THE FINANCIAL SERVICES INSIDER

Risk & Regulatory insights

Regulatory updates

October 2022

Highlights

While the Russian - Ukraine war is escalating, and the 8th sanctions package been adopted just a couple of days ago, markets and the economy as a whole are still facing numerous challenges from high inflation, ongoing rate hikes at both sides of the Atlantic, and geopolitical instability while new supply chain disruptions emerge.

Already from the previous quarter ESRB, ESMA and other authorities have concluded that the risks to financial stability have increased quite significantly. More specifically credit risk continues to remain high and expected to increase further while contagion, operational, liquidity and market risks are on the rise.

Against this background and given the continued increases at cost of living and operating expenses, fears about a new generation of bad debts, are increasing, making thus supervisors and regulators more skeptical about the evolutions as despite the good capital and liquidity ratios of the Banks, impairments are generally expected to increase.

These concerns become more obvious when looking at the 2023 work plans as they gradually get issued (e.g EBA) while increased emphasis is been placed also at aspects regarding digital finance challenges, crypto assets regulations, following the recent evolutions and of course the green agenda continues to remain quite high. Regarding the last aspect, and as EFRAG's operations continue, last July the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) released a joint report on how climate shocks can affect the European financial system. Among other findings the points that higher corporate defaults and credit losses for banks should be expected in case of not timely taking proper actions, are clearly depicted. Also, at the aftermath of relevant climate stress tests results announcement, various other analysis and decisions were made regarding a variety of climate change / environmental and sustainable finance aspects (e.g. ratings collaterals etc.).

Regarding other evolutions, an executive summary of Q3 2022 major updates follows.

Highlights

Anti-Money Laundering (AML)

FATF updated its guidance for a risk-based approach for the real estate sector. Also, European Commission presented a proposal for a new Cyber Resilience Act.

Capital Markets

ESMA launched a consultation regarding CO and DTO while ECB published the results of the June 2022 survey on credit terms and conditions in euro-denominated SESFOD. Moreover, ECB temporarily removes 0% interest rate ceiling for remuneration of government deposits.

Environmental, Social and Governance (ESG)

EC i) proposed rules to simplify procedures for State aid to green transport, ii) announced investments of more than €1.8 billion in clean tech projects, iii) approved Greek scheme under RRF to support development of electricity storage facilities and iv) published the third EIR. ECB released i) its 2022 environmental statement and ii) a joint report on how climate shocks can affect the European financial system. Furthermore, BIS published a report that examines incorporation of climate risks into the international reserve management framework while ESMA provided comments on first draft of ESRS.

FinTech

FSB issued statement on the international regulation and supervision of crypto-asset activities while ECB published a working paper on the economics of CBDC.

Insurance

EIOPA published i) a staff paper on the proposal for an IRRD, ii) a consultation relating to a draft supervisory statement on differential pricing practices, iii) peer review on outsourcing and iv) its report on data quality in Solvency II reporting. Furthermore, Insurance Europe published its response to i) a consultation by the FSB on supervisory and regulatory approaches to climate-related risk, ii) a targeted consultation conducted by the EC on an open finance framework, iii) EIOPA consultation on a supervisory statement on insurance product exclusions for risks arising from systematic events, iv) a consultation conducted by ISSB regarding exposure drafts of two IFRS SDS, v) EC proposal for EHDS, vi) a consultation conducted by EC on the review of the ELD and vii) a consultation by EFRAG on its draft ESRS. Moreover, Insurance Europe published i) a report regarding preliminary 2021 figures and ii) its comments on the review of the revised PSD2.

Highlights

MIFID II

ESMA i) reviews MIFID II product governance guidelines and ii) made new bond liquidity data available and published data for the SI calculations. Furthermore, ESMA published final guidelines on MIFID II Suitability Requirements and a report on the DLT pilot regime.

Risk Management

EBA i) launched discussion on 2023 EU-wide stress test methodology, ii) published its final guidelines on the criteria for the exemption of investment firms from liquidity requirements in accordance with IFR, iii) updated data on deposit guarantee schemes across the EEA and iv) launched 2022 EU-wide transparency exercise. ESMA proposed key indicators for retail investors. Furthermore, ESMA and EBA published guidelines to harmonize the SREP of investment firms while CPMI and IOSCO published a discussion paper on CCPs' practices for addressing non-default losses.

Other

ESMA published annual peer review of EU CCP supervision while FSB published its annual financial report for 2021 – 2022. Furthermore, EBA updated version 5.2 of its filing rules for supervisory reporting and ECB published monetary policy decisions and its Economic Bulletin. Moreover, EBA published its work program for 2023 and EC raised a further €12 billion for Europe's recovery.

Anti-Money Laundering (AML)

FATF updated its guidance for a risk-based approach for the real estate sector.

FATF: Risk-based approach guidance for the real estate sector.

On July 26, 2022 the Financial Action Task Force (FATF) updated its guidance for a risk-based approach for the real estate sector with input from the private sector, including through a public consultation in March-April 2022.

State of the Union: New EU cybersecurity rules ensure more secure hardware and software products.

On September 15, 2022 the European Commission presented a proposal for a new Cyber Resilience Act to protect consumers and businesses from products with inadequate security features. A first ever EU-wide legislation of its kind, it introduces mandatory cybersecurity requirements for products with digital elements, throughout their whole lifecycle.

The measures proposed are based on the New Legislative Framework for EU product legislation and will lay down:

- rules for the placing on the market of products with digital elements to ensure their cybersecurity;
- essential requirements for the design, development and production of products with digital elements, and obligations for economic operators in relation to these products;
- essential requirements for the vulnerability handling processes put in place by manufacturers to ensure the cybersecurity of products with digital elements during the whole life cycle, and obligations for economic operators in relation to these processes. Manufacturers will also have to report actively exploited vulnerabilities and incidents;
- rules on market surveillance and enforcement.

Capital Markets

ECB temporarily removes 0% interest rate ceiling for remuneration of government deposits.

ESMA launched a consultation regarding CO and DTO.

On July 11, 2022 the European Securities and Markets Authority (ESMA) launched a consultation exploring the extension of the scope of both the Clearing Obligation (CO) and the Derivatives Trading Obligation (DTO).

The proposals contained in the consultation, based on the progress made with the benchmark transition in the interest rate derivative market, introduce additional classes to the scope of the CO and of the DTO. These changes complement the first set of changes developed also in the context of the benchmark transition.

ESMA's proposal includes:

- for the CO
  - the introduction of the overnight indexed swap (OIS) class referencing TONA (JPY);
  - the expansion of the maturities in scope of the CO for the OIS class referencing SOFR (USD); and
- for the DTO – the introduction of certain classes of OIS referencing €STR (EUR), which have shown a substantial increase in liquidity over the last months.

Results of the June 2022 survey on credit terms and conditions in euro-denominated SESFOD.

On July 29, 2022 the European Central Bank (ECB) published the results of the June 2022 survey on credit terms and conditions in euro-denominated securities financing and over-the-counter derivatives markets (SESFOD). The survey collected qualitative information on changes between March 2022 and May 2022. The results are based on the responses received from a panel of 25 large banks, comprising 14 euro area banks and 11 banks with head offices outside the euro area.

According to the survey:

- Tighter credit terms and conditions offered by banks to counterparties, relatively contained despite the war in Ukraine.
- Higher demand for funding secured against government bonds but lower demand for funding secured against equities.
- Clients' liquidity needs resulting from variation margin requirements on their volatile commodity derivative portfolios largely met using credit lines.

ECB temporarily removes 0% interest rate ceiling for remuneration of government deposits.

