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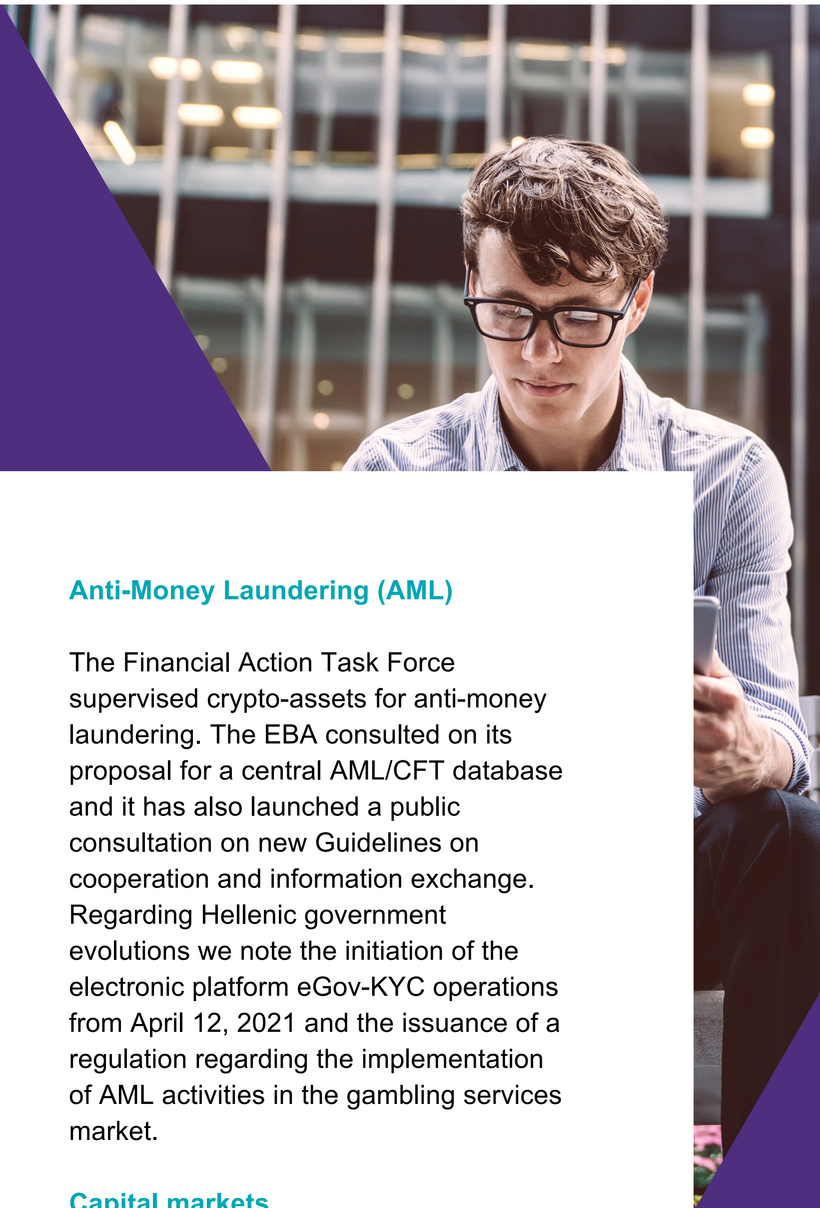
RISK & REGULATORY INSIGHTS

QUARTERLY NEWSLETTER

REGULATORY UPDATES

July 2021

HIGHLIGHTS



The 2nd quarter of 2021 is characterized by increased activity at various aspects with ESG/climate change, Risk Management, AML, Capital Markets, MIFID II and Fintech related areas experiencing a constantly growing regulatory and other stakeholders focus, resulting to the continuation of a number of research and other initiatives and the issuance of various consultation and /or explanatory papers setting the grounds for future evolutions both at international and local level.

Anti-Money Laundering (AML)

The Financial Action Task Force supervised crypto-assets for anti-money laundering. The EBA consulted on its proposal for a central AML/CFT database and it has also launched a public consultation on new Guidelines on cooperation and information exchange. Regarding Hellenic government evolutions we note the initiation of the electronic platform eGov-KYC operations from April 12, 2021 and the issuance of a regulation regarding the implementation of AML activities in the gambling services market.

Capital markets

The Financial Stability Board published a final report of the evaluation of too-big-to-fail reforms for banks. ECB published i) the Annual Report of 2020 ii) the updated list of regional governments and local authorities (RGLAs) that may be treated as central governments (CGs), iii) the banking statistics for the fourth quarter of 2020. The European Commission approved the extension of the “Hercules” Project. The International Monetary Fund (IMF) published an upgrade to global growth in its World Economic Outlook “Managing Divergent Recoveries”. ESMA published i) a report highlighting liquidity concerns for Alternative Investment Funds ii) guidelines on the calculation of

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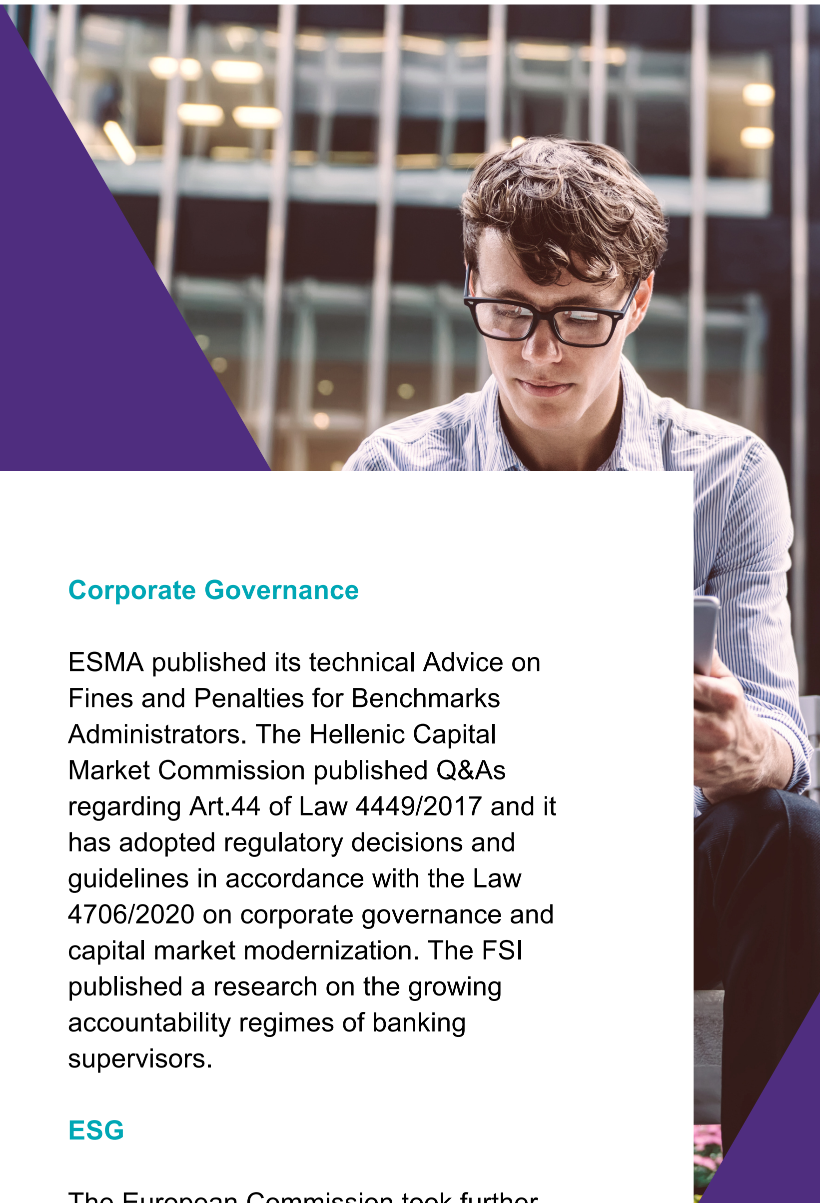

positions under SFTR and consults on synthetic securitizations RTS including amendments to STS templates iii) updated its Q&A relating to the Prospectus Regulation and iv) its first Risk Dashboard covering the first quarter of 2021.

EBA launched public consultation to enhance proportionality in liquidity reporting. It has published a proposal about lowering the reporting threshold for net short positions to 0.1% on permanent basis and it has published final draft technical standards on own funds and eligible liabilities. ESAs published a report on the implementation and functioning of the Securitization Regulation.

EBA and ESMA published a provisional list of instruments and funds for the smallest investment firms under the Investment Firms Regulation. The European Parliament and the Council agreed on new rules related to the secondary market for NPLs. EBA launched second consultation on its technical standards on the calculation of the EUR 30bn threshold for investment firms. EC launched a targeted consultation on improving transparency and efficiency in secondary markets for NPLs.

Corporate Governance

ESMA published its technical Advice on Fines and Penalties for Benchmarks Administrators. The Hellenic Capital Market Commission published Q&As regarding Art.44 of Law 4449/2017 and it has adopted regulatory decisions and guidelines in accordance with the Law 4706/2020 on corporate governance and capital market modernization. The FSI published a research on the growing accountability regimes of banking supervisors.

ESG

The European Commission took further steps to channel money towards sustainable activities. IOSCO held roundtables with global stakeholders regarding the urgent need for globally consistent, comparable and reliable sustainability disclosure standards. EC published a communication on its Global Approach to Research and Innovation and proposed a new approach for a sustainable blue economy. The Basel Committee released two significant reports, one on climate related financial risk categories; and one on measurement methodologies.

Moreover, BIS published a paper regarding the pricing of carbon risk in syndicated loans. ECB published a

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working paper regarding the effect of the pandemic in the euro-area bond market. EBA consulted on institutions’ Pillar 3 disclosure of interest rate risk exposures.

EC launched a targeted public consultation inviting all interested parties to comment on the proposed revision of the Guidelines on State aid for environmental protection and energy and adopted the main work programme of Horizon Europe for the period 2021-2022. ECB issued a consultation on the draft of a revised and more comprehensive version of its guide to fit and proper assessments and a new fit and proper questionnaire. EBA published its report on management and supervision of ESG risks for credit institutions and investment firms and published a report on monitoring of Additional Tier 1 (AT1) instruments and issues - recommendations for ESG-linked capital issuances.

Fintech

ECB published i) the results of the public consultation on a digital euro and ii) a report regarding the use of Distributed Ledger Technology (DLT) in post-trade processes. The Hellenic Capital Market announced the first registration of providers of exchange services between virtual currencies. The European Commission published a proposal about new rules towards achieving excellence and building Trust in Artificial Intelligence and it has also published a Q&A session regarding the proposed new rules and actions in Artificial Intelligence. ECB published its opinion on the European Commission’s legislative proposal regarding crypto-assets. The European Commission launched a public consultation about the formulation of digital principles in the European Union.

EBA published its revised guidelines on incident reporting under the Payment Service Directive (PSD). BCBS issued a public consultation on preliminary proposals for the prudential treatment of banks' crypto-asset exposures. EBA published a report on the readiness of PSPs to apply strong customer authentication for e-commerce transactions. EC issued a press release on the launch of the Trade and Technology Council (TTC) between the US and the EU. EIOPA published a report on artificial intelligence governance principles.

MIFID II

ESMA published its Final Report on the functioning of the regime for SME Growth Markets and of Organized Trading Facilities. ESMA makes new bond liquidity data available and published the results of the Annual transparency calculations for non-equity instruments. It has also published data for the systemic internaliser

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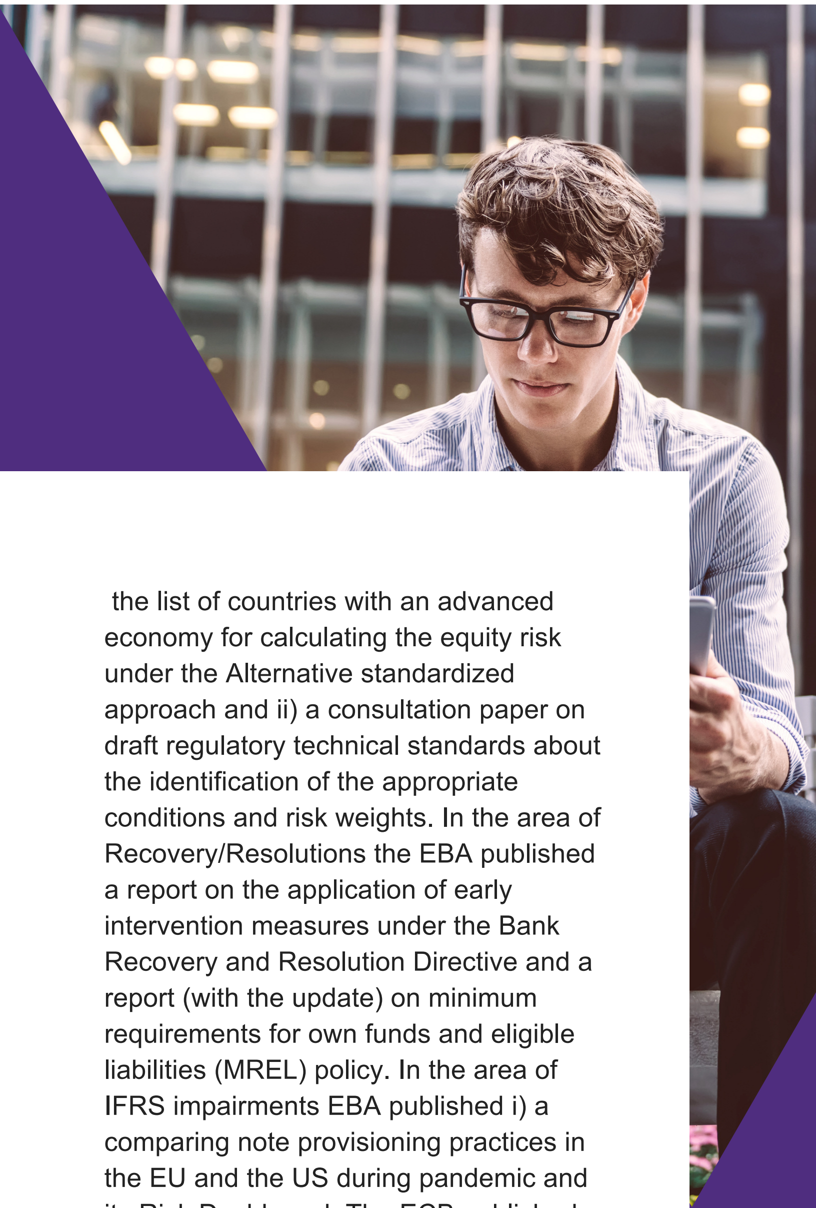

calculations for equity, equity-like instruments etc. Moreover, ESMA has dispatched a consultation on Commodity Derivatives Technical Standards as part of MIFID II recovery plan.

ESMA published final Guidelines on the MiFID II/MiFIR market data obligations.

