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RISK & REGULATORY INSIGHTS

QUARTERLY NEWSLETTER

REGULATORY UPDATES

June 2020

HIGHLIGHTS

Second Quarter 2020 has seen a lot of activity in terms of regulatory and supervisory developments in the financial markets with a focus on the areas of Anti-Money Laundering (AML), Governance, Environmental, Social and Governance (ESG), Risk Management, Capital Markets and FinTech.

Anti-Money Laundering (AML)

The European Commission has proposed a comprehensive approach to further strengthen the EU's fight against money laundering and terrorist financing through the publication of a multifaceted Action Plan, which sets out concrete measures that the Commission will take over the next 12 months to better enforce, supervise and coordinate the EU's rules on combating money laundering and terrorist financing. The aim of this new, comprehensive approach is to shut down any remaining loopholes and remove any weak links in the EU's rules.

The Bank of Greece has issued a Decision setting out the terms and conditions permitting remote electronic identification of individuals in the course of a business relationship with credit and financial institutions. The terms and conditions are intended to mitigate the risk posed by the verification of the identity of natural persons without their physical presence.

HIGHLIGHTS

Governance

The European Securities and Markets Authority (ESMA) has published the final guidelines on the MiFID II compliance function. These guidelines replace ESMA's guidelines on the same topic issued in 2012 and include updates that enhance clarity and foster greater convergence in the implementation, and supervision, of the new MiFID II compliance function requirements.

Significant changes are expected through the upcoming law in corporate governance for listed entities. The draft law on corporate governance was tabled before the Hellenic Parliament for adoption into Law. The provisions of the draft law govern the management and internal operation of companies with shares or other securities listed on a regulated market operating in Greece. The new institutional framework aims to strengthen the corporate governance framework, considering, on the one hand, changes in the legislative and regulatory framework governing the action of these companies on a European level, and, on the other hand, modern trends in corporate governance structures.

Environmental, Social and Governance (ESG)

Environmental, Social and Governance (ESG) disclosure has been another important policy initiative in the EU. The European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have issued a Consultation Paper seeking input on ESG disclosure standards for financial market participants, advisers and products. These standards have been developed under the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR).

Risk Management

The European Banking Authority (EBA) published its Guidelines on loan origination and monitoring that expect institutions to develop robust and prudent standards to ensure newly originated loans are assessed properly. The Guidelines also aim to ensure that the institutions' practices are aligned with consumer protection rules and respect fair treatment of consumers.

The EBA has conducted its first comparative analysis of recovery and resolution plans for financial institutions and identified best practices and areas where further improvement and/or clarifications are needed.

HIGHLIGHTS

In addition, on certain common elements between both types of plans, such as critical functions and access to central bank facilities, the report clarifies their specific purpose in each planning phase and the advantages or disadvantages of a potential convergence or armonization.

Capital Markets

The European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) have proposed an extension of the application of the margin requirements because of the Covid-19 impact, while ESMA has highlighted the risks for retail clients when trading under these highly uncertain and unprecedented market circumstances.

FinTech

The European Commission has published two related consultation documents: on the EU's retail payments strategy on an integrated EU payments market and on the EU's new digital finance strategy to spur the development of digital finance in the EU. The outcomes of each consultation will help the Commission prepare its retail payments strategy and digital finance strategy, which are expected to be published by the Commission in Q3 2020.

The European Commission, following the launch of the public consultation on the future EU Framework for markets in Crypto Assets on 19 December 2019, hosted a meeting of experts on issues related to banking, payments and insurance throughout European Union, to give insights in terms of future legislation and its subsequent integration in the area.

AML/CFT

Commission steps up fight against money laundering and terrorist financing

The European Commission has put forward a comprehensive approach to further strengthen the EU's fight against money laundering and terrorist financing.

The Commission has published an ambitious and multifaceted Action Plan, which sets out concrete measures that the Commission will take over the next 12 months to better enforce, supervise and coordinate the EU's rules on combating money laundering and terrorist financing.

The aim of this new, comprehensive approach is to shut down any remaining loopholes and remove any weak links in the EU's rules.

