

The Financial Services Insider

Risk & Regulatory Insights

Q4 2023 - Q1 2024



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01 Highlights

Highlights

The 4th quarter of 2023 and the 1st 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 issued guidance to i) AML/CFT supervisors of CASPs and ii) crypto-asset service providers to effectively manage their exposure to ML/TF risks.

Capital Markets

EBA updated technical standards on supervisory colleges and the guidelines on the specification and disclosure of systemic importance indicators, while ESMA published the results of the annual transparency calculations for equity and equity-like instruments. BCBS, CPMI & IOSCO published a consultative report on transparency and responsiveness of initial margin in centrally cleared markets. Furthermore, ECB published the January 2024 euro area bank lending survey and the results of the December 2023 SESFOD. Also, BCBS & IOSCO published a report which sets out recommendations for good margin practices in non-centrally cleared markets.

ESG

EBA i) recommended enhancements to the Pillar 1 framework to capture environmental and social risks, ii) proposed a voluntary EU green loan label to help spur markets and iii) launched a consultation on guidelines on the management of ESG risks. Furthermore, EC published a communication on managing climate risks in Europe.



Fintech

BIS published high-level technical requirements for a functional CBDC architecture and ECB decided to start digital euro preparation phase. ESAs published a report setting out the results of a stocktake of BigTech direct financial services provision in the EU. Moreover, EBA launched a consultation on guidelines on redemption plans under the MiCAR and ESMA finalised first rules on crypto-asset service providers.

Highlights

Insurance

Insurance Europe responded to the second batch of draft DORA Level 2 measures. Furthermore, EIOPA published its:

- November 2023 Insurance Risk Dashboard
- second report on the application of the IDD
- annual report on sanctions under the IDD in 2022
- Consumer Trends Report 2023
- first Risk Dashboard on IORPs
- February 2024 Insurance Risk Dashboard
- research which probes reasons behind consumers' reluctance to taking out natural catastrophe insurance

MIFID II

ESMA launched a common supervisory action with NCAs to coordinate supervisory activities on MiFID II pre-trade controls. Also, ESMA issued a press release regarding the transition to the revised MiFIR rulebook.

Risk Management

ESMA published its first analysis of the risk exposures to real estate in EU securities markets and investment funds while ESAs published first set of rules under DORA for ICT and third-party risk management and incident classification. Also, BIS published a report regarding Project Gaia. Furthermore, EBA published:

- its annual risk assessment of the European banking system
- consultation on draft RTS on market and counterparty credit risk as part of its roadmap for the implementation of the Banking Package in the EU

- consultation on amending the data collection for the benchmarking exercise in 2025
- its heatmap following scrutiny of the interest rate risk in the banking book
- consultation on draft RTS on off-balance sheet items under the standardised approach of credit risk
- its revised reporting requirements for market risk
- consultation on the new framework for the business indicator for operational risk as part of the implementation of the EU Banking Package
- consultation on amendments to the operational risk Pillar 3 and supervisory reporting requirements to implement the Basel III reforms in the EU

Other

EC endorsed Greece's €35.95 billion modified recovery and resilience plan, including a REPowerEU chapter. BCBS published the results of the Basel III monitoring exercise and EC announced the political agreement on CSA. Moreover, BIS published its quarterly review and FSB published its work programme for 2024. Also, EBA launched a consultation on guidelines on complaints handling by credit servicers and published its final guidelines on national lists or registers of credit servicers.



02 Risk & Regulatory Insights

Anti-Money Laundering (AML)

EBA issued guidance to AML/CFT supervisors of CASPs and crypto-asset service providers.

EBA issued guidance to AML/CFT supervisors of CASPs.

On November 27, 2023 the European Banking Authority (EBA) extended its risk-based anti-money laundering and countering the financing of terrorism (AML/CFT) supervision guidelines to AML/CFT supervisors of crypto-asset service providers (CASPs). The new guidelines set clear expectations of the steps supervisors should take to identify and manage money laundering and terrorism financing (ML/TF) risks in this sector and are an important step forward in the EU's fight against financial crime.