On September 08, 2022 the Governing Council of the European Central Bank (ECB) decided to temporarily remove the 0% interest rate ceiling for remunerating government deposits. Instead, the ceiling will temporarily remain at the lower of either the Eurosystem's deposit facility rate (DFR) or the euro short-term rate (€STR), also under a positive DFR. The measure is intended to remain in effect until 30 April 2023. This change will prevent an abrupt outflow of deposits into the market, at a time when some segments of the euro area repo markets are showing signs of collateral scarcity, and will allow for an in-depth assessment of how money markets are adjusting to the return to positive interest rates.

CPMI and IOSCO published a report on access to central clearing and portability.

On September 8, 2022 the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) published a report on access clearing and portability, aiming to enhance common understanding of new access models that enable direct access to CCP services by the clients. The report also focuses on effective porting, or transferring, practices for their positions.

The client clearing process facilitates access to CCPs, particularly for firms – known as 'clients' – that are not direct participants in a CCP and must rely on intermediaries to indirectly clear their trades. Since some entities cannot, or choose not to, directly participate in a CCP, improving access to client clearing is critical to the success of the

G20’s objective to have all standardized over-the-counter derivatives contracts cleared through CCPs.

In this context, the report takes into account the potential benefits and challenges of the new access models developed by CCPs, considering also the received industry feedback.

EBA published final RTS on the performance-related triggers for non-sequential amortization systems in STS on-balance-sheet securitizations.

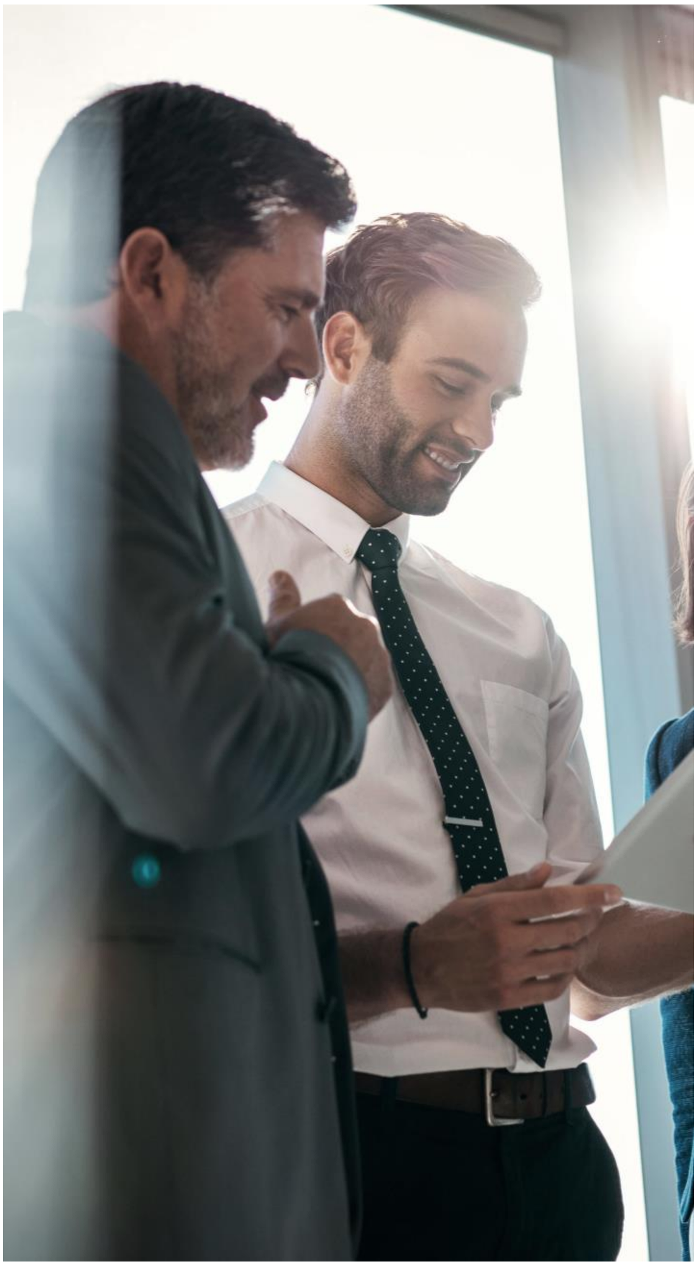
On September 20, 2022 the European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) detailing the minimum performance-related triggers for simple, transparent and standardized (STS) on-balance-sheet securitizations that feature non-sequential amortization.

The Securitization Regulation was amended in several aspects by the Capital Markets Recovery Package, including creating a specific framework for STS on-balance-sheet securitization to ensure that an additional tool to foster economic recovery in the aftermath of the COVID-19 crisis is provided by the Union securitization framework.

The amended Regulation states that sequential amortization shall be applied to all tranches of STS on-balance-sheet securitizations. However, as long as some minimum performance-related triggers determine the application of sequential amortization, non-sequential amortization might be featured on the STS on-balance sheet to avoid disproportionate costs of protection. This will ensure that tranches providing credit protection have not already been amortized when significant losses occur at the end of the transaction.

In addition, the minimum backward and forward-looking triggers and establish criteria to be fulfilled by the parties involved in the securitization are further specified by the RTS. In this context, in the case of the minimum backward-looking triggers, the parties involved in the securitization shall test the effectiveness of the trigger in a back-loaded loss distribution scenario considering the losses expected over the maturity of the transaction at inception.

Finally, the RTS contain transitional provisions in respect of STS on-balance-sheet securitizations, which include triggers related to the performance of the underlying exposures in accordance with Article 26c (5) of the Securitization Regulation, and which were notified to ESMA before the entry into force of this Regulation.



Environmental, Social and Governance (ESG)

EC approved Greek scheme under RRF to support development of electricity storage facilities.

State aid: EC proposed rules to simplify procedures for State aid to green transport.

On July 06, 2022 the European Commission (EC) proposed a Council Regulation enabling the Commission to exempt from prior notification under EU State aid rules certain types of aid for rail, inland waterway and multimodal transport, with the objective of promoting green transport.

The new Council Regulation, proposed in the context of the revision of the State aid Railway Guidelines, will enable the Commission to declare certain categories of State aid to greener modes of transport compatible with the internal market. These include certain types of aid in favor of rail, inland waterway, and multimodal transport, in particular aid supporting the coordination of transport, that have a limited potential of distorting competition. Following the adoption of the proposed Regulation by Council, the Commission intends to adopt a Block Exemption Regulation relieving Member States from the obligation of prior notification to the Commission of aid measures falling within these categories.

Innovation Fund: EU invests €1.8 billion in clean tech projects.

On July 12, 2022 the EU Commission announced investments of more than €1.8 billion in 17 large-scale clean tech projects, which together have the potential to save 136 million tons of CO2eq over their first 10 years of operation. The projects are located in Bulgaria, Finland, France, Germany, Iceland, the Netherlands, Norway, Poland, and Sweden.

Grants will be disbursed from the EU's Innovation Fund, one of the world's largest funding programs for the demonstration of innovative low-carbon technologies. Aimed at bringing breakthrough technologies to the market in energy-intensive industries, the investments target areas including hydrogen, renewable energy, carbon capture, and storage infrastructure, and manufacturing of key components for energy storage and renewables.

The projects cover a wide range of sectors, contributing to the EU's decarbonization efforts, including distribution and use of green hydrogen, waste-to-hydrogen, offshore wind, manufacturing of photovoltaic (PV) modules, battery storage, and recycling, carbon capture and storage, sustainable aviation fuels, and advanced biofuels.