Terms and conditions for the remote electronic identification of individuals when concluding a business relationship with credit institutions and financial institutions supervised by the Bank of Greece

(Government Gazette No. 172 / 29.5.2020)

On June 2, 2020, the Executive Committee of the Bank of Greece issued a decision (the Government Gazette No. 172 / 29.5.2020), setting out the terms and conditions permitting remote electronic identification of individuals in the course of a business relationship with credit institutions and financial institutions, within the meaning of paragraphs 2 and 3, respectively, of article 3 of law 4557/2018, which are under the supervisory authority of the Bank of Greece, according to item a) of par. 1 of article 6 of the above law (liable persons, hereinafter CA), in the context of application of the provisions to the institutional framework for the prevention of money laundering, Anti – bribery practices and Terrorist Financing.

The provisions of this Act shall also apply in the event of a remote electronic identification of a true beneficiary of a legal entity, within the meaning of paragraph 17 of Article 3 of Law 4557/2018,

The European Commission has proposed a comprehensive approach to further strengthen the EU's fight against money laundering and terrorist financing through the publication of a multifaceted Action Plan.

or a legal representative of a legal entity or other natural person requiring verification and verification of his identity due to his relationship with a legal entity based non par. 5.5.2 of the decision ΕΤΠΘ 281/5 / 17.3.2009.

The permitted remote electronic identification methods, which can be applied by the Ministry of the Interior, are as follows:

1. videoconference with a trained employee, which is a two-way visual and audio communication in real time between the individual and the trained employee who are in different locations, whilst supporting the exchange of files and messages,
2. automated process without the presence of an employee, by taking a dynamic self-portrait, based on the dynamic and not static taking of photos of the natural person to ensure that it participates live in the process.

The terms and conditions set forth in this Act are intended to mitigate the risk posed by the verification and verification of the identity of natural persons without their physical presence.

EBA published report on competent authorities' approaches to AML/CFT

The EBA published its first Report on competent authorities' approaches to the anti-money laundering and countering the financing of terrorism (AML/CFT) supervision of banks.

This publication is part of the EBA's new role to lead, coordinate and monitor the fight against money laundering and terrorist financing in all EU Member States.

The EBA found that significant challenges remain and are common to all competent authorities in the sample including:

- i) the need to move away from a focus on tick box compliance to assessing the effectiveness of banks' AML/CFT systems and controls;
- ii) the need to strengthen their approach to ensure compliance by taking more proportionate and sufficiently dissuasive measures to correct deficiencies in banks' AML/CFT systems and controls, whilst cooperate effectively with domestic and international stakeholders to draw on synergies and to position AML/CFT in the wider national and international supervisory framework.

EBA consults on revised guidelines on money laundering and terrorist financing risk factors

The EBA issued a [public consultation](#) on revised money laundering and terrorist financing (ML/TF) risk factors Guidelines as part of a broader communication on AML/CFT issues.

The revised version issued by the EBA propose numerous key changes, including new guidance on compliance with a view to enhance customer due diligence related to high-risk third countries. New sectoral guidelines have been added on crowdfunding platforms, corporate finance, payment initiation services providers (PISPs) and account information service providers (AISPs) and for firms providing activities of currency exchanges offices.

Furthermore, the revised Guidelines provide a more detailed analysis on terrorist financing risk factors and customer due diligence (CDD) measures including, the identification of the beneficial owner, the use of innovative solutions to identify and verify the customers' identity. In addition, they set clear regulatory expectations of firms' business-wide and individual ML/TF risk assessments.

These Guidelines are central to the EBA's work to lead, coordinate and monitor the fight against money laundering and terrorist financing. The consultation runs until 06 July 2020.

EBA statement on actions to mitigate financial crime risks in the COVID-19 pandemic

Given that measures to prevent money laundering and terrorist financing (ML/TF) remain crucial in this challenging time, the EBA [calls on competent authorities](#) to support financial institutions' ongoing efforts by sharing information on emerging ML/TF risks, setting clear regulatory expectations and using supervisory tools flexibly.

This may entail, for instance, a temporary postponement of non-essential onsite inspections on a case-by-case basis even after current restrictions on movement have been lifted, a move towards virtual meetings and inspections where appropriate, or an extension of submission dates for AML/CFT questionnaires, where these are being used.

COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses

The Financial Action Task Force (FATF) published a [report](#) into COVID-19-associated money laundering (ML) and terrorist financing (TF) risks and expected policy responses.

Governance

Significant changes are expected through the upcoming law in corporate governance for listed entities. The draft law on corporate governance was tabled before the Hellenic Parliament for adoption into Law.

ESMA published the final guidelines on the MiFID II compliance function

ESMA has published the final guidelines on the MiFID II compliance function. The specified set of guidelines intend to replace the ESMA guidelines on the same topic, as issued in 2012 and include updates that enhance clarity and foster greater convergence in the implementation, and supervision, of the new MiFID II compliance function requirements.

While the objectives of the compliance function as well as the key principles underpinning the regulatory requirements have remained unchanged, the obligations have been further strengthened, broadened and detailed under MiFID II. The guidelines will enhance the value of existing standards by providing additional clarifications on certain specific topics, such as new responsibilities in relation to MiFID II's product governance requirements, by notably detailing further the reporting obligations of the compliance function.

The guidelines are addressed to investment firms and credit institutions providing investment services and activities, investment firms and credit institutions selling or advising clients in relation to structured deposits, UCITS management companies and external Alternative Investment Fund Managers (AIFMs) when providing investment services and activities in accordance with the UCITS Directive and the AIFMD.

The draft law on corporate governance, the (partial) transposition of the Shareholder Rights Directive II, and some provisions of the Prospectus Regulation was tabled before the Hellenic Parliament for adoption into Law.

Corporate governance law in Greek legislation, stands almost two decades, with primary laws being issued in early '00s'.

Significant changes are expected to rise through the upcoming law in corporate governance for listed entities. The new institutional framework aims to strengthen the corporate governance framework, considering, on the one hand, changes in the legislative and regulatory framework governing the action of these companies on a European level, and, on the other hand, modern trends in corporate governance structures.

In particular, the new arrangements are divided into four main sections ensuring:

- an effective internal audit system
- adequate procedures for identifying and dealing with situations involving conflict of interest
- substantive channels of communication with the shareholders and
- a remuneration policy that contributes to the company's long-term interests.

Every part of the new Institutional framework seeks to enhance the corporate governance structures and procedures of public limited liability companies so as to meet the increased requirements of the modern capital market, and reassure that the company's operational and decisive autonomy, which is governed by company law, is not affected by the existing capital market legislation rules. However, the main purpose of the purported enactment is to clarify issues such as the role of non-executive members of the Management Board.

In this context, a detailed set of provisions governing the functioning of the management board of listed companies is introduced, whilst two new Board Committees are introduced in addition to the Audit Committee introduced by Article 44 n. 4449/2017, with a view to ensuring an in-depth treatment by non-executive members of the Governing Board regarding

matters correlated to their remuneration as well as the appointment of prospective members of the Governing Board, which are then submitted for approval to the General Meeting of Shareholders, to retain effective compliance of the company with the applicable legislative framework. The necessary organizational structures of the company are substantially upgraded.

They, however, remain adapted to the size and complexity of the company's activities, so that the obligations imposed remain proportionate and therefore effective. The aim is to consolidate good and effective governance practices by public limited companies and thereby strengthen the confidence of shareholders or potential shareholders in them.



Environmental, Social and Governance (ESG)

European Commission 2020 adjusted work programme: financial services aspects

On 27 May 2020, the European Commission adjusted its [2020 work programme](#) in light of the COVID-19 pandemic. The adjustments include among others, a non-legislative proposal relating to a renewed sustainable finance strategy being issued in Q4 2020 rather than Q3 2020.

A due date for a report on the application of the Electronic Identification and Signature Regulation has also been given (1 July 2020). The timing of initiatives regarding the FinTech action plan have not been changed. A strategy on an integrated EU payments market, along with a legislative proposal on crypto-assets and a cross-sectoral financial services legislative proposal on operational and cyber resilience are still expected in Q3 2020.

ESAs consult on Environmental, Social and Governance disclosure rules

The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have issued a [Consultation Paper seeking input](#) on proposed Environmental, Social and Governance (ESG) disclosure standards for financial market participants, advisers and products.