Risk Management

Following the completion of TRIM (Target Review of Internal Models), the largest project ever carried out by European Central Bank, relevant report with the results from 200 on-site investigations conducted in 65 significant banks using internal models has been published on April 2021. Furthermore, ECB issued also a report on the reliance of Member States on external credit ratings and consulted on technical standards on crowdfunding service providers. Moreover ESMA launched 2021 CCP stress test, and EC published Regulation on Key Aspects of Implementation of SA-CCR. In the area of Covid-19 the Financial Stability Board published a letter containing support measures related to Covid-19 and the European Central Bank published a report on the vulnerabilities arising from contingent liabilities in the euro are during the pandemic. In the area of Regulatory Technical Standards the European Banking Authority published i) a consultation paper regarding draft regulatory technical standards (RTS) on the list of countries with an advanced economy for calculating the equity risk under the Alternative standardized approach and ii) a consultation paper on draft regulatory technical standards about the identification of the appropriate conditions and risk weights. In the area of Recovery/Resolutions the EBA published a report on the application of early intervention measures under the Bank Recovery and Resolution Directive and a report (with the update) on minimum requirements for own funds and eligible liabilities (MREL) policy. In the area of IFRS impairments EBA published i) a comparing note provisioning practices in the EU and the US during pandemic and its Risk Dashboard. The ECB published supervisory banking statistics for the fourth quarter of 2020 and the results to April 2021 euro area bank lending survey. Moving further as general aspects of the risk management sector the following are included: the European Insurance and Occupational Pensions Authority announced a consultation on a framework to address value for money risk in the European unit-linked market. Basil Committee published work programme and strategic priorities for 2021-22. ECB published the Annual report 2020. EBA i) launched public consultation to enhance proportionality in liquidity reporting ii) initiated a discussion on Non-Performing Loans data and iii) initiated a discussion regarding its draft guidelines in relation to the Deposit Guarantee Schemes iv)

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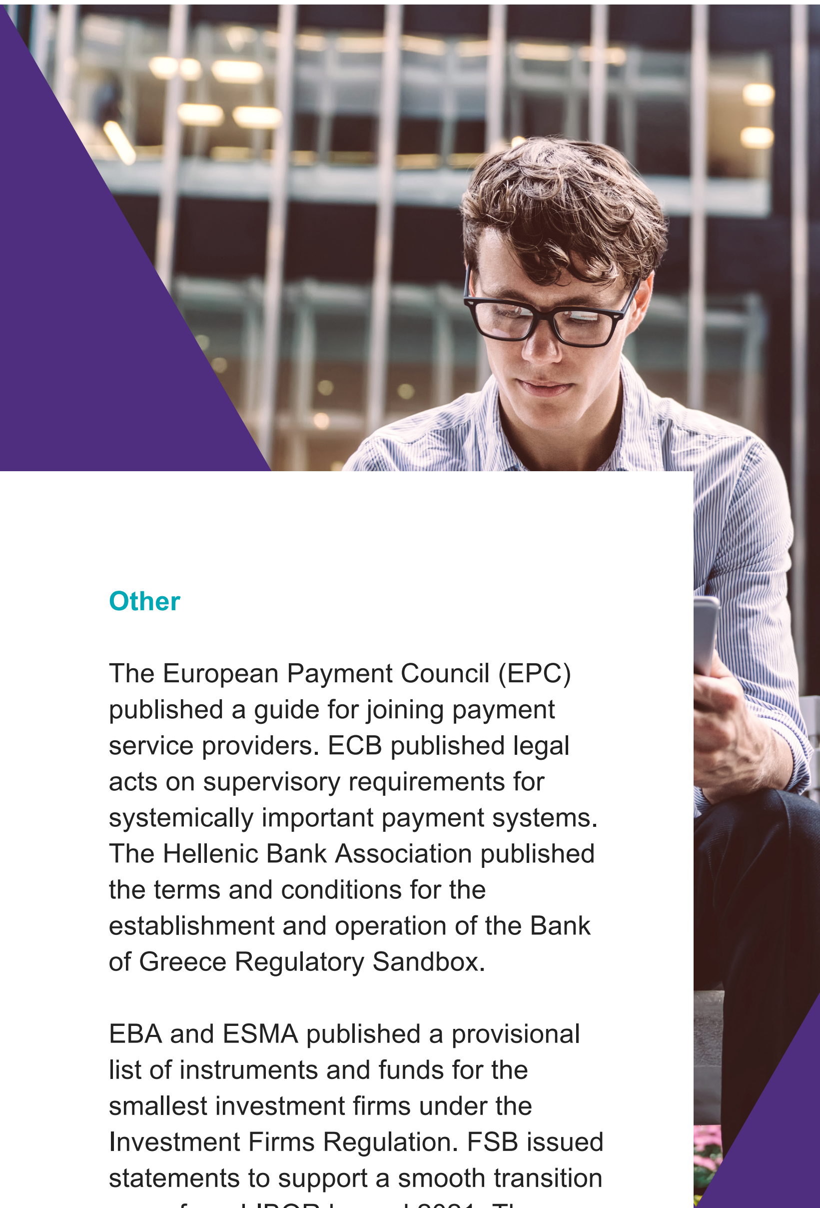

announced plans for the 2021 EU-wide transparency exercise and risk assessment report v) updated the list of risk indicators and analysis tools. The European Securities and Markets Authority published a report highlighting liquidity concerns for Alternative Investment Funds. The European Commission has launched a public consultation on instant payments.

ESMA published interim templates for STS synthetic securitization notifications. EIOPA i) published its Risk Dashboard ii) issued technical information on the relevant risk-free inter rate term structure (RFR) and iii) launched its annual stress test for the European insurance market. Concluding the European Central Bank published a discussion paper on macroprudential policies from a risk management perspective, the disciplining effect of supervisory scrutiny in the EU-wide stress test and its response to the EC consulting regarding the review of the bank crisis management and deposit insurance framework in the European Union.

Other

The European Payment Council (EPC) published a guide for joining payment service providers. ECB published legal acts on supervisory requirements for systemically important payment systems. The Hellenic Bank Association published the terms and conditions for the establishment and operation of the Bank of Greece Regulatory Sandbox.

EBA and ESMA published a provisional list of instruments and funds for the smallest investment firms under the Investment Firms Regulation. FSB issued statements to support a smooth transition away from LIBOR by end 2021. The Commission proposed an annual EU budget of €167.8 billion for 2022, to be complemented by an estimated €143.5 billion in grants under NextGenerationEU and endorsed Greece's €30.5 billion recovery and resilience plan.

Anti-Money Laundering (AML)

The EBA consults on its proposal for a central AML/CFT database and it has also launched a public consultation on new Guidelines on cooperation and information exchange.

The Financial Action Task Force supervise crypto assets for anti-money laundering.

The Financial Action Task Force acted swiftly with a view to preventing the misuse of crypto assets for ML/TF. However, the effectiveness of international standards depends on effective implementation by national authorities, and the supervision of crypto asset service providers remains nascent globally.
This paper aims to contribute to the international debate by assessing emerging regulatory approaches and supervisory practices and identifying policy priorities to address common challenges faced by financial authorities.

Electronic processing of due diligence measures through the eGov-KYC application.

The specific process refers to Greek Government advances regarding the retrieval and transmission from the information systems of public sector bodies specific data related to KYC to the credit and financial institutions. The data transmitted are related to the authentication of the identity, contact details, professional activity and annual incomes of individuals. The operation and security measures of the information system, entitled "Know Your Costumer" ("eGov-KYC") are also regulated.
The electronic service eGov-KYC operates since April 12, 2021.

Regulation on the implementation of measures for AML/CFT activities by the persons liable in the gambling services market.

On April 21, 2021, Decision No. 554/5/15.04.2021 of the Hellenic Gaming Commission (HGC) was published in the Greek Government Gazette (B' 1633), regarding the implementation of measures for combating the money laundering from criminal activities and countering financing terrorist activities by the persons liable in the gambling services market.

The abovementioned regulation was issued in accordance with the Law 4002/2011, Article 28 (Greek Government Gazette A' 180).

The EBA consults on its proposals for a central AML/CFT database.

On May 6, 2021, the European Banking Authority (EBA) issued a consultation on draft regulatory technical standards on a central database on anti-money laundering and countering financing of terrorism (AML/CFT) in EU. EBA has been mandated to establish and keep up-to-date a central database with information on AML/CFT weaknesses that the competent authorities have identified for individual financial institutions; the database will also contain information on the measures taken to rectify those material AML/CFT weaknesses. The database will be a key tool for EBA to lead, coordinate, and monitor the AML/CFT efforts in EU. The comment period for the proposed standards ended on June 17, 2021.

May 27, 2021, the European Banking Authority (EBA) launched a public consultation on new Guidelines on cooperation and information exchange.

The proposed guidelines are intended to establish a formal framework to ensure effective cooperation and information exchange and to identify synergies between the work of the different authorities and build on these synergies to foster a more effective approach to both, prudential and AML/CFT supervision.

The guidelines would facilitate and support the cooperation and information exchange throughout the supervisory life cycle covering several subjects such as the ongoing supervision of new institutions or the imposition of supervisory sanctions. In a cross-border context, the cooperation can be carried out within prudential or AML/CFT colleges. They also complement the ESAs' AML/CFT Colleges Guidelines, which were published in 2019 to make the connection between prudential and AML/CFT supervision stronger.

EBA is in the process of developing the regulatory technical standards that will specify the information that EBA will collect in this central database. Once the database is established, the provisions set out in these guidelines will apply in conjunction with the legal requirements in the regulatory technical standards.

Capital Markets

The Financial Stability Board published a final report of the evaluation of too-big-to-fail reforms for banks.

On April 1, 2021, the Financial Stability Board published its final report of the evaluation of too-big-to-fail reforms for banks.

The specified report presents the findings of the evaluation on the effects of too-big-to-fail (TBTF) reforms for systemically important banks and reflects public feedback received on a consultative version of the report, which the FSB published in June 2020. It contains analytical updates using market data covering the period since the outbreak of the COVID-19 pandemic as well as more extensive description of issues raised during the consultation.

The COVID-19 pandemic requires policy responses that are unprecedented and reach a global scale. The report argues that there are important lessons to be learned from the policy response to the Global Crisis. The first lesson concerns the preparedness of the global financial system. An on-going evaluation of too-big-to-fail reforms shows that the global banking system has been more resilient at the onset of the COVID-19 pandemic. Also, thanks to the reforms, policymakers have better tools at their disposal to deal with distress in the financial sector. The second lesson concerns the importance of structured policy evaluations for the accountability and transparency of policy responses to global crises. Such evaluations require good infrastructure, including a structured evaluation framework and data infrastructure.

EBA published the updated list of regional governments and local authorities (RGLAs) that may be treated as central governments (CGs), as well as the list of public sector entities (PSEs) that may be treated as RGLAs or CGs for the calculation of capital requirements, in accordance with the EU Capital Requirements Regulation.

On April 8, 2021, the European Banking Authority (EBA) updated the list of regional governments and local authorities (RGLAs) that may be treated as central governments for the calculation of capital requirements. Also updated was the list of public-sector entities (PSEs) that may be treated as central government, regional government, or local authorities. These lists are intended to supplement the requirements set out in Articles 115 and 116(4) of the Capital Requirements Regulation (CRR), which specifies the treatment of exposures to central government, regional governments, or local authorities across EU as part of the Standardized Approach (SA) for credit risk.

On April 9, 2021, the European Commission approved the extension of the “Hercules” Project.

The Greek banking system is "turning a page" and can view the post-pandemic period with optimism following the Greek government's official request for an extension of the "Hercules" Scheme that will permit them to drastically reduce non-performing loans in the coming months, according to a finance ministry press release on Monday.

Commenting on the importance of expanding the program, Mr. Zavvos said that the government, acting with a plan and in record time, after the success of the "Hercules" program in its first year of operation, is now seeking its immediate extension, so that Greek banks can reduce "red" loans to single digits in the coming months. With "Hercules II" the banking system is turning the page and can look forward with optimism to the next day of the pandemic.

Greek banks should be well prepared for the key meeting with the significant resources of the Recovery Fund, which should effectively direct the real economy. Because the banks are getting rid of the hoarseness of the "red" loans and will be able to effectively fulfill their role, which is none other than the financing of the Greek economy, businesses and households, thus contributing to the double transformation of both the productive base as well as the banking system.

On April 6, 2021, the International Monetary Fund (IMF) published an upgrade to global growth in its World Economic Outlook “Managing Divergent Recoveries”.

The global economy is projected to grow at 6 percent in 2021, moderating to 4.4 percent in 2022. That is a big turnaround from an estimated contraction of –3.3 percent in 2020 when the world was hit by pandemic.

Therefore, relatively to the preannounced January forecasts, there has been spotted an upgrading growth to 4.4% for 2021 and 3.8% for 2022. This reflects the additional fiscal support provided in the Euro Area, vaccination efforts that are going to lead to a strengthening of recovery in the second half of this year, and also the continued resilience of economic activity to the pandemic in many parts of the world, said IMF chief economist Gita Gopinath.

Gopinath stressed that a high degree of uncertainty surrounds the IMF’s projections as the pandemic is yet to be defeated and virus cases are accelerating in many countries.

That’s leading to diverging recoveries both across and within countries, as economies with slower vaccine rollout, more limited policy support, and more reliant on tourism do less well.

To conclude, Policy makers will need to continue supporting their economies while dealing with more limited policy space and higher debt levels than prior to the pandemic. This requires better targeted measures to leave space for prolonged support if needed.

ESMA updates its Q&As relating to the Prospectus Regulation.

On May 5, 2021, the European Securities and Markets Authority (ESMA) updated its Q&As on the Prospectus Regulation.

The Q&As provide clarifications on the following aspects:

- The application of Article 4(1) of the CRA Regulation to credit rating disclosure in prospectuses;
- How to determine home Member State in the context of global depository receipts over shares; and
- The publication of supplements to prospectuses when new audited annual financial information is published by a non-equity issuer.

On May 20, 2021, ESMA published a proposal about lowering the reporting threshold for net short positions to 0.1% on a permanent basis.

ESMA has examined the evidence gathered after its successive emergency decisions, beginning in March 2020, which lowered, for the first time, the notification threshold to 0.1% on a temporary basis.

The analysis showed that a substantial amount of additional and essential information became available to NCAs due to the reporting of net short positions at the level of 0.1%. This additional transparency to NCAs of the real level of net short positions established in the market translates into an improved ability by NCAs to conduct market oversight. ESMA therefore considers it essential to lower the reporting threshold to 0.1% on a permanent basis.

ESAs published a report on the implementation and functioning of the Securitization Regulation.

On May 17, 2021, the Joint Committee of the European Supervisory Authorities (ESAs – European Banking Authority, European Insurance and Occupational Pensions Authority, and European Securities and Markets Authority published its analysis of the implementation and the functioning of the EU Securitization Regulation (SECR), including recommendations on how to address initial inconsistencies and challenges, which may affect the overall efficiency of the current securitization regime. The Report is meant to provide guidance to the European Commission in the context of its review of the functioning of the SECR. It also provides initial inputs to the ongoing discussion on the efficiency of the securitization framework given the role that securitization could play in the recovery post the Covid-19 pandemic.

