Grant Thornton

THE FINANCIAL SERVICES INSIDER

RISK & REGULATORY INSIGHTS

QUARTERLY NEWSLETTER

REGULATORY UPDATES

January 2022

HIGHLIGHTS

Although significant evolutions exist in many areas, along with the announcements of Organizations plans for 2022 and beyond (e.g. ECB, EBA, SRB etc.), the 4th quarter of 2021 is mainly characterized by evolutions in the ESG and Climate Change related aspects, given also the implementation of COP26 (2021 United Nations Climate Change Conference).

More specifically, significant evolutions and announcements regarding sustainability and Climate related actions and disclosures (e.g. ECB's pledge on climate change action, 2021 TCFD Status report issuance, IFRS Foundation establishment of International Sustainability Standards Board – ISSB, IOSCO report on ESG ratings and ESMAs and EBAs announcements on relevant actions with particular focus on efforts to update and enhance the entire relevant supervisory and regulatory frameworks etc.) are noted.

Into what next year's banking operations are concerned, the issuance by ECB of a) the 2022 Climate change stress Test methodology, b) a report depicting the results of the supervisory review of Banks' approaches to manage climate and environmental risks, along with c) a working paper regarding climate change litigation and central banks, sets the tone for future activities as the overall feeling is that despite any progress made the European banking sector has still a long way to go in order to meet relevant supervisory expectations.

Other important evolutions in various areas such as AML, Capital Markets, Corporate Governance, ESG, FinTech, MIFID II, Risk Management etc. are briefly depicted below.

HIGHLIGHTS

Anti-Money Laundering (AML)

Regarding AML aspects, EBA published guidance on how to grant authorization as credit institution and launched a consultation on draft guidelines on the use of remote customer onboarding solutions. Also, FATF updated its lists of jurisdictions under increased monitoring and high-risk jurisdictions subject to a call for action.

Furthermore, the BoD of HAASOB approved a regulatory act regarding the prevention and suppression of the legalization of proceeds of crime and terrorist financing while Council Decision regarding the stepping up of cross-border cooperation, particularly in combating terrorism and cross-border crime, was transposed into Greek law. Moreover, amendments were made to the Criminal Code and the Code of Criminal Procedure and a decision was published in the Government Gazette concerning the procedure of providing GEMI data to credit and financial institutions.

Capital markets

Further to the publication of a report regarding the implementation of OTC Derivatives Reforms, FSB issued statement on LIBOR cessation. Also, IOSCO published a consultation on principles for commodity derivatives markets.

Moreover, EBA updated CET1 list while ECB published supervisory banking statistics for the second quarter of 2021.

In addition, ESMA proposed changes to the scope of the clearing and derivative trading obligations for benchmark transitions and announced upcoming publication aimed at CSDs.

Furthermore, EC:

- published rule on Contractual Recognition of Write-Down and Conversion Powers;
- adopted new rules to strengthen banks' resilience and better prepare for the future;
- proposed new measures to boost Europe's capital markets.

Corporate Governance

Regarding Corporate Governance aspects, EBA published i) guidelines on internal governance and remuneration for investment firms under the IFD and ii) final draft RTS on disclosure of investment policy by investment firms. FSB issued a progress report on the implementation of its Principles for Sound Compensation Practices and their Implementation Standards in financial institutions. Furthermore, BoG published rules for prudential supervision of leasing companies, credit companies, factoring companies and microfinance institutions of law 4701/2020.

HIGHLIGHTS

Environmental, Social and Governance (ESG)

Regarding ESG aspects the most significant evolutions during the 4th quarter include the following actions, Issuance of 3 reports by ECB dealing with the following issues:

- the Methodological Note for the 2022 Climate Risk Stress Test;
- its pledge on climate change action;
- supervisory review of banks' approaches to manage climate and environmental risks.

Furthermore, EIOPA published:

- the announcement of its sustainable finance activities for the coming three years.

In addition, EC:

- invited Member States to comment on certain proposed amendments to GBER;
- approved a €2.27 billion aid scheme proposed by Greece to boost renewable power generation;
- approved an investment package of more than €290 million under the LIFE program for the environment and climate action.

Moreover, BCBS supports the establishment of the International Sustainability Standards Board and issued a consultation on principles for the effective management and supervision of climate-related financial risks. Also, IOSCO published a report on ESG Ratings and Data Products Providers and its recommendations on sustainability-related practices, policies, procedures and disclosure in asset management.

