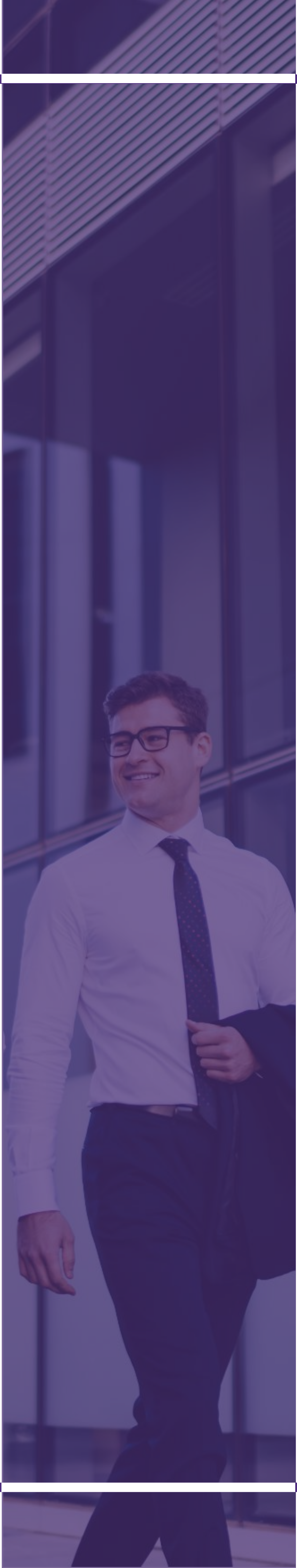
Grant Thornton

Risks & Opportunities Series
for the 2021 and beyond

Financial Services - Banking sector

May 2021



Preface

The ability to simplify the regulatory landscape and clearly understand obligations is one of the greatest challenges for financial institutions.

The pace of regulatory change in the years to come will continue to be demanding for the whole sector and events we have experienced in the near past such as Covid-19, Brexit and some of the mega trends we face nowadays, will demand businesses to focus on implementing the necessary challenges effectively and efficiently.

At the same time and despite the inherent complexities and lack of regulatory guidance in all aspects, the rise of the emerging markets, demographic changes, greater focus on an agile workforce/the hunt for talent, technology/digital evolutions and the ESG agenda present also great growth opportunities for the organizations that will timely and successfully address relevant challenges.

Grant Thornton Greece is pleased to introduce it’s first edition of Risks and Opportunities Series for the Financial Services Sector with the aim to provide you with an overview of important initiatives and evolutions in the regulatory front as well as market and technological developments that have the potential to change the business and economic environment.

At an era where, more than any other time in the past, Financial Institutions need the ability to turn uncertainty into opportunity, we stand by your side helping you to find and implement your possible.

Grant Thornton Greece

Financial Services, Risk and Regulatory Team

Top 10 Trends / Challenges covered in this edition:

1. AML Aspects

The upcoming 6th Anti Money Laundering Directive (6MLD) although it introduces far fewer changes than the 5th one, contains five new challenges which are expected to have a great impact at AML/CTF programs, mainly at the following areas:

- Scenarios/typologies;
- Screening process;
- KYC process;
- Risk based approach;
- AML system parameterization;
- Investigation model & SAR process.

As the new guideline places a lot of emphasis on criminality and accountability, Institutions need to carefully review their existing AML programs and schedule all required implementations.

AML and other compliance statutory reporting obligations (DAC6, QI)

6th Money Laundering Directive (“6MLD”)

The 6MLD was published on November 12th, 2018. Member States were required to transpose 6MLD into national law by December 3rd, 2020, while firms within the Member States have until June 3rd, 2021 to implement it. **On watch to see when the Greek Government will transpose 6MLD.**

5 fresh challenges will have great impact on the AML/CFT program as follows:

A common list consisting of 22 specific predicate offences, which are particular criminal activities that serve to enable more serious crimes. Cybercrime, insider trading and environmental offences now being included.

- **I.** **Extension of criminal liability to companies and business leaders**. This puts firms directly in the sights of regulators for compliance failures;
- **II.** **Dual criminality** for specified offences & greater co-operation among EU jurisdictions;
- III. Additional offences such as **aiding and abetting**, targeting to those caught helping to launder money, even in an **indirect way;**
- IV. A **tougher punishment** regime overall.

EBA Q1 2021 revised guidelines

The EBA strengthens the requirements on individual and business-wide risk assessments and customer due diligence (CDD) measures adding new guidance on the:

- I. identification of beneficial owners;
- II. use of innovative solutions to identify and verify customers’ identities and how financial institutions should comply with legal provisions on enhanced customer due diligence related to high-risk third countries.

The guidelines will apply three months after publication in all EU official languages.

Key Dates

Q1 20211
Issuance of the revised guidelines on ML/TF risk factors by EBA.

Q2 2021
June 3rd the implementation of the 6MLD from the firms.

Anytime in 2021
Issuance of the AML guidelines from the BoG.

What you should be thinking about? How we can help.

- Review and assess the **AML/CFT program** to identify gaps in the current operations and prepare an action plan;
- Provide support to **enhance** the AML/CFT compliance policy, KYC process, risk based approach and all related with the AML/CFT operations so as to cover both the directive recommendations and EBA/FATF recommendations (including all Covid-19 recommendations issued);
- **Analyze** the list of predicate offences and provide you with a greater understanding of the risk factors and typologies;
- Deploy rules for the **new detection scenarios** to be incorporated in your AML platform;
- Support on the **parameterization** of the current rulesets in the existing AML platform to enable a more sophisticated monitoring and optimize **the false positives** in alert volume surge as well;
- As regard **multi-geo operations**, we can provide support to implement effective investigative tool;
- Prepare appropriate and targeted **training material** to be conducted to first and second line of defense.

AML and other compliance statutory reporting obligations (DAC6, QI) *cont'd*

As over the last years the reporting obligations for Financial Institutions are constantly increasing, below is a brief highlight of more recent evolutions, expectations.

DAC6 / QI / FATCA / CRS

DAC6

- In a nutshell: Law 4714/2020 has transposed into national law the 2018/822 and 2020/876 EU directives (known also as DAC6). The specific directive is related to the mandatory reporting of information on certain arrangements that contain specific features (i.e. hallmarks);
- Reporting obligation: Financial Institutions should report arrangements that fall under DAC6 to the Ministry of Finance on a monthly basis;
- Challenges: Prepare specific procedures and introduce alerts that will be able to identify arrangements that fall under DAC6. Undertake internal training and workshops for the personnel that will be responsible for the reporting of DAC6.

Qualified Intermediary

- In a nutshell: The IRS Qualified Intermediary ("QI") Agreement applicable from January 1st, 2017 imposes a series of compliance obligations on those institutions that have registered as Qis;
- Reporting obligation: For QIs whose certification period ends on December 31st , 2020, the periodic certification is due on July 1st, 2021 (if the periodic review is performed for 2018 or 2019) or December 31st , 2021 (if 2020 is selected as the review year);
- Challenges: Develop a compliance program in accordance with the requirements of the QI agreement. Submit on time and correctly the periodic certificate.

FATCA/CRS

- In a nutshell: These two legislations in effect the last years, have imposed specific reporting obligations in relation to the exchange of financial information of bank accounts for foreign tax resident and/or US residents;
- Reporting obligation: September of each year;
- Challenges: Be in accordance with the CRS/FATCA legislation. Be compliant in regard to the KYC documentation.

Key Dates

Q3 2021

- Issuance of the Periodic Certificate to the IRS (if the selected year is 2018/2019)
- Issuance of the CRS/FATCA reporting.

Q4 2021

Issuance of the Periodic Certificate to the IRS (if the selected year is 2020).

Anytime 2021

- Issuance of the IAPR guidelines for DAC6
- The DAC6 reporting is on a monthly basis starting from February 2021.

What you should be thinking about? How we can help.

DAC6

- Draft an impact assessment report highlighting the high risk areas for the Financial Institution;
- Provide support to enhance policies and procedures taking into account international best practices and the Greek legal framework;
- Preparation of workshops/training for the personnel;
- Once published, assistance with the review and implementation of the IAPR Guidelines on DAC6.

QI

- Preparation for the periodic review report addressed to the Responsible Officer of the Financial Institution.

FATCA/CRS

- Gap analysis for the implementation of the specific legislations (along with a review on the KYC documentation for all the relevant clients);
- Preparation of policies and procedures, controls and compliance framework.

2. Corporate Governance

The evolution of legislation, regulatory guidelines and best practices regarding Corporate Governance, generate a continuing effort for compliance assessment, amendments of the documentation practices applied, as well an increase in external assurance needs enforced by the authorities.

Due to their importance and their transversal impact at the economy, Grant Thornton is monitoring relevant evolutions and market practices vey closely and has recently issued a number of reports depicting the level of Organizations' conformance with relevant requirements and adoption of best practices.

A more detailed to the Financial Institutions reality, depiction of the current requirements and challenges follows.

A closer look at Corporate Governance updates

New Greek Corporate Governance Code - Article 17 of Law 4706/2020

New local Corporate Governance Framework:

In mid Q2 2021, the finalization of the updated Greek Corporate Governance Code is expected. The updated Code will cover the basic requirement of Article 17 of Law 4706/2020 and HCMC is expected to provide guidance in relation to the mandatory aspects of Code's implementation. The new Code is expected to introduce highly demanding practices and Greek corporations will need to closely examine the compliance aspects and opportunities.