EBA issued guidance to crypto-asset service providers to effectively manage their exposure to ML/TF risks.

On January 16, 2024 the European Banking Authority (EBA) released a final report containing guidelines which amend its existing guidelines on money laundering / terrorist financing (ML/TF) risk factors so that they extend to crypto-asset service providers (CASPs). The guidelines will provide a common understanding of ML/TF risks associated with CASPs and the steps CASPs and other credit and financial institutions should take to manage these risks.

In particular, the EBA has provided sector-specific guidance for CASPs on the factors that they should consider when assessing ML/TF risks associated with their business relationships.



It also sets out ML/TF risk factors which include:

- Transactions, such as transfers to or from self-hosted addresses, decentralised platforms or transfers involving providers of crypto-assets services that are not authorised or regulated in accordance with Regulation (EU) 2023/1114
- Products, such as those containing anonymity-enhancing features, or which allow transfers to and from the CASP and self-hosted and decentralised trading platforms
- The nature of customers and their behaviour, including when customers provide inconsistent or incorrect information, or their transaction volumes or patterns are not in line with those expected from the type of customer
- The customers' or beneficial owners' links to high-risk jurisdictions or transactions to/from jurisdictions associated with a high risk of ML/TF



The guidelines will apply from December 30, 2024.

Capital Markets

EBA updated technical standards on supervisory colleges.

CPMI published harmonised ISO 20022 data requirements for enhancing cross-border payments.

On October 17, 2023 the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) published harmonized ISO 20022 data requirements that establish a consistent minimum set of messaging standards for more efficient processing of cross-border payments. The CPMI developed the data requirements for ISO 20022 – a global and open messaging standard for exchanging financial information – in collaboration with the private sector Payments Market Practice Group (PMPG) for use in cross-border payment transactions. The data requirements published in the final report to the G20, will facilitate the straight through processing of end-to-end payments, making them faster and more reliable.

EBA updated the guidelines on the specification and disclosure of systemic importance indicators.

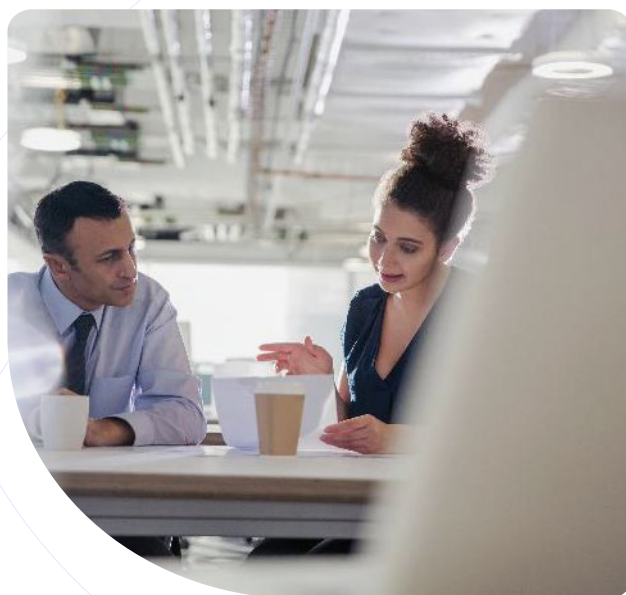
On December 20, 2023 the European Banking Authority (EBA) published its updated Guidelines on the specification and disclosure of systemic importance indicators, which are applied by the largest institutions in the EU whose leverage ratio exposure measure exceeds EUR 200 bn. Acting as a central data hub in the disclosure process, the EBA updates data on G-SIIs on a yearly basis and provides user-friendly tools to aggregate it across the EU.

EBA updated technical standards on supervisory colleges.

On January 09, 2024 the European Banking Authority (EBA) published final draft regulatory technical standards (RTS) and final draft implementing technical standards (ITS) on the functioning of supervisory colleges under the Capital Requirements Directive (CRD) IV.