The SECR, which became applicable in January 2019, has been useful in increasing the overall soundness of the EU securitization market and in reducing the stigma of securitization products. However, some adjustments could be considered to further improve the overall consistency of the existing framework. In particular, the Report highlights:

- Transparency requirements
- Due diligence requirements
- Criteria for simple, transparent and standardized (STS) securitization
- Supervision of securitization requirements

On May 25, 2021, ESMA published guidelines on the calculation of positions under SFTR.

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, published the Final Report on Guidelines on the calculation of positions in SFTs by Trade Repositories (TRs) under the Securities Financing Transactions Regulation (SFTR).

The reason of the Guidelines is to guarantee that a uniform technique is utilized under EMIR and SFTR, while considering the specificities of Securities Financing Transactions (SFT) Reporting. Consistency in position calculation creates high-quality position data, which is fundamental for the appraisal of systemic risks to financial stability.

The Guidelines intend to guarantee consistency of position calculation across Trade Repositories (TRs), concerning the time of calculations, the scope of the information utilized in calculations, the data preparation, the recordkeeping of data and the computation methodologies. They contain relevant explanations to TRs as to:

- the calculations completed by TRs and the format of provision of access to data pursuant to Article 80(4) of EMIR as referred to in Article 5(2) of SFTR and detailed under Article 5 of RTS on data accumulation
- the degree of admittance to positions provided by TRs to the entities included in Article 12(2) of SFTR with access to positions in accordance with Article 3 of RTS on data access.

On May 27, 2021, ESMA issued draft RTS on synthetic securitizations RTS and amendments to STS templates.

The European Securities and Markets Authority (ESMA), the EU's securities and markets regulator, distributed a Consultation Paper (CP) on draft regulatory technical standards (RTS) carrying out the revised Securitization Regulation (SECR).

The revised SECR necessitates that specific securitizations meeting pre-characterized simple, straightforward and standardized (STS) requirements should be accounted for utilizing standardized layouts for STS notification published on ESMA's website.

The CP sets out ESMA's proposed draft RTS and carrying out technical standards (ITS) indicating the substance and the configuration of the standardized templates for STS notification of on-balance sheet (synthetic) securitizations. It expands on the current technical standards for STS notification of conventional securitizations, while considering explicit highlights of synthetic securitizations.

On May 26, 2021, EBA published final draft technical standards on own funds and eligible liabilities.

EBA published a Report on the final draft regulatory technical standards on own funds and eligible liabilities. With the revised Capital Requirements Regulation introducing new criteria and requirements for eligible liabilities, the amended regulatory technical standards capture several aspects of eligible liabilities as well as the changes to the own fund's framework.

The revised regulatory technical standards:

Adjust existing arrangements to changes presented in the revised CRR in the area of own funds, with this being the case for provisions identified to the regime of supervisory prior permission for the decrease of own funds.

Indicate a portion of the recently presented criteria for eligible liabilities instruments derived from the own fund's regime. These incorporate the absence of direct or indirect funding for the acquisition of ownership of eligible liabilities, the absence of incentives to redeem, and the need for the resolution authority's prior permission for the reduction of eligible liabilities.

Increase the adjustment of the threshold for determining the predetermined amount for the general prior permission for reducing eligible liabilities instruments from 3% to 10% of the aggregate sum of outstanding eligible liabilities instruments, post feedback received during the consultation.

On May 2021 ESMA responded to European Commission consultation on the ESAS.

The European Securities and Markets Authority (ESMA) has published its response to the European Commission's targeted consultation on the functioning of the European Supervisory Authorities (ESAs).

The response mirrors the perspectives of the Board of Supervisors on some current issues and limitations that could be tended to in the ESMA Regulation, and other applicable EU financial services legislation. This is based on ESMA's involvement in recent years, as well as its more limited experience on the utilization of the new tools and given to it in the last review of the ESAs, which was concluded in 2019. The proposals center around:

- reinforcing ESMA's approach to supervisory convergence
- considering the merits of EU level direct supervision
- building ESMA's data capabilities
- ensuring the single rulebook remains fit-for-purpose
- alleviating funding issues.

The proposals set forward plan to help the targets of the Capital Markets Union and further advance and facilitate supervisory convergence across Member States.

On June 3, 2021, ESMA published its first Risk Dashboard covering the first quarter of 2021.

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published its first Risk Dashboard (RD) for 2021 covering the first quarter of the year.

Fixed income valuations are now far above their pre-COVID-19 levels, in part due to continued monetary policy support. A sudden risk reassessment, amid the general decoupling of securities prices from economic fundamentals, remains the main risk for EU financial markets and ESMA therefore maintains its risk assessment. Credit risk is probably going to increment further because of expanding corporate and public obligation levels.

Looking ahead, ESMA anticipates a prolonged period of risk to institutional and retail investors of further – possibly significant – market corrections and sees very high risks across its whole remit. The degree to which these dangers will additionally appear will basically rely upon market assumptions on monetary and fiscal policy support just as on the speed of the monetary recuperation.

On May 31, 2021, EBA and ESMA published a provisional list of instruments and funds for the smallest investment firms under the Investment Firms Regulation.

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) jointly published a provisional list of additional instruments and funds that competent authorities may allow to be used as own funds for some of the smallest investment firms. These firms include only non-legal persons or joint-stock companies, or those that meet the conditions for qualifying as small and non-interconnected investment firms, as defined in the Investment Firms Regulation (also IFR or Regulation 2019/2033). The list is provisional and intended to provide guidance to investment firms and competent authorities ahead of the application of the requirements of the Investment Firms Regulation, as of June 26, 2021.

The provisional list is based on the information received from national competent authorities across EU and includes instruments and funds that national competent authorities may permit to be used as own funds, in addition to the instruments included in the Common Equity Tier 1 (CET1) list published by EBA in accordance with the Capital Requirements Regulation (CRR). Therefore, instruments and funds of investment firms will be allocated either to this new list or to the existing CET1 list, depending on their nature. EBA and ESMA will assess the terms and conditions of all instruments and funds included in this provisional list against regulatory provisions at a later stage and, subsequently, update, maintain, and publish the list on a regular basis.

Non-Performing Loans (NPLs): Co-legislators agree on new rules in order to improve market transparency.

EC welcomes the political agreement between the European Parliament and the Council on the proposal for a Directive on credit servicers and credit purchasers . The agreement concerns rules related to the secondary market for non-performing loans (NPLs) while the remaining part of the proposed work is underway in the European Parliament; this part seeks to facilitate the recovery of collateral from businesses to increase their chances of obtaining credit.

One of the key objectives of the Directive on credit servicers and credit purchasers, which was adopted in 2018, is to improve the access and transparency of secondary markets for NPLs. The Directive creates common reporting requirements for credit purchasers and an obligation to appoint a credit servicer for consumers and third-country investors. In this way, the new rules will create a Single Market for credit purchasers and credit servicers. This will foster competition, raise the average sale price of NPLs, and significantly reduce servicing costs for the benefit of borrowers. In addition, the Directive amends the Consumer Credit Directive and Mortgage Credit Directive. These amendments ensure that consumers will benefit from forbearance measures, are duly informed when the credit is transferred, and are able to keep the same contractual rights they had with the credit originators.

On June 7, 2021, EBA launched second consultation on its technical standards on the calculation of the EUR 30bn threshold for investment firms.

With this consultation , EBA is seeking to address the level playing field concerns raised by industry in relation to the geographical constraints of some undertakings as well as ensure a more proportionate and consistent methodology for the calculation of the thresholds. The regulatory technical standards are part of the EBA roadmap for delivering on mandates related to the implementation of a new prudential regime for investment firms. The comment period on the consultation ends on July 17, 2021. EBA also launched a data collection to assess the impact of the provisions proposed in the proposed regulatory standards.

The proposed regulatory standards have been developed for the mandate related to the reclassification of certain investment firms to credit institutions in line with Article 8a(6)(b) of the Capital Requirements Directive (CRD). Article 8a(6)(b) of CRD requires EBA to draft technical standards on the calculation methodology related to the EUR 30 billion threshold for an investment firm to be required to apply for a credit institution authorization. The draft regulatory standards cover a number of areas relevant for the implementation of this threshold, including:

- Clarification of the notion of consolidated assets
- Accounting standards for the determination of asset values
- Procedure to calculate the total assets on a monthly basis
- Treatment of assets of branches of third-country groups

Targeted consultation on improving transparency and efficiency in secondary markets for non-performing loans (NPLs).

EC launched a targeted consultation to improve transparency and efficiency in the secondary markets for nonperforming loans (NPLs). EC is proposing to establish a data hub at the European level and to review Pillar 3 disclosures requirements under the Capital Requirements Regulation or CRR. This targeted consultation will inform EC about the remaining obstacles to the proper functioning of secondary markets for NPLs and about the possible enabling actions that it could take to foster these markets by improving the quantity, quality, and comparability of NPL data. The consultation is open until September 08, 2021.

A central data hub could be set up at the EU level to act as a data repository underpinning the NPL market. Such a hub could store anonymized data on NPL transactions and provide post-trade transaction details. Such disclosures could raise the transparency and enhance the functioning of secondary markets for NPLs. EC would operate a comprehensive electronic database (updated regularly), assess the information, and provide access to market participants. The information delivered to the data hub would also help to perform specific analysis and provide analytical products. From the perspective of sellers, the EU data hub could be an important source for NPL loan market benchmark parameters, which could contribute to internal decisions of banks on whether to sell or to service. This would also allow sellers to benchmark their trades and allow better visibility into the underlying causes for discrepancies.

Corporate Governance

The Hellenic Capital Market Commission published Q&As regarding Art.44 of Law 4449/2017.

On March 26, 2021, European Securities and Markets Authority, published its technical Advice on Fines and Penalties for Benchmarks Administrators.

The European Securities and Markets Authority (ESMA) published a final report containing technical advice to the European Commission on procedural rules for imposing fines and penalties on benchmark administrators under its direct supervision.

The technical advice follows a consultation paper that ESMA issued on December 23, 2020. The final report includes a section that briefly summarizes the feedback received to the consultation paper and presents different proposals on the content of the rules of procedure to impose penalties on benchmark administrators under the direct supervision of ESMA.

The proposals aim at ensuring that as far as possible the procedural rules for benchmark administrators are aligned and are consistent with the procedural rules applicable to credit rating agencies and trade repositories as well as with the proposals made in March 2020 with regards to third country central counterparties.

The Commission is expected to adopt a delegated act and will need to specify all the aspects on which ESMA has advised.

The Hellenic Capital Market Commission (HCMC) published Q&As regarding the provisions of Article 44 of Law 4449/2017.

On April 27, 2021, the HCMC published Q&As regarding provisions of Article 44 of Law 4449/2017 for the Audit Committee.

The accountability regime of banking supervisors: with great power comes great responsibility.

On June 10, 2021, the Financial Stability Institute (FSI) published a research on the growing accountability regimes of banking supervisors.

As stated in the research, following the Great Financial Crisis, many supervisors have been tasked with a multitude of new objectives layered atop the core safety and soundness (S&S) mandate. Some of these new remits are broad and driven by governmental priorities, clouding the demarcation between prudential and political spheres and increasing the potential for conflict between S&S and other mandates.

As actions taken by supervisors in their expanded roles affect broader segments of society, the authors call for robust accountability regimes to assess their performance, suggesting various ways for legislators and banking authorities to foster accountability. These should be balanced by mechanisms to protect supervisors' independence.

The Hellenic Capital Market Commission has issued Q&As in regard to articles 1-24 of law 4706/2020.

The Hellenic Capital Market Commission has adopted regulatory decisions and guidelines in accordance with the Law 4706/2020 on corporate governance and capital market modernization. The provisions of the Law, strengthen the legal framework on corporate governance for companies with listed shares or other securities in a regulated market in Greece. The Law 4706/2020 shall enter into force as of July 18, 2021.

Some of the key amendments are the following:

- Changes to the companies' M&A s regarding corporate governance, rules of procedure, internal audit and communication with the shareholders.
- Obligation for periodic evaluation of the corporate governance system by the BoD and assurance of the effectiveness of the Internal Control System.

Environmental, Social and Governance (ESG)

The European Commission took further steps to channel money towards sustainable activities.

On April 14, 2021 the Basel Committee released two significant reports, one on climate related financial risk categories; and one on measurement methodologies.

Climate change is an existential threat posing major risks to our economies. The Basel Accords and their implementation are key elements of the financial system stability, requiring banks to maintain capital buffers against the risk they take. As banks are still lacking data (measurement) and methodologies to properly integrate climate change in their risk management framework the issuance of such reports is very useful and contributes positively to relevant implementation efforts. Key take away points are as follows:

On the side of measurement, assessing climate-related financial risks will require new and unique types of data – not necessarily the same as those banks have traditionally used in financial risk analyses – spanning three areas:

- data translating climate risk drivers into economic risk factors;
- data linking climate-adjusted economic risk factors to exposures;
- and data to translate climate-adjusted economic risk into financial risk.

On the side of methodologies, approaches suitable for capturing climate-related financial risks will require further investment, notably to account for uncertainty spanning following three areas:

- intrinsic future uncertainty inherent to projections of physical and transition risk drivers and ensuring standardized scenarios;
- measurement uncertainty related to data gaps, which may limit the suitability of back testing to calibrate loss or damage functions;
- and model-based uncertainty, with more work needed for a robust quantitative assessment of identified climate risk drivers and their impacts on banks – including risks to counterparties, assets, liquidity and operations.

The European Commission takes further steps to channel money towards sustainable activities.

On April 21, 2021, the European Commission adopted an ambitious and comprehensive package of measures to help improve the flow of money towards sustainable activities across the European Union.

By enabling investors to re-orient investments towards more sustainable technologies and businesses, these measures will be instrumental in making Europe climate neutral by 2050. They will make the EU a global leader in setting standards for sustainable finance.

The package is comprised of:

- The EU Taxonomy Climate Delegated Act
- A proposal for a Corporate Sustainability Reporting Directive (CSRD).
- Six amending Delegated Acts on fiduciary duties, investment and insurance advices.

EC adopted a Communication on its Global Approach to Research and Innovation.

On May 18, 2021, the European Commission (EC) published a Communication, setting out a strategy aimed at securing for the European Union (EU) a leading role in supporting international research and innovation partnerships.

This Communication presents a strategy that reaffirms the EU's commitment to lead by example to preserve openness in international research and innovation cooperation, while promoting a level playing field and reciprocity underpinned by fundamental values.

It also aims to strengthen the EU's leading role in supporting multilateral research and innovation partnerships to deliver new solutions to green, digital, health, social and innovation challenges.

The document is meant to serve as guidance in implementing the international dimension of the Horizon Europe programme and its synergies with other EU programmes.

On May 17, 2021, the European Commission proposed a new approach for a sustainable blue economy in the EU for industries and sectors related to oceans, seas and coasts.

The European Commission proposed a new approach for a sustainable blue economy in the EU for the industries and sectors related to oceans, seas and coasts. A sustainable blue economy is essential to achieving the objectives of the European Green Deal and ensuring a green and inclusive recovery from the pandemic.

BIS published a paper regarding the pricing of carbon risk in syndicated loans.