These standards have been developed under the EU Regulation on sustainability-related disclosures in the financial services sector (SFDR), aiming to:

- strengthen protection for end-investors;
- improve the disclosures to investors from a broad range of financial market participants and financial advisers; and
- improve the disclosures to investors regarding financial products.

ESG disclosure has been another important policy initiative in the EU. The European Supervisory Authorities have issued a Consultation Paper seeking input on ESG disclosure standards for financial market participants.

Entity-level principal adverse impact disclosures

The principal adverse impacts that investment decisions have on sustainability factors should be disclosed on the website of the entity, and the proposals set out rules for how this public disclosure should be done. The disclosure should take the form of a statement on due diligence policies with respect to the adverse impacts of investment decisions on sustainability factors, demonstrating how investments adversely impact indicators in relation to:

- climate and the environment; and
- social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Product level ESG disclosures

The sustainability characteristics or objectives of financial products should be disclosed in their pre-contractual and periodic documentation as well as on their website. The proposals included in the draft RTS indicate the rules for how this disclosure should be carried out, ensuring transparency to investors regarding how products meet their sustainability characteristics or objectives. They also set out the additional disclosures that should be provided by products that have designated an index as a reference benchmark.

Finally, the product level proposals set out suggested provisions for disclosing how a product based on sustainable investments complies with the “do not significantly harm” (DNSH) principle.

Risk Management

EBA launches consultation on technical standards specifying the prudential treatment of software assets

The EBA launched a [consultation](#) on draft Regulatory Technical Standards (RTS) specifying the prudential treatment of software assets. As the banking sector is moving towards a more digital environment, the aim of these draft RTS is to achieve an appropriate balance between the need to maintain a certain margin of conservatism in the prudential treatment of software assets and their relevance from a business and an economic perspective. The consultation runs until 09 July 2020.

As part of the Risk Reduction Measures (RRM) package adopted by the European legislators, the Capital Requirements Regulation (CRR) has been amended and introduced, among other things, an exemption from the deduction of intangible assets from Common Equity Tier 1 (CET1) items for prudently valued software assets, the value of which is not negatively affected by resolution, insolvency or liquidation of the institution. In addition, the EBA has been mandated to develop draft RTS to specify how this provision shall be applied.

These draft RTS specify the methodology to be adopted by institutions for the purpose of the prudential treatment of software assets. In particular, these draft RTS introduce a prudential treatment based on their amortisation, which is deemed to strike an appropriate balance between the need to maintain a certain margin of conservatism in the treatment of software assets as intangibles, and their relevance from a business and an economic perspective. The proposed approach is expected to be easy to implement and applicable to all institutions in a standardised manner.

The EBA published its [Guidelines on loan origination and monitoring](#) that expect institutions to develop robust and prudent standards to ensure newly originated loans are assessed properly.

The EBA will closely monitor the evolution of the investments in software assets going forward, including the link between the proposed prudential treatment and the need for EU institutions to make some necessary investments in IT developments in areas like cyber risk or digitalization.

EBA seeks to future proof loan origination standards taking into consideration significant transition periods to facilitate implementation

The EBA published its [Guidelines on loan origination and monitoring](#) that expect institutions to develop robust and prudent standards to ensure newly originated loans are assessed properly. The Guidelines also aim to reaffirm that the institutions' practices are aligned with consumer protection rules and respect fair treatment of consumers.

The Guidelines specify internal governance arrangements for the granting and monitoring of credit facilities throughout their lifecycle. In particular, the Guidelines clarify the credit decision-making process including the use of automated models, building on the requirements of the EBA Guidelines on internal governance.

The Guidelines set requirements for assessing the borrowers' creditworthiness together with the handling of information and data for the purposes of such assessments. In these requirements, the Guidelines bring together the EBA's prudential and consumer protection objectives.

The EBA has developed these Guidelines building on the existing national experiences, addressing shortcomings in institutions' credit

granting policies and practices highlighted by past experiences. At the same time, these Guidelines reflect recent supervisory priorities and policy developments related to credit granting, including environmental, social and governance factors, anti-money laundering and countering terrorist financing, and technology-based innovation.