The projects were selected under the second call for large-scale projects, which was launched in October last year. The first call awarded grants of €1.1 billion to 7 projects in energy-intensive industries, hydrogen, carbon capture, use and storage, and renewable energy.

Climate shocks can put financial stability at risk, ECB/ESRB report shows.

On July 26, 2022 the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) released a joint report on how climate shocks can affect the European financial system.

According to the report:

- Climate risk shocks could spread throughout the financial system, notably in the event of a disorderly green transition.
- Financial market losses from abruptly repricing climate risks could affect investment funds and insurers as well as trigger corporate defaults and credit losses for banks.
- Macroprudential and microprudential policies should work in tandem to mitigate systemic risk

Incorporating climate-related risks into international reserve management frameworks.

On July 29, 2022 the Bank for International Settlements (BIS) published a report by the Consultative Group on Risk Management (CGRM) that examines incorporation of climate risks into the international reserve management framework.

The report focuses on the methodological and data challenges faced by central banks as they consider climate-related risks as part of their reserve management frameworks. A significant methodological challenge is the difficulty in modelling climate factors and their connection to portfolio risk and return characteristics.

Environmental, Social and Governance (ESG)

The lack of comprehensive, timely and accurate climate risk data is another key challenge for reserve managers. Additionally, incorporating environmental social, and governance (ESG) considerations into international reserve management frameworks would need to be aligned with the pillars of safety, liquidity and profitability and also be consistent with central banks' legal mandates. Despite these challenges, some reserve managers are gradually adding climate-related risk metrics into their risk management frameworks and are improving the disclosure.

ECB environmental statement 2022.

On July 29, 2022 the European Central Bank (ECB) released its 2022 environmental statement, reviewing its progress in reducing the environmental impact of its in-house activities. The statement covers a range of environmental initiatives undertaken by the ECB, including measures to decrease travel, conserve water and reduce waste.

ESMA provided comments on first draft of ESRS.

On August 08, 2022 ESMA published its response to the European Financial Reporting Advisory Group's (EFRAG) public consultation on its first set of draft European Sustainability Reporting Standards (ESRS), together with an annex containing technical remarks on the details of the draft standards.

The draft ESRS are a key element to achieve the Corporate Sustainability Reporting Directive's (CSRD) ambition of ensuring sustainability reporting, which is relevant, reliable, comparable, and understandable.

ESMA's response:

- highlights its support for a strong materiality assessment but expresses its concern with the suggested "rebuttable presumption" approach.
- encourages EFRAG to keep engaging with the International Sustainability Standards Board to ensure further alignment of the ESRS and the IFRS Sustainability Standards to benefit both users of sustainability reporting and the companies that prepare the reporting.

EFRAG is expected to deliver its final draft ESRS to the European Commission in November 2022.

State aid: EC approved Greek scheme under RRF to support development of electricity storage facilities.

On September 05, 2022 the European Commission (EC) approved, under EU State aid rules, a Greek measure with an estimated budget of €341 million to support the construction and operation of storage facilities in the electricity system. The measure will be partly funded by the Recovery and Resilience Facility (RRF), following the EC's positive assessment of the Greek Recovery and Resilience Plan and its adoption by the Council. The measure aims at allowing a smooth integration in the Greek electricity system of an increasing share of renewable energy coming from wind and solar sources. The scheme will also contribute to the EU's strategic objectives relating to the EU Green Deal.

Environmental implementation: EC urges better application of EU environmental rules to protect human health and the environment.

On September 08, 2022 the European Commission (EC) published the third Environmental Implementation Review (EIR), a key reporting tool that supports environmental enforcement and raises awareness about the importance of implementing environmental rules. Bridging the gap between what is decided at Union level and what is implemented on the ground is essential to ensure good environmental outcomes for citizens, and to maintain a level playing field for businesses while creating opportunities for economic development.

This EIR draws conclusions and defines common trends at EU level, based on 27 individual country reports showing the state of play in the implementation of EU environmental law. It includes a wealth of information about how well EU governments are protecting the quality of the air citizens breathe, the water they drink and the nature they enjoy. Furthermore, the review sets out priority actions for improvement in each Member State.

Environmental, Social and Governance (ESG)

Disclosure of climate change risk in credit ratings.

On September 13, 2022 the European Central Bank (ECB) published a paper that examines how credit rating agencies accepted by the Eurosystem incorporate climate change risk in their credit ratings. It also analyses how rating agencies disclose their assessments of climate change risks to rating users. The paper develops an analytical framework to compare the agencies' definitions, methodologies, assessment models, data usage and disclosure practices. Furthermore, the paper reveals large differences in methodologies and disclosure practices across rating agencies and asset classes. The authors identify three main areas for improvement with respect to climate-related disclosures. These areas concern the level of granularity of definitions of climate change risk, the transparency around models and methods used to estimate the exposure to climate change risk and the disclosure of the magnitude of the impact of material climate change risk on credit ratings.

EBA has been awarded top European standard for its environmental performance.

On September 15, 2022 the European Banking Authority (EBA) was awarded the top European Standard for its environmental performance under the European Eco-Management and Audit Scheme (EMAS). The result reflects the progress of EBA on commitments to reduce its environmental footprint by reducing greenhouse gas emissions; improving energy consumption, waste production, segregation, and recycling; and implementing the environmental, social and governance (ESG) considerations in its policy making, risk assessment, and supervisory convergence work.

State Aid: EC approved up to €5.2 billion of public support by thirteen Member States for the second IPCEI in the hydrogen value chain.

On September 21, 2022 the European Commission (EC) approved IPCEI Hy2Use, the second Important Project of Common European Interest (IPCEI) in the hydrogen value chain. The project will receive up to €5.2 billion in public funding from thirteen member states.

IPCEI Hy2Use follows and complements the first project in the hydrogen value chain, IPCEI Hy2Tech, that the EC approved a couple of months ago.

The newly approved IPCEI Hy2Use will cover a wide part of the hydrogen value chain by supporting i) the construction of hydrogen-related infrastructure, notably large-scale electrolysers and transport infrastructure, for the production, storage and transport of renewable and low-carbon hydrogen and ii) the development of innovative and more sustainable technologies for the integration of hydrogen into the industrial processes of multiple sectors, especially those that are more challenging to decarbonize, such as steel, cement, and glass.

The IPCEI is expected to boost the supply of renewable and low-carbon hydrogen, thereby reducing dependency on the supply of natural gas in line with the REPowerEU plan.

Common minimum standards for incorporating climate change risks into ICASs in the Eurosystem.

On September 22, 2022 the European Central Bank (ECB) published an article regarding in-house credit assessment systems (ICASs). ICASs of euro area national central banks are an important source of credit risk assessments for credit claims from non-financial corporates. These credit claims can be pledged as collateral in monetary policy operations. Climate change and the transition to a greener economy can affect the growth, financial performance, market position and business model of a company, and hence its creditworthiness. Therefore, as part of the ECB's action plan for including climate change considerations in monetary policy implementation, the Governing Council has agreed a set of common minimum standards on incorporating these risks in ICAS rating processes. Assessments of climate change risks will mainly focus on the companies most affected and those which pose the highest risk to the Eurosystem. The analysis will be performed at firm level whenever sufficient data is available, using state-of-the-art methods and metrics. All ICASs will comply with the common minimum standards from end-2024 onwards.

FinTech

FSB issued statement on the international regulation and supervision of crypto-asset activities.

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On July 11, 2022 the Financial Stability Board (FSB) issued a statement on the international regulation and supervision of crypto-asset activities. The statement highlights the importance of progressing ongoing work of the FSB and the international standard-setting bodies toward addressing the potential financial stability risks posed by crypto-assets, including stablecoins. Additionally, the FSB Plenary, held in Amsterdam, discussed the outlook for global financial stability against the backdrop of Russia's continuing war against Ukraine as well as the FSB's planned contributions to the July G20 Finance Ministers and Central Bank Governors meeting in Indonesia.