Suitability of Management Members in FI's & PI entities (Directive 2017/1132 / Directive 2019/1151)

Implementation of supervisory guidelines:

- By August 2021, Member States should have access to a system of interconnected business registers, as a unified base for directors assessment;
- EBA and ESMA also launched joint draft Guidelines on the suitability of members of the management body and key function holders for Financial Institutions.

New Guidelines on internal governance under the Investment Firms Directive (IFD)

Implementation of supervisory guidelines:

EBA launched until mid March 2021 a public consultation on new Guidelines on internal governance under the IFD Directive, specifying the governance provisions that Class 2 Investment Firms should comply with, considering the proportionality principle.

Law 4706/2020, art. 21 – Auditor's report for internal company documented regulation

External Audit of public interest companies:

CPAs to certify that the audited company has an updated Operating Documented Regulation, as described by the provisions of art. 21 of Law 4706/2020, starting from the Financial Statements of 31/12/2021.

Key Dates

March 2021	Mid Q2 2021	August 2021	Q1 2022
End of consultation of Guidelines on internal governance under the IFD Class 2 Directive.	Issuance of the updated Greek Corporate Governance code.	EU members - Common access to a system of interconnected business registers, for directors assessment.	Auditor's report for internal company documented regulation.

What you should be thinking about? How we can help.

- Perform gap analysis exercises to promptly identify any compliance gap;
- Benchmarking of Management Suitability;
- Perform Health Check exercise;
- Prepare proposals and action plans to mitigate compliance risks;
- Update all internal company's polices and procedures, including also as appropriate conflict of interest aspects and self declaration process;
- Perform independent reviews;
- Enhance Senior Management and BoD self assessment processes.

Corporate Governance Challenges following the Covid-19 Era

Develop new effective corporate structures

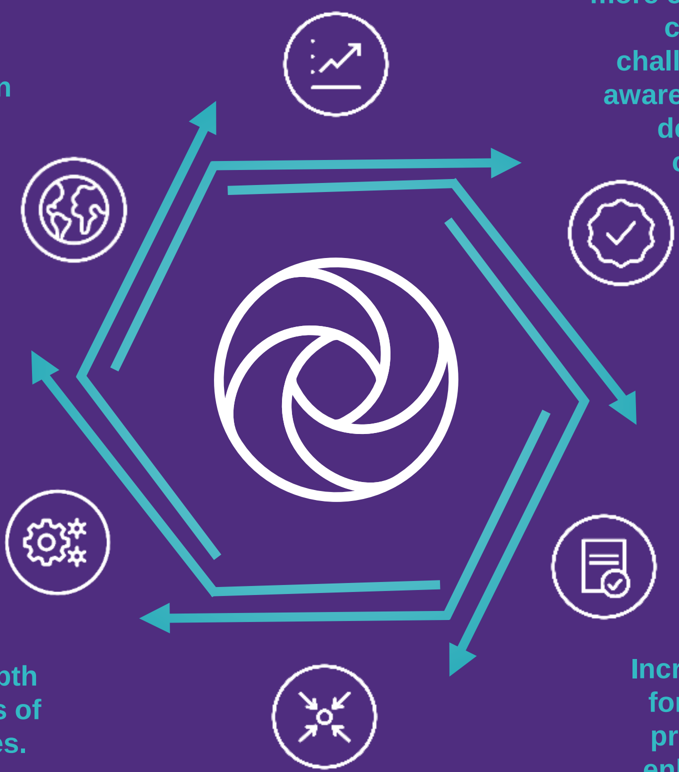
Corporate transformations are essential for the management of the new operational models & opportunities endorsed through the pandemic adjustment.

Embed sustainable growth in corporate strategies

The four dimensions of environmental sustainability, productivity, fairness and macroeconomic stability remain the guiding principles underpinning' recovery and resilience plans.

Remuneration policy

2021 executive compensation will be more challenging than usual for most companies. To meet these challenges, companies should be aware of several key issues as they design their 2021 executive compensation programs.



Internal reviews and assessment

Regulatory changes require in-depth internal reviews and health checks of corporate policies and procedures.

New regulation implementation

Increased regulatory burden has forced financial institutions to provide greater transparency, enhanced customer protection and inspiring institutions for greater digitization.

Senior Management suitability

The pandemic's disparate effects have put a focus on Board composition, especially for conflicts and interest status, as well as Board compositions and competences.

3. Whistleblowing

The Whistleblowing Protection Directive (Directive 2019/1937) entered into force in December 2019 with the aim to protect the individuals seeking to expose wrongdoings to a wider range of areas in both private and public sector and strengthen the legal protection of whistleblowers.

The whistleblowers can utilize any of the three available options (internal reporting, external reporting and public disclosure). In all cases, all personal data, both that of the whistleblower and of any accused persons, must be handled in accordance with the GDPR.

Member States are required to transpose the Directive into national law by December 17th, 2021 (with the exception of the internal reporting channel requirement which may be brought into force by December 17th, 2023). Greek law implementing the Directive will be key to assessing the impact to your business, since the national legislators will determine the severity of the sanctions included in the EU Directive.

Companies that obstruct the reporting of concerns or attempt to obstruct them will face penalties. The same applies if companies fail to keep the identity of the whistleblower confidential. Retaliatory measures against whistleblowers will also be punished.

A closer look at the Whistleblowing Directive

Protection of reporting persons:

Applies to reporting persons: working in the private or public sector who acquired information on breaches of EU law in a work related context, including facilitators and even colleagues or relatives of the reporting persons; and whose work-based relationship is yet to begin or has since ended.

Protection of disclosures:

Persons are protected with respect to reporting breaches of EU law relating to the financial interests of the EU (in particular fraud), the internal market (including competition and State Aid rules), as well as breaches of the specific EU law that are listed in the Annex i.e. financial services, product and markets, prevention of money laundering and terrorist financing.

Measures against retaliation:

Those who have reasonable grounds to believe the reporting or public disclosure is necessary are protected. The definition of what constitutes retaliation is quite broad i.e. dismissal, withholding of training, psychiatric/medical referrals.

Reporting options to the whistleblowers:

Internal reporting channels: Organizations in the private sector with 50 or more employees are required to implement internal reporting channels. These channels must satisfy the following requirements:

- Confidentiality of the identify of the reporting person;
- Acknowledgement of receipt of the reporting within 7 days of that receipt;
- Impartial person to be designated to follow-up on the report;
- Feedback within a maximum of three months;
- Clear and easily accessible information regarding the reporting procedures.

External reporting channel is also available where whistleblowers can report to competent authorities irrespective of whether they have exhausted the internal reporting option. Same procedures apply here i.e. confidentiality, acknowledgement of receipt for reports received, follow-up and feedback obligations.

Public disclosure requires exhaustion of either the internal or external reporting option.

Key Dates

Q4 2019	Q4 2021	Q4 2023
Start of two-year transitional period.	Transposition to national legislation.	Entry into force also for smaller size private sector legal entities (with 50 to 249 employees).

What you should be thinking about? How we can help.

- Review of your existing practices towards **a broader range of individuals** to ensure relevant protections aspects;
- The protected breaches relate to **a wider spectrum of areas** ranging from financial services, prevention of ML to consumer and privacy protection, requiring further review;
- **Creation of reporting channels** that support / facilitate your employees to report on breaches – if you do not currently have ones;
- Provide clear information to employees regarding the **three available reporting options;**
- **Implement / Enhance the support and protection measures i.e.** ensure the secrecy of the reports received, meet your record keeping obligation, prevent the risk of retaliation;
- Put processes in place to satisfy your **feedback obligation** and ensure a response within the predefined period of i.e. three months or six in exceptional cases.

4. Contemporary Risk Management and Risk Modelling Challenges

In the current evolving environment with a number of regulatory updates, technological developments and market actions on the rise, Banks need to be in position to timely, effectively and efficiently amend their practices regarding a number of critical activities in order to achieve sound and profitable credit operations and compliance with various regulatory requirements (e.g. ESG/Climate change risk, sustainable financing and new loans origination, Covid-19 impact, results from the Target Review of Internal Models etc.).

The new reality sets the Banks' risk models under continuous review and recalibration and shows the path for a dynamic management of the credit portfolios. Data quality and availability will be improved by the critical role of advanced data and AI technologies, including cloud-based AI and predictive modeling techniques.

We believe that within this tough economic and lending environments, the growth opportunities go hand-in-hand with strong risk management, preserving capital adequacy for strategic purposes.