Commission Delegated Regulation (EU) 2016/98 and Commission Implementing Regulation (EU) 2016/99 specify the functioning of supervisory colleges. The final draft RTS and ITS update these delegated acts to reflect the new requirements laid down in the CRD V and the Capital Requirements Regulation 2, as well as to take into account the EBA's ongoing college monitoring activity and the lessons learned from the implementation of the standards.

The draft RTS and ITS will be submitted to the European Commission for endorsement following which they will be subject to scrutiny by the European Parliament and the Council before being published in the Official Journal of the EU.



Capital Markets

BCBS-CPMI-IOSCO published consultative report on transparency and responsiveness of initial margin in centrally cleared markets.

On January 16, 2024 the Basel Committee on Banking Supervision (BCBS), the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) jointly published a consultative report on transparency and responsiveness of initial margin in centrally cleared markets. The ten policy proposals in the report aim to increase the resilience of the centrally cleared ecosystem by improving participants' understanding of CCPs' initial margin calculations and potential future margin requirements.

BCBS-IOSCO report sets out recommendations for good margin practices in non-centrally cleared markets.

On January 17, 2024 the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) published a report on streamlining variation margin processes and the responsiveness of initial margin models in non-centrally cleared markets. The report sets out eight recommendations to encourage the implementation of good market practices but does not propose any policy changes to the BCBS-IOSCO frameworks. The recommendations address challenges that could inhibit a seamless exchange of margin and collateral calls in stress periods and highlight good practices for making the Standard Initial Margin Model (SIMM) more responsive to extreme market shocks.



ECB: January 2024 euro area bank lending survey.

On January 23, 2024 the European Central Bank (ECB) published the January 2024 euro area bank lending survey. According to the survey:

- There was a moderate net further tightening in credit standards for loans to firms, with more tightening expected in the first quarter of 2024
- Demand for loans by firms and households continued to decrease substantially, albeit less steeply than in the previous quarter
- Bank lending conditions tightened more in real estate and construction than in other sectors

Capital Markets

ECB: Results of the December 2023 SESFOD.

On February 02, 2024 the European Central Bank (ECB) released the results of the December 2023 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 unchanged while expected to tighten over the period from September to November 2023
- Financing rates and maximum maturity of funding higher
- Market-making activities over the past year higher for many debt securities and derivatives



ESMA published the results of the annual transparency calculations for equity and equity-like instruments.

On March 01, 2024 the European Securities and Markets Authority (ESMA) published the results of the annual transparency calculations for equity and equity-like instruments.

The calculations made available include:

- the liquidity assessment as per Articles 1 to 5 of CDR 2017/567
- the determination of the most relevant market in terms of liquidity as per Article 4 of CDR 2017/587 (RTS 1)
- the determination of the average daily turnover relevant for the determination of the pre-trade and post-trade large in scale thresholds
- the determination of the average value of the transactions and the related the standard market size
- the determination of the average daily number of transactions on the most relevant market in terms of liquidity relevant for the determination of the tick-size regime

ESG

EBA recommended enhancements to the Pillar 1 framework to capture environmental and social risks.

EBA recommended enhancements to the Pillar 1 framework to capture environmental and social risks.

On October 12, 2023 the European Banking Authority (EBA) published a report on the role of environmental and social risks in the prudential framework of credit institutions and investment firms. Taking a risk-based approach, the report assesses how the current prudential framework captures environmental and social risks. It recommends targeted enhancements to accelerate the integration of environmental and social risks across the Pillar 1. The proposed enhancements aim to support the transition towards a more sustainable economy, while ensuring that the banking sector remains resilient.

EBA proposed a voluntary EU green loan label to help spur markets.

On December 15, 2023 the European Banking Authority (EBA) published its response to the European Commission's call for advice on green loans and mortgages. The EBA proposes the introduction of a voluntary EU label for green loans based on a common EU definition and the integration of the concept of green mortgage and its key sustainability features in the Mortgage Credit Directive.

EBA consults on guidelines on the management of ESG risks.

On January 18, 2024 the European Banking Authority (EBA) launched a public consultation on draft guidelines on the management of Environmental, Social and Governance (ESG) risks. The draft guidelines set out requirements for institutions for the identification, measurement, management and monitoring of ESG risks, including through plans aimed at addressing the risks arising from the transition towards an EU climate-neutral economy.