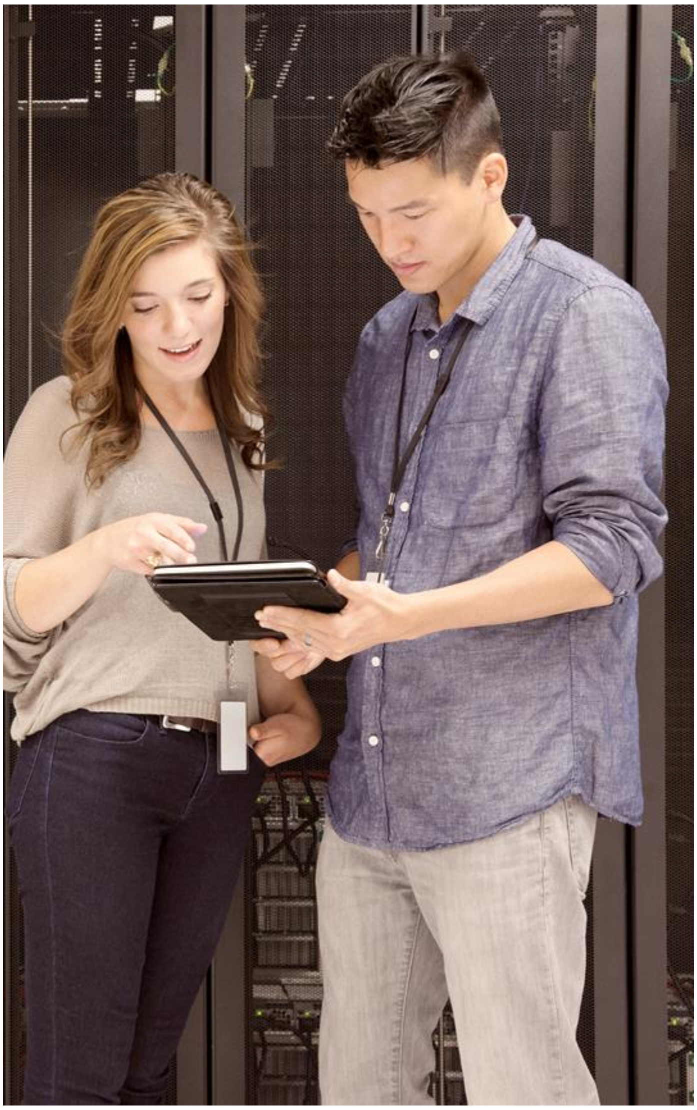
The economics of central bank digital currency.

On August 10, 2022 the European Central Bank (ECB) published a working paper on the economics of Central Bank Digital Currency (CBDC).

The paper provides a structured overview of the literature on the economics of CBDC. Specifically, it reviews the developments that have led to the rise of digital money, followed by a synthesis of the various economic motives that have been put forward for the introduction of a CBDC.

Furthermore, the paper proceeds to review the potential implications for two key themes of interest for the central banking community, namely monetary policy and financial stability. It is stated that public digital money in form of a CBDC could replace banknotes as the monetary anchor of today's two-layer monetary system and help retaining monetary sovereignty if global stable coins became widely used. A much-debated issue is privacy in payments, where the authors argue that market forces on their own are unlikely to lead to an optimal degree of privacy.

The paper also explores the interactions of a CBDC with monetary policy transmission and implementation. The main implications arise from the substitution of bank deposits for CBDC and the resulting changes in banks' funding structure. Finally, the remainder of the paper contains a discussion of key policy issues and challenges such as regulation and incentives for adoption of a CBDC, and highlights a number of takeaways that emerge from the review of the literature.



Insurance

EIOPA published a consultation relating to a draft supervisory statement on differential pricing practices and its report on data quality in Solvency II reporting. Also, Insurance Europe published its response to EIOPA's consultation on a supervisory statement on insurance product exclusions for risks arising from systematic events.

EIOPA issued a staff paper on the proposal for an IRRD.

On July 06, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published a staff paper that provides an overview of the proposal for an Insurance Recovery and Resolution Directive (IRRD) put forward by the European Commission in September 2021. In its staff paper, EIOPA welcomes the proposal as it addresses all relevant building blocks of a recovery and resolution framework and focuses on cooperation and coordination among authorities. The paper outlines that the IRRD is a comprehensive framework taking into account the insurance-specific features.

Insurers call for supervisory and regulatory approaches to climate-related risk that reflect realties of insurance business.

On July 06, 2022 Insurance Europe responded to a consultation by the Financial Stability Board (FSB) on its consultative report on supervisory and regulatory approaches to climate-related risk.

There is no proof to support the claim that insurers are especially susceptible to systemic effects of climate change. Climate change-related systemic risk is not something that insurers deal with or spread; rather, society as a whole must deal with it.

Avoiding duplications and inconsistencies with current or planned efforts, the FSB, standard-setters, and supervisors should take into consideration reporting trends and the availability of reliable climate-related data from the real economy. Additionally, a truly global concern like climate change necessitates a coordinated worldwide strategy.

Stress tests, for example, which are still exploratory in nature, should only be used to spot clues for pertinent problems that need more investigation before being utilized to draw conclusions. By focusing on materiality, it is crucial to avoid misleading correctness, overcomplication, and granularity and reduce the load on insurers. Other than continuing to create monitoring tools like climatic stress testing, it is too early to build new tools for the insurance industry.

EC open finance framework should focus on level regulatory playing field and ensuring consumer control of their data.

On July 11, 2022 Insurance Europe published its response to a targeted consultation conducted by the European Commission (EC) on an open finance framework, where the federation outlined its views on how to ensure a sound and effective open finance framework in the EU.

Regarding consent, the focus of any data-sharing scheme should always be the consumer's willingness to share their data, and ensuring that they are aware of what data is being shared and for which services. It will be crucial to ensure a fair allocation of costs related to developing a new, cross-sectoral data-sharing infrastructure among all the different players to ensure a balanced approach to the funding and development of any new infrastructure.

There must be an appropriate focus on evaluating, assessing and analyzing the impact, costs and benefits of the existing payment services framework (PSD2) to ensure that lessons are learned, and to avoid a copy-paste of any rules to the insurance sector. Moreover, it is highlighted, that cross-sectoral data sharing offers an opportunity for even greater potential benefits for consumers in the form of new and innovative data-driven products and services, such as facilitating access to in-vehicle data.

EIOPA seeks input on supervisory statement on differential pricing practices.

On July 11, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published a three-month-long public consultation relating to a draft supervisory statement on differential pricing practices.

Insurance

EIOPA's objective with the statement is to strengthen consumer protection by preventing the unfair treatment of consumers and to promote greater convergence in the supervision of differential pricing practices, to ensure that detriments to consumers are prevented via adequate product oversight and governance (POG) processes.

Preliminary figures show European insurance bounced back in 2021.

On July 13, 2022 Insurance Europe published a report regarding preliminary 2021 figures which show that economies reopening after COVID-19 led to rebounds in insurance premiums. Premiums grew beyond pre-pandemic levels in most of the 27 markets included in the aforementioned report.

According to the report:

- The largest increases were in life insurance, but many markets also booked growth in health and in property and casualty premiums.
- The gradual return to normal brought with it higher claims in some countries, although not everywhere and not in all lines of business; health and property claims generally increased, while the figures for life benefits paid and motor claims were more mixed.