Credit Risk Management, Sound Business Generation and the customer risk journey at a glance

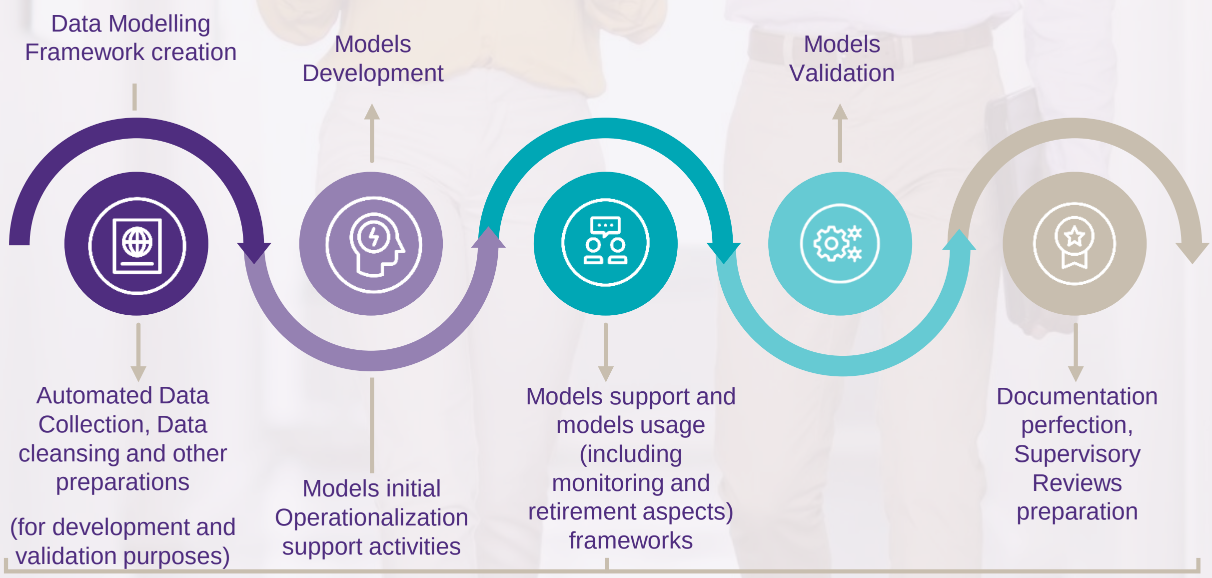
To successfully respond to the evolving regulatory, market and technological landscape, and ensure sound business generation and monitoring, Banks will have to review and amend as appropriate almost all of the below critical activities.

For each one of the above areas, we can:

- review existing situation and advise on appropriate remediation activities;
- help implement the most appropriate, end-to-end solutions, utilizing advanced technological capabilities;
- address in a holistic and based on best practices and regulatory compliant manner, all relevant challenges and evolving expectations.

Risk Modelling related services

Current market challenges, emerging risks and Supervisory expectations, highlight the need for new models to be created and / or existing ones to be modified. Our analytical Risk modelling products and services cover the **full model lifecycle** and the entire spectrum of business and functional areas. Depending on Organization's capabilities and models objectives, advance more complex **machine learning techniques** are also employed to help achieve optimum results.



Indicative services for all Credit, IFRS9 or other critical models

By using our **products and procedure accelerators** a number of tasks can be automated, **generating greater efficiency as well as quality and consistency**, such as the following**:**

- model review and validation testing activities;
- production of model validation;
- Production of periodic review reports.

Specific, models related, issues stemming from Covid-19 impact and the recently issued results of ECB's TRIM exercise follow.

SSM expectations on credit risk, ECL and IFRS 9 given Covid-19 impacts

Late last year, the SSM has issued a Dear CEO letter providing additional guidance on credit risk identification and measurement in the context of the coronavirus (Covid-19) pandemic. The specific to IFRS9, ECL and model risk management issues thematic findings and areas of focus are as follows:

Model risk: Towards sound credit risk management policies, the Financial Institutions should ensure that all risk modeling procedures are robust and properly modified considering also the following:

- The ability to quantify the likely impact of Covid-19 is crucial for proper strategic and business planning;
- Realistic parameters and assumptions that are appropriate for the current environment should be applied to the calculations of impairments;
- Financial Institutions should not rely solely on through-the-cycle approaches or long-term averages but should instead consider incorporating reliable macroeconomic forecasts;
- The most likely impact of the crisis should be embodied in stage allocations as well as impairment and capital calculations;
- The credit risk strategy must be in line with the Risk Appetite Framework, the capital and liquidity planning, the ICAAP and the ILAAP;
- A proactive approach should be enhanced by automated models in credit decision-making;

Significant increase in credit risk (SICR): Financial Institutions are expected to set thresholds against which to test the performance of SICR.

- Any significant increase in credit risk should be identified at an early stage;
- Financial Institutions should not rely solely on days past due as a trigger for a significant increase in credit risk, while practices such as setting targeted amounts of stage transfers or using reverse engineering to achieve targets should not be used.

Unlikeness-to-Pay:

- Need to perform a regular assessment of borrowers' unlikeliness to pay;
- Enhance existing processes, indicators and triggers in accordance to the current risk environment;
- The effectiveness of the early warning systems needs to be evaluated.

Post Model Adjustments:

- The scope of model testing and the validation performed do not cover all material models used to calculate ECL, including those used for regulatory stress testing and the various feeder models used, leading to extensive PMAs. Proper review is needed.

Credit Risk Appetite:

- Credit risk appetite should be cascaded down to the Organization's business lines. The scope and focus of the institution's credit risk strategy, the composition of the credit portfolio through a combination of backward-looking and forward-looking indicators must be specified by the credit risk appetite.

Collateral:

- The up-to-date and well-documented determination of collateral valuations is important towards a precise assessment of the impairments adequacy;
- The pandemic and its significant and negative effect to the value of immovable property collateral calls for frequent and precise valuation techniques

Linkage with IFRS9: The impact of Point in Time parameters should be taken into consideration, as their advantages and disadvantages may transform the overall strategy and lending activity.

SSM expectations on credit risk, ECL and IFRS 9 given Covid-19 impacts

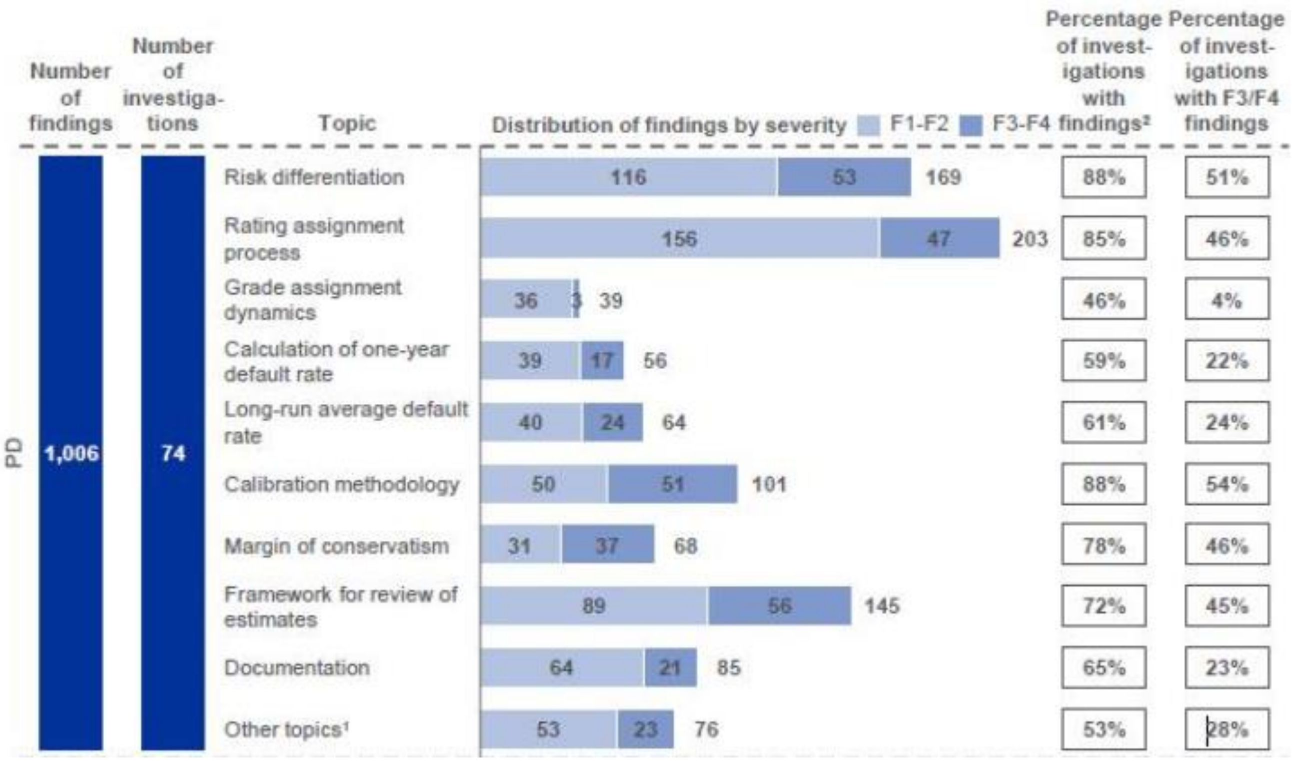
Financial Institutions are expected to apply the flexibility of existing accounting standards to absorb the impact of credit risk developments and to mitigate excessive pro-cyclicality. At the same time, they should continue to identify and report appropriately any asset quality deterioration and the NPL accumulation in accordance with the existing rules, so as to maintain a clear and accurate picture of risks in the banking sector.

What should you be thinking about? How we can help.

- Are you ready to focus on your very core activity (i.e. lending)? The new guidelines on underwriting standards exhibit such a fundamental shift.
- How efficiently and reliable are macroeconomic forecasts incorporated? Are the applied overlays directionally consistent with macroeconomic scenarios and based on verifiable evidence?
- Is data used to calibrate models reflecting the current environment? Are modelling assumptions still appropriate?
- Have you enhanced your models so as to identify significant increase in credit risk (SICR) at an early stage?
- Are organizations procedures enhanced so that all contract modifications are in line with regulator's expectations regarding the correct and timely classification of forborne exposures?
- Stage allocations should embody the forecasts around the most likely impact of the crisis in terms of stage allocation, provisioning and capital. Are your risk parameters adequately assessed?
- With the inclusion of IFRS 9 ECL in the financial statement, how robust is the governance to monitor model performance and challenge PMAs?
- How to reduce reliance on PMAs when determining their longer-term model redevelopment programs?
- How severe are the existing scenarios? Routinely carry out sensitivity analysis for every input to support understanding of the model output, key risk drivers and associated model uncertainty. This analysis should be comprehensive to inform governance and public disclosure.