EC sets out key steps for managing climate risks to protect people and prosperity.

On March 12, 2024 the European Commission (EC) published a communication on managing climate risks in Europe. It sets out how the EU and its Member States can better anticipate, understand, and address growing climate risks. It further presents how they can prepare and implement policies that save lives, cut costs, and protect prosperity across the EU. The Communication responds to the first ever European Climate Risk Assessment (EUCRA), a scientific report by the European Environment Agency. Together, they are a call to action for all levels of government, as well as the private sector and civil society. They set out clearly how all major sectors and policy areas are exposed to climate-related risks, how severe and urgent the risks are, and how important it is to have clarity on who has the responsibility to address the risks.

Fintech

ESMA finalised first rules on crypto-asset service providers.

Eurosystem proceeds to next phase of digital euro project.

On October 18, 2023 the European Central Bank (ECB) decided to start digital euro preparation phase following the conclusion of two-year investigation phase on design and distribution. The preparation phase will lay foundations for a potential digital euro, with work to include finalising rulebook and selecting providers to develop platform and infrastructure and will pave way for potential future decision on issuing a digital euro.

High-level technical requirements for a functional CBDC architecture.

On December 12, 2023 the Bank for International Settlements (BIS) published a report by the Consultative Group on Innovation and the Digital Economy (CGIDE) which outlines high-level technical requirements for a retail central bank digital currency (CBDC) architecture. The technical requirements that the CGIDE will consider in this proposal include interoperability, scalability, user-centric design, security and data privacy.

ESAs recommend steps to enhance the monitoring of BigTechs' financial services activities.

On February 01, 2024 the European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published a report setting out the results of a stocktake of BigTech direct financial services provision in the EU. The report identifies the types of financial services currently carried out by BigTechs in the EU pursuant to EU licences and highlights inherent opportunities, risks, regulatory and supervisory challenges. The ESAs will continue to strengthen the monitoring of the relevance of BigTech in the EU financial services sector, including via the establishment of a new monitoring matrix.



Fintech

EBA consults on guidelines on redemption plans under the MiCAR.

On March 08, 2024 the European Banking Authority (EBA) launched a consultation on the guidelines for the plans to orderly redeem asset-referenced or e-money tokens in the event that the issuer fails to fulfil its obligations under the Markets in Crypto assets Regulation (MiCAR). The guidelines specify the content of the redemption plan, the timeframe for review and the triggers for its implementation. The guidelines are addressed to issuers of asset-referenced tokens (ART) and of e-money tokens (EMT), and to competent authorities under MiCAR. The consultation run until 10 June 2024.

ESMA finalised first rules on crypto-asset service providers.

On March 25, 2024 the European Securities and Markets Authority (ESMA) published the first final report under the Markets in Crypto-Assets Regulation (MiCA). The report, which aims to foster clarity and predictability, promote fair competition between crypto-asset service providers (CASPs) and a safer environment for investors across the Union, includes proposals on:

- Information required for the authorisation of CASPs
- The information required where financial entities notify their intent to provide crypto-asset services
- Information required for the assessment of intended acquisition of a qualifying holding in a CASP
- How CASPs should address complaints



Insurance

Insurance Europe responded to the second batch of draft DORA measures & EIOPA published a research which probes reasons behind consumers' reluctance to taking out natural catastrophe insurance.

Macro, markets and digitalisation risks are insurers' top concern according to EIOPA's Insurance Risk Dashboard.

On November 06, 2023 the European Insurance and Occupational Pensions Authority (EIOPA) published its November 2023 Insurance Risk Dashboard, which shows that insurers' exposures to macro, market and digitalisation risks are currently at a high level and the main concern for the sector. Risk levels for the remaining risk categories are constant at medium levels.

EIOPA launched a consultation on its methodology for setting value-for-money benchmarks.