On June 1, 2021, the Bank for International Settlements (BIS) published a paper that examines whether banks price carbon risk in syndicated loans by combining syndicated loan data with carbon intensity data (CO_2 emissions relative to revenue) of borrowers across a wide range of industries. The paper finds that carbon risks in the syndicated loan market are priced consistently both across and within industry sectors—after the Paris Agreement. The results suggest that banks have started to internalize possible risks from the transition to a low-carbon economy—but only for the risks captured by the narrowly defined scope carbon emissions. However, the overall carbon footprint of firms has not been priced. Only carbon emissions directly caused by the firm are priced and not the overall carbon footprint, including indirect emissions. Neither do banks that signal they are green nor do de facto green banks appear to charge a higher carbon premium.

The Covid-19 pandemic in the market: infected, immune and cured bonds.

On June 1, 2021, the European Central Bank (ECB) published a working paper regarding the effect of the pandemic in the euro-area bond market.

By focusing on the cost conditions at issuance, it was not only found that the Covid-19 pandemic effects were different across bonds and firms at different stages, but also that the market composition was significantly affected, collapsing on investment-grade bonds, a segment in which the share of bonds eligible to the ECB corporate programmes strikingly increased from 15% to 40%. Contemporaneously, the high-yield segment shrunk to almost disappear at 4%. Another source of risk detected in the pricing mechanism is the weak resilience to pandemic: the premium requested is around 30 bp and started to be priced only after the early containment actions taken by the national authorities. On the contrary, no evidence was found supporting an increased risk for corporations headquartered in countries with a reduced fiscal space, nor the existence of a premium in favour of green bonds, which should be the backbone of a possible “green recovery”.

On June 7, 2021, the European Commission launched a targeted public consultation inviting all interested parties to comment on the proposed revision of the Guidelines on State aid for environmental protection and energy.

Citizens, firms, experts, state authorities, consumer, and environmental organizations in the European Union can participate in a public consultation process for the upcoming Climate, Energy and Environmental State aid guidelines (CEEAG). The deadline for responses is August 2, 2021.

The document under preparation should replace the Energy and Environmental State aid guidelines or EEAG at the end of the year. The European Commission said it wants to cover new areas such as clean mobility and decarbonization and to align the rules with the European Green Deal.

Support is intended for renewable energy, energy efficiency in buildings, circularity, biodiversity and other projects. The revised rules would generally allow for aid amounts covering up to 100% of the funding gap and to introduce new aid instruments, such as carbon contracts for difference, but through competitive bidding procedures, to ensure state aid is minimal.

The guidelines aim at helping member states meet energy and climate targets at the least possible cost for taxpayers and without undue distortions of competition in the single market.

On June 16, 2021, the European Commission adopted the main work programme of Horizon Europe for the period 2021-2022.

The programme outlines the objectives and specific topic areas that will receive a total of €14.7 billion in funding.

Further to help accelerating the green and digital transitions in Europe, these investments will contribute to a sustainable recovery from the coronavirus pandemic and to increase the resilience of the EU against future crises.

European researchers will be supported through fellowships, training and exchanges. The funds aim at more connected and efficient European innovation ecosystems, encouraging participation across Europe and from around the world, while at the same time strengthening the European Research Area.

On June 15, 2021, the European Central Bank (ECB) issued a consultation on the draft of a revised and more comprehensive version of its guide to fit and proper assessments and a new fit and proper questionnaire.

Among other things, the proposed changes introduce ECB supervisory expectations on climate-related and environmental risks and explain the ECB's approach to diversity. The ECB also proposes to explain in more detail in the guide how board members are going to be reassessed if new material facts emerge after their appointment. It also encourages banks that are subject under national law to an ex post assessment regime to file their fit and proper applications before making appointments. The deadline for comments on the consultation is August 2, 2021.

EBA published its Report on management and supervision of ESG risks for credit institutions and investment firms.

On June 23, 2021 the European Banking Authority (EBA) published its Report on Environmental, Social and Governance (ESG) risks management and supervision, providing a comprehensive proposal on how ESG factors and ESG risks should be included in the regulatory and supervisory framework for credit institutions and investment firms. The Report focuses on the resilience of institutions to the potential financial impact of ESG risks across different time horizons.

This requires careful assessments by institutions and supervisors who should take a comprehensive and forward-looking view, as well as early, proactive actions.

The Report outlines the impact of ESG risks, provides recommendations to incorporate ESG risks-related considerations and proposes a phase-in approach. The EBA will publish Pillar 3 disclosure requirements on ESG risks, transition risks and physical risks, as defined in this Report, later this year.

On June 24, 2021, the European Banking Authority (EBA) published its report on monitoring of Additional Tier 1 (AT1) instruments and issues - recommendations for ESG-linked capital issuances.

The objective of this updated report is to further increase the quality and robustness of own funds and eligible liabilities instruments belonging to institutions within the European Union.

The report focuses on three main subjects, namely:

- the amendments to the Capital Requirements Regulation (CRR2);
- the monitoring of the practical application of the EBA Opinion on legacy instruments;
- and comments regarding ESG-linked capital instruments.

Due to the fact that AT1 issuances are highly standardized, there have been limited new observations to the Report since its previous update. Nevertheless, concerning the context of the end of the transitional period for legacy instruments, further clarifications are made by EBA highlighting the need for a simple capital structure and the aversion of additional layers between a capital class, which increase complexity.

Additionally, the EBA, after identifying differences in the clauses of the environmental, social and governance (ESG) issuances made for capital/loss absorbency purposes, provides its opinion on which practices should be followed or avoided.

The underlying purpose of EBA's given opinion is to provide its view regarding the way that ESG capital bonds features are supposed to interact with the eligibility criteria for own funds and eligible liabilities instruments and to protect the quality of those instruments.

FinTech

The European Commission published a proposal about new rules towards achieving excellence and building Trust in Artificial Intelligence.

On March 31, 2021, the Hellenic Capital Market Commission announced the first registration of providers of exchange services between virtual currencies and document currencies in the register of approx. (b) para. Article 6 of Law 4557/2018.

The Hellenic Capital Market Commission already registered four providers of exchange services between virtual currencies and counterfeit currencies in its registry. The details of these providers have been posted on the SEC website under the thematic section 'Money laundering'.

The other providers of exchange services between virtual currencies and the depository of digital wallets and the depository services that have already applied shall be entered in the relevant registry upon completion of the assessment of the submitted file by providing the required data and providing clarifications and amendments requested by the Special Service Unit of the Securities Commission.

ECB publishes the results of the public consultation on a digital euro.

On April 14, 2021, the European Central Bank (ECB) published a comprehensive analysis of its public consultation on a digital euro. The majority of the respondents, including private citizens and professionals, want a digital Euro, but only if it can be built with elements of privacy.

The ECB noted that the results obtained from the comprehensive analysis of the survey confirmed its earlier observations. The EU's monetary body highlighted that the public wanted a Digital Euro that will be integrated into existing banking and payment systems.

As noted in the announcement, the results from the public consultation will help inform the European Council's decision, when it meets in mid-2021, on starting formal investigation on digital euro.

On the April 7, 2021, the European Central Bank (ECB) published a report regarding the use of Distributed Ledger Technology (DLT) in post-trade processes.

The ECB published a report aiming to build a common understanding among European Stakeholders regarding the industry's progress in implementing DLT in agreement with the present regulatory system.
By taking into consideration how equities and bonds are currently used, the report outlines a variety of types of securities issuance and post trade processes that are categorized by different "models" based on the way DLT is implemented in every instance. Moreover, it examines the effects of DLT use on the basis of identified market practices.
The conclusion of the report is that using DLT-based solutions that are properly monitored and underpinned by strong governance could lead to efficiency gains and projected cost savings. It is also stated that implementation of DLT solutions would be faced by many common challenges also faced by conventional technology reliant solutions (e.g. interoperability and fragmentation issues). In order to mitigate the risk stemming from such issues, it is necessary to primarily identify a common technology-neutral taxonomy that strengthens clarity before proceeding with considerations about specific DLT features that alter the dynamics of present functions.

On April 21, 2021, the European Commission published a proposal about new rules and actions towards achieving excellence and building Trust in Artificial Intelligence.

The objective of the proposed new rules and actions published by the European Commission is to achieve excellence and build trust in Artificial Intelligence (AI). The proposal outlines that the fundamental rights and safety of people and businesses will be protected by putting to use a new Coordinated Plan in combination with the first AI legal framework.

The new legal framework will ensure that all AI solutions offered can be trusted by European citizens. This is achieved by implementing flexible rules that set the highest standards and focus on the specific risks stemming from AI systems. These rules will be based on a futureproof definition of AI and directly applied across all Member States in the same manner.

The new Coordinated Plan summarizes the policy changes and investments at Member States level that are needed in order for Europe to maintain a leading position in the development of human-centric, secure and trustworthy AI.

This combined approach is complemented by the implementation of new rules on Machinery products that allow for a safe integration of the AI system into the overall machinery and increase users' trust in these new products.

On April 19, 2021, European Union (EU) officials launched a multilingual digital platform of the Conference on the Future of Europe.

Top EU officials launched a multilingual digital platform of the Conference on the Future of Europe, a democracy exercise meant to involve European citizens in shaping the future direction of Europe. The platform provides a digital space for citizens to exchange ideas, interact and discuss their views on the future of Europe, and will directly feed in the Conference's panel discussions.

As a citizen-led exercise, the platform will be open to all European citizens interested in taking part on the discussion of the ten key topics:

1. Climate change and the environment;
2. Health;
3. A stronger and fairer economy;
4. Social justice and jobs;
5. EU in the world;
6. Values and rights, rule of law, security;
7. Digital transformation;
8. European democracy;
9. Migration;
10. Education, culture, youth and sport.

Artificial Intelligence will be powering the selection of the most relevant ideas discussed on the platform.
The official launch of the Conference took place on Europe Day (May 9, 2021).

On April 21, 2021, the European Commission published a Questions and Answers session (Q&A) regarding the proposed new rules and actions in Artificial Intelligence (AI).

This Q&A session published by the European Commission provides answers to important questions emanating from the Commission's proposal titled "Europe fit for the Digital Age: Commission proposes new rules and actions for excellence and trust in Artificial Intelligence" that was published on April 21, 2021. The questions answered were focused around the following three subjects:

- A new regulatory framework on AI
- Coordinated Plan – 2021 Update
- The new Machinery Regulation

Some important questions addressed in the Q&A session were the following:

- Which risks will the new AI rules address?
- What are the risk categories?
- How will compliance be enforced?
- How do the rules protect fundamental rights?
- How can the new rules support innovation?
- What is the objective of the Coordinated Plan?
- How are EU-funded AI solutions helping to achieve Green Deal objectives?
- How is the Machinery Regulation related to AI?
- How will the new Machinery regulation benefit business, in particular SMEs?

On June 1, 2021, the Bank of Greece (BoG) published its report on the “FinTech” Innovation Hub for the year 2020.

The Innovation Hub is a communication channel between BoG and the interested parties, providing information, clarifications and directions for the regulatory and supervisory framework within the scope of the Bank's competence. Via the Hub, the Bank anticipates and seeks to form a more complete picture of the opportunities, challenges and the risks that may arise from or are related with these innovations. Its staff consists of a group of experts from different BoG branches with access to all relevant specialized knowledge. The published report is structured as follows:

- Section 1 contains the relevant summary,
- Section 2 reflects recent developments and the role of the Innovation Hub,
- Section 3 analyzes the individual requests submitted to the Innovation Hub (e.g. payments, regulatory technology solutions, artificial intelligence),
- Section 4 presents the future actions of the Bank of Greece.

On June 10, 2021, the European Banking Authority (EBA) published its revised guidelines on incident reporting under the Payment Service Directive (PSD).

The revised guidelines optimize and simplify the reporting process and templates, focus on incidents with significant impact on payment service providers, and improve the meaningfulness of information to be reported. In light of the comments received on the consultation on these guidelines (published on October 14, 2020), EBA introduced the following changes to the guidelines:

- The classification criterion was changed from "Breach of security measures" to "Breach of security of network or information systems." This change is aimed at narrowing down the scope of the criterion and at making it more tangible;
- Unnecessary steps were removed from the reporting process, allowing more time for the submission of final report to reduce the reporting burden on payment service providers;
- EBA further simplified and optimized the standardized reporting template;
- EBA clarified the process and timeline for classification of major incidents, the meaning of the term duration of an incident, and other aspects in the guidelines.

The revised guidelines apply in relation to the classification and reporting of major operational or security incidents in accordance with Article 96 of PSD2.

On June 10, 2021, the Basel Committee on Banking Supervision (BCBS) issued a public consultation on preliminary proposals for the prudential treatment of banks' crypto asset exposures.

The proposed prudential treatment outlined in the consultation divides crypto assets into two broad groups - Group 1 and Group 2 crypto assets. Group 1 crypto assets include tokenized traditional assets (Group 1a) and crypto assets with effective stabilization mechanisms (Group 1b). Group 2 crypto assets are those that do not fulfill the classification conditions. The following are the key highlights of the proposed prudential treatment:
Credit and market risk requirements: Group 1a of crypto assets may be treated as equivalent to a traditional asset if they pose the same level of credit and market risks as traditional (non-tokenized) assets. For Group 2 crypto assets, new conservative prudential treatment based on a 1,250% risk-weight is applied to the maximum of long and short positions;
Other minimum requirements (leverage ratio, large exposures, liquidity ratios): At this stage, BCBS is not proposing to prescribe any new regulatory treatment;
Supervisory review: Banks with direct or indirect exposures to any form of crypto asset should ensure that risks not captured under the Basel framework (Pillar 1) are assessed, managed, and appropriately mitigated;
Disclosures: The disclosure requirements for bank exposures to crypto assets or related activities should follow the general guiding principles for Pillar 3 disclosures of banks in the Basel framework.

On June 11, 2021, the European Banking Authority (EBA) published a report on the readiness of PSPs to apply strong customer authentication for e-commerce transactions.

The Report points out the status of payment service providers (PSPs) in enrolling online merchants, payment service users (PSUs) and payment cards into strong customer authentication (SCA)-compliant solutions, and in requesting SCA for online transactions after 31 December 2020.
The EBA observed the progress made with regard to SCA -compliance, as highlighted by the following key metrics:

- 99% of European Union (EU) merchants are able to support SCA;
- 94% of all payment cards in the EU are SCA-enabled;
- 82% of all PSUs are enrolled into an SCA solution;
- 92% of e-commerce card-based authentication requests reported by acquirers are compliant with the SCA requirements; and
- 87% of initiated e-commerce card-based payment transactions reported by issuers are compliant with the SCA requirements.

Finally, the Report states that there are still PSPs in some jurisdictions that are lagging behind others in enabling SCA compliant authentication solutions.

On June 15, 2021, the European Commission (EC) issued a press release on the launch of the Trade and Technology Council (TTC) between the United States (US) and the European Union (EU).

The TTC will play a key role in coordinating approaches to key global trade, economic, and technology issues and to deepen transatlantic trade and economic relations based on shared democratic values between the EU and the US. This Council will meet periodically at political level to steer collaboration.
The main goals of the TTC will be to strengthen and expand investment and bilateral trade as well as promote cooperation between the US and the EU on key technology policies and the development of international standards. To achieve these goals the TTC will set the groundworks for the support of collaborative research and the aversion of technical barriers to trade.
The TTC will include several working groups, which will make the political decisions operational and transform them into deliverables. Some of the main themes that the working groups will focus on are climate and green tech, technology platforms and data governance, investment screening and technology standards cooperation including the Internet of Things and Artificial Intelligence.