Credit risk TRIM related aspects

TRIM review has highlighted in all portfolios (Retail/SMEs, Corporate/LDF) a number of issues regarding modelling aspects as well as risk management practices with an impact at both PD and LGD parameters.



**The above Figure is an indicative extract of Figure 7 of ECB's TRIM Report regarding LDP/Corporate Portfolios, which are overall more complex in nature. Still, similar issues exist also regarding Retail/SME portfolios.*

What you should be thinking about? How we can help.

Review / assess Organization's compliance in the current situation, following the implementation of the new Definition of Default. Similarly, assess and/or support Organization's remediation actions on any identified issues and/or recommendations made, against the new reality, with emphasis on the following:

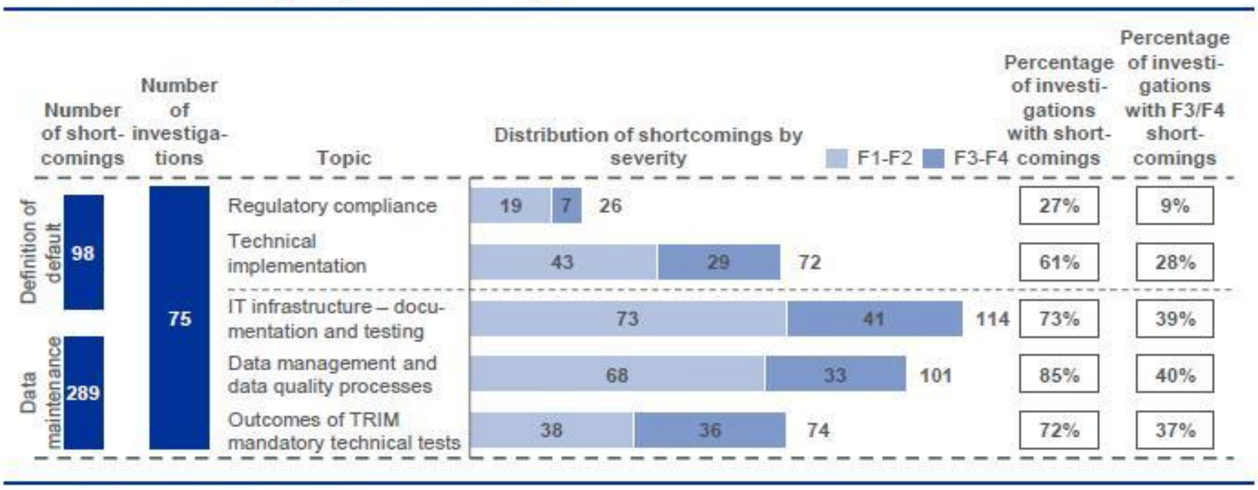
- Review models performance and any model adjustments and implement as appropriate, relevant per portfolio model frameworks, methodologies and other activities;
- Review / enhance existing policies and procedures, progress regarding any identified shortcomings e.g. regarding risk differentiation and rating assignment process where quite significant findings exist (including overrides and treatment of joint credit obligations) along with relevant governance / documentation, in alignment with regulatory expectations and best practices.

Credit risk TRIM related aspects

TRIM exercise has been performed under the old DoD, and has highlighted in all portfolios (Retail/SMEs, Corporate/LDF) a number of issues regarding compliance with relevant regulatory expectations, technical implementations as well as data quality related issues that have an impact at both PD and LGD parameters.

Figure 8

Overview of data quality shortcomings



Source: ECB supervisory information.

**The above Figure relates to LDP/Corporate Portfolios, which are overall more complex in nature. Still, similar issues exist also regarding Retail/SME portfolios.*

What you should be thinking about? How we can help.

- Review existing situation regarding the level of compliance with relevant expectations with regards to the new DoD. Advise and / or implement as appropriate, relevant per portfolio remediation activities;
- Review, enhance Data management and Data Quality process ensuring existence of appropriate control frameworks. Deep dives in data quality checks accompanied by impact assessment of known or to be identified issues, advise and support in relevant remediation activities implementation;
- Review / enhance compliance regarding IT infrastructure expectations, with emphasis on all critical aspects regarding data sources, databases, data flows and data transformation, aggregation process under a well governed and documented framework in accordance with relevant regulations and best practices.

5. ESG / Climate change risk and Sustainable finance, New Loan Origination Challenges

ESG (Environmental, Social and Governance) considerations become more and more critical to the success of business across all sectors of the economy.

All stakeholders i.e. Regulators, Financial Institutions, Rating agencies, shareholders, customers, employees are considering about how their business and practices impact the world and the society and a number of actions and evolutions at relevant areas are undergoing.

Sustainable financing principles coupled with New Loans Origination and Monitoring requirements, to be soon applied, present unique opportunities to Financial Institutions to rethink and recalibrate their strategies, business and operations in order to drive the economy in a new era achieving both Environmental / climate change and healthy business creation targets for the years to come.

Environmental / Climate change risk related Regulatory expectations

In an evolving environment with intense consultations among all stakeholders, market participants and with a lot of actions and regulatory updates on the rise, Banks need to consider a variety of issues regarding relevant business, governance, risk management and disclosures aspects.

BUSINESS

Institutions are expected to:

- understand the impact of climate-related and environmental risks on their business environment, in the short, medium and long term;
- make informed strategic and business decisions;
- integrate climate-related and environmental risks that materially impact their business environment - in the short, medium and long-term - when determining and implementing their business strategy.

GOVERNANCE

The management body is expected to:

- consider climate-related and environmental risks in business strategy, business objectives and risk management framework;
- explicitly include climate-related & environmental risks in their risk appetite framework;
- assign responsibility for the management of climate-related and environmental risks within the organizational structure in accordance with the three lines of defense model;
- report aggregated risk data that reflect exposures to climate-related and environmental risks.

Risk Management - climate-related & environmental risks

RM high focus areas:

- Incorporation of relevant risks into existing risk management framework considering all stages of the credit-granting and monitoring process for all portfolios;
- Monitoring, on an ongoing basis, of the effect of climate-related and environmental factors on their current market risk positions and future investments;
- Incorporation of material risks into their baseline and adverse scenarios inside the stress test;
- Considering an adverse impact on business continuity and reputational and/or liability risks stemming from climate-related events;
- Assessment of whether material risks could cause net cash outflows or depletion of liquidity buffers.

Disclosures on climate-related & environmental risks

FIs need to publish meaningful information and key metrics on climate-related and environmental risks that they deem to be material and more precisely on:

- the organization's climate related risks and opportunities;
- the actual and potential impacts of risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material;
- how the organization identifies, assesses, and manages those risks;
- metrics and targets used to assess and manage relevant risks and opportunities where such information is material.

Climate change risk critical considerations

With the journey regarding implementation of climate change risk being still at it's beginning, success depends a lot on Organizations abilities to fully understand relevant challenges and timely address them in the most efficient way. Some critical considerations are depicted below.

- **Contagion:** interdependence of sectors may lead to credit deterioration in portfolio/counterparties with indirect exposure to primarily impacted sectors.
- **Contamination:** certain structured asset portfolios may include exposures to affected sectors – are so- called green bonds actually green? And how is "green" defined?
- **Concentration:** whilst growing, ESG market is relatively small and increasingly overcrowded – portfolio concentration is inevitable.
- **Default:** one-off portfolio / counterparty event (e.g. floods and fires).
- **Deterioration:** gradual shift in physical circumstances that weakens portfolio / counterparty fundamentals.
- **Litigation**: fiduciary and client legal challenges, especially regarding underwriting accountability.
- **Political/legal:** dogmatic political promises driven by public demand are rashly rushed into law – e.g. an immediate ban on any fossil fuel exposed lending.
- **Public disruption**: physical interference in operations.
- **Reputation:** through perceived "brown economy" investments – through lack of action – through exposed contamination.
- **Strategic:** misjudgment of business outcomes of strategic positioning.
- **Financial risk:** incorporating climate change risk across the risk framework, including identification, measurement, assessment, appetite, monitoring and reporting.
- **Governance:** clear ownership, escalation paths – captured within a suit of coherent policies.
- **Procedure:** who is doing what with regards to climate change risk. A clear understanding of roles and responsibilities across all impacted areas.
- **Enterprise activities:** including climate change risk in recovery and resolution plans, ICAAP, portfolio risk management. Also in portfolio, idiosyncratic, business and reverse stress testing.
- **Awareness:** appropriate upskilling and development of knowledge base across relevant Bank staff – also climate change risk specialist training for i.e. credit officers.
- **TCFD reporting across regulatory returns and disclosures:** disclosing all elements of climate change risk (exposure, governance, strategy, risk management, monitoring metrics) for public and regulatory consumptions – in line with TCFD four core areas (Governance, Strategy, Risk Management, Metrics and Targets).
- **Relative strictness of different regimes:** disclosure requirements and expectations around Risk Management vary by jurisdiction. From a reputational perspective, Financial Institutions need to be aware that they will be judged by the standards of the strictest and most restrictive legislations with which they are engaged.
- **Jurisdictional definitions of "Green":** from a strategic perspective, Financial Institutions need to determine whether it is comfortable holding portfolios of different "green" credentials in different jurisdictions. Not only reputationally risky, portfolio transfer/asset relocations will be challenging.