On December 15, 2023 the European Insurance and Occupational Pensions Authority (EIOPA) launched a public consultation on its proposed methodology for setting value-for-money benchmarks for unit-linked and hybrid insurance products. This work is not related to the benchmarks proposed by the European Commission under the Retail Investment Strategy.

It is part of the toolkit EIOPA began developing in 2020 to provide supervisors with additional risk-based tools and enhance their ability to identify products in their markets that may not deliver fair value for money.

EIOPA published second report on the application of the IDD.

On January 15, 2024 the European Insurance and Occupational Pensions Authority (EIOPA) published its second report on the application of the Insurance Distribution Directive (IDD).

Amongst others, this report examines:

- any changes in the insurance intermediaries' market structure
- any changes in the patterns of cross-border activity
- the improvement of quality of advice and selling methods and the impact of the IDD on insurance intermediaries which are small and medium-sized enterprises
- whether competent authorities are sufficiently empowered and have adequate resources to carry out their tasks



Insurance

EIOPA published annual report on sanctions under the IDD in 2022.

On January 17, 2024 the European Insurance and Occupational Pensions Authority (EIOPA) published its fourth annual report on administrative sanctions and other measures imposed during 2022 by national competent authorities under the Insurance Distribution Directive (IDD).

The main themes identified by EIOPA within the annual report are the following:

- Since the implementation of IDD in 2018, and in particular between 2021 and 2022, there has been a rise in the number of sanctions relating to information and conduct of business requirements
- There are material differences between Member States in the number of sanctions relating to requirements on professional and organisational measures.
- After four complete years of application of the IDD, the sanctions data is considered to no longer represent a transitional phase, but rather the ongoing application of the IDD

EIOPA report probes consumer treatment and financial well-being amid the cost-of-living crisis.

On January 23, 2024 the European Insurance and Occupational Pensions Authority (EIOPA) published its Consumer Trends Report 2023. It examines the financial well-being of consumers amid the ongoing cost-of-living crisis and explores whether all consumers, regardless of their characteristics are treated fairly. The findings of the report are underpinned by various data sources including the results of an EIOPA-commissioned Eurobarometer survey.

EIOPA published its first Risk Dashboard on IORPs.

On February 01, 2024 the European Insurance and Occupational Pensions Authority (EIOPA) published its first Risk Dashboard on Institutions for occupational retirement provisions (IORPs). Based on individual occupational pensions regulatory reporting, EIOPA's IORP Risk Dashboard summarises the main risks and vulnerabilities in the IORPs sector of the European Economic Area (EEA) for the different schemes, i.e. defined contributions (DC) and defined benefits (DB). It includes a set of risk indicators covering traditional risk categories, such as market and credit risks, liquidity risks, reserve & funding risks, as well as emerging threats like ESG and cyber risks.

EIOPA published its February 2024 Insurance Risk Dashboard.

On February 05, 2024 the European Insurance and Occupational Pensions Authority (EIOPA) published its February 2024 Insurance Risk Dashboard, which shows that insurers' exposure to market risk is currently at a high level and the main concern for the sector. Macro and digitalisation risks are still relevant but have decreased to medium levels. Risk levels for the remaining risk categories are at medium levels.

Insurance

EIOPA research probes reasons behind consumers' reluctance to taking out natural catastrophe insurance.

On February 29, 2024 the European Insurance and Occupational Pensions Authority (EIOPA) published its revised staff paper on demand-side factors contributing to the low uptake of natural catastrophe insurance across Europe. The paper explores the barriers that keep consumers from buying insurance against natural catastrophes. It also proposes a number of consumer-tested solutions to overcome these challenges and in so doing, bolster European households' and businesses' resilience to extreme weather events.

Insurance Europe responded to the second batch of draft DORA Level 2 measures.

On March 12, 2024 Insurance Europe published its response to the European Supervisory Authorities (ESAs)' consultations on the Digital Operational Resilience Act (DORA) level 2 second batch of policy measures. These measures included draft Regulatory Technical Standards, draft Implementing Technical Standards and draft guidelines to complement the DORA legislation, which will enter into force on 17 January 2025. Through the response, Insurance Europe calls for clarification on specific points to promote legal clarity on the text, promote feasibility of implementation and proportionality of the measures. Noting the relationship between the measures and the level 1 text, the response highlights areas where the measures should be amended to ensure that the insurance industry can appropriately implement the provisions and guard against an excessively burdensome regulatory framework.