On June 17, 2021, the European Insurance and Occupational Pensions Authority (EIOPA) published a report on artificial intelligence governance principles.

EIOPA published a report, from the Consultative Expert Group on Digital Ethics, that sets out artificial intelligence governance principles for an ethical and trustworthy artificial intelligence (AI) in the insurance sector in EU. Considering the opportunities and challenges of artificial intelligence, an AI governance framework was developed that seeks to enable stakeholders in the insurance sector to harness the benefits, and address the challenges, arising from AI.
The report focuses on the following governance principles:

- Principle of proportionality: Insurance firms should conduct an AI use case impact assessment to determine the governance measures required for a specific artificial intelligence use case;
- Principle of fairness and non-discrimination: Insurance firms should adhere to principles of fairness and non-discrimination when using AI;
- Principle of transparency and explainability: Insurance firms should strive to use explainable AI models;
- Principle of Human Oversight: Insurance firms should establish adequate levels of human oversight throughout the lifecycle of an AI system;
- Principle of data governance of record keeping: The provisions included in national and European data protection laws should be the basis for the implementation of sound data governance;
- Principle of Robustness and Performance: Insurance firms should use robust artificial intelligence systems, both when developed in-house or outsourced to third parties.

MIFID II

ESMA published its Final Report on the functioning of the regime for SME Growth Markets and of Organized Trading Facilities.

The European Securities and Markets Authority published Final Report on SME (Smaller and Medium Size enterprises) Growth Markets.

On April 7, 2021, the European Securities and Markets Authority (ESMA), published its Final Report on the functioning of the regime for SME Growth Markets (GM) under MiFID/MiFIR. It contains recommendations and possible amendments to the MiFID II framework to the SME GM regime which are needed to improve the attractiveness of the regime.

The report suggests targeted amendments to the SME GM regime in the MiFID II framework, aimed at simplifying investors' access to information and promoting concentration of liquidity on SME GMs. Among the proposed measures the Final Report includes recommendations to help promote the concentration of liquidity on SME GMs.
The report was submitted to the European Commission and is expected to be taken into consideration for further legislative proposals on the MiFID II SME GM regime.

ESMA makes recommendations for OTFs under MiFID II/MiFIR.

On April 8, 2021, the European Securities and Markets Authority (ESMA) published a Final Report on the functioning of Organized Trading Facilities (OTFs). The report contains proposals aimed at clarifying the MiFID II provisions relating to OTFs and, more generally, multilateral systems to ensure efficient EU market structures and to enhance the level playing field between all firms operating in the EU while reducing the level of complexity for market participants. In particular, the report includes a two-step approach with a recommendation to the European Commission to move Article 1(7) from MiFID II to MiFIR and the proposal for ESMA to publish an opinion to provide guidance on the trading venue authorization perimeter. The report also includes evidence on how OTFs have been making use of Matched Principal Trading (MPT), based on a fact-finding exercise performed by ESMA. It also includes a recommendation to align the provisions regarding the prohibition of the use of MPT amongst different types of trading venues.

ESMA updates Q&As on MiFID II and MiFIR market structures topics.

On April 6, 2021, the European Securities and Markets Authority (ESMA) updated its Q&As regarding market structures issues under MiFID II and MiFIR. ESMA has introduced changes to one of its Q&A on tick sizes to reflect the amendment introduced in Article 49(1) of MiFID II which excludes Large in Scale transactions from the mandatory tick size regime.

The purpose of ESMA's Q&As on market structures issues is to promote common supervisory approaches and practices in the application of MiFID II and MiFIR.

ESMA made new bond liquidity data available.

On April 30, 2021, the European Securities and Markets Authority (ESMA), published the latest quarterly liquidity assessment for bonds available for trading on EU trading venues. For this period, there are currently 651 liquid bonds subject to MiFID II transparency requirements.

ESMA updates the bond market liquidity assessments quarterly. However, additional data and corrections submitted to ESMA may result in further updates within each quarter, published in ESMA's Financial Instruments Transparency System (FITRS), which shall be applicable the day following publication.

From April 30, 2021, the calculations are performed using the parameter under stage 2 as per Commission Delegated Regulation (EU) 2021/529 of 18th December 2020.

The transparency requirements for bonds deemed liquid applies from May 16, 2021 to August 15, 2021.

ESMA published results of the Annual transparency calculations for non-equity instruments.

On April 30, 2021, the European Securities and Markets Authority (ESMA), made available the results of the annual transparency calculations for non-equity instruments, which will apply from June 1, 2021. These calculations include the liquidity assessment and the determination of the pre- and post-trade size specific to the instruments and large in scale thresholds.

The results for the liquid sub-classes have been published in Excel format in the Annual transparency calculations for non-equity instruments register.

The transparency requirements based on the results of the annual transparency calculations for non-equity instruments shall apply from June 1, 2021 until May 31, 2022.

ESMA published data for the systemic internaliser calculations for equity, equity-like instruments, bonds and other non-equity instruments.

On April 30, 2021, the European Securities and Markets Authority (ESMA), published, on a voluntary basis, the total number of trades and total volume over the period October 2020-March 2021 for the purpose of the systematic internaliser (SI) calculations under MiFID II for:

- 22,409 equity and equity-like instruments;
- 105,011 bonds; and
- 7,934 sub-classes of derivatives (including equity derivatives, interest rate derivatives, commodity derivatives, C10 derivatives, emission allowance and derivatives thereof and contracts for difference (CFDs)).

ESMA issued latest double volume cap data.

On May 7, 2021, the European Securities and Markets Authority (ESMA) updated its public register with the latest set of double volume cap (DVC) data under MiFID II.

The update includes DVC data and calculations for the period April 1, 2020 to March 31, 2021 as well as updates to already published DVC periods.

The DVC mechanism (Article 5 of MiFIR) aims to limit the trading under the reference price waiver (Article 4(1)(a) of MiFIR) and the negotiated transaction waiver for liquid instruments (Article 4(1)(b)(i) of MiFIR) in an equity instrument.

ESMA consulted on its MiFID II/MiFIR annual report.

On May 12, 2021, the European Securities and Markets Authority (ESMA) issued a consultation paper seeking views from market participants on its MiFID II/MiFIR annual review report under Commission Delegated Regulation (EU) 2017/583 (RTS 2).

The consultation paper sets out ESMA's assessment of the operation of the thresholds for the liquidity determination of bonds and the trade percentiles determining the pre-trade size specific to the financial instrument (SSTI) threshold which is subject to a four stage phase-in regime under RTS 2. In the consultation paper ESMA proposes to:

i) Move to stage 3 for the liquidity assessment of bonds.
ii) Move to stage 3 for the SSTI percentile of bonds.
iii) Not to move to stage 2 for the SSTI percentile of non-equity instruments other than bonds.

The deadline for comments on the consultation paper ended at June 11, 2021.

On May 26, 2021, ESMA consulted on Commodity Derivatives Technical Standards as part of MIFID-II Recovery Package.

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has dispatched a consultation, as a feature of the post-Covid MiFID II Recovery Package, seeking input from market participants on its draft Technical Standards for commodity derivatives.
ESMA's proposals relating to the application of position limits to commodity derivatives focus on:

- Developing procedures for financial entities undertaking hedging activities and for liquidity providers to go after for an exemption from position limits.
- Suggesting other specialized adjustments to improve the utilization of the position limit regime in practice.

Likewise, the Consultation Paper additionally contains ESMA's proposals for technical standards on position management controls.

The consultation forms part of ESMA's mandates under of the MiFID II Recovery Package, a set of measures pointed towards supporting the recuperation from the extreme financial stun brought about by the Covid-19 pandemic.

ESMA published final Guidelines on the MiFID II/MiFIR market data obligations.

On 1 June 2021, the European Securities and Markets Authority (ESMA), published its final report on Guidelines on the MiFIDII/MiFIR obligations on market data. The Final Report sets out guidelines on the requirements to publish market data on a reasonable commercial basis and to make market data available free of charge 15 minutes after publication.

The Guidelines, by providing clarity for market participants, will ensure better and uniform application of these MiFID II/MiFIR obligations. The guidelines apply to national competent authorities, trading venues, approved publication arrangements, consolidated tape providers and systematic internalisers. The Guidelines will be applicable from January 1, 2022.

Risk Management

The EBA has published the results of Internal Models (TRIM) which banks use to calculate risk-weighted assets (RWAs) for credit, market, and counterparty credit risks.

Ratings & Credit Risk

On April 19, 2021, the European Central Bank, published the results of its targeted review of Internal Models (TRIM) which banks use to calculate risk-weighted assets (RWAs) for credit, market and counterparty credit risks.

One of the SSM's main objectives is to reduce the variability of risk weighted assets (RWAs) stemming from internal models to restore credibility and adequacy as the current design of internal models exhibit weaknesses from a supervisory perspective. Theses weaknesses were to be addressed by the TRIM exercise.
More specifically, as part of the Basel Capital Accord, banks in Europe may use the opportunity to calculate risk-weighted assets (RWA) and required capital based on internal models as opposed to standardized models. These internal models were the focus of supervisory scrutiny, covering the following risk types:

- Credit risk (IRB models)
- Market risk (IMA models)
- Counterparty credit risk (IMM models)

Under this framework, a common methodological approach has been developed and applied across the 200 on-site investigations performed within TRIM.

Numerous deviations from the regulatory requirements were observed, resulting in more than 5,800 findings across all risk types, of which around 30% were of high severity, whilst 253 supervisory decisions have been issued or are in the process of being issued. To conclude, It is estimated that these decisions will lead to a 12% increase in the aggregated RWA covered by the models assessed in the respective TRIM investigations.

On May 17, 2021, the European Banking Authority (EBA) published a report on the reliance of Member States on external credit ratings.

The Report was developed according to Article 161 (3) of the Capital Requirements Directive (CRD), which requires the EBA to analyze the range that national law of Member States refers to external credit ratings and the way that Competent Authorities promote internal models for the requirements of their own funds as well as encourage risk assessment capacity of those models.

The recommendation formed on the quantitative evidence collected is to withdraw the mandate required by Article 161 (3) of the CRD. The reasons that led to this recommendation were the limited references to external credit ratings identified in the national law of Member States as well as certain developments in international regulations. The aforementioned developments mainly refer to the reduction of mechanistic reliance on external credit ratings in the new securitization framework introduced in the Capital Requirements Regulation (CRR) and the standardized approach of the credit risk framework in the final Basel III reforms. Moreover, the Report points out that the introduction of "enhanced due diligence" by the final Basel III framework should also be incorporated in the EU framework, allowing for a comprehensive overview of the reliance on ratings ahead of these reforms.

On May 26, 2021, the European Securities and Markets Authority (ESMA) launched a public consultation on disclosure requirements for preliminary ratings and initial reviews.

The Credit Rating Agencies Regulation (CRAR) includes a number of provisions designed to further clarify to market participants if debt instruments or entities have been subject to a preliminary rating or initial review by Credit Rating Agencies before receiving a credit rating. The aim of these provisions is to tackle the effects of ratings shopping by increasing transparency.

The goal of this Consultation Paper is to address potential misinterpretation of these provisions. Through the Consultation Paper ESMA seeks feedback on the following proposals that aim to clarify:
The understanding of the term “initial review and preliminary rating” in the context of the CRAR’s public disclosure requirements;
The timing and content of such public disclosures that meet the criteria of “initial review and preliminary rating”
The steps to be taken in order to make sure that public disclosures are fairly accessible to investors and the market in general.

EBA consults on technical standards on crowdfunding service providers.

On June 4, 2021, the European Banking Authority (EBA) launched a consultation paper on the regulatory technical standards specifying the information that must be provided to keep investors appropriately informed about their risk exposure with respect to the individual portfolio management of loans. Article 6(7) of the European Crowdfunding Service Providers Regulation (ECSPR or Regulation 2020/1503) mandates EBA to lay out the draft regulatory technical standards for this purpose. The comment period for this consultation ends on September 4, 2021.

The proposed regulatory technical standards specify the:
- Information that crowdfunding service providers offering individual portfolio management of loans shall provide to investors in relation to the method to assess credit risk; the draft standards require crowdfunding service providers to show that the measurement techniques used for credit risk assessments are based on a sufficient number of elements and are appropriate to the complexity and level of the risks underlying the single project, the portfolio, and the project owners.
- Adequate policies, procedures, and governance arrangements that providers should have in place when managing, either directly or through a third party provider, contingency funds; this is because crowdfunding service providers may offer a dedicated contingency fund to compensate investors for the losses they may incur, in case project owners do not reimburse their loans.
- Information disclosures required with respect to several key characteristics of each loan included in a certain portfolio.

ESMA launches 2021 CCP stress test.

On June 7, 2021, the European Securities and Markets Authority (ESMA) issued the framework for its fourth stress test for central counterparties (CCPs).

The new stress test exercise has the following components:
- Credit Stress: assessing CCPs’ resources ability to absorb losses under a combination of market price shocks and member default scenarios.
- Concentration risk: assessing the impact of liquidation costs derived from concentrated positions.
- Reverse Credit Stress: increasing the number of defaulting entities and level of shocks and/or liquidation costs to identify at which point CPPs’ resources are exhausted.
- Operational risk: assessing the importance of shared service providers in the clearing industry and interconnections of CCPs.

The new exercise covers the 13 CCPs authorized in the EU and the 2 UK CCPs classified as Tier 2. The publication of the final report and results is scheduled to take place in H2 2022.

EC Publishes Regulation on Key Aspects of Implementation of SA-CCR.

On June 10, 2021, the European Commission (EC) published the Delegated Regulation 2021/931, which supplements the Capital Requirements Regulation (CRR or Regulation 575/2013) with regard to the regulatory technical standards specifying the method for identifying derivative transactions with one or more than one material risk driver. Regulation 2021/931 also sets out the formula for calculating the supervisory delta of call and put options mapped to the interest rate risk category as well as the method for determining whether a transaction is a long or short position in the primary risk driver or in the most material risk driver in the given risk category for the purposes of Article 279a(3)(a) and (b) in the standardized approach for counterparty credit risk. Regulation 2021/931 shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Covid-19

On April 6, 2021, the Financial Stability Board published a letter containing support measures related to the Covid-19 outbreak, under the title Extending, amending and ending.

On April 6, 2021, the Financial Stability Board (FSB) published a letter from its Chair, Randal K. Quarles, to G20 Finance Ministers and Central Bank Governors ahead of their virtual meeting that took place on 7 April. The FSB also delivered to the G20 a report on factors to be considered in extending, amending and ending COVID-19 support measures.

On May 19, 2021, the European Central Bank (ECB) published a report on the vulnerabilities arising from contingent liabilities in the euro area during the pandemic.