Fintech

Regarding FinTech aspects, FSB published a report on the regulation, supervision and oversight of global stablecoin arrangements while BIS announced the success of cross-border wholesale CBDC experiment.

Furthermore, EBA:

- repealed its guidelines on the security of internet payments under the former PSD1;
- published clarifications to the seventh set of issues raised by its industry working group on Application Programming Interfaces under PSD2;
- published consultation paper on amending RTS on SCA and CSC under PSD2.

HIGHLIGHTS

In addition, ECB:

- announced members of Digital Euro Market Advisory Group;
- published new framework for overseeing electronic payments;
- published an opinion on proposed regulation on information accompanying transfers of funds and certain crypto assets.

MIFID II

EBA and ESMA launched a consultation on their guidelines on common procedures and methodologies for the SREP. Furthermore, ESMA published i) final report on RTS for commodity derivatives, ii) technical standards on crowdfunding and iii) its annual report on waivers and deferrals.

Risk Management

Further to the publication of its Risk Dashboard, EIOPA published annual report on the use of capital add-ons during 2020 under Solvency II. Also, ESMA published the second Risk Dashboard for 2021 and its 2020 annual report on EU market abuse sanctions while EC adopted revised guidelines on State aid to promote risk finance investments.

In addition, FSB published its annual report, a report concerning the lessons learnt from the COVID-19 pandemic and a final report with policy proposals to enhance money market fund resilience. BCBS published more details on global systemically important banks and finalized standards for the voluntary disclosure of sovereign exposures and revised the market risk disclosure requirements.

Furthermore, EBA:

- published final draft technical standards on the alternative standardized approach for market risk as part of its FRTB roadmap;
- published its Risk Dashboard for Q2 of 2021;
- updated risk assessment indicators;
- published a report summarizing the findings arising from the monitoring activities on the IFRS 9 implementation by EU institutions;
- published guidelines on recovery plan indicators;
- issued requirements on institutions' Pillar 3 disclosure of interest rate risk exposures;
- published sample of banks participating in the December 2021 mandatory Basel III monitoring exercise.

HIGHLIGHTS

Other

ECB published its supervisory priorities for 2022-2024 and the euro area quarterly balance of payments and international investment position regarding the second quarter of 2021. Also, EBA published its work programme for 2022 while IOSCO published its final report setting out principles on outsourcing.

In addition, BoG published the annual Financial Stability Review and announced that the new TARGET Instant Payment Settlement model is in operation. Moreover, EPC published a report on standardization and governance of QR codes for IPs at the POI. Also, HCMC and the Athens Stock Exchange announced the obligation to submit the annual financial reports for the financial year 2021 using ESEF.

Furthermore, EC:

- decided to improve the cybersecurity of wireless devices;
- decided to prolong the State aid Temporary Framework;
- published the results of the 2021 Digital Economy and Society Index.

Anti-Money Laundering (AML)

Approval of the regulatory act of the BoD of HAASOB regarding the prevention and suppression of the legalization of proceeds of crime and terrorist financing.

On September 29, 2021 decision 001/2021 of the Board of Directors (BoD) of Hellenic Accounting and Auditing Standards Oversight Board (HAASOB) was published in Greek Government Gazette (B' 4465). On the basis of the abovementioned decision a series of obligations have been set out, with respect to statutory auditors and audit firms, complementing the provisions of the Law 4557/2018.

FATF updated its lists of jurisdictions under increased monitoring and high-risk jurisdictions subject to a call for action.

On October 21, 2021 the Financial Action Task Force (FATF) updated its:

- List of jurisdictions under increased monitoring; and
- List of high-risk jurisdictions subject to a call for action.

Amendments to the Criminal Code and the Code of Criminal Procedure.

On November 1, 2021 a bill was submitted to a vote in the Greek Parliament, regarding amendments to the Criminal Code and the Code of Criminal Procedure. In particular, Articles 167 and 172 of the abovementioned bill, include provisions (respectively) regarding:

- the freezing and ban of the sale of the assets with relevant amendments to paragraphs 7, 8 & 10 of Article 42 of Law 4557/2018;
- the release and ban of the sale of the assets which were frozen by the Authority of Article 47 of Law 4557/2018.