Application date and implementation period

The Guidelines will apply from 30 June 2021. However, institutions will benefit from a series of transitional arrangements: (1) the application of the guidelines to the already existing loans and advances that require renegotiation or contractual changes with the borrowers will apply from 30 June 2022, and (2) institutions will be allowed to address possible data gaps and adjust their monitoring frameworks and infrastructure until 30 June 2024. Notwithstanding the extended transition period, the EBA notes that all loan origination requires effective risk oversight and management.

The EBA also calls on competent authorities to exercise their judgement and be pragmatic and proportionate in monitoring the implementation of the Guidelines, considering the operational challenges and priorities institutions may have, due to the COVID-19 pandemic, whilst facilitating the economic recovery efforts.

EBA report on interlinkages between recovery and resolution planning

The report outlines the observations of EBA from its first comparative analysis of recovery and resolution plans and identifies best practices and areas, where further improvement and/or clarifications are needed. In addition, on certain common elements between both types of plans, such as critical functions and access to central bank facilities, the report clarifies their specific purpose in each planning phase and the advantages or disadvantages of a potential convergence or harmonization.

Furthermore, the report analyzes the potential impact of recovery options on the resolvability of an institution and introduces an assessment

framework to support the assessment and consultation process between resolution and competent authorities.

The assessment in this report is intended to enhance synergies between recovery and resolution planning phases and ensure consistency in their potential implementation. The findings of the comparative analysis of recovery and resolution plans reveal that further work is needed in this area. Therefore, EBA plans to perform further work on the impact of resolution plans—particularly the impact of measures to remove impediments to resolvability—on ongoing supervision and recovery planning.

The guidance work on certain practical aspects of interlinkage, such as on the timelines of recovery and resolution planning cycles, will also be undertaken, as such work is deemed useful for enhancing interactions among competent authorities and the resolution authorities.

Roadmap – Consumer credit agreements and review of EU rules

On 23 June 2020, the European Commission published a roadmap concerning a review of the Consumer Credit Directive (CCD).

Following a REFIT Platform opinion recommending an assessment of the relevance, effectiveness and efficiency of the standard information to be included in advertising concerning credit agreements, the Commission evaluated the CCD in 2018-2019. The full results of that evaluation will be published this summer but broadly the Commission found that the CCD does not fully achieve its objectives, especially in the light of changing consumer and market needs.

Against this background, the Commission has decided to review the CCD in line with its 'better regulation' principles. This initiative has been included in the REFIT annex to the Commission's 2020 work programme (as revised on 27 May 2020).

When discussing options, the Commission covers, among other things, targeted legislative action to improve the CCD that relate to the key problems identified in the evaluation, also taking on board lessons learned from the COVID-19 crisis. Such measures would not include new instruments or measures such as a cap on interest rates but could cover:

- Extending the scope of the CCD to credits below €200 and some other types of credit that are currently outside of its scope.
- Simplified rules to ensure better-structured, well-timed pre-contractual information, in line with the findings of behavioral insights.
- Harmonizing standards and introducing common principles and rules for assessing creditworthiness.

The deadline for comments is 1 September 2020.



Capital Markets

The European Supervisory Authorities have proposed an extension of the application of the margin requirements because of the Covid-19 impact, while ESMA has highlighted the risks for retail clients when trading under these highly uncertain and unprecedented market circumstances.

FMSB publishes a Spotlight Review on navigating conduct risks in LIBOR transition

The FICC Markets Standards Board (FMSB) published a [Spotlight Review](#) on LIBOR transition with practical case studies to support firms when considering the risks to fairness and effectiveness as the market moves to risk-free rates as more sustainable and representative benchmarks.

As the risks associated with the continued provision of new LIBOR-linked products increase, 'LIBOR transition: Case studies for navigating conduct risks' highlights issues for market participants to address when offering new products to clients or changing performance benchmarks. The paper includes four practical case studies, which cover cash and derivative products and performance benchmarks. The case studies are relevant across the sell-side, buy-side and corporates.

