission of enhancing investor protection and promoting stable and orderly financial markets in the European Union (EU).

Other

EU budget: funding Europe's 2025 priorities.

On June 19, 2024, the European Commission (EC) proposed an annual EU budget of €199.7 billion for 2025. The budget will be complemented by an estimated €72 billion of disbursements under NextGenerationEU. This substantial financial envelope will support the EU in meeting its political priorities while integrating the changes agreed in the mid-term revision of the Multiannual Financial Framework (MFF) in February 2024. The draft budget 2025 directs funds to where they can make the greatest difference, in cooperation and in line with the needs of the EU Member States. This will be done by fostering the green and digital transitions, by creating jobs while strengthening Europe's strategic autonomy and global role. It will enable support to key critical technologies through the Strategic Technologies for Europe Platform (STEP).

EBA identifies key supervisory areas as part of the European Supervisory Examination Programme for 2025.

On July 08, 2024, the European Banking Authority (EBA) published the European Supervisory Examination Programme (ESEP) for 2025, which identifies key topics for heightened supervisory attention across the European Union. The ESEP is aimed at driving supervisory convergence by providing competent authorities with a single set of priorities for implementation in 2025.

ESMA published the 2024 ESEF Reporting Manual.

On July 11, 2024, the European Securities and Markets Authority (ESMA) published the update of its Reporting Manual on the European Single Electronic Format (ESEF) supporting a harmonised approach for the preparation of annual financial reports. ESMA has also updated the Annex II of the Regulatory Technical Standards (RTS) on ESEF. The updated Manual provides technical improvements and guidance to facilitate the analysis and comparison of the data, such as:

- recommendations when tagging empty fields or dash symbols
- clarifying that extension elements should be anchored to core elements sharing the same data type
- advising on practices to further improve the readability of the information extracted from a block tag
- encouraging the use of unique identifiers for each tagged fact



Other

EBA and ECB released a joint report on payment fraud.

On August 01, 2024, the European Banking Authority (EBA) and the European Central Bank (ECB) published a joint report on payment fraud data. The report assesses payment fraud reported by the industry across the European Economic Areas (EEA), which amounted to €4.3bn in 2022 and €2.0bn in the first half of 2023. The report confirms the beneficial impact of strong customer authentication (SCA) on fraud levels.



EC endorsed preliminary assessment of Greece's 4th payment request for €998.6 million under RRF.

On September 04, 2024, the European Commission (EC) endorsed a positive preliminary assessment of Greece's fourth payment request for €998.6 million (net of pre-financing) in grants, following the disbursement of Greece's fourth payment request of loans on 23 July 2024, under the Recovery and Resilience Facility (RRF). Following its assessment of the payment request submitted on 6 June 2024, EC has preliminarily concluded that Greece has satisfactorily completed the 16 milestones and four targets, set out in the Annex of the Council Implementing Decision for the fourth instalment. Eight reforms and 12 investments will drive positive change for citizens and businesses in Greece in the areas of renewable energy and energy efficiency, water management and reforestation, healthcare, education and vocational training, taxation, the justice system, and road and sports infrastructure.

BIS Quarterly Review, September 2024.

On September 16, 2024, the Bank for International Settlements (BIS) published its quarterly review. According to the report:

- The unwinding of leveraged positions, including carry trades, amplified short-lived bouts of extreme equity market volatility and exchange rate movements in early August
- Equity markets underwent some drawdowns but overall managed to pull ahead fairly unscathed. Credit markets were even less affected, amid an overall environment of loose financing conditions
- Markets remained hypersensitive to macro news, especially news that lowered the odds of a soft landing. Bond yields declined on any signs of slowdown, particularly at the short end

03 Appendixes

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	RegTech Regulatory Technology
ITS Implementing Technical Standards	RWAs Risk weighted assets
IOSCO International Organization of Securities Commissions	SFDR EU Regulation on sustainability-related disclosures in the financial services sector
LCR Liquidity Coverage Ratio	SFTR Securities Financing Transactions Regulation
LIBOR London Inter-Bank Offered Rate	SFT Securities Financing Transactions
MiCA Markets in Crypto Assets	SupTech Supervisory Technology
NPEs Non-Performing Exposures	OTC Over-the-Counter
NPL Non-Performing Loans	
P2B Platform to Business	
PISPs Payment Initiation Services Providers	
RTS Regulatory Technical Standard	

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For more information contact our
Financial Services Risk &
Regulatory Team:

FSRegulatory@gr.gt.com



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