EBA published guidance on how to grant authorization as credit institution.

Transposition into Greek law of Chapter 6 of Council Decision 2008/615/JHA.

On October 29, 2021 the Presidential Decree 81/2021 was published in the Greek Government Gazette (A' 200), which transposes Chapter 6 of Council Decision 2008/615/JHA into Greek law, regarding the stepping up of cross-border cooperation, particularly in combating terrorism and cross-border crime.

EBA published guidance on how to grant authorization as credit institution.

On November 11, 2021 the European Banking Authority (EBA) published the Final Paper of its Guidelines on a common assessment methodology for granting authorization as a credit institution. It is the first guidance addressed to all competent authorities across the EU in charge of granting authorization as a credit institution, and covers the authorization requirements set out in the Capital Requirements Directive (CRD). The draft Guidelines advocate for a risk-based approach and insist on the importance of consistency with the supervisory approaches applied in going concern situations. In addition, they consider the proportionality principle for all relevant assessment criteria and apply to both traditional and innovative business models and/or delivery mechanisms, as they are technology neutral.

Decision No. 124876 was published regarding GEMI data.

On November 29, 2021 decision No. 124876 of the Ministry of Development and Investments and the Ministry of Digital Policy, was published in Greek Government Gazette (B' 5526).

The decision concerns the definition of terms of use, cost of use and the procedure of providing GEMI data to credit and financial institutions, payment institutions, electronic money institutions and interbanking companies.

EBA consults on draft guidelines on the use of remote customer onboarding solutions.

On December 10, 2021 the European Banking Authority (EBA) launched a public consultation on draft guidelines on the use of remote customer onboarding solutions. The draft guidelines have been developed in response to the European Commission's request in the context of its Digital Finance Strategy, published in 2020. They are also in line with the EBA's legal mandate to lead, coordinate and monitor the EU financial sector's fight against money laundering / terrorist financing. The deadline for comments on the draft guidelines is 10 March 2022.

FSB published ML/TF risk assessment framework.

On December 13, 2021 the Financial Stability Board (FSB) published an International Monetary Fund-World Bank report that proposes a draft framework and methodology for assessment of money laundering/terrorist financing (ML/TF) risk in remittance corridors that have the potential of being identified as "safe remittance corridors". The report contributes to the FSB Roadmap for Enhancing Cross-Border Payments, which the G20 Leaders endorsed in 2020 and that aims to achieve faster, cheaper, more transparent, and more inclusive cross-border payment services. The draft framework for remittance corridors' risk assessments is the first action under Building Block 7, the goal of which is to promote "safe payment corridors", and which has two phases. The first phase involves the development of a framework and methodology for the assessment of the ML/TF risks in remittance corridors and the identification of potential "lower risk corridors", as part of or consistent with a country's national ML/TF risk assessment. In the second phase, the proposed framework is expected to be piloted in some corridors with a view to testing and further refining the assessment methodology.

This assessment framework can be applied jointly or separately by the sender and the recipient corridor countries. The objective of a corridor risk assessment is assessing and understanding the ML/TF risks of remittances in a corridor, with the aim of simplifying AML/CFT measures in lower risk remittance transactions. If the corridor risk assessment assesses that the overall ML/TF risk level in the corridor is lower, the corridor can be treated as a "safe remittance corridor" and subject to simplified customer due diligence measures by regulatory authorities, which can be implemented by the private sector.

EBA published final guidelines on cooperation and information exchange between prudential supervisors, AML/CFT supervisors and FIUs.

On December 16, 2021 the European Banking Authority (EBA) published final guidelines setting out how prudential supervisors, anti-money laundering and countering the financing of terrorism (AML/CFT) supervisors and financial intelligence units (FIUs) should cooperate and exchange information in relation to AML/CFT, in line with provisions laid down in the Capital Requirements Directive IV (CRD IV). The guidelines have been developed in accordance with Article 117(6) of the CRD IV and specify the manner for the cooperation and information exchange between prudential supervisors, AML/CFT supervisors and FIUs as required under Article 117(5) of the CRD IV. The guidelines apply from June 1, 2022.

EBA strengthens AML/CFT supervision in the EU through revised guidelines and enhanced cooperation.

On December 16, 2021 the European Banking Authority (EBA) published its revised guidelines on risk-based supervision of credit and financial institutions' compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) obligations.