The report states that Fiscal policy support has mitigated financial stability risks during the Covid-19 pandemic, but there is an increase of vulnerabilities arising from contingent liabilities for euro area sovereigns. In the past, contingent liabilities have emerged in waves and have proven to be a significant source of risk for sovereigns. In addition, the report points out that the majority of fiscal costs related to public bailouts of state-owned enterprises derive from implicit commitments. It is also mentioned that a new source of contingent liabilities, contrary to past crises, is the large-scale loan guarantee programmes issued due to the pandemic. While such loan guarantees have the benefit of distributing certain risks with banks and thus spreading exposure across many firms, they are concentrated in sectors considered most vulnerable (i.e. 80% of total guarantee schemes have been utilized by SMEs). Moreover, the probability of default (PD) of guaranteed loans has fallen during the pandemic leading to a mitigation of sovereigns' risk exposure but. As far as government guarantees are concerned, they appear to be manageable, while there is concern that possible bailouts for state-owned enterprises will pose a tail risk.

ECB review sees elevated financial stability risks due to uneven impact of pandemic.

The European Central Bank (ECB) sees heightened financial stability risks in some sectors and countries due to the uneven impact of the pandemic, according to its latest Financial Stability Review (FSR), published on May 19, 2021.

Regulatory Technical Standards

On April 7, 2021, the European Banking Authority issued a consultation paper regarding draft regulatory technical standards (RTS) on the list of countries with an advanced economy for calculating the equity risk under the alternative standardised approach (FRTB-SA).

On April 7, 2021, the European Banking Authority (EBA) launched a consultation on the draft regulatory technical standards on the list of countries with an advanced economy for calculating the equity risk under the alternative standardized approach (FRTB-SA).
EBA proposes a list of advanced economies corresponding to the list provided in the Fundamental Review of the Trading Book (FRTB).

In this context, EBA seeks feedback on whether the list is comprehensive, particularly whether there are additional EU countries in which the equity risk can be considered similar to the countries already included in the FRTB list of advanced economies. Furthermore, EBA seeks stakeholders' views on sources of data and criteria that could be designed to identify advanced economies and emerging markets for the purpose of FRTB-SA equity risk own funds requirements. The consultation runs until July 2, 2021.

On April 29, 2021 the European Banking Authority (EBA) published a consultation paper on draft Regulatory Technical Standards (RTS) about the identification of the appropriate conditions and risk weights during the assessment of minimum loss given default (LGD) values concerning exposures secured by immovable property.

The draft RTS have been created by the EBA in cooperation with the European Systemic Risk Board as mandated by Articles 124 (4) and 164 (8) of Regulation (EU) No 575/2013 (CRR).

EBA's consultation paper focuses on the condition that actual risks connected with exposures secured by commercial immovable property or residential property mortgages are not appropriately reflected by the risk weights assessed. The condition also points out that LGD values lack adequacy.

For all institutions implementing the standardized approach, the paper specifies all factors that should be taken into consideration by authorities when assessing risk weights based on forward-looking market developments regarding immovable property and the loss experience of exposures secured by such property.

The paper also provides the conditions to be taken under consideration during the adequacy assessment of minimum LGD values by institutions implementing the internal ratings-based approach to retail exposures that are secured by commercial immovable property or residential property.

Recovery/Resolutions

On May 27, 2021 the European Banking Authority (EBA) published a report on the application of early intervention measures under the Bank Recovery and Resolution Directive (BRRD).

The report that has been published now concludes the EBA work on early intervention measures and provides an overview of the feedback received from public consultations as well as the EBA conclusions. The report states that EBA observed supervisory consensus on the need to eliminate existing overlaps between early intervention measures and other supervisory powers as well as on the need to remove the formal sequencing of early intervention measures specified in Articles 27-29 of the BRRD.

EBA also observed that competent authorities supported the importance of amending Article 27(1) of the BRRD, which includes an example of a quantitative early intervention trigger.

EBA concluded that it would be important to amend the existing Level 1 legislation that includes the example of the quantitative early intervention trigger of 1.5% above Pillar 1 capital. In its current form, it might lead to a situation where the early intervention trigger is met when institution's capital is even below the level where competent authorities may already consider withdrawing its authorization.

On May 27, 2021, the European Banking Authority (EBA) published a report on minimum requirements for own funds and eligible liabilities (MREL).

The report is intended to offer information on the resilience of the European banking system through loss-absorbing capacity and to offer update on the progress of authorities in setting resolution strategies and MREL across EU.

It shows that an estimated 80% of the domestic assets in EU are covered by a strategy other than liquidation—stable compared to 80% last year on a comparable basis. Although the level of covered assets remained stable on a yearly basis, the amount of decisions has increased and new decisions are expected to be issued in the near future.

As at December 2019, out of the 238 resolution groups captured in this report, showed an MREL shortfall estimated at EUR 102 billion, down from EUR 172 billion as of December 2018. In terms of total assets, institutions with a shortfall represent about 28% of total domestic assets in EU. The report shows that MREL shortfall for EU G-SIIs is down significantly to EUR 19 billion, with high levels of other marketable securities. The sharp decline reflects that, to some extent, G-SIIs have been setting their requirements before other banks and that they are facing earlier end-state dates for compliance in line with total loss absorbing capacity.

On May 26, 2021, the Single Resolution Board (SRB) published its updated 'Minimum Requirements for Own Funds and Eligible Liabilities (MREL) Policy and its respective dashboard for Q4.2020.

The updated policy introduces the MREL maximum distributable amount (MDA) which allows the restriction of banks' earnings distribution if there are MREL breaches. Additionally, it presents policy criteria to identify systemic subsidiaries for which granting of an internal MREL waiver would raise financial stability concerns. Finally, the policy approaches the subject of UK instruments MREL-eligibility without bail-in clauses. Clarifications are also made on:

- the methodology to estimate the Pillar 2 requirements (P2R) post-resolution,
- the MREL calibration on preferred vs variant resolution strategy,
- the MREL calibration methodology for liquidation entities.

Regarding the MREL dashboard Q4.2020, the main findings are presented below:

- In Q4.2020, MREL issuances amounted to EUR 44.5 bn, with banks showing some differences in the volume of issuances. Overall, in 2020, banks have issued EUR 275.2 bn of MREL eligible instruments. The issuance activity was more pronounced in the first half-year (EUR 179.9 bn) compared to the second half (EUR 95.3 bn),
- By the end of 2020, the average final MREL target represented 22.82% of the total risk exposure amount (TREA) (EUR 1,557 bn),
- Average MREL shortfalls against the final target amounted to 0.29% (EUR 19.5 bn) TREA in December 2020,
- Funding costs were slightly above pre-pandemic levels between 01/01/2021 and 30/04/2021.

IFRS 9 Impairments

On May 25, 2021, the Bank for International Settlements (BIS) published a literature review on the procyclicality of loan loss provisions.

The aim of this literature review is to reveal the role that credit loss accounting standards play in affecting procyclicality, from the perspective of a prudential policymaker.

In this case, procyclicality is the idea that the banking sector, through a variety of channels or 'causal' links with the real economy, can intensify economic cycles. With this concept of procyclicality in mind, it is noted that a key expectation of prudential policymakers is that the move from incurred loss (IL) to expected credit loss (ECL) standards should benefit financial stability and the broader economy. This effect, however, is dependent on bank behavior under the ECL standards, as well as the extent to which ECL standards improve (relative to IL standards) the accuracy and timeliness of loss recognition and increase the transparency of bank balance sheets.

It is concluded that more robust evidence on loss recognition practices under IFRS 9 and Current Expected Credit Losses needs to be established, before a need for regulatory intervention to address procyclicality stemming from accounting standards can be evaluated.

On May 27, 2021, the European Banking Authority (EBA) published a thematic note comparing provisioning practices in the EU and the US during the pandemic.

According to the note, in the first two quarters of 2020, the cost of risk of US banks was much higher compared to EU banks because of a higher increase in unemployment during the beginning of the pandemic. However, in the second half of 2020, the cost of risk of US banks fell more rapidly compared to their EU peers due to a faster economic recovery.

A preliminary analysis also showed a riskier loan portfolio composition of US banks. The share of the portfolios potentially more affected by containment measures is higher in the US. Another reason for variation in the cost of risk could be due to the different accounting rules. Under current expected credit loss (CECL) model, banks recognize lifetime ECL for all financial assets whereas under IFRS 9 the 12-month ECL is recognized for Stage 1 loans.

Supervisory guidance might have also played an important role in the observed variations. EBA guidance issued in the context of the pandemic might have softened potential cliff effects by highlighting that the application of general public or private moratoria meeting specific requirements should not be considered as an automatic trigger to conclude that a significant increase in credit risk has occurred.

Surveys and Statistics

ESMA report highlights liquidity concerns for Alternative Investment Funds.

On April 8, 2021, the European Securities and Markets Authority (ESMA) issued its third annual statistical report on the Alternative Investment Fund (AIF) sector. The report has found that the sector increased by 15% in 2019 to EUR 6.8trn in net assets from EUR 5.9trn in 2018.

The main risks faced by the sector relate to a mismatch between the potential liquidity of the assets, and the redemption timeframe offered to investors. This is particularly the case for real estate funds and funds of funds.

The AIF sector was heavily impacted by the COVID-19 related market stress during the first quarter of 2020, and while outside the reporting period, a snapshot of the main event is included in the report.

ECB published supervisory banking statistics for the fourth quarter of 2020.

On April 12, 2021, the European Central Bank (ECB) published aggregated statistics on cost of risk and on loans subject to COVID-19-related measures for first time.

The report states the following:

- Aggregate total capital ratio of significant institutions increased to 19.51% in fourth quarter of 2020 (from 19.04% in third quarter and 18.60% one year earlier).
- Aggregate non-performing loans ratio fell further to 2.63%
- Profitability of significant institutions decreased, with aggregated return on equity at 1.53% (down from 5.16% one year earlier).
- Liquidity coverage ratio improved further to 171.78%, up significantly from 145.93% one year earlier.

On March 31, 2021, EBA published its Risk Dashboard for the last quarter of 2020.

Pursuant to Risk Dashboard for the last quarter of 2020, the data utilized revealed a rise in capital ratios, a contraction of the Non-Performing Loans ratio and a return on equity (RoE) significantly below banks' cost of equity. The most notable marks are summarized below:

- Capital ratios continued to improve in Q4, driven by an increase in capital, which more than offset a slight rise in risk weighted assets. The CET1 ratio reached a new all-time high of 15.5% on a fully loaded basis, up by 40bps QoQ.
- The NPL ratio decreased by 20bps to 2.6%. The decline was due to a contraction in NPLs, which exceeded the decrease in loans and advances. NPL ratios declined for both households and non-financial corporates (NFCs).
- Loans under EBA eligible moratoria nearly halved in Q4. They declined from around EUR 590bn in Q3 to around EUR 320bn in Q4. The decline was more pronounced for NFC exposures than for loans to households.
- Profitability remained strongly subdued. Return on equity (RoE) declined from 2.5% in Q3 to 2% in Q4. The rise in net fee and commission income could not compensate for the decline in net interest income. The latter was due to the contraction in interest bearing assets, amid a flat net interest margin.

To conclude, Macroeconomic uncertainty was generally not reflected in asset valuations and market volatility, which have recovered to pre-crisis levels, highlighting a continued risk of decoupling of valuations from economic fundamentals.

The European Central Bank published the results to April 2021 euro area bank lending survey.

On April 20, 2021, the European Central Bank (ECB) published the euro area bank lending survey (BLS) for the first quarter of 2021. According to the April 2021 euro area bank lending survey (BLS):

- Credit standards tightened moderately for loans or credit lines to enterprises and eased slightly in net terms for loans to households for house purchase and tightened moderately further in net terms for consumer credit and other lending to households in the first quarter of 2021. In the second quarter of 2021, banks expect credit standards to tighten for loans to firms and households.
- Banks' overall terms and conditions remained unchanged for loans to firms and eased, on balance, for housing loans in the first quarter of 2021.
- Banks reported, on balance, a further decline in firms' demand for loans or drawing of credit lines in the first quarter of 2021. Banks also reported a net decrease in demand for housing loans in the first quarter of 2021. For consumer credit and other lending to households, a larger net percentage of banks reported a decline in demand. In the second quarter of 2021, banks expect net demand to increase for loans to firms and households.
- Euro area banks' access to retail and wholesale funding continued to improve in the first quarter of 2021. The BLS also asked banks to report on the impact of the ECB's monetary policy measures on bank lending. The ECB's asset purchase programme (APP), the pandemic emergency purchase programme (PEPP) and the third series of targeted longer-term refinancing operations (TLTRO III) all had a positive impact on banks' liquidity positions and market financing conditions.

The results reported in the April 2021 survey relate to changes observed in the first quarter of 2021 and expected changes in the second quarter of 2021, unless otherwise indicated. The April 2021 survey round was conducted between 11 and 26 March 2021. A total of 143 banks were surveyed in this round, with a response rate of 100%.

On May 24, 2021, the International Organization of Securities Commissions (IOSCO) issued surveys concerning conduct risks in Leveraged Loans and Collateralized Loan Obligations.

The International Organization of Securities Commissions (IOSCO) has issued four questionnaires for industry participants regarding conduct risks in Collateralized Loan Obligations (CLOs) and Leveraged Loans (LLs) targeting CLO investors, bank lenders and LL sponsors among others.

IOSCO, aims to understand the misaligned incentives and conflicts of among participants in the CLO and LL markets from the point of credit origination to the point of sale to end-investors.

To better inform this analysis IOSCO asked industry participants to complete the respective surveys. The questionnaires' purpose is to support IOSCO's project by increasing its understanding of the LL and CLO markets. In particular, the questionnaires seek to determine where conduct issues and conflicts of interest occur as well as how market participants manage such issues.

Other General aspects

ECB publishes the Annual Report 2020.

The European Central Bank (ECB) published the Annual Report 2020, which points out that the euro area economy was struck by the extraordinary and severe coronavirus (COVID-19) pandemic shock in 2020.

Economic activity contracted sharply during the first half of the year as a consequence of lockdown measures and heightened risk aversion. The strong and coordinated monetary and fiscal policy reaction, combined with positive news on vaccines, helped stabilise activity in the second half of the year.

Overall, euro area GDP contracted by 6.6% in 2020. Annual headline inflation declined to 0.3%, from 1.2% in 2019, in large part as a result of falling energy prices, although there were also factors relating to the pandemic. For example, sectors that were hardest hit by the crisis, such as transport and hotels, contributed to the fall in inflation during the second half of the year.

The ECB substantially eased its monetary policy stance to counter the negative impact of the pandemic on the euro area economy, through a comprehensive set of measures that were recalibrated in the course of the year.
In January, the Governing Council launched a review of the ECB's monetary policy strategy, to ensure it remains fit for purpose. The review will consider whether and how the ECB should adjust its monetary policy strategy in response, and is expected to be concluded in the second half of 2021.

The European Banking Authority launches public consultation to enhance proportionality in liquidity reporting.

On April 28, 2021, the European Banking Authority (EBA) launched a public consultation on its draft implementing technical standards (ITS) on supervisory reporting with respect to Additional Liquidity Monitoring Metrics (ALMM). The EBA is looking to introduce some proportionality considerations in ALMM reporting for non-complex and small institutions.

It is possible that small and non–complex institutions will be exempted from reporting metrics in relation to concentration of funding by product type, the information on roll-over of funding and the funding price for various lengths of funding. The EBA is also proposing to exempt medium-sized institutions from reporting metrics on roll-over funding.