What are you thinking about?

ESG Framework Comprehensive Implementation and How we can help

For Organizations to succeed in their efforts to comply with the ESG and Climate Change Risk Regulatory requirements, a holistic, comprehensive framework should be adopted. Our approach consists of 4 main pillars, considering also as appropriate materiality levels and interdependencies with other relevant requirements such as New Loan Origination and Monitoring Guidance (especially for the sustainable financing part). Indicative activities to be considered under each Pillar are presented below :

01

Strategy Formulation

Initial Diagnostic assessment of risks / opportunities.

Gap Analysis / Maturity assessment versus regulatory requirements, best practices and stakeholders expectations.

Identification of strategic options and relevant operating models requirements.

High level implementation roadmap for the selected strategy.

02

Sustainable Financing

Help support ESG operationalization through the appropriate incorporation of ESG and climate risk considerations at investment, funding and financing activities (e.g. new products development, Risk Management Framework, Risk Appetite Statement, as well as in relevant policies and procedures).

Creation of appropriate tools to evaluate clients and portfolios, considering their unique characteristics (i.e. corporates, retail etc.).

Support Horizon scanning of portfolios and identification of Physical and Transition concentration risks in all impacted areas such as credit risk, market risk, operational risk, underwriting, impairment.

Review of lending and financing arrangements against developing requirements and assisting with transition to sustainable lending / financing business model.

Incorporation of climate risk aspects in Stress Tests.

03

Operations

Identification of areas requiring substitution and / or transition arrangements to ensure compliance with regulations and achievement of set targets.

Incorporation of ESG considerations at Suppliers Evaluation.

Development of monitoring tool to track performance versus agreed transition period goals.

Incorporation of ESG aspects at other required areas and support Organization’s training and understanding.

04

Assurance and Disclosures

Raise awareness about relevant regulatory requirements and identify, gather and report the required information.

Design and implementation of reporting systems (including any appropriate visualization of ESG metrics/disclosures) to facilitate transparency, comparability and align to regulatory and industry standards.

Provide assurance over ESG KPIs included within relevant Annual Reports.

A closer look at Sustainable Credit Underwriting and monitoring

In order to improve the **financial stability** of the EU financial system, EBA focuses on the **below objectives**:

- Adoption from the Bank of robust and practical approaches to **credit risk taking, management & monitoring;**
- Preparation for the **upcoming challenges** in the EU banking sector (Sustainability, Fintech etc.);
- Improvement of profitability ensuring that the loans that institutions newly originate remain of **high quality** while respecting and protecting the interests of consumers.

Taking into consideration the need for Banks to focus on core operations today and to strengthen future lending while dealing also with the impacts from the unprecedented Covid-19 pandemic, a three-phases implementation period is being offered by the EBA, covering a period up to June 2024. Following initial impact analysis at 4 main pillars (as per below illustrative sample), a number of actions needs to be considered.

Impact Analysis (illustrative, based on average Organization's capabilities)

Key Dates		Credit Policies & Procedures	Data Framework	Control environment	KPIs & Monitoring
June 2021	Loan Origination	Critical	Critical	Critical	Critical
June 2022	Pricing	Critical	Medium	High	High
June 2023	Monitoring Framework	Medium	Critical	High	Critical
June 2024	Collateral Valuation	Medium	Critical	High	High

Application of the Guidelines (perimeter regarding abovementioned dimensions) :

Newly originated loans | Existing loans that have been renegotiated | Stock of existing loans

What you should be thinking about? How we can help.

Loan Origination Procedures and Pricing

- Specify the handling and use of documentation of information and data from clients for their liquidity and creditworthiness assessment;
- Specify the assessment of borrowers' creditworthiness including ESG factors as a borrower's failure to meet the sustainability obligation, could affect overall the financial stability. Design appropriate tools and assess the need for Due Diligence;
- Granularity of quantitative and qualitative information, including appropriate ESG factors. Use of appropriate automated models in credit decision making in relevance with portfolio characteristics;
- Align pricing framework to the credit risk appetite and business strategies, including the impact of potential ESG adjustments.

Enterprise activities

- Alignment of Bank's strategy with the internal adequacy assessment process regarding capital (ICAAP) and liquidity (ILAAP).

Monitoring Framework

- Manage and monitor credit risk exposures in line with Bank's credit risk appetite, strategy, policies and ESG requirements;
- Develop early warning triggers and introduce specific key indicators at a cluster customer level.

Collateral Valuation

- Detailed approach needs to be developed on the impact of climate risk (i.e. based on the energy performance certificate (EPC) label of the collateral) to the collateral evaluation from origination to the end of valuation;
- Advanced statistical models for the valuation, monitoring and revaluation of collateral need to be expanded so as to embody the ESG dimension.

The evolving Loans Origination and ESG Compliance Journey

2021

- **Adaption of : EC2019/2088** Sustainability-related disclosures in the Financial Services sector “Non-Financial Disclosure Regulation” and Adaption by ESA’s of the **EC2019/2089 ”the Low Carbon Benchmark Regulation”** after the application of EU2019/2088.
- EBA assessment of the potential inclusion in the supervisory review and evaluation performed by competent authorities of ESG risks in the context of **Directive (EU) 2019/878.**
- Regulation (EU 2019/876) amending FIs significant ratios (i.e. Leverage), important risks (i.e. Counterparty, market) and requirements regarding exposures, relevant reporting and disclosures.
- Final **EBA Report** on **incorporation of ESG risk into risk management and supervision.**
- **Final draft ITS on Pillar III disclosure** – ESG disclosures.
- Final draft ESA’s RTS on consumer and investor disclosures.

2022

- Disclosures to be compliant with SFDR and Taxonomy Regulation.
- Technical criteria on climate change mitigation and adaptation under EU Taxonomy become applicable.
- Publication of first adverse impact report by large FMPs.

2023

- Technical screening criteria on environmental objectives under Taxonomy Regulation other than climate change mitigation and adaptation become applicable.

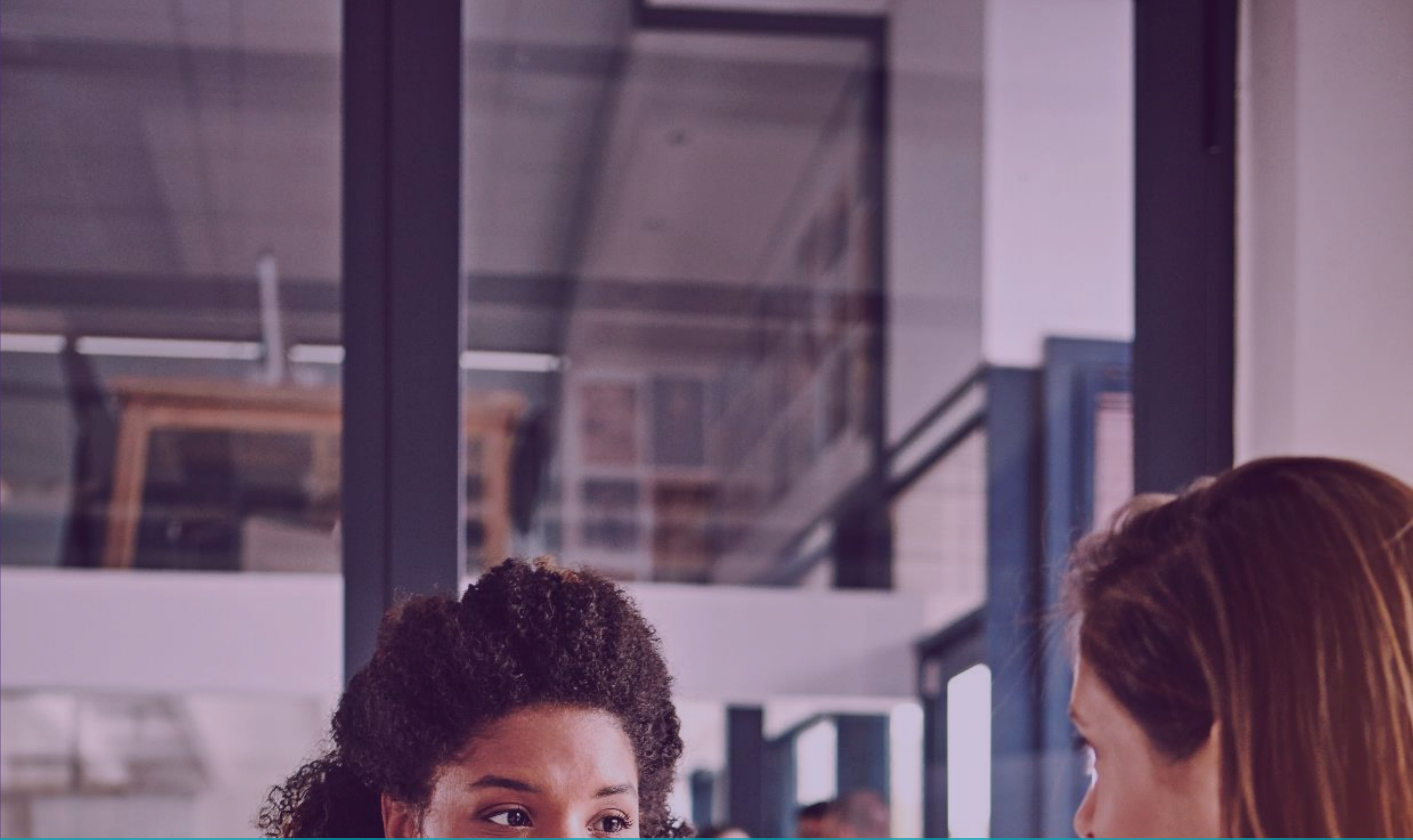
2024

- Disclosures on institutions’ scope 3 emissions. Until then institutions will need to collect information on CO2 emissions from their counterparties and develop methodologies to estimate their scope 3 emissions.
- Disclosure of the green asset ratio on stock of assets for those exposures towards retail, and corporates not subject to NFRD disclosure obligation.
- Application of full monitoring requirements to the stock of the existing loans.