The LIBOR Transition — CFPB addresses elimination of LIBOR in consumer credit transactions

LIBOR is used as a component of an interest or finance charge in consumer transactions as well as the commercial transactions we have discussed in prior LIBOR Transition posts. On June 4, 2020, the US Consumer Financial Protection Bureau (CFPB), [issued](#) a proposed rule that would amend US consumer credit regulations to address the pending elimination of the use of LIBOR as a reference rate. The CFPB also issued updated guidance addressing the same issue.

The changes to the proposed regulation, 12 CFR Part 1026 (referred to generally as Regulation Z), apply to a broad range of consumer credit, including credit cards, open-end mortgages and home equity lines of credit. Generally, consumers must be given notice of changes to their terms of credit, such as an interest rate or finance charge.

Under the proposed amendments, regulations would be amended to suspend that change of notice requirement if the reason for the change was the elimination of the LIBOR reference rate.

On June 5, 2020, the Alternative Reference Rate Committee, the group of private market participants advising the Federal Reserve on the LIBOR transition, issued its own [press release](#) welcoming the CFPB's actions.

Comments are due by August 4, 2020.

BCBS/IOSCO extension of the application of margin requirements

The Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) [have agreed](#) to extend the deadline for completing the final two implementation phases of the margin requirements for non-centrally cleared derivatives, by one year.

According to BCBS/IOSCO, this extension will provide additional operational capacity for firms to respond to the immediate impact of Covid-19 and at the same time, facilitate covered entities to act diligently to comply with the requirements by the revised deadline.

With this extension, the final implementation phase will take place on 1 September 2022, at which point covered entities with an aggregate average notional amount (AANA) of non-centrally cleared derivatives greater than €8 billion will be subject to the requirements. As an intermediate step, from 1 September 2021 covered entities with an AANA of non-centrally cleared derivatives greater than €50 billion will be subject to the requirements.

Even though the BCBS/IOSCO have extended the timeline by a year, the proposed extension has still to be implemented in the EU jurisdiction through the necessary legislative amendments proposed by the Joint Committee of the European Supervisory Authorities (ESAs).

Joint RTS on amendments to the bilateral margin requirements under EMIR in response to the COVID-19 outbreak

The European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs), in response to the COVID-19 outbreak have published joint draft Regulatory Technical Standards (RTS) to amend the Delegated Regulation on the risk mitigation techniques for non-centrally cleared OTC derivatives (bilateral margining), under the European Markets Infrastructure Regulation (EMIR), to incorporate a one-year deferral of the two implementation phases of the bilateral margining requirements.

The Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) announced on 3 April their agreement to defer by one year, the deadline for completing the final two implementation phases of the bilateral margin requirements, in order to provide additional operational capacity for counterparties to respond to the immediate impact of COVID-19. The ESAs draft RTS present the changes to the Delegated Regulation on bilateral margining to incorporate in the EU regulatory framework the one-year deferral agreed by the BCBS and IOSCO.

These changes would result in covered counterparties with an aggregate average notional amount of non-centrally cleared derivatives above €50 billion becoming subject to the requirement to exchange initial margin from 1 September 2021, while covered counterparties with an aggregate average notional amount of non-centrally cleared derivatives above €8 billion becoming subject to the requirement from 1 September 2022.

ESMA publishes supervisory statement on SFTR implementation

Regarding the forthcoming application of the Securities Financing Transactions Regulation (SFTR), which is set for 13 April for credit institutions and investment firms, ESMA has recognized that the SFT reporting implementation is now heavily affected by the Covid-19 pandemic.

The affected entities face severe resource restrictions in implementing at the same time contingency plans to ensure the continuity of their operations and ongoing projects to meet new regulatory requirements.

Within this context, ESMA expects competent authorities not to prioritise their supervisory actions towards these entities regarding SFT transactions concluded between 13 April 2020 (application date) and 13 July 2020.

ESMA's expectations also apply to SFTs subject to backloading requirements under SFTR.

ESMA publishes a reminder of firms' MiFID II conduct of business obligations in the context of increasing retail investor activity

During the COVID-19 outbreak, numerous competent authorities have discerned a remarkable increase in the retail clients' involvement in the financial markets. The European Securities and Markets Authority (ESMA) highlights the risks for retail clients when trading under these highly uncertain and unprecedented market circumstances and reminds the firms of their purported obligation to act honestly, having regard the best interests of their clients and points to the most relevant conduct of business obligations under MiFID II, namely product governance, information disclosure, suitability and appropriateness.