MIFID II

ESMA launched a common supervisory action with NCAs to coordinate supervisory activities on MiFID II pre-trade controls.

ESMA and NCAs to coordinate supervisory activities on MiFID II pre-trade controls.

On January 11, 2024 the European Securities and Markets Authority (ESMA) launched a common supervisory action (CSA) with National Competent Authorities (NCAs) which will assess the implementation of pre-trade controls (PTCs) by EU investment firms using algorithmic trading techniques.

The CSA will cover:

- Implementation of PTCs, including their calibration methodology and the use of hard and soft blocks in the design of PTCs
- Establishment of credit and risk limits and their interaction with PTCs
- Monitoring and governance framework related to PTCs
- Implementation and monitoring of PTCs in case of outsourcing of trading activity to third countries

Transition to the revised MiFIR rulebook.

On March 21, 2024 the European Securities and Markets Authority (ESMA) issued a press release in light of the changes introduced by the MiFIR review, which entered into force on March 28, 2024.

ESMA has received numerous questions from stakeholders on the provisions applicable on the date of entry into force of the revised MiFIR. It acknowledges that guidance is particularly necessary on the application of Article 54(3) MiFIR which foresees the continued application of the delegated acts in place beyond 28 March 2024, until these delegated acts have been revised.

ESMA, in coordination with the European Commission, is performing an assessment of the provisions which may require further guidance. This is with particular reference to the impact on ESMA's IT-systems and registers, and ESMA states that it expects more detailed guidance which goes beyond the topics covered in the initial communication is likely to be necessary.

ESMA will proceed with developing draft technical standards, as it aims to contribute to the alignment of the Commission delegated regulations with the revised MiFIR framework.

Risk Management

ESAs published first set of rules under DORA for ICT and EBA published its annual risk assessment of the European banking system.

Ratings & Credit Risk

EU banking sector remains resilient despite pockets of risk stemming from the change in interest rates.

On December 12, 2023 the European Banking Authority (EBA) published its annual risk assessment of the European banking system. The report is accompanied by the publication of the 2023 EU-wide transparency exercise, which provides detailed information, in a comparable and accessible format, for 123 banks from 26 countries across the European Union (EU) and the European Economic Area (EEA).

EBA launched consultation on draft RTS on market and counterparty credit risk as part of its roadmap for the implementation of the Banking Package in the EU.

On December 14, 2023 the European Banking Authority (EBA) launched for consultation amendments to its Regulatory Technical Standards (RTS) on the fundamental review of the trading book (FRTB), and to its RTS on the standardised approach for counterparty credit risk (SA-CCR). Both RTS are part of the roadmap on the Banking Package and aim to align the existing RTS with the Capital Requirements Regulation (CRR3).

ESMA explores risk exposures to real estate in EU securities markets and investment funds.

On January 10, 2024 the European Securities and Markets Authority (ESMA) published its first analysis of the exposures the EU securities and markets and asset management sector have to real estate. The analysis suggests that:

- Debt levels in the real estate sector are elevated with wider risk implications from non-bank financial market players
- Interlinkages with the banking system are important and arise through entity exposures and activities. Through these, sector shocks may get transmitted across the EU financial system

Going forward, interest rate risk can be expected to continue to shape real estate market exposures. Credit risk indicators for real estate companies have started to show signs of deterioration and liquidity mismatches remain a key vulnerability for real estate investment funds.



Risk Management

EBA launched a consultation on amending the data collection for the benchmarking exercise in 2025.

On January 18, 2024 the European Banking Authority (EBA) published a consultation paper amending the Implementing Regulation on the benchmarking of credit risk, market risk and IFRS9 models for the 2025 exercise. The most significant change is in the market risk framework, where the EBA is proposing brand new templates for the collection of the internal model approach (IMA) risk measures under the fundamental review of the trading book (FRTB). For credit risk only minor changes are being proposed.