2025

- **Final EBA Report** on classification and prudential treatment of assets from a sustainability perspective.

Indicative list of evolving regulatory landscape



6. Operational Resilience

As more and more business and financial services continue to embrace digital transformation and extreme climate related events occur, the number of service interruptions and outages is increasing.

Downtime may simply be an inconvenience for some, but severe disruption to key Financial Services can cause serious financial harm to consumers, markets and potentially the wider economy.

With this in mind, regulators take an increased interest in the Operational Resilience of Organizations and under the assumption that service disruptions will happen, they emphasize on the need for Organizations to consider how they will protect the key services on which consumers and the wider economy rely.

In this spirit, very recently Basel Committee issued relevant Operational Resilience guidance and updated the Principles regarding Operational Risk.

An executive summary of relevant updates and Banks' challenges, along with suggested course of action, follows.

Operational Resilience

Regulatory Expectations and what should organizations do in practice?

Very recently (March 2021) Basel Committee issued Instructions on Operational Resilience and updated Principles regarding Operational Risk. Cyber security and IT disruption are key areas of interest for the regulators – but they are not the only potential areas of risk. Other threats may include climate change or environmental factors, such as floods, natural disasters, terrorist attacks, or issues around physical access to premises.

Organizations need to ensure that regardless of the underlying reasons, disruption to key services, to the extent that it can not be eliminated, if and when it will occur will be minimal. To do so, various aspects need to be considered.

Key Challenges

- How do you measure success and demonstrate compliance?
- How do you achieve compliance across multiple jurisdictions? What capabilities would add value in ensuring improved client service?
- How can you avoid or mitigate operational incidents that can cause reputational damage?
- How do you define and map services in line with regulatory requirements? Also functions to key services? How do you assess impact of disruption to consumers?

- How can you measure or assess the potential impact on the economy?
- How do you escalate incident response when issues fail to be resolved within the incident tolerance period? Responses could potentially be too slow or too costly and therefore be restricted in terms of use.
- How do you align Operational Resilience and key service line priorities to Board strategy and objectives?
- How do you align supporting paper work and contracts, and Service Level Agreements with third parties and outsourced providers?
- What are the cost/benefit trade offs regarding service design?

What you should be thinking about? How we can help.

- Establishment of an appropriate governance framework. Review organizational strategy and assess operational risks in relation to critical services and their wider impact;
- Gap analysis between Organization’s; existing Operational Risk Management framework and Operational resilience requirements;
- Establishment of metrics for measuring and reporting ensuring adequate, meaningful and timely Management Information (MI) to all stakeholders;
- Review the impact of a failure of a process on economy, clients, market and set tolerance levels accordingly;
- Establishment of appropriate escalation mechanisms when risks are identified and / or action is required as a result of a scenario outcome;
- Review incidents (historic and potential) and prepare, implement appropriate scenarios testing. Ensure that business, regulatory and other relevant emerging risks have been adequately considered, factored in;
- Existence of appropriate communication plans for internal, external and press use;
- Review of all third party and outsourced contracts;
- Assurance over monitoring of risk, including Board reporting.

7. Outsourcing / Third Parties Risk Management considerations

Operational resilience has increased the focus on third party and outsourcing arrangements.

Historically, many high profile service outages and broader operational incidents have been due to failings in third party provisions, particularly from IT providers.

As the EBA's outsourcing guidelines come into practice and formalize existing industry good practice in the context of operational resilience, it is important to remember that organizations retain the regulatory responsibility for all outsourced services, and regulators highlight the cumulative impact of outsourcing in terms of oversight and influence.

Outsourcing / Third Parties Risk Management considerations

- Bank of Greece Executive Committee issued the regulatory Act No.178/2020 regarding Outsourcing Activities in alignment with the relevant EBA Guidelines (EBA/GL/2019/02). To be noted that the existing framework is abolished (Annex 1 of the Act 2577, which was replaced from the Act 2597).
- Institutions supervised by Bank of Greece should revisit all the existing outsourcing contracts and perform risk assessment based on the new Policy's principles. In case they will proceed to contracts updates/ modifications, they **should submit to the Authority a Report including these modifications by December 31st, 2021.**

What should you know

- The new Act applies to all new outsourcing contracts as well as to all existing ones that are renewed, reviewed or amended, since October 6th, 2020;
- Special measures should be taken regarding Outsourcing & cyber security risks stemming from increasing reliance on third-party IT/cloud service providers. In this context, the EBA recommendation on outsourcing to cloud service providers, has been integrated into the Regulatory Act as well;
- Stronger Bank of Greece supervision;
- Institutions are expected to take particular care for service providers located in third countries;
- Further governance measures are required in respect of conflicts of interest, business continuity and audit;
- **The Act includes requirements that aim to ensure that the following apply with regards to Financial Institutions**
    - Sound outsourcing policies and processes have been developed;
    - Effective and efficient internal control framework;
    - All the risks associated with the outsourcing of critical or important functions are identified, assessed, managed, reported and, as appropriate, mitigated;
    - There are appropriate plans for the exit from outsourcing arrangements of critical or important functions;
    - There is effective oversight by the management body.

Main Challenges

- **Develop IT (Fintech and cloud) Outsourcing arrangements;**
- Manage **security issues and data protection;**
- **Pre-outsourcing analysis & Due Diligence;**
- Carry out sound arrangements for **access, information and audit rights;**
- Measures in place to **terminate the partners;**
- **New Contractual provisions & sub-outsourcing agreements management;**
- Establish an **outsourcing function or appoint a senior staff member,** who reports directly to the BoD and is responsible to oversee the risks arising from outsourcing agreements;
- Identify all **'critical functions**' and assess exposure to outsourcing arrangements;
- Written notification to BoG of planned outsourcing arrangements;
- Maintain an updated register of information on all outsourcing arrangements.

What you should be thinking about? How we can help.

Perform scoping activities

- Perform a health check review to assess the current outsourcing framework (i.e. Policies, processes, Reporting, Contracts, etc.);
- Benchmark your current Outsourcing arrangements against the identified best practices, identify areas for improvement / remediation and suggest Solutions.

Ensure existence of appropriate PMO Services

- Able to provide the required guidance through the interaction with regulators and industry bodies;
- Strong program management Competencies;
- Ensure all activities are coordinated and are in line with the Program's Objectives.

Have a complete toolkit (Management Program implementation) including:

- Data analytics (risk scoring, KPIs, etc.);
- Third Party oversight Strategies
- BCP/DR/ Resilience Program;
- Third Party Risk based Due Diligence;
- Plan Audit & Reporting;
- Document Retention Policy;
- Third Party Categorization Process;
- Special management program for IT Outsourcing.

8. Treasury evolutions

As a result of Covid-19 and other important evolutions such as Brexit, volatility seems certain to persist over both the short and medium term.

As uncertainty is likely to remain a watchword in 2021, Treasury areas need to deal with the consequences of low rates, and also address the upheaval associated with the replacement of London Interbank Offered Rate (LIBOR) with Secured Overnight Financing Rate (SOFR) in the US, Euro Interbank Offered Rate (EURIBOR) in the European Union and Sterling Overnight Index Average (SONIA) in the UK.

Against these evolutions Banks are called to devote considerable attention to ensure that borrowing and hedging arrangements are appropriately transitioned.

Furthermore, implementation of the new IFD/IFR regime, to be effected soon, presents incremental challenges for relevant Organizations.

Key highlights of some of the above mentioned challenges and what Institutions need to be thinking, preparing for, follow.

IBOR Reform-BMR Regulation

Transition away from the London Interbank Offered Rate (LIBOR), and other IBORs, represents one of the biggest challenges Financial Services firms face. Successful management will require significant change and strategic risk management – from adjusting risk profiles and models to navigating an uncertain regulatory landscape.

At latest by 2022 new, risk-free interest rates, which are based (mostly) on real market transactions, should have replaced the old reference interest rates.

Key Challenges

Financial Exposures Continue to Grow

Continuing to issue new LIBOR-linked contracts, which mature post-2021, when alternative RFR products have become a viable option, will lead to avoidable growth in exposures, and increases in associated risks.

Frontline staff lack awareness

Insufficient and uncoordinated training on new RFR products and transition impacts could lead to conflicting messages from different business areas.

Tax & Accounting issues stemming from contract amendments

Changes to existing contracts, if considered material, may constitute a disposal of the existing contract and entering into a new contract for corporation tax purposes. Accounting implications may result in derecognition of contracts and/or discontinuation of hedge relationships.