ESMA calls for transparency on COVID-19 effects in half yearly financial Reports

On 20 May 2020, ESMA issued a public statement setting out recommendations for the preparation of interim financial statements and interim management reports for the 2020 half-yearly reporting period in the context of the COVID-19 pandemic. The statement is also relevant to financial reporting in other interim periods where IAS 34 is applied.

ESMA notes that in the current situation some issuers may choose to publish their half-yearly financial reports later than usual (within the permitted period), but highlights that reports must not be unduly delayed. Regardless, issuers must still comply with their ongoing obligations under the Market Abuse Regulation.

ESMA addresses the application of IAS 34 to interim financial statements, highlighting the importance of updating the information included in an issuer's latest annual accounts to ensure that stakeholders are adequately informed of the impact of COVID-19. The statement also sets out specific guidance on the preparation of half-yearly financial statements for areas including:

- Disclosures relating to significant uncertainties, the going concern assessment and financial risks.
- The impairment of non-financial assets.
- The presentation of COVID-19 related items in the profit or loss statement.

ESMA also makes recommendations on the detailed and entity specific disclosures it expects issuers to include in their interim management reports regarding:

- The impact of the COVID-19 pandemic on, among other things, the issuer's strategic orientation and targets.
- Measures taken to address and mitigate these impacts and their progress.
- Where available, the expected future impact on the issuer's financial performance, position, cash-flows, the related risks and contingency measures.

In the current circumstances, ESMA encourages audit committees to enhance their oversight role and states that ESMA and National Competent Authorities will monitor and supervise the application of the relevant IFRS requirements and other provisions highlighted in the statement.



FinTech

European Commission presses on with fintech strategy, launching two new consultations

On 3 April, the European Commission (Commission) published two related consultation documents: one on the [EU's retail payments strategy](#) on an integrated EU payments market and the other on the [EU's new digital finance strategy](#) to spur the development of digital finance in the EU. Both consultations close on 26 June 2020 and the outcomes of each consultation will help the Commission prepare its retail payments strategy and digital finance strategy, each of which are to be published by the Commission in Q3 2020. In the midst of the COVID-19 crisis, the Commission highlights that these come at a time when the need for well-regulated digital infrastructure is greater than ever.

For the EU's retail payments strategy, the Commission notes that many innovative payment solutions are often domestic in scope and that Europe needs a strategy to ensure that consumers and companies can fully reap the benefits of an integrated market offering secure, fast, convenient, accessible and affordable payment services.

To achieve this, the consultation has the following four key objectives:

1. Fast, convenient, safe, affordable and transparent payment instruments, with pan-European reach and "same as domestic" customer experience;
2. An innovative, competitive, and contestable European retail payments market;
3. Access to safe, efficient and interoperable retail payments systems and other support infrastructures; and
4. Improved cross-border payments, including remittances, facilitating the international role of the euro.

The European Commission has published two related consultation documents: on the EU's retail payments strategy on an integrated EU payments market and on the EU's new digital finance strategy to spur the development of digital finance in the EU.

For the EU's new digital finance strategy, the Commission notes that Europe's strategic objective should be to ensure that the European financial sector is at the forefront of innovation and its implementation such that European consumers and the financial industry can realize the benefits arising from digital finance whilst being adequately protected from the potential new risks it may bring. To help achieve these outcomes, the consultation has the following four key objectives:

1. Ensuring that the EU financial services regulatory framework is fit for the digital age;
2. Enabling consumers and firms to reap the opportunities offered by the EU-wide Single Market for digital financial services;
3. Promoting a data-driven financial sector for the benefit of EU consumers and firms; and
4. Enhancing the digital operational resilience of the EU financial system.

EU P2B Regulation

The European Union has noticed that businesses providing their goods or services to consumers in the EU through online intermediation services are showing some degree of dependency on businesses that provide those services (online intermediation service providers and search engines, which we address together as "platforms"). Such dependency implies a dominant position vis-à-vis business users that enables platforms to commit certain infringements in numerous cases. In this context, the EU has published [Regulation \(EU\) 2019/1150](#), of 20 June 2019, on promoting fairness and transparency for business users of online intermediation services (P2B Regulation), which provides for a more transparent and fairer environment for business users that make use of platform services.