EBA published its heatmap following scrutiny of the interest rate risk in the banking book.

On January 24, 2024 the European Banking Authority (EBA) published its heatmap following scrutiny of the interest rate risk in the banking book (IRRBB) standards implementation in the EU. The heatmap discloses policy aspects that will be subject to further scrutiny, and corresponding actions in the short to medium and long term.

EBA consults on draft RTS on off-balance sheet items under the standardised approach of credit risk.

On March 04, 2024 the European Banking Authority (EBA) launched a public consultation on its draft Regulatory Technical Standards (RTS) under the Capital Requirements Regulation (CRR3) regarding off-balance sheet items under the standardised approach of credit risk.



These RTS provide the criteria that institutions shall use to classify off-balance sheet items, unless explicitly specified in Annex 1 of the CRR. Further, they specify the factors that may constrain the institutions' ability to cancel the unconditionally cancellable commitments. These RTS are part phase 1 of the EBA roadmap on the implementation of the EU banking package.

Risk Management

Other General aspects

ESAs launched joint consultation on second batch of policy mandates under the DORA.

On December 8, 2023 the European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) launched a public consultation on the second batch of policy mandates under the Digital Operational Resilience Act (DORA). The package includes four draft regulatory technical standards (RTS), one set of draft implementing technical standards (ITS) and two sets of guidelines (GL). These policy instruments aim to ensure a consistent and harmonised legal framework in the areas of major ICT-related incident reporting, digital operational resilience testing, ICT third-party risk management and oversight over critical ICT third-party providers.

EBA revised reporting requirements for market risk.

On January 11, 2024 the European Banking Authority (EBA) published amendments to the reporting requirements for market risk. As the implementation of the Fundamental Review of the Trading Book (FRTB) in the EU approaches, the EBA revised the information to be reported on the own funds requirements under the alternative approaches, and adds reporting on reclassifications of instrument between the regulatory books.

ESAs published first set of rules under DORA for ICT and third-party risk management and incident classification.

On January 17, 2024 the three European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published the first set of final draft technical standards under the DORA aimed at enhancing the digital operational resilience of the EU financial sector by strengthening financial entities' Information and Communication Technology (ICT) and third-party risk management and incident reporting frameworks. The joint final draft technical standards include:

- Regulatory Technical Standards (RTS) on ICT risk management framework and on simplified ICT risk management framework
- RTS on criteria for the classification of ICT-related incidents
- RTS to specify the policy on ICT services supporting critical or important functions provided by ICT third-party service providers (TPPs)
- Implementing Technical Standards (ITS) to establish the templates for the register of information

Risk Management

EBA consults on the new framework for the business indicator for operational risk as part of the implementation of the EU Banking Package.

On February 20, 2024 the European Banking Authority (EBA) launched a consultation on two set of draft Regulatory Technical Standards (RTS) and one Implementing Technical Standard aiming to clarify the composition of the new business indicator at the heart of the operational risk capital requirements calculation, mapping the business indicator items to financial reporting (FINREP) items and highlighting possible adjustments to the business indicator in case of specific operations. The consultation runs until 21 May 2024.

EBA launched consultation on amendments to the operational risk Pillar 3 and supervisory reporting requirements to implement the Basel III reforms in the EU.

On February 20, 2024 the European Banking Authority (EBA) launched a public consultation on two draft Implementing Technical Standards (ITS) amending Pillar 3 disclosures and supervisory reporting requirements for operational risk. These consultations complement two additional consultation papers on Pillar 3 and supervisory reporting published on 14 December 2023, in line with the roadmap for the implementation of the EU Banking Package.



Project Gaia: Enabling climate risk analysis using generative AI.

On March 19, 2024 the Bank for International Settlements (BIS) Innovation Hub published a report regarding Project Gaia, a collaboration between the BIS Innovation Hub Eurosystem Center and certain central banks in Europe. Project Gaia leverages generative artificial intelligence (GenAI) to analyze climate risks in the financial system. The experiment showed potential in helping banks navigate the new reality of climate change by making it easier and faster to assess the risks that climate change poses to their business. The recent BIS report notes that this capability can extend beyond climate risk analysis in banking, offering potential applications in suptech and regtech.