Conduct Risks not appropriately managed

Information asymmetries, inadequate disclosures and conflicts of interest give rise to conduct risk.

Key Dates

2016 - 2018

The discussion of the IBOR transition starts in response to scandals with manipulation with interest rates. The actual IBOR transition starts.

By the end of Q2 2021

- Derivatives: Adhere to the ISDA Protocol (FINMA).

- Bonds and Notes: Cease new use of EUR LIBOR or ensure robust fallbacks (FINMA).

- Loans: Be ready to offer non-LIBOR Alternatives (FINMA).

By the end of Q2 2021

All products: Operational readiness for €STR (FINMA) & EONIA.

By the end of Q4 2021

All products: Cease new use of EUR LIBOR (FINMA, €WG)

What you should be thinking about? How we can help.

Systemic risks are arising as financial exposures increase

- Establish a strategy for reducing LIBOR exposures in line with regulatory expectations, including a clear client communication plan.

Lack of staff training leads to poor client outcomes or unintended internal consequences

- Roll out training programmes, advice on leading practices and design a “red-flag” system, which highlights key issues to employees.

Tax & Accounting issues

- Identify tax implications associated with repapering (i.e. review amendments to contracts together with envisaged accounting treatment) and consider whether tax events would be triggered by existing terms and conditions.

Conduct Risk

- Establish a system to distinguish between clients types and ensure all options and potential replacement rates are appropriately explained to clients.

The impact of the new IFD/IFR regime

The Investment Firms Directive and Investment Firms Regulation came into force in December 2019 and apply to all Investment Firms as defined under the MiFID II. The **IFR will apply across EU member states from June 2021** and they are required to implement the IFD in their respective jurisdictions by the same date.

Transitional provisions will apply for a five-year period until 2026 to allow firms to prepare for, and adapt to the new regime, during which firms' capital requirements will be more limited.

Key Challenges

Investment Firms will be classified by reference to asset-levels, activities and systemic importance, with the largest systemic firms needing re-authorization as credit institutions.

Classification

Which of the new rules will apply to a particular MiFID investment firm will depend on that firm's classification under the new IFR/IFD regime.

Capital Requirements

IFD sets new initial capital requirements for all MiFID investment firms, which will depend on their activities.

Disclosures and Reporting

Firms will be required to disclose detailed information depending on their classification.

Key Dates

December 2019
The Directive (EU) 2019/2034 and Regulation (EU) 2019/2033 on the prudential requirements of investment firms (IFD & IFR) were published.

December 2020
Deadline for Systemically important FIs to apply for authorization as Credit Institutions.

June 2021
- Deadline for adopting IFD
- Start of the implementation of the IFR
- EBA & ESMA set of regulatory technical IFD & IFR Standards.

December 2022
Introductions of Social & Governance Risk Disclosures, including transition risks.

What you should be thinking about? How we can help.

Impact Assessment

- Quantify the impact on the capital or liquidity requirements;
- Highlight the changes required regarding Internal Governance and Risk Management practices, remuneration policy;
- Regulatory reporting and disclosures.

Implementation

- Advice on calculations and methodologies development;
- Governance model development;
- Regulatory reporting update;
- Disclosures development;
- Project management support.

IT Infrastructure & Reporting

- Review Data Model and Security Controls;
- Implement calculations;
- Management reporting / dashboarding.

9. Fintech developments

The Fintech sector has been through turbulent times in 2020, as the level of uncertainty and volatility presented some tremendous challenges to a number of businesses.

Yet, opportunities within the sector are constantly growing and so is also its overall imprint in the financial services industry.

In the last few years, Fintech firms proved that they are not only disrupting the market but that they can become serious players and present a real competition to many of the Financial Services incumbents by offering innovative solutions and setting new standards in delivering customer satisfaction.

A closer look at Fintech

In response to an increasingly evolving market, European Supervisory Authorities (ESAs) are keen to encourage the development of Fintechs, but also determined to exercise appropriate oversight over innovative technology. Recent months have seen a number of important publications by the European Commission (EC), the European Banking Authority (EBA) and the European Central Bank (ECB), pointing towards a growing supervisory focus. Banks should be aware of supervisors' likely priorities and prepare for fresh challenges ahead.

Key Challenges

Advice on digital finance and related issues in the Financial Sector:

EC has called for technical advice, from ESAs, on digital finance and related issues in the Financial Sector. EC is requested advice on how to address "same activity, same risk, same rules" issues, more fragmented value chains, the scope of the supervisory perimeters, the prudential risks for non-bank lending and the protection of client funds. Among other timelines, the call for advice specifies that ESAs should deliver a joint interim report and a final report on value chains, "platformization," and mixed activity groups by October 31st, 2021 and January 31st, 2022, respectively.

Digital operational resilience - closing the door to cyber attacks and enhancing oversight of outsourced services:

The European Commission published a proposal for a new regulation – the Digital Operational Resilience Act ("DORA") – and an accompanying directive to harmonize digital operational resilience rules for financial organizations in the EU. DORA aims to ensure that all participants in the financial system have the necessary safeguards in place to mitigate cyber-attacks and other risks. The European Commission was **seeking public feedback on the proposals until April 12th, 2021**. The feedback will be summarized and presented to the European Parliament and Council to inform the legislative debate

Legislative proposals on crypto-assets.

Pursuing its Digital Finance Strategy the European Commission has proposed a new Digital Finance Package, including legislative proposals for a Regulation on Markets in crypto-assets ("MiCa"). The MiCa focuses strongly on rules to regulate crypto-asset types such as stable coins as well as crypto-asset service providers, referred to as CASPs.

Assuming that the legislative review will last for approximately 18 months and MiCA will be published in the EU Official Journal in Q4 2021, it will become applicable in Q2 2023. As it is impossible to predict exactly the duration of the legislative review (complex files tend to take longer), the phase in periods may be amended in the course of legislative review.

What you should be thinking about? How we can help.

Cyber, Risk, Governance and Regulatory aspects

- Cybersecurity including security assessment, penetration testing and incidence response;
- Advising on key risk management including technology risk reviews across APIs, cloud, robotics, etc.;
- Governance and Controls including KYC/AML and transaction monitoring;
- Regulatory applications, jurisdictional reviews and regulatory compliance including Payments and Sustainability.

Strategic innovation

- Support UI/UX reviews;
- Advise on business models and go-to-market strategies.

Digital operational resilience

- Establish and manage a digital operational resilience program focusing on:
    - Key vulnerabilities identified including cyber threats;
    - Ensuring system resilience aiming to business continuity and disaster recovery.

10. The Intelligent Automation Journey

One year ago perhaps no one could imagine the way the global Covid-19 pandemic could convert Banks' digital transformation plans from an opportunity with a long lead time, to an urgent necessity, even a matter of survival.

A year after many things have changed but still much more need to be implemented in a more strategic mode as Banks and Financial Institutions have now the opportunity to leverage upon a number of experiences and a variety of modern technologies to successfully meet their goals regarding the following areas:

- Profitable Growth
- Transformation and further digital adoption
- Systems, Process & People's performance
- Risk Management & Security issues

The Intelligent Automation Journey has started.

Holistic Approach to Banking Digitization How Grant Thornton practice can help

1 Channels Strategy

Phygital strategy and focus on being inherently digital across all channels. Powered interactions with intelligent and total customer aware context, avoiding silos. Digital-First Physical Journeys, introducing conversational AI with powered virtual agents and bots and utilizing ML based analytics on Bank's data for various purposes (e.g. Event management, Risk management, Cross-selling, Complaint management.) A new operational model to adapt to the transforming organization, market and ecosystem.

2 Customer friendly process

Customer experience at the core of the organization. Simple lean, seamless, more flexible and frictionless processes.. End-to-end approaches for operational efficiencies to enhance experience.

3 Marketing

Product and brand awareness with differentiating factors against competitors. Omnichannel strategy with targeted campaign content by adopting MarTech, Metrics and KPIs at each stage of the process.

4 Intelligent Digital Operations

35 – 40% of processes from origination to servicing to shared services are manual and consume expensive resources.
Customer Service, Accounts Payable, General Ledger, Report Automation, KYC, Fraud detection are some of the areas that can be improved operations by using RPA technology.

5 Performance Insights & Predictive Analytics

Data Driven Customer Actionable Insights:

- Proactive Communication Channels with feedback mechanisms for comprehensive voice of customer analysis to provide a baseline of the current impression and help create new sales opportunities or avoid loss of clients.
- Risk Intelligence with Machine Learning techniques to increase the ability in detecting Patterns, Inconsistencies and Unusual Behavior.

6 Data Sharing

Support towards the strengthening of innovation capabilities and the greater use of Open Banking, including strategic partnerships with Fintechs and other non bank partners. Integration and Interoperability services to improve CX and explore new revenue streams.

The Journey of Intelligent Automation

Developing the Roadmap.

Assessing current position relative to strategic goals is critical first step
Developing a strong pipeline of opportunities is the fuel to sustain the journey. Quick wins prioritization is a commonly identified preferred approach.
Determining future velocity is a function of multiple variables. Critical success factors include deep understanding of the key components of Technology Capabilities, Process Maturity, Organization readiness and Budget availability / constraints.
Navigating the inevitable speedbumps on the journey will require a strong program governance structure to generate a high value pipeline and realize the benefits.

02

Robotic Process Automation

Process Automation through the User Interface.