EIOPA published peer review on outsourcing.

On July 19, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published the report of the peer review on outsourcing.

The findings show that European undertakings make an increasing use of outsourcing, mainly in the field of technology, and that the level of outsourcing varies greatly across the European Economic Area. These differences in the penetration of outsourcing help explain why Member States' supervisory frameworks are also at different stages of maturity.

The peer review found that segments of the outsourcing framework and certain supervisory practices need improvement. To address these, EIOPA has recommended actions to national supervisory authorities (NSAs) in a number of areas. These include aspects of the outsourcing framework, the structure of the notification process as well as NSAs' supervision of the notification content, information management and supervisory procedures for both off-site and on-site inspections.

EIOPA has also identified areas where higher supervisory convergence and/or more clarity regarding supervisory expectations could be achieved. Therefore, EIOPA will consider conducting further analysis in three domains:

- the outsourcing of delegated authority;
- the definition of "material development" and the meaning of "timely notification" according to article 49(3) of Solvency II; And
- the supervision of undertakings that make such an extensive use of outsourcing that it impacts their corporate substance (so-called "empty shells").

Insurance Europe: Clear communication is key to insurance customer relations.

On July 20, 2022 Insurance Europe published its response to a European Insurance and Occupational Pensions Authority (EIOPA) consultation on a supervisory statement on insurance product exclusions for risks arising from systematic events. Insurance Europe has made recommendations on how to clarify the scope and objectives of the supervisory statement.

In its response to the consultation, Insurance Europe stresses that clear communication and thorough product reviews are the key to building solid and long-lasting relationships with customers. It points out that the EU Insurance Distribution Directive — including its product oversight and governance requirements and Insurance Product Information Document (IPID) — provides a solid basis from which to address consumers' needs and requires that insurance distributors act honestly, fairly, professionally and in the best interests of their customers.

European insurers also implement their own initiatives to enhance consumer protection and ensure that consumers are properly informed and treated fairly. They continually seek to improve their services in order to remain competitive in a fast-changing world: developing innovative products and services; improving the clarity and transparency of the information about them; offering more risk-management advice and assistance; and developing best practices in the conduct of their business. Insurers also invest significantly in research.

More specifically, following the outbreak of COVID-19 and the invasion of Ukraine, efforts have already been made by the insurance sector to clarify and convey information about exclusions, within the limits imposed by legal and regulatory requirements.

EIOPA consults on governance arrangements in third countries.

On August 01, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published a consultation paper relating to a draft supervisory statement on the use of governance arrangements in third countries. EIOPA's aim with the supervisory statement is to enhance the supervision and monitoring of insurance undertakings' and intermediaries' compliance with relevant EU legislation concerning governance arrangements in third countries. Stakeholders are invited to provide their feedback on the draft supervisory statement until 31 October 2022.

Insurers support ISSB's SDS as global baseline; close cooperation with EFRAG required to ensure full compatibility of reporting standards.

On August 02, 2022 Insurance Europe responded to a consultation conducted by the International Sustainability Standards Board (ISSB) regarding exposure drafts of two International Financial Reporting Standard (IFRS) Sustainability Disclosure Standards (SDS): one covering general sustainability-related disclosure requirements (IFRS S1) and the other climate-related disclosure requirements (IFRS S2).

The ISSB can help avoid global fragmentation and overlapping requirements in the area of sustainability reporting by creating a global base on which jurisdictions and regional standard setters can develop complementary requirements to address their specific policy characteristics.

The ISSB should work closely with relevant jurisdictions, including the EU, in developing the global basis for reporting requirements to ensure full functionality. Therefore, European insurers operating in international markets should comply with the ISSB standards by applying the European Sustainability Reporting Standards (ESRS).

EIOPA published monthly technical information for Solvency II Relevant Risk-Free Interest Rate Term Structures – end-July 2022.

On August 03, 2022 the relevant risk-free interest rate term structures (RFR) with reference to the end of July 2022 were the subject of technical information issued by the European Insurance and Occupational Pensions Authority (EIOPA).

EC proposal for European Health Data Space welcomed; further work needed to avoid legal uncertainty.

On August 03, 2022 Insurance Europe responded to the consultation conducted by the European Commission on its proposal to create a European Health Data Space (EHDS).

According to the article, access is given to a small set of health data that will be shared with third parties for free. A new mechanism is provided to facilitate the use of health data in the EU. EU Member States have made significantly different uses of the specification clauses of the General Data Protection Regulation. The resulting fragmentation creates significant challenges in the conduct of cross-border services, as well as for innovation and scientific research involving health-related data.

However, the Commission's proposal requires improvements concerning the clarification of the fields of application as well as vague terms in order to ensure the achievement of its objectives. If the text does not clearly define who falls under these definitions, it may lead to legal uncertainty as to who has the obligation to make data available for primary or secondary use, which in turn may undermine rights to privacy and the protection of the data of natural persons. Also, a specific prohibition is needed in relation to setting insurance premiums, which would prevent insurers from accessing reusable health data to more accurately underwrite and assess risks. In fact, greater availability of anonymized health data for insurers could lead to improved and more efficient risk monitoring and assessment.

Lessons learnt from PSD2 review must be applied to future EC open finance proposals.

On August 04, 2022 Insurance Europe published its comments on the review of the revised payment services framework (PSD2). Insurance Europe welcomes the stated intentions of the European Commission to carry out a comprehensive review of the application and impact of PSD2, including an overall assessment of whether it is still fit for purpose and what challenges have arisen in its application.

Insurance

Review of ELD must not undermine availability of insurance or growth of environmental liability insurance market.

On August 08, 2022 Insurance Europe responded to a consultation conducted by the European Commission on the review of the Environmental Liability Directive (ELD).

As providers of cover for environmental liability, insurers consider the ELD to be instrumental in preventing and remediating environmental damage. Insurance Europe, therefore, welcomes efforts to ensure the Directive is fit-for-purpose and, in particular, adequately implemented. At the same time, it is important to ensure that any future changes to the framework do not undermine the availability of insurance or the development of the environmental liability insurance market.

The review should, therefore, focus on ensuring that effective measures are being taken throughout the EU to prevent and mitigate any potential environmental accidents. In particular, the whole body of European environmental law must be fully implemented at national level and provisions should be introduced for competent authorities to oversee and, if necessary, enforce compliance with environmental provisions. Moreover, Insurance Europe also published a set of key messages regarding the review of the ELD.

ESRS are welcome but need refining and phasing in.

On August 09, 2022, Insurance Europe published the response to a consultation by the European Financial Reporting Advisory Group (EFRAG) on its draft European Sustainability Reporting Standards (ESRS), making a number of recommendations including the urgent need for a phased introduction.

European insurers are committed to supporting the transition to a more sustainable economy and to tackling climate change as a matter of urgency. The European insurance sector strongly supports the EU's objective of transforming Europe into a climate-neutral continent by 2050 and is ready to contribute to that objective.

Europe's insurers therefore support the European Commission's ambitious objective of developing a robust sustainability reporting framework through the Corporate Sustainability Reporting Directive (CSRD). Insurers require the data that the CSRD will provide to fully develop and embed environmental, social and governance factors into how they operate, to progress with net-zero transition plans and to comply with mandatory reporting requirements. More broadly, the CSRD will also ensure greater transparency on how many companies operate and manage social and environmental challenges.

EIOPA tracks progress on Solvency II data quality.

On September 06, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published its report on data quality in Solvency II reporting.

According to the report, automated data quality processing solutions and advanced analytical tools along with built-in validations in XBRL taxonomy have been effective in improving data quality. Many key performance indicators and an overall data quality score show significant improvements over the years. The quality benchmark for annual individual reports increased from 82% in 2016 to 94% in 2020.