Other

EC endorsed Greece's €35.95 billion modified recovery and resilience plan.

EBA published its work programme for 2024.

On October 03, 2023 the European Banking Authority (EBA) published its annual work programme for 2024, setting out the key strategic areas for the Authority to work on in the coming year, as well as related activities and tasks.

EBA launched a consultation on guidelines on complaints handling by credit servicers.

On November 09, 2023 the European Banking Authority (EBA) launched a public consultation on its draft guidelines on complaints handling by credit servicers under the Credit Servicers Directive (CSD). The proposed guidelines suggest applying to credit servicers the requirements of the existing Joint Committee Guidelines on complaints-handling. Those requirements include complaints management policy, complaints management function, registration, reporting, internal follow-up, provision of information and procedures for responding to complaints.

EIOPA sets out its strategic priorities for 2024.

On October 06, 2023 the European Insurance and Occupational Pensions Authority (EIOPA) outlined its strategic priorities for the period 2024 – 2026.

In a context of evolving challenges, risks and opportunities, EIOPA will focus on managing the uncertainty in times of transformation so that the insurance and pensions sectors can continue to deliver value to policyholders and beneficiaries, to business and the EU economy.

EC endorsed Greece's €35.95 billion modified recovery and resilience plan, including a REPowerEU chapter.

On November 21, 2023 the European Commission (EC) published the positively assessed modified recovery and resilience plan for Greece, which includes a REPowerEU chapter. The plan's worth is €35.95 billion, with €18.22 billion in Recovery and Resilience Facility (RRF) grants and €17.73 billion in RRF loans. It covers 76 reforms and 103 investments.

FSB published its work programme for 2024.

On January 24, 2024 the Financial Stability Board (FSB) published its work programme for 2024. Priority areas of work and new initiatives, include:

- Supporting global cooperation on financial stability
- Completing resolution reforms
- Enhancing the resilience of non-bank financial intermediation (NBFI)
- Enhancing cross-border payments
- Harnessing the benefits of digital innovation while containing its risks
- Addressing financial risks from climate change

Other

BIS Quarterly Review, March 2024.

On March 04, 2024 the Bank for International Settlements (BIS) published its quarterly review. Key highlights include:

- Bond markets moved with the waxing and waning of expectations of early policy rate cuts as central bankers intervened to dispel excessive optimism
- Risky assets rallied, with still tight financial conditions easing substantially from their late-October peak
- EMEs broadly followed the developments in AEs as yields fell and equity markets rallied; in China, by contrast, the stock market slumped

EBA published its final guidelines on national lists or registers of credit servicers.

On March 05, 2024 the European Banking Authority (EBA) published its final guidelines on national lists or registers of credit servicers. The guidelines are addressed to Competent Authorities managing the lists or registers and specify i) the content of the lists or registers, ii) how they should be made accessible, and iii) the deadlines for updating them. Furthermore, the lists or registers should facilitate borrowers' access to information on complaint handling procedures offered by competent authorities.

Basel III Monitoring Report, March 2024.

On March 06, 2024 the Basel Committee on Banking Supervision (BCBS) published the results of the Basel III monitoring exercise, based on data as of 30 June 2023. According to the report i) initial Basel III capital ratios were largely stable and above pre-pandemic levels and ii) Liquidity Coverage Ratio increases for large internationally active banks.

EC welcomes political agreement on CSA.

On March 06, 2024 the European Commission (EC) announced the political agreement on the EU Cyber Solidarity Act (CSA) between the European Parliament and the European Council, following its initial proposal by the EC in April 2023. In particular, EC highlights that the CSA includes three actions:

- Establishment of a European Cybersecurity Alert System
- Creation of a Cybersecurity Emergency Mechanism
- Establishment of a European Cybersecurity Incident Review Mechanism



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

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

FSRegulatory@gr.gt.com



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