The aim of the additional reporting templates is to clarify the inconsistencies and gaps in the reported data as well as to streamline reporting requirements. The comment period for this consultation ends on July 28, 2021.

On April 8, 2021, European Securities and Markets Authority, published a report highlighting liquidity concerns for Alternative Investment Funds.

The European Securities and Markets Authority (ESMA) issued its third annual statistical report on the alternative investment fund (AIF) sector. The report has found that the sector increased by 15% in 2019 to EUR 6.8trn in net assets from EUR 5.9trn in 2018. The most prominent findings in the report include among others:

- Private equity funds account for 7% of the NAV of all AIFs, or EUR 456bn, and experienced the largest growth in 2019 (+28% compared with +66% in 2018). They follow a range of strategies and are almost exclusively sold to professional investors;
- The size of the EU AIF universe continued to expand to reach EUR 6.8tn in net asset value (NAV) at the end of 2019, a 15% increase from 5.9trn in 2018. The growth of the EU AIF market results from the launch of new AIFs in 2019 and positive valuation effects;
- The size of the EU hedge fund sector remained stable in 2019 at EUR 354bn, or 5% of all AIFs. However, when measured by gross exposures, hedge funds account for 62% of AIFs since they rely heavily on derivatives. Leverage is very high at more than 900% after adjustments, and particularly so for some strategies highly reliant on derivatives.

ESMA highlights need for increased efforts on EMIR and SFTR data quality.

On April 15, 2021, the European Securities and Markets Authority (ESMA) published its final report on the European Markets Infrastructure Regulations (EMIR) and Securitized Financing Transactions Regulation (SFTR) data quality. The report covers the progress made to date in improving EMIR data quality for regulatory and supervisory use and concludes that, while good progress has been made, additional efforts are needed by national competent authorities (NCAs) and ESMA to further improve EMIR data quality.

The Report is the first review of data quality since the introduction of the EMIR and SFTR reporting regimes. It also reviews the quality of data reported by trade repositories and gives an overview of actions taken by both ESMA and the NCAs to improve data quality.

ESMA publishes interim templates for STS synthetic securitization notifications.

On April 9, 2021, the European Securities and Markets Authority (ESMA) published the interim simple, transparent and standardized (STS) notification templates for synthetic securitizations following amendments to the Securitization Regulation. The interim templates allow originators to notify ESMA of synthetic securitizations that meet the STS criteria until the date of the application of the Regulatory Technical Standards (RTS) specifying the content and the format of STS notifications for synthetic securitizations. The interim STS notification templates may be used by originators on a voluntary basis which may be subject to possible changes following the entry into force of the RTS.

On April 13, 2021, the European Insurance and Occupational Pensions Authority (EIOPA) announced a consultation on a framework to address value for money risk in the European unit-linked market.

The EIOPA has launched a consultation on value for money risk in the European unit-linked insurance market. EIOPA has previously expressed concern that while unit-linked products can offer important benefits for policyholders, costs for some products remain too high.

The low interest rate environment, in addition to market shocks and the risk that many households may have reduced incomes, means that unit-linked products must offer consumers real value. As part of its consultation, EIOPA presents a framework that sets out how to assess whether unit-linked products offer value for money. To do this, manufacturers of unit-linked products should assess products to take account not only the product as a whole, but also the value of each component offered. They should test the product features in relation to the target market and, where products are complicated, ensure that the target market is precisely defined.
The framework, set out in the consultation paper, includes four principles around which unit-linked product governance should be structured. Stakeholders are invited to provide feedback on the principles and guidance by July 16, 2021.

The European Commission has launched a public consultation on instant payments.

The European Commission launched a public consultation, which aims to inform the Commission on remaining obstacles as well as possible enabling actions that it could take to ensure a wide availability and use of instant payments in the EU.

It will also enable the Commission to decide on whether EU coordinated action and/or policy measures are warranted in order to ensure that a critical mass of EU payment service providers (PSPs) offer instant credit transfers. The consultation also seeks to identify factors that would be relevant for stimulating customer demand (from consumers, corporate users and merchants alike) towards instant credit transfers.

This public consultation was addressed to a broad range of stakeholders: payment services users, PSPs and providers of supporting technical services, clearing and settlement mechanisms, relevant public authorities, national regulators and others.
The consultation is open for 12 weeks, from March 31, 2021 to June 23, 2021.

The Council of the European Union published a Commission staff working document on the movement of capital and the freedom of payments.

On April 7, 2021, the Council of the European Union published a Commission staff working document on the movement of capital and the freedom of payments.
This document reports on capital movements and policy initiatives on the free movement of capital in 2019-2020. It will feed into the Economic and Financial Committee's annual discussions on capital movements and the freedom of payments under Article 134 of the Treaty on the Functioning of the European Union (TFEU).

The first part of this report reviews global and EU capital flows and related economic developments mainly due to the COVID-19 crisis. The second part provides an EU legislative state of play in regard to Digital finance and payment services in the single market, as well as anti-money laundering arrangements.

It is pointed out that this Commission staff working document is for information purposes. It does not represent an official position of the Commission on this issue, nor does it anticipate such a position. It presents these topics in a non-technical format that is accessible to a non-specialist audience.

Basel Committee published work programme and strategic priorities for 2021-22.

On April 16, 2021, the Basel Committee on Banking Supervision (Basel Committee) published its work programme for 2021-22.
The work programme focuses on three key themes:
i) COVID-19 resilience and recovery. This includes ongoing monitoring and assessment of risks and vulnerabilities to the global banking system.
ii) Horizon scanning and mitigation of medium-term risks and trends. This includes work related to the ongoing digitalization of finance, climate-related financial risks, and the impact on banks' business models resulting from a "low-for-long" interest rate environment.
iii) Strengthening supervisory coordination and practices. The Basel Committee will focus on the role of artificial intelligence / machine learning in banking and supervision, data and technology governance by banks, operational resilience, and the role of proportionality in bank regulation and supervision.

The Basel Committee's Basel III related work will focus on monitoring the full, timely and consistent implementation of the standards by its members. It will also complete an evidence-based evaluation of the effectiveness of the Basel III reforms.

On May 27, 2021 the Bank for International Settlements (BIS) published an Executive Summary on Cyber resilience practices.

The Executive Summary highlights the main expectations by regulators and the role of supervisors regarding cyber risk exposure of the financial sector.

On one hand, it is stated that regulators expect banks to address cyber risk either in their specific cybersecurity strategies or in their risk management/information security frameworks. As far as Cyber incident response and recovery is concerned, they expect banks to establish a framework for incident response and recovery including disaster recovery requirements. It is also expected that banks account for information integrity and confidentiality when dealing with third-parties.

On the other hand, supervisors assess banks' monitoring of emerging threats and cybersecurity controls. They are developing metrics for measuring the quality of banks' cyber resilience. The main focus of these metrics is the use of information from reported incidents, surveys, and on-site inspections.

On May 6, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published its Risk Dashboard, after considering data of the fourth quarter of 2020 on prudential reporting and financial stability from 81 insurance groups and 2463 unassisted insurance undertakings.

The Risk Dashboard sums up the main vulnerabilities and risks in the European Union insurance sector based on specific risk indicators of the last quarter of 2020.

The results indicate that there is a medium level of insurers' exposure to most of the risk categories except macro risks. In addition, there was an increase of long-term yields across currencies during the first quarter of 2021 while financial markets remain generally stable. Solvency positions for non-life business showed a slight deterioration while life business improved. Moreover, because of a positive market performance of insurance companies, their profitability has improved but still remains at a lower level in comparison to pre-COVID levels.

During the first quarter of 2021, both life and non-life insurance sectors underperformed in the stock market. However, market perceptions show an increasing trend and generally remain at medium level.

On April 30, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) has launched a consultation on Interbank Offered Rates (IBOR) transitions.

The consultation takes into account alterations to EIOPA's risk-free rate (RFR) production and methodology stemming from the European Union Benchmark Regulation (EU BMR) which necessitates the transparency of financial benchmarks and their ability to measure in a representative way the latent economic reality.

The aim of EIOPA is the adoption of a standard approach for all currencies transitioning to the new rates. Besides recent market developments this approach considers all responses received to a discussion paper concerning IBOR transitions published in January 2020. Such an approach will allow EIOPA to keep on producing RFR term structures of high consistency.

EIOPA invites all interested stakeholders to provide their comments by July 23 through the use of the European Union Survey tool. The publication of the contributions will take place by the end of the consultation period.

On May 4, 2021, the European Banking Authority (EBA) initiated a discussion on Non-Performing Loans data templates by publishing a discussion paper.

NPL data templates have been incorporated into the overall strategy of the European Union since 2017 in order to tackle NPLs and play a pivotal role in establishing a common foundation for data exchange in secondary markets.

The paper's objective is to make these templates more effective, proportionate and user-friendly. By achieving this objective, price discovery will be enabled in a consistent manner across the market.

The discussion paper suggests certain changes to existing templates (e.g. asset class design, reduction of data fields, data category restructuring) based on feedback and user experience from all market participants. The number of data fields and critical cells in the revised templates have been reduced from 462 to 230 and 155 to a range of 30-70 respectively. However, the data fields continue to cover the same asset classes of the current version of the templates. In addition, existing data categories have been reduced and restructured for the sake of simplification, making their use simpler for market participants.

The consultation runs until August 31, 2021.

On April 23, 2021 the Basel Committee on Banking Supervision (BCBS) published a working paper that assesses the impact of Basel III reforms.

Supervisory agencies and Central banks have been at the forefront in the development and application of structural quantitative macroeconomic models in order to assess the impact of Basel III reforms.

The first part of the working paper by the BCBS provides a literature review of all quantitative macroeconomic models developed. More specifically, it reviews all transmission channels of financial shocks that are prevalent in the literature of the last 15 years. It makes a distinction between Dynamic Stochastic General Equilibrium models and empirical time-series models on one hand and alternative models that assess potential new channels and issues on the other hand.

The second part of the paper uses “off-the shelf” macro-finance models to produce a simulation of regulatory scenarios that copy the implementation of Basel III reforms providing new estimates of their impact. The robustness of the findings is ensured by the plethora of models and jurisdictions where the assessment of the impact takes place, meaning the European Central Bank, the Bank of France, the Central Bank of Norway and the Board of Governors of the Federal Reserve System.

On May 6, 2021 the European Central Bank published its response to the European Commission’s (EC) consultation regarding the review of the bank crisis management and deposit insurance framework in the European Union (EU).

The ECB welcomed the consultation by the EC that focuses on three legislative texts:

1. The Single Resolution Mechanism Regulation;
2. The Deposit Guarantee Schemes Directive;
3. The Bank Recovery and Resolution Directive.

The ECB pointed out that enhancements to the crisis management framework should involve all stages of a crisis and also that powers and tools accessible by authorities must be effective in tackling a crisis before a bank is considered failing. ECB makes many key points in its response, some of them are presented below:

- Clarifications should be made to the early intervention framework to allow for an easier practical implementation;
- The creation of a European administrative liquidation framework by the European Deposit Insurance Scheme is supported by the ECB to improve the impact of the crisis management framework for banks that go into liquidation;
- In the context of banks under national liquidation frameworks, the administrative liquidation powers should be granted to the respective national resolution authorities;
- An investigation should take place in order to assess if conditions for accessing liquidation aid and resolution funds need to be revised;

Progress regarding the facilitation of cross-border banking within EU should remain a priority.

On April 28, 2021 the European Banking Authority (EBA) initiated a public consultation regarding its draft guidelines on the reporting and delineation of available financial means (AFM) of Deposit Guarantee Schemes (DGSs).

The draft Guidelines have been created as mandated by Articles 16(1) and 26(2) of Regulation (EU) No 1093/2010 (EBA Regulation). Their aim is to coordinate the funding of DGSs according to Article 10(1) of Directive 2014/49/EU (DGSD).

In other words, the purpose of the Guidelines is to ensure that the only funds that count towards reaching the target level of the DGS fund are the ones contributed by credit institutions and thus preventing a scenario where a DGS could reach a target level by taking out a loan.

This clarification is provided by using the existing DGSD as a legal basis. More specifically the draft Guidelines make it clear that AFM are consisted of two subsets:

1. Qualified AFM (QAFM) which are funds emanating directly or indirectly from DGS member institution contributions;
2. Other AFM which are funds that are not QAFM and thus do not count towards meeting the target level of the DGS fund.

As far as reporting is concerned, the Guidelines will broaden the reporting requirements from DGSs to the EBA by requesting the reporting on unclaimed payments and outstanding liabilities of DGSs.

Recovery and Resilience Facility: Germany and Greece submit official recovery and resilience plans.

On April 28, 2021, the Commission received official recovery and resilience plans from Germany and Greece. These plans set out the reforms and public investment projects that each Member State plans to implement with the support of the Recovery and Resilience Facility (RRF).

Greece has requested a total of €30.5 billion in support under the RRF, €17.8 billion in grants and €12.7 billion in loans.

On May 10, 2021, the European Banking Authority (EBA) published 2020 data relating to two key concepts and indicators in the Deposit Guarantee Schemes Directive (DGSD).

The EBA publishes this data on a yearly basis to enhance the transparency and public accountability of deposit guarantee schemes (DGSs) across the European Economic Area (EEA) to the benefit of depositors, markets, policymakers, DGSs and Members States.

A significant increase in Available Financial Means (AFM) in 2020 was the result of the DGS receiving recoveries from a previous intervention. In other instances, DGSs experienced a significant drop in AFM following bank failures where they had to use their AFM to reimburse depositors.

In 2020, the covered deposits increased significantly throughout the European Economic Area, reaching a year on year growth rate of 8.6%, which is twice the annual growth rate for the period from 2015-2019 of 4.3%.

The increases in covered deposits mean that the ratio of AFM to covered deposits increased by less than it would have otherwise, which means that the DGS contributions might be higher in the next years.

On May 7, 2021, the European Insurance and Occupational Pensions Authority (EIOPA) launched its annual stress test for the European insurance market.

EIOPA's insurance stress test identifies the European market's vulnerabilities and assesses its resilience in cases adverse economic and financial conditions. The stress test was developed by EIOPA in cooperation with the European Systemic Risk board and includes a sample of 44 European (re)insurance undertakings selected based on EU wide market coverage, size, number of represented jurisdictions and local market coverage. This sample covers 75% of the European Economic Area.

The test is based on a prolonged Covid-19 scenario and will evaluate the adverse economic effects of the Covid-19 pandemic that prolong economic contraction and lower the confidence of stakeholders worldwide. In more detail, this stress test will assess the pandemic's impact on the liquidity position and capital of insurance undertakings.

Ultimately, based on the stress test's Covid-19 impact assessment, EIOPA will be able to consider potential recommendations to the insurance industry, promote engagements between supervisors and insurers on possible remedial actions and estimate potential spill-over from the insurance sector caused by worldwide reactions to the shocks prescribed.

On May 20, 2021, the European Central Bank (ECB) published a discussion paper on macroprudential policies from a risk management perspective.

The aim of macroprudential policymakers is to determine medium-term downside risks to the economy that stem from financial imbalances and develop policies to effectively manage such risks. In doing so, they are dealing with an inherent intertemporal trade-off downside risks and the expected growth.