EIOPA recognizes the central importance of high-quality data and is committed to further improving the quality of the data it receives through Solvency II reports and will continue to monitor the evolution of these indicators. There is widespread use of Solvency II data by EIOPA for analyses, statistics, impact assessments, support to national supervisors, technical advice and various other publications.

Draft minimum safeguards for EU Taxonomy welcomed; rules must align with other upcoming sustainability reporting legislation.

On September 12, 2022 Insurance Europe responded to a call for feedback on the EU Platform on Sustainable Finance's (PSF) draft report on minimum safeguards (MS).

The draft report, which aims to advise the European Commission on the application of MS as set out under Article 18 of the EU Taxonomy Regulation, is welcomed by the industry.

The insurance industry also agrees with the PSF's proposed two-pronged approach, which includes two sets of criteria for the establishment of non-compliance with MS: one related to adequate due diligence processes implemented in companies (i.e. relying on corporate reporting and disclosure) and the other related to the actual outcome of these processes or the company's performance.

Insurance Europe also wishes to highlight the following points:

- European insurers welcome the fact that the report clearly accounts for upcoming EU legislation (e.g. the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD)), but caution against setting overly prescriptive requirements for the short transition period.
- Compliance with the upcoming CSDDD should always be considered as fulfilling the MS.
- The PSF's report should clarify the amendments needed in the EU's sustainability reporting standards (ESRS) to ensure complete compliance with the MS. It is essential to integrate MS in the ESRS to ensure equal data availability and to avoid fragmentation of reporting requirement and data sources.
- The proposed approach is not suitable given current data availability and reliability. Criteria, which (as of now) rest on ESG rating agencies' collection of information, should be developed because many instances will remain where data supporting the two-pronged approach is not available, at least for the foreseeable future.
- Better alignment on the definition of good governance within the EU sustainable finance framework is required.

EIOPA published supervisory statements on exclusions related to systemic events and the management of non-affirmative cyber exposures.

On September 22, 2022 the European Insurance and Occupational Pensions Authority (EIOPA) published two Supervisory Statements – one on exclusions related to systemic events such as pandemic, natural disasters, or significant cyberattacks, and the other on the management of non-affirmative cyber exposures.

The first Supervisory Statement aims to promote supervisory convergence in how national competent authorities assess the treatment of exclusions as part of the product design and terms and conditions drafting process, and the second aims to promote supervisory convergence in how national competent authorities address the market regarding cyber risks.

MIFID II

ESMA published data for the SI calculations.

ESMA reviews MIFID II product governance guidelines.

On July 8, 2022 the European Securities and Markets Authority (ESMA) published a consultation paper on the review of the guidelines on MIFID II product governance requirements.

The ESMA proposes updating its 2017 guidelines on certain aspects of the MIFID II product governance requirements to consider:

- Recent regulatory and supervisory developments.
- The European Commission's Capital Markets Recovery Package and subsequent Amending Directive.
- The sustainability-related amendments to the MIFID II Delegated Directive (Commission Delegated Directive 2017/593).
- The recommendations on the product governance guidelines by the ESMA's Advisory Committee on Proportionality (ACP).
- The findings of the ESMA's 2021 Common Supervisory Action (CSA) on product governance.

ESMA made new bond liquidity data available and published data for the SI calculations.

On August 01, 2022 the European Securities and Markets Authority (ESMA) published the new quarterly liquidity assessment for bonds as well as the data for the systemic internaliser (SI) quarterly calculations for equity, equity-like instruments and bonds under MiFID II and MiFIR.

ESMA published final guidelines on MIFID II Suitability Requirements.

On September 23, 2022 the European Securities and Markets Authority (ESMA) published its final report on guidelines on certain aspects of the MIFID II suitability requirements. The main amendments introduced to the MIFID II Delegated Regulation and reflected in the guidelines on the topic of sustainability are:

- Information to clients on the sustainability preferences;
- Collection of information from clients on sustainability preferences;
- Assessment of sustainability preferences; and
- Organizational requirements.

This report builds on the text of the 2018 ESMA guidelines, which have been reviewed to consider:

- the adoption by the European Commission of the changes to the MIFID II Delegated Regulation to integrate sustainability factors, risk and preferences into organizational requirements and operating conditions for investment firms;
- the good and poor practices identified in ESMA's 2020 Common Supervisory Action (CSA) on suitability. These good and poor practices will give practical guidance to firms in some areas where lack of convergence was identified; and
- the amendments introduced through the Capital Markets Recovery Package to Article 25(2) of MIFID II.

The guidelines will apply six months after the date of the publication on ESMA's website.

ESMA published report on the DLT pilot regime.

On September 27, 2022 the European Securities and Markets Authority (ESMA) published a report on the Regulation on a pilot regime for market infrastructures based on distributed ledger technology (DLT Pilot). In the report, ESMA provides guidance on certain technical elements and makes recommendations on compensatory measures on supervisory data to ensure a consistent application by DLT market infrastructures from the start of the regime. The DLT Pilot will start applying on 23 March 2023.

Risk Management

EBA launched 2022 EU-wide transparency exercise.

Ratings & Credit Risk

ESMA proposed key indicators for retail investors.

On July 20, 2022 the European Securities and Markets Authority (ESMA) published an article on the development of key retail risk indicators (RRIs) for the EU single market.

The proposed RRIs focus on risks around inexperienced investors, the use of digital tools by younger investors as well as the spikes in overall trading during periods of market stress.

The RRIs development was formed on the basis of the new mandate ESMA recently received in this regard. ESMA considered existing consumer analysis and indicators from the Trends, Risks and Vulnerabilities (TRV) Reports in order to propose a conceptual framework that defines key terms, considers the practical measurement of risks and identifies the sources of risk to consumers.

EBA launched discussion on 2023 EU-wide stress test methodology.

On July 21, 2022 the European Banking Authority (EBA) published its 2023 EU-wide stress test draft methodology, templates and template guidance, which will be under discussion with the industry.

The methodology builds on the one prepared for the 2021 EU wide stress test and covers the full spectrum of risk areas. Some aspects of the methodology have been improved, such as the fact that the projections on net fee and commission income (NFCI) will be based on a top-down model. In addition, the sample coverage has been increased. An additional 26 banks have been added to the stress test sample compared to the 2021 exercise and further proportionality has been introduced into the methodology. No single capital threshold has been set for the 2023 exercise as banks will be assessed against relevant supervisory capital ratios under a static balance sheet.

The results of the stress test will be used as input into the Supervisory Review and Evaluation Process (SREP), under which decisions are made on appropriate bank capital resources and forward-looking capital plans.

The final methodology will be published by the end of 2022. The EU-wide stress test will be launched in January 2023 and the results are expected to be published by the end of July 2023.

CPMI and IOSCO published a discussion paper on CCPs' practices for addressing non-default losses.

On August 04, 2022 the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) published for public comment a discussion paper on central counterparty (CCP) practices to address non-default losses (NDL).

CCPs have become increasingly important in the financial system for managing counterparty risk, especially since the introduction of the clearing obligation for standardized OTC derivatives following the 2007–09 global financial crisis. Therefore, the resilience of CCPs in case of losses and liquidity shortfalls – whether they arise from the default of CCP clearing members or from nondefault events (eg losses from cyber attacks) – has become critical for financial stability.

Recovery/Resolutions

EBA published guidelines on transferability to support the resolvability assessment for transfer strategies.