The most prominent purpose of the P2B Regulation is to ensure the transparency of commercial relationships between platforms and business users, ensuring that terms and conditions of the platform services are plain and easily available for business users, as well as that any modification to the terms and conditions is notified with proportionate and reasonable advance to their business users. The Regulation sets out that any term and condition that is in breach of the obligations about terms and conditions under the Regulation shall be null and void.

The Regulation 2019/1150 will become enforceable by the 12th of July and online intermediation service providers will be required to comply with certain transparency criteria vis-à-vis the business users of their services, which would entail a fairer environment for operators. In addition, the Regulation leaves certain aspects to the criteria of Member States that would not be completely covered therein (e.g. the imposition of fines in the event of infringements).

The EBA supports the Commission's proposal for a new Digital Finance Strategy for Europe

With a view to support and further enhance the competitiveness of the EU Financial Sector, EBA embraces the actions identified by the European Commission and focuses mainly on mitigating measures to achieve technological neutrality in regulation and supervision, whilst ensuring high standards of consumer protection and financial sector stamina.

In this context, the EBA highlights the importance of the purported establishment of coordination mechanisms to strengthen the need of knowledge sharing between the regulators and the Industry. In such a case, isolation and identification of risks would be adequately managed, whilst supervisory and regulatory authorities would be able to proactively act to ensure that the framework remains technology neutral and facilitates the scaling of technologies cross-border.

The European Forum for Innovation Facilitators (EFIF) provides a platform for supervisors to meet regularly to share experiences from engagement with firms through innovation facilitators to support the scaling up of FinTech across the Single Market.

Furthermore, the EBA reaffirms the need for further harmonization efforts and identifies additional actions, to:

- Homogenize customer due diligence processes (CDD) to support the cross-border scaling of digital finance;
- Establish new business models to ensure oversight arrangements remain fit for purpose;
- Identify and promote potential measures to facilitate the gathering of best practices and trends on SupTech and Regtech;
- Enact a high-level AI principle-based framework as an appropriate foundation for the wider use of AI in the financial services.



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

CDD

Customer Due Diligence

DLT

Distributed Ledger Technology

EBA

European Banking Authority

EIOPA

European Insurance and Occupational Pensions Authority

ESAs

European Supervisory Authorities

ESG

Environmental, Social and Governance

FICC

Fixed Income Clearing Corporation

IOSCO

International Organization of Securities Commissions

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

IT

Information Technology

LIBOR

London Inter-Bank Offered Rate

NPEs

Non-Performing Exposures

P2B

Platform to Business

PISPs

Payment Initiation Services Providers

RTS

Regulatory Technical Standard

RegTech

Regulatory Technology

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

We are here to support you

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms, with more than 56,000 people in 140 countries. These firms are here to make business more personal and build trust in to every result. Grant Thornton in Greece is a leading provider of audit, tax and advisory services, with 5 offices in Greece (Athens, Thessaloniki, Heraklion, Crete and Ioannina) and more than 750 people, we offer strong technical guidance and breadth of experience to ensure that clients receive a truly different experience.

Our approach is built on genuine interest for our clients, on understanding of the unique challenges they face and the commitment to their ambitions and strategy for growth. Our collaborative style also enables us to assemble teams with a broader perspective – working across service lines, industry teams and geographies to tailor our capabilities for our clients.

Our clients demonstrate a high level of satisfaction and loyalty, with an NPS (Net Promoter Score) of 75%, one of the highest among Grant Thornton member-firm network in 140 countries. The efficient structure and presence of Grant Thornton globally, coupled with a deep understanding of both local and global dynamics, bring Grant Thornton in Greece at the forefront of today's business landscape as one of the fastest-growing professional services firm in our country.

We are happy to assist with queries you may have and any other issue you would like to discuss with us. For more information contact our Financial Services Risk & Regulatory Team: RiskandRegulatory@gr.gt.com

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