This discussion paper revisits the literature on Growth-at-Risk, incorporates it in the broader literature on macroprudential policy and comes up with an empirical risk management framework that puts together insights from both literatures by predicting GDP growth distribution in its entirety. The predictions are made by implementing a structural quantile vector autoregressive model. This particular model was selected because it allows for potential non-linear amplification effects and takes into consideration the direct and indirect interaction between financial stress, financial vulnerabilities and real GDP growth.

The presented framework provides macroprudential policymakers with a tool to effectively monitor the real economy's downside risks. Finally, it can also be used as a macroprudential stance metric that quantifies interventions in cases where they may be beneficial.

EBA announces plans for the 2021 EU-wide Transparency exercise and EBA Risk Assessment Report.

On May 18, 2021, the European Banking Authority (EBA) announced that the annual 2021 EU-wide Transparency exercise will be carried out in autumn and the information on banks' exposures and asset quality during the crisis will be released to market participants. The exercise will cover the figures from the second half of 2020 and the first half of 2021. The exercise is planned to be launched in September and the results are expected to be published at the beginning of December, along with the EBA Risk Assessment Report.

On May 2021 the European Central Bank (ECB) published, as part of the Financial Stability Review, the disciplining effect of supervisory scrutiny in the EU-wide stress test.

The ECB provides evidence that supervisory scrutiny that comes with stress testing can have a disciplining effect on bank risk. The paper is based on the EU-wide Stress Test conducted in 2016 by the European Banking Authority and the European Central Bank. ECB's findings corroborate existing evidence from U.S. stress tests showing reduced bank risk after testing. Exploiting the institutional design of the European stress test, ECB is able to measure stress test related scrutiny by creating metrics based on documented interactions between supervisors and tested institutions. The European design offers a good testing ground to highlight the effect of supervisory scrutiny in contrast to other channels through which stress tests can affect bank risk, most notably from effects stemming from stress-test induced capital measures.

On June 3, 2021, the European Insurance and Occupational Pensions Authority (EIOPA) published technical information on the relevant risk-free interest rate term structures (RFR) for the end of May.

Technical information relating to risk-free interest rate (RFR) term structures is applied in order to calculate the technical provisions for (re)insurance obligations and is published Monthly.

The RFR calculations have been performed based on the content of the Technical Documentation published on May 31, 2020, and the RFR coding issued on October 8, 2019.

All the documents are available on RFR specific area on EIOPA's website.

On June 2, 2021, the Financial Stability Board (FSB) published a report on overnight Risk-Free Rate (RFR) derived term rates.

Interest rate benchmarks play a pivotal role in global financial markets. To ensure financial stability, benchmarks must be especially robust. The FSB, seeks to enhance financial systems and strengthen the stability of global financial markets.

According to the report, transition to the use of robust overnight RFRs as the foundation for interest rate derivative markets is of outmost importance for a number of reasons:

- Derivative markets represent a big and often highly leveraged proportion of exposures to interest rate benchmarks.
- The overnight index swap (OIS) structure substantially reduces the incentive to manipulate individual IBOR settings by removing the stub payment risk.
- Deep and liquid derivative markets based on the overnight RFRs are an important part for the creation of robust term benchmarks.
- Because of their basis in inputs from other derivatives markets, widespread use of term RFRs in derivatives would create the possibility for actual or perceived conflicts of interest for market participants.

The FSB acknowledged that in certain cases it is possible for RFR-derived term rates to play a role and pointed out the circumstances where limited use of RFR-based term rates would be on point with financial stability.

On June 3, 2021, the European Banking Authority (EBA) updated its technical standards in view of its 2022 benchmarking of internal approaches.

EBA published an update concerning the implementation of technical standards on benchmarking of internal approaches. The updated technical standards include all benchmarking portfolios and metrics that will be used for the 2022 exercise. The benchmarking exercise is an essential supervisory tool to enhance the quality of internal models, which is particularly important in a stressed economic situation.

The exercise covers approved internal approaches used for own funds requirements calculation of credit and market risks as well as internal models used for IFRS 9. The draft implementing technical standards will be submitted to the European Committee for endorsement before being published in the Official Journal of the European Union.

The Capital Requirements Directive (CRD) IV requires competent authorities to conduct an annual assessment of the quality of internal approaches used for the calculation of own funds requirements. To assist competent authorities in this assessment, EBA calculates and distributes benchmark values against which risk parameters of individual institutions can be compared. These benchmark values are based on data submitted by institutions as laid out in the Commission Implementing Regulation 2016/2070, where the benchmarking portfolios, templates, and definitions to be used as part of the annual benchmarking exercises are specified in more detail.

EBA updates list of risk indicators and analysis tools.

On June 7, 2021, the European Banking Authority (EBA) issued an updated list of indicators for risk assessment and risk analysis tools, together with the accompanying methodological guide. This guidance, which describes how risk indicators are computed in EBA publications, allows Member State competent authorities and users of EBA data to interpret key bank figures in a consistent fashion when conducting their risk assessments and analyses.

This update includes additional indicators on the topics of COVID-19, funding plans, resolution, and remuneration, as well as updates to other indicators, which are used to better understand institutions' profitability, exposures to sovereign counterparties and own funds requirements for operational risk, among other things.

FSB published a note summarizing the main issues raised and views expressed in responses to the discussion paper on regulatory and supervisory issues on outsourcing and third-party relationships.

On June 14, 2021, the Financial Stability Board (FSB) published a note which summarizes the main issues raised by respondents to its discussion paper on regulatory and supervisory issues relating to outsourcing and third party relationships.

In the FSB discussion paper financial institutions and third parties were invited to provide comments on:

- The key challenges in identifying, managing and mitigating the risks relating to outsourcing and third-party relationships (including risks in sub-contractors and the broader supply chain).
- Possible ways to address these challenges and mitigate related risks, including in a cross-border context.
- Lessons learnt from COVID-19 relating to outsourcing and third-party relationships.

In relation to COVID-19 the FSB notes that most respondents did not mention significant issues with regard to financial institutions' outsourcing or third party relationships. However, respondents also recognized that the pandemic had increased financial institutions' dependence on technologies and services provided by third parties, which highlighted the importance of incorporating risks associated with outsourcing and third-party relationships within the scope of financial institutions' overall (firm-wide) business continuity plans and risk management frameworks. The FSB also notes that a few public authorities observed that the categorization of critical services at some financial institutions may need to be revisited in light of the pandemic. Some services that had been categorized as "not critical" were found to be material. In this regard, analyzing the criticality of outsourced services based on different possible scenarios (including for pandemic) should be considered.

EBA consults on institutions' Pillar 3 disclosure of interest rate risk exposures.

On May 28, 2021 the European Banking Authority (EBA) published a consultation paper on draft implementing technical standards (ITS) amending Implementing Regulation (EU) No 637/2021 on disclosure of information on exposures to interest rate risk on positions not held in the trading book in accordance with Article 448 of the Capital Requirements Regulation (CRR).

Article 448 of the CRR requires institutions to disclose, from 28 June 2021, quantitative and qualitative information on the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of their non-trading book activities referred to in Article 84 and Article 98(5) of the Capital Requirements Directive (CRD). To implement this disclosure, the EBA has developed these drafts ITS amending Implementing Regulation (EU) 637/2021.

The EBA has separately published templates and instructions in Annex I and Annex II to the consultation paper.

The consultation period ends on August 30, 2021 and EBA plans to submit the final implementing standards to the European Commission in October 2021.

Other

The European Payment Council (EPC) published a guide for joining payment service providers.

On May 4, 2021, EPC published a 20-page guide for joining payment service providers, in the "SEPA Request-to-Pay" scheme.

The document provides detailed guidelines and template applications forms for applicants wishing to join the EPC managed SEPA Request-to-Pay scheme. It is directed at institutions that wish to join the schemes as participants and agents applying on behalf of applicants, providing these entities a step-by-step guide on the process established by EPC for adhering to the scheme.

Publication of ECB legal acts on supervisory requirements for systemically important payment systems.

On May 5, 2021, the following ECB legal acts concerning the requirements for the supervision of systemically important payment systems were published in the Official Journal of the EU:

- Regulation (EU) 2021/728 "amending Regulation (EU) No 795/2014 on supervision requirements for systemically important payment systems" (ECB / 2021/17).
- Decision (EU) 2021/729 "amending Decision (EU) 2017/2098 on procedural aspects of the imposition of remedial action in cases of non-compliance with Regulation (EU) No 1021/729. 795/2014" (ECB / 2021/18).
- Decision (EU) 2021/730 "amending Decision (EU) 2109/1349 on the procedure and conditions for the exercise of certain powers of oversight of systemically important payment systems by the competent authorities" (ECB / 2021/19).

On May 17, 2021, the Hellenic Bank Association (HBA) published the terms and conditions for the establishment and operation of the Bank of Greece Regulatory Sandbox.

On May 17, 2021, the HBA published (Government Gazette B '2018) the No. 189/1 /14.05.2021 RIP of the Bank of Greece on the terms and conditions of establishment and operation of the Protected Regulatory Environment ("Regulatory Sandbox").

"Protected Regulatory Environment" means the mechanism that is established and operates in accordance with the terms and conditions of this RIP and provides institutions within its scope with the opportunity to try out innovative financial services / products based on financial technology ("Fintech"), based on a specific testing program agreed and monitored by the Bank of Greece.

The structure of this RIP is as follows:

- Section A contains provisions on the scope,
- Section B contains the relevant definitions,
- Section C contains provisions for support provided within the Protected Regulatory Environment,
- Section D contains provisions on eligibility criteria,
- Section E contains provisions for the stages of the Protected Environment, and
- Section F contains the final provisions.

On May 26, 2021, Commission presents guidance to fortify the Code of Practice on Disinformation.

On May 26, 2021, the Commission publishes its guidance on how the Code of Practice on Disinformation, the first of its kind worldwide, ought to be reinforced to turn into a more powerful device for countering disinformation.

It sets out Commission expectations, calls for stronger commitments by the signatories and anticipates a more extensive investment to the Code. Based on a robust monitoring framework and clear performance indicators, signatories ought to diminish monetary motivators to disinformation, empower users to take an active role in forestalling its spread, better cooperate with fact-checkers across EU Member States and languages, and give a structure to admittance to information for researchers.

- Larger participation with custom fitted commitments.
- Demonetize disinformation.
- Ensure the integrity of services.
- Empower users to comprehend and point out disinformation.

On May 31, 2021, EBA and ESMA published a provisional list of instruments and funds for the smallest investment firms under the Investment Firms Regulation.

The European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) jointly published a provisional list of additional instruments and funds that competent authorities may allow to be used as own funds for some of the smallest investment firms. These firms include only non-legal persons or joint-stock companies, or those that meet the conditions for qualifying as small and non-interconnected investment firms, as defined in the Investment Firms Regulation (also IFR or Regulation 2019/2033). The list is provisional and intended to provide guidance to investment firms and competent authorities ahead of the application of the requirements of the Investment Firms Regulation, as of June 26, 2021.

The provisional list is based on the information received from national competent authorities across EU and includes instruments and funds that national competent authorities may permit to be used as own funds, in addition to the instruments included in the Common Equity Tier 1 (CET1) list published by EBA in accordance with the Capital Requirements Regulation (CRR). Therefore, instruments and funds of investment firms will be allocated either to this new list or to the existing CET1 list, depending on their nature. EBA and ESMA will assess the terms and conditions of all instruments and funds included in this provisional list against regulatory provisions at a later stage and, subsequently, update, maintain, and publish the list on a regular basis.

On June 2, 2021, the Financial Stability Board (FSB) issued statements to support a smooth transition away from LIBOR by end 2021.

FSB welcomed the International Organization of Securities Commissions (IOSCO) statement on benchmark transition and published a set of documents to support the transition away from London Inter-bank Offered Rate (LIBOR) by the end of 2021.

FSB published an updated global transition roadmap summarizing the appropriate steps firms will need to follow in order to complete their transition, a paper reviewing overnight risk-free rates and term rates and a statement on the use of ISDA spread adjustments in cash products supporting the transition in loan markets.

Also published was a statement encouraging authorities to set globally consistent expectations that regulated entities should cease the new use of LIBOR in line with its relevant timelines. FSB announced that it plans to publish its next progress report on LIBOR transition in November 2021.

On June 9, 2021, the European Commission welcomed the European Parliament's decision to adopt the Neighborhood, Development and International Cooperation Instrument (NDICI) – 'Global Europe' for the period 2021-2027.

This is the final step of the adoption process following the negotiations between the European Parliament, the Council and the Commission. With this decision , the EU will be able to use €79.5 billion in current prices to foster global recovery over the next seven years. This envelope will be used for international partnerships on sustainable development, climate change, democracy, governance, human rights, peace and security in our neighboring countries and beyond. The new instrument will particularly support countries most in need to overcome their long-term developmental challenges and will contribute to achieving the international commitments and objectives that the Union has agreed to, in particular the Sustainable Development Goals, the Agenda 2030 and the Paris Agreement. It merges several current external financing instruments under the EU budget.

On June 8, 2021, the Commission proposed an annual EU budget of €167.8 billion for 2022, to be complemented by an estimated €143.5 billion in grants under NextGenerationEU.

Their combined firepower will mobilize significant investments to boost the economic recovery, safeguard sustainability, and create jobs. It will prioritize green and digital spending in order to make Europe more resilient and fit for the future. The draft budget 2022, boosted by NextGenerationEU, directs funds to where they can make the greatest difference, in line with the most crucial recovery needs of the EU Member States and our partners around the world. The funding will help rebuild and modernize our Union, by fostering the green and digital transitions, creating jobs and strengthening Europe's role in the world.

NextGenerationEU: European Commission endorses Greece's €30.5 billion recovery and resilience plan.

On June 17, 2021, the European Commission adopted a positive assessment of Greece's recovery and resilience plan. This is an important step towards disbursing €17.8 billion in grants and €12.7bn in loans under the Recovery and Resilience Facility (RRF) over the period 2021-2026. This financing will support the implementation of the crucial investment and reform measures outlined in Greece's recovery and resilience plan. It will play a key role in enabling Greece emerge stronger from the COVID-19 pandemic. The RRF – at the heart of NextGenerationEU – will provide up to €672.5bn (in current prices) to support investments and reforms across the EU.

The Council will have four weeks, as a rule, to approve the Commission's proposal. The approval of the plan by the Council will allow the disbursement of 4 billion euros in pre-financing to Greece. This amount represents 13% of the total amount that will be allocated to Greece.

The Commission evaluated Greece's plan on the basis of the criteria set out in the RRF regulation. It was examined whether the investments and reforms defined in the Greek plan support the green and digital transition, whether they contribute to effectively addressing the challenges identified in the European Semester and whether growth dynamics, job creation and economic and social resilience are strengthened.

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

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

ITS
Implementing Technical Standards

IT
Information Technology

LCR
Liquidity Coverage Ratio

LIBOR
London Inter-Bank Offered Rate

MiCA
Markets in Crypto Assets

NPEs
Non-Performing Exposures

NPL
Non-Performing Loans

APPENDIX: GLOSSARY

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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