On September 28, 2022 the European Banking Authority (EBA) published its final guidelines on transferability to support the resolvability assessment for transfer strategies. In particular, the guidelines on transferability provide guidance relating to (i) the definition of the transfer perimeter and (ii) the steps to operationalize the implementation of the transfer. The transferability guidelines complement the resolvability guidelines, which were published on 13 January 2022. Institutions and resolution authorities should comply with these Guidelines in full by 1 January 2024.

Other General aspects

ESMA and EBA published guidelines to harmonise the SREP of investment firms.

On July 20, 2022 the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) published final Guidelines aiming to harmonise the supervisory practices for the Supervisory Review and Evaluation Process (SREP) for investment firms.

The guidelines set out the common procedures, methodologies and criteria for the assessment of the main SREP elements, including:

- business model analysis;
- assessment of internal governance and investment firm-wide control arrangements;
- assessment of risks to capital and adequacy of capital to cover these risks; and
- assessment of risks to liquidity and funding and adequacy of liquidity resources to cover these risks.

The criteria for the assessment of risks in the joint Guidelines follow the requirements of the Investment Firms Regulation and the Investment Firms Directive. Concerning the procedures and methodologies provided, they are proportionate to the nature, size and activities of investment firms.

EBA published its final guidelines on the criteria for the exemption of investment firms from liquidity requirements in accordance with IFR.

On July 29, 2022 the European Banking Authority (EBA) published its final guidelines on the criteria for the exemption of small and non-interconnected investment firms from the liquidity requirements in accordance with the Investment Firms Regulation (IFR). These guidelines ensure that all competent authorities granting this exemption follow the same harmonized approach, while preserving the IFR general objective of maintaining the prudential requirements proportional to the size and complexity of the smaller investment firms.

In order to have a harmonized application of the exemption, the EBA guidelines address three main elements:

- the set of investment services and activities which make an investment firm eligible for the exemption;
- the set of criteria a competent authority should assess before granting the exemption;
- guidance for competent authorities when granting and withdrawing the exemption.

EBA updated data on deposit guarantee schemes across the EEA.

On August 04, 2022 the European Banking Authority (EBA) published 2021 extended data related to two key concepts and indicators in the Deposit Guarantee Schemes Directive (DGSD), namely available financial means (AFMs) and covered deposits. The EBA publishes these data on a yearly basis to enhance the transparency and public accountability of DGSs across the European Economic Area (EEA) to the benefit of depositors, markets, policymakers, DGSs and Members States.

It is the first time that the DGS data published by the EBA includes the provisions from the guidelines on the delineation and reporting of AFMs of the DGSs, issued in December 2021. AFMs are the amount of funds raised by DGSs from banks and their main purpose is to reimburse depositors in case of banking failures. The EBA guidelines make a distinction between qualified AFMSs (QAFMs – stemming from contributions of DGS member institutions) and other AFMs (e.g. borrowed funds from loans). Only QAFMs count towards reaching the target level of the DGS fund.

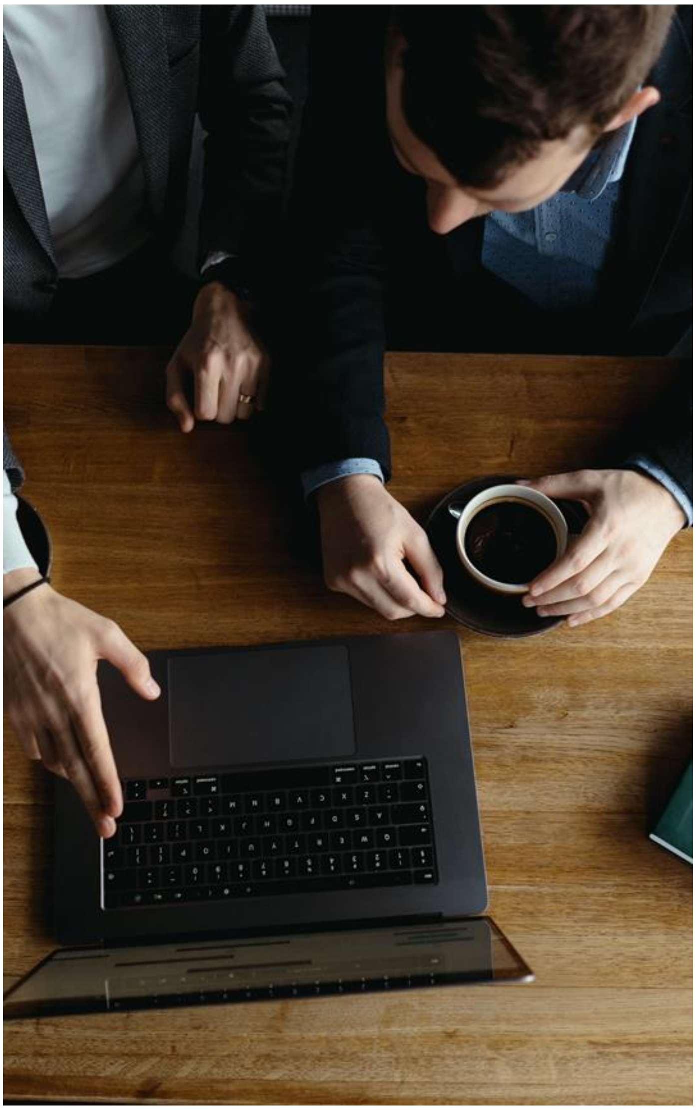
EBA launched 2022 EU-wide transparency exercise.

On September 23, 2022 the European Banking Authority (EBA) launched the EU-wide transparency exercise for 2022, with results of the exercise expected to be published at the beginning of December, along with the annual Risk Assessment Report.

As part of the results of the transparency exercise, EBA is expected to release more than 1 million data points, on average more than 10,000 data points per bank, with about 120 participating banks. Similar to the previous years, the data will cover capital positions, profitability, financial assets, risk exposure amounts, sovereign exposures, and asset quality. Along with the dataset, EBA also provides a wide range of interactive tools that allow users to compare and to visualize data across time and at a country and a bank-by-bank level.

Risk Management

As in the past, the exercise is exclusively based on supervisory reporting data, which will keep the burden for the banks to a minimum. The transparency exercise is part of the ongoing efforts to foster transparency and market discipline in the European Union financial market and complements own Pillar 3 disclosures of banks, as laid down in the EU Capital Requirements Directive or CRD.



EBA published its report on the first mandatory exercise on Basel III full implementation impact.

On September 30, 2022 the European Banking Authority (EBA) published its first mandatory Basel III Monitoring Report which assesses the impact that Basel III full implementation will have on EU banks in 2028. According to this assessment, which uses a significantly larger sample than in previous years and applies the same methodology as the Basel Committee on Banking Supervision (BCBS), the full Basel III implementation would result in an average increase of 15.0% of the current Tier 1 minimum required capital of EU banks. To comply with the new framework, EU banks would need EUR 1.2 billion of additional Tier 1 capital. The overall impact includes the economic impact of the Covid-19 pandemic on participating banks that materialized up to December 2021, the reference date of this Report. The Report also includes a separate Annex on the impact of the EU Commission proposal for the EU implementation under the Capital Requirements Regulation (CRR3).

BCBS: Basel III Monitoring Report.

On September 30, 2022 the Basel Committee on Banking Supervision (BCBS) published a report that sets out the impact of the Basel III framework, including the December 2017 finalisation of the Basel III reforms and the January 2019 finalisation of the market risk framework. Dashboards now provide an interactive visualisation of the results for market, operational, counterparty credit and credit valuation adjustment risks. These and all other Basel III monitoring dashboards are compiled on a new dashboards page. Also, the monitoring report includes special features on banks' exposures to cryptoassets, and on capital buffers and total CET1 requirements.