04

Predictive Analytics and Machine Learning

Artificial intelligence can be used over consumer and Banks’ historical databases with the goal of predicting the future, minimize costs and improve Bank/client experience.

06

Natural Language Processing

Ability to understand and interpret human language (voice).

01

Intelligent Character Recognition

Machine Learning enhanced character recognition.

03

Data Analytics and Visualization

Patterns and visual presentation form complex data assets.

05

Low Code Application Platforms

Solutions created through graphical user interfaces and configuration instead of programming.

A closer look at Robotic Process Automation and how we can help you

More and more Financial Institutions realize the below benefits that they can have by automating numerous tasks and initiate relevant projects. Our specialized team of Technology Intelligence and Performance experts along with Financial Services specialists can help your areas to enjoy them as well, enabling you to meet your strategic goals and lead your Organization to success.

Increase your revenue

Automation increases revenue growth through shorter cycle time to service customers.

Delight your customers

Increased customer satisfaction through a focus on quicker and a more integrated experience with fewer errors.

Scale your business

A digital workforce can respond to growth events (e.g. organic, acquisitive) with speed, agility, resilience, and greater accuracy

Reduce your costs

Some forms of automation bring immediate reduction in operational cost, beyond labor arbitrage and can realize rapid return on investment.

Avoid costs

Having quick time to delivery avoids the invasive traditional system integration. Weeks or months instead of years.

Improve your productivity

Digital workers never sleep and many of today's digitally-enabled processes can be orchestrated to operate autonomously 24x7, driving real time transactions.

Stay compliant

Automated technology can reduce errors, remove human touchpoints and leave a digital audit trail for the required increased accuracy and regulatory compliance, enabling programmable controls.

Refocus your talent

The priorities of the employee workforce shifts to innovation, strategy and other business development activities.

A closer look at Blockchain and GTs multi-disciplinary approach (end-to-end)

Blockchain is a technology which allows **interacting or exchanging value** between two or more entities without the need for trust or intermediaries.

ETYMOLOGY

Three different but complementary definitions:

- **Technical:** It is a distributed transaction database
- **Business:** Exchange network to move value between pairs (people and / or companies)
- **Legal:** A mechanism for validating transactions and interactions that does not require the assistance of intermediaries

WHAT IT DOES

- **Immutable** certification of information
- Creation and exchange of **tokens** from one point to another without intermediaries
- **Smart Contracts** provide business intelligence to these assets under the principle of neutrality

With Blockchain, Grant Thornton has taken advantage of the firm's experience and knowledge in other more traditional services to ensure that our Blockchain offering offers a holistic vision for clients as well as a 360 degree view of the impact and considerations for models of business (macro and micro). For this we divide our experience into four main categories:

- Development
- Architecture
- Cybersecurity
- Front-end software

Legal

- AML/KYC
- Data protection
- PSD II
- GDPR

Strategic

Target operating model
- Strategy
- Functional design
- Project Management

Industry

- Financial services
- Energy
- Construction
- Pharmaceutical
- Automation

Blockchain: Bringing the future to companies

Blockchain is a technology that is changing the way in which value is exchanged between two or more agents, transforming the role of intermediaries and improving the management of information.
Below are some benefits from an indicative KYC/AML use case, illustrating how Blockchain Networks can add value to the existing ecosystem.

- Dissemination of documents among banks (operational efficiency, client satisfaction)
- Information sharing with regulators
- Real-time document availability
- Quick fraud capture
- Alert system for expired documents

GT offers a comprehensive solution in Blockchain technology services: from conception and strategic design to production and implementation.

Our specialist technical, legal and strategic consultants help our clients fully integrate the technology into their business, generating differential added-value from the very beginning.

Appendix

Regulatory / Supervisory Authorities 2021 Key Priorities at a glance

2021 Regulatory / Supervisory Priorities at a glance

Although due to the pandemic, credit risk related and business resilience aspects are at the forefront, a number of other areas are also at the focus of Regulatory and Supervisory activities for 2021, as per their announced plans.

EBA

EBA's work for 2021 is defined under the below six strategic areas:

- Supporting deployment of the risk reduction package and the implementation of effective resolution tools;
- Reviewing and upgrading the EU-wide EBA stress testing framework;
- Becoming an integrated EU data hub, leveraging on the enhanced technical capability for performing flexible and comprehensive analyses;
- Contributing to the sound development of financial innovation and operational resilience in the Financial Sector;
- Building the infrastructure in the EU to lead, coordinate and monitor AML/CFT supervision;
- Providing the policies for factoring in and managing ESG risks.

ECB

ECB's work for 2021 is defined under the following strategic areas and activities:

- Credit Risk Management;
- Business Model sustainability;
- Capital strength;
- Governance.

Additional supervisory activities relating to medium and longer-term structural risks to European banks, beyond the Covid19 pandemic, will be carried out. These activities include review of:

(i) Banks' alignment with expectations set out in the ECB Guide on climate-related and environmental risks;

(ii) prudential risks emanating from money laundering, cyber and digitalization risks;

(iii) Banks' preparedness for the final stages of implementing Basel III.

ESMA

During 2021 ESMAs key areas of focus under its activities of supervisory convergence, assessing risks, single rulebook and direct supervision will be:

Supervisory Convergence: Build an EU common risk-based and outcome-focused supervisory culture focusing on fund liquidity risk and liquidity management tools, retail investment products costs and performance, quality and usability of data, supervision of ESG reporting and ESG data usage, and the implementation of EMIR.

Risk Assessment: Emphasis on integrating the new focus on financial innovation and ESG into ESMA's risk analysis, providing data for risk-based supervision and to support policy and convergence work.

Single Rulebook: Emphasis on legislative reviews of MiFID and AIFMD and assess whether changes to the rulebook are needed to develop the Capital Markets Union, enhance the attractiveness of EU capital markets, and/or to promote sustainable finance or proportionality. Also, following EMIR Refit and depending on market developments, review technical standards where necessary (e.g.in the area of clearing thresholds and the clearing obligation).

Direct Supervision: Focus on third country central counterparty supervision as critical financial market infrastructures under EMIR and prepare for the new supervisory mandates regarding Benchmarks.

SRB

Early in 2021, a second multi-annual Work programme was distributed, setting out a roadmap with a clear focus on achieving resolvability and a robust bank resolution of the banks under its remit over the next three years and the further operationalization of the Single Resolution Fund. The main area of focus include:

Achieving resolvability of SRB Banks and LSIS

- Implement SRB Expectation for Banks;
- Further operationalize resolution plans;
- Conduct resolvability assessments, feeding into an SRB "Heatmap", and take action in case of insufficient progress;
- Design and perform on-site inspections (OSI);
- enhance oversight function of less significant institutions (LSI).

Fostering a robust resolution Framework

- SRB policies and Banks' guidance;
- Contribute to external policy-making and international cooperation.

Preparing and carrying our effective crisis management

Operationalizing the SRF

Abbreviations

Acronym	Description
AML/CTF	Anti-Money Laundering and Counter-Terrorism Financing Act 2006
BCBS	Basel Committee on Banking Supervision
BMR	Benchmark Regulation
BOG	Bank of Greece
CRD	Capital Requirements Directive
CRS/FATCA	Common Reporting Standards / Foreign Account Tax Compliance Act
DAC6	Directive on cross-border tax arrangements
DORA	Digital Operational Resilience Act
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EMIR	European Market Infrastructure Regulation
EPC	Energy Performance Certificates
ESG	Environmental Society Governance
ESMA	European Securities and Markets Authority
FINMA	Swiss Financial Market Supervisory Authority
FRTB	Fundamental Review of the Trading Book
GDPR	General Data Protection Regulation
HCMC	Hellenic Capital Markets Committee
IAPR	Independent Authority for Public Revenue
IBOR	Interbank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process
ICS	Internal Control System
IFD	Investment Firm Directive (EU 2019/2034)
IFR	Investment Firm Regulation
IFRS	International Financial Reporting Standards
ILAAP	Liquidity Adequacy Assessment Process
IOSCO	International Organization of Securities Commissions

Abbreviations

Acronym	Description
IRS	Internal Revenue Service
ISDA	International Swaps and Derivatives Association
IT	Information Technology
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
LSI	Latent Semantic Index(ing).
MiCa	Markets In Crypto Assets
MiFID	Markets in Financial Instruments Directive
MLD	Money Laundering Directive
NMRF	Non-modellable risk factor
NPL	Non Performing Loans
OECD	Organization for Economic Co-operation and Development
OSI	On Site Inspection
OTC	Over the Counter
PD	Probability of Default
QI	Qualified Intermediary (QI) is a non-US financial intermediary that has signed the QI Agreement with the IRS.
RFR	Risk-free Rate
RPA	Robotic Process Automation
RTS	Regulatory Technical Standards
SFTR	Securities Financing Transactions Regulation
SICR	Significant Increase Credit Risk
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
SRB	Single Resolution Board
SRF	Single Resolution Fund
TCFD	Task Force on Climate-related Financial Disclosures
TRIM	Target Review Internal Models
€STR	Euro short-term rate
€WG	Euro short-term rate

Financial Services Risk & Regulatory Team

Our Risk & Regulatory Team is committed to keeping our clients up to date with key regulatory updates by EU and Greek authorities, in the Financial Services sector. We build long-term relationships, founded upon exceptional client services, as well as professionals well-informed in regulatory and market developments that cover a number of areas including Anti-Money Laundering (AML), Governance, ESG and Sustainable Finance, Capital Markets and Risk Management.

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