Other

ECB published monetary policy decisions.

ESMA published annual peer review of EU CCP supervision.

On July 19, 2022 the European Securities and Markets Authority (ESMA) published its annual peer review report on the supervision of EU Central Counterparties (CCPs) by National Competent Authorities (NCAs). The Peer Review measured the effectiveness of NCA supervisory practices in assessing CCP compliance with EMIR's requirements on business continuity, in particular in remote access mode. The overall outcome of the peer review is that the NCAs participating in the current peer review have broadly met the supervisory expectations. Nevertheless, the report notes three observations:

- NCAs could better clarify, when defining their risk-based approach, how operational risks related to remote access are addressed.
- From a supervisory perspective, CCPs could better clarify the risk-based scope of penetration testing and how risks related to remote access are addressed as part of this.
- Business Continuity Management (BCM) plans could in this context be improved by taking into account other extreme scenarios, where remote working arrangements could serve to ensure business continuity.

Moreover, the report also identifies ten best practices from NCAs' supervisory activities and approaches with respect to business continuity in remote access mode. Implementing these best practices would also address the three observations mentioned above.

ECB: Monetary policy decisions.

On July 21, 2022 the European Central Bank (ECB) published monetary policy decisions. More specifically, the Governing Council took further key steps to make sure inflation returns to its 2% target over the medium term and decided to raise the three key ECB interest rates by 50 basis points and approved the Transmission Protection Instrument (TPI).

EBA updated version 5.2 of its filing rules for supervisory reporting.

On August 01, 2022 the European Banking Authority (EBA) published an updated version of its filing rules document (v. 5.2) for supervisory reporting.

In more detail, the main change included in the update concerns the modification of rule 3.6 in order to redefine the condition to apply the new reporting subject and to explicitly instruct the usage of entity types to indicate aggregate levels in the reporting subject of an aggregate reporting document.

FSB Annual Financial Report: 2021-22.

On August 17, 2022 the Financial Stability Board (FSB) published its annual financial report for 2021 - 2022.

The Financial Stability Board (FSB) coordinates, at the international level, the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. In collaboration with the international financial institutions, the FSB also addresses vulnerabilities affecting financial systems in the interest of global financial stability.

This report includes the financial statements of the FSB, for the 12-month period from 1 April 2021 to 31 March 2022. It also provides a detail analysis on the FSB governance arrangements and the transparency and accountability mechanisms.

Economic Bulletin Issue 5, 2022.

On September 06, 2022 the European Central Bank published the 5th issue of its Economic Bulletin providing an update on economic, financial and monetary developments.

Inflation continues to be undesirably high (8.6% in June) and is expected to remain above the Governing Council's target (2%) for some time. The latest data indicate a slowdown in growth, clouding the outlook for the second half of 2022 and beyond.

Moreover, on July 21 2022, the Governing Council decided to raise the key ECB interest rates by 50 basis points and approved the Transmission Protection Instrument (TPI).

Other

The future policy rate path will continue to be data-dependent and will help the Governing Council deliver on its 2% inflation target over the medium term. The new TPI will safeguard the smooth transmission of the monetary policy stance throughout the euro area as the Governing Council keeps adjusting the stance to address high inflation.

Furthermore, the labour market remains strong. Unemployment fell to a historical low of 6.6% in May. Job vacancies across many sectors show that there is robust demand for labour. Wage growth, also according to forward-looking indicators, has continued to increase gradually over the last few months, but still remains contained overall.

EBA issued revised list of validation rules.

On September 09, 2022 the European Banking Authority (EBA) issued a revised list of validation rules for its reporting standards (Technical Standards and Guidelines), flagging those which have been deactivated either for triggering IT problems or due to incorrectness.

In addition, EBA informs Competent Authorities throughout the EU that data submitted in accordance with these reporting standards should not be formally validated against the set of deactivated rules. The EBA also proceeded with the reactivation some validation rules, which should be applied again.

NextGenerationEU: EC raised a further €12 billion for Europe's recovery.

On September 13, 2022 the European Commission (EC) issued €12 billion in a dual tranche transaction under the NextGenerationEU programme. This was the 12th syndicated transaction and the 7th in 2022 that was under NextGenerationEU and consisted of a new 5-year bond of €7 billion due on 4 October 2027 and a new 30-year bond of €5 billion due on 4 October 2052.

Despite the challenging market context, investor demand remained strong, with combined bids exceeding €114 billion, or an oversubscription of more than 9 times.

Including this transaction, the Commission has issued a total of €73.75 billion in long-term funding under NextGenerationEU in 2022 and €144.75 billion since the beginning of the programme in 2021.

EPC guidelines to Enable the Data Capture for the Initiation of a SEPA Credit Transfer.

On September 13, 2022 the Hellenic Bank Association (HBA) announced that guidelines for the SEPA Credit Transfer payment system, as well as an index of acronyms, have been published on the EPC website.

The purpose of the guidelines is to deal with 2D codes as a means of data capture enabling payment initiation whereby the code contains the required data for the originator to initiate a SEPA Credit Transfer (SCT).

These specific guidelines are suitable for SCT use cases whereby the SCT transaction data stored in the QR code is also shown at the same time in plain text to the Originator (e.g. on an invoice presented/sent to the Originator). This allows the Originator to verify whether the SCT transaction data in the QR code corresponds with the SCT transaction data shown in plain text.

Publication of Law 4972/2022 on the Central Credit Register.

On September 23, 2022 Law 4972/2022 was published in the Official Gazette of the Government (Government Gazette A' 181).

The regulations introduced by the aforementioned Law include, among others, the provisions in relation to the establishment and operation of an Independent Credit Authority for the assessment of the solvency and creditworthiness of natural and legal persons vis-à-vis the State (articles 48-114), as and for the establishment of the Central Credit Register and the processing of financial behavior data (articles 111-121). In particular, article 115 provides for the provision to the Credit Registry of financial behavior data by creditors (credit institutions) and article 121 determines the interoperability of the Central Credit Registry with databases of other public or private credit assessment bodies.

Other

EBA published its work programme for 2023.

On September 29, 2022 the European Banking Authority (EBA) published its annual work programme for 2023, describing its key strategic areas of work as well as all related activities and tasks.

In 2023, the EBA's focus will be on:

1. finalizing the Basel implementation in the EU;
2. running an enhanced EU-wide stress test;
3. providing data to all stakeholders;
4. addressing the new challenges arising from the digitalization of finance;
5. further contributing to the build-up of the capacity to fight ML/FT and to protect consumers in the EU;
6. the European ESG agenda, in its regulatory and risk assessment mandates, as well as in its own organisation, building on its recent EU Eco-Management and Audit Scheme (EMAS) registration.

In addition, the EBA will discharge its new oversight responsibilities stemming from the political agreements reached in 2022 (i.e. the Digital Operational Resilience Act (DORA) and Markets in Crypto-Assets (MiCA) legislations). Against this background, it will continue to foster all possible internal and external synergies, collaborating closely with Competent Authorities and other European bodies.

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

Appendix: Glossary

IT
Information Technology

ITS
Implementing Technical Standards

LCR
Liquidity Coverage Ratio

LIBOR
London Inter-Bank Offered Rate

MiCA
Markets in Crypto Assets

NPEs
Non-Performing Exposures

NPL
Non-Performing Loans

P2B
Platform to Business

PISPs
Payment Initiation Services Providers

RTS
Regulatory Technical Standard

RegTech
Regulatory Technology

RWAs
Risk weighted assets

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

SFTR
Securities Financing Transactions Regulation

SFT
Securities Financing Transactions

SupTech
Supervisory Technology

OTC
Over-the-Counter

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