The guidelines set out the steps supervisors should take to ensure adequate AML/CFT oversight of their sector and support the adoption, by credit and financial institutions, of effective ML/TF risk management policies and procedures. The EBA decided to update and strengthen these guidelines in light of the findings from its ongoing work to review competent authorities' approaches to AML/CFT supervision. These findings suggest that some competent authorities found the implementation of the risk-based approach to AML/CFT supervision challenging.

Capital Markets

FSB issued statement on LIBOR cessation.

EC published rule on Contractual Recognition of Write-Down and Conversion Powers.

On October 4, 2021 the European Commission (EC) published the Implementing Regulation 2021/1751, which lays down implementing technical standards on uniform formats and templates for notification of determination of the impracticability of including contractual recognition of write-down and conversion powers. The Annexes to Regulation 2021/1751 contain templates, instructions, single data point model, and validation rules for reporting. Regulation 2021/1751 supplements the Bank Recovery and Resolution Directive (BRRD or 2014/59/EU) and shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

ECB published supervisory banking statistics for the second quarter of 2021.

On October 6, 2021 the European Central Bank (ECB) published supervisory banking statistics for the second quarter of 2021. In particular:

- Aggregate Common Equity Tier 1 ratio stood at 15.60% in second quarter of 2021, up from 15.49% in previous quarter;
- Aggregate non-performing loans ratio fell further to 2.32% (down from 2.54% in previous quarter), with stock of non-performing loans declining to €422 billion (down from €455 billion in previous quarter);
- Aggregated annualised return on equity stood at 6.92% (compared with 7.21% in first quarter of 2021, and up from 0.01% one year ago);
- The aggregate loan-to-deposit ratio decreased further to 104.74% in second quarter of 2021, down from 106.07% in previous quarter, despite second consecutive quarter-to-quarter increase in loans and advances to non-financial corporations and households.

Banking Package 2021: new EU rules to strengthen banks' resilience and better prepare for the future.

On October 27, 2021 the European Commission published a new banking package, adopting a review of EU banking rules (the Capital Requirements Regulation and the Capital Requirements Directive). The new rules will ensure that EU banks become more resilient to potential future economic shocks, while helping towards Europe's recovery from COVID-19 and the transition to climate neutrality.

The package is comprised of the following parts:

- Implementing Basel III – the proposal aims to strengthen resilience to economic shocks. Specifically, the proposal aims to ensure that "internal models" used to calculate banks capital requirements do not underestimate the risks, ensuring sufficient capital to cover those risks.
- Sustainability – the proposal aims to contribute to the green transition by making banks take into account sustainability considerations. Banks will be required to systematically identify, disclose and manage environmental, social and governance risks as part of their risk management.
- Stronger supervision – the proposal aims to better protect financial stability and ensure EU banks have sound management. It establishes a clear set of rules, where supervisors assess whether senior bank staff have the requisite skills and knowledge for managing a bank.

The legislative package will be discussed by the European Parliament and Council.

IOSCO consults on principles for commodity derivatives markets.

On November 15, 2021 the Board of the International Organization of Securities Commissions (IOSCO) published a consultation report proposing revisions to the principles for regulation and supervision of the commodity derivatives markets, to reflect recent market developments. The revised principles seek to ensure that commodity derivatives markets continue to facilitate price discovery and hedging, while remaining free from manipulation and abusive practices. The principles will assist relevant market authorities in constructing an appropriate regulatory and supervisory approach that furthers these objectives and fosters proper conduct in commodity derivatives markets. These principles should be implemented with due consideration to the jurisdictional specificities of the underlying market.

ESMA proposes changes to the scope of the clearing and derivative trading obligations for benchmark transitions.

On November 18, 2021 the European Securities and Markets Authority (ESMA) published a final report on draft regulatory technical standards (RTS) that amend the RTS on the clearing obligation and on the derivative trading obligation that ESMA has developed under Article 5(2) of the European Market Infrastructure Regulation and under Article 32 of the Markets in Financial Instruments Regulation respectively. The draft RTS relate to the benchmark transition away from EONIA and LIBOR and onto new risk-free rates. ESMA's proposed amendments aim to ensure a smooth benchmark transition while maintaining an effective scope for these two obligations, in line with the G20 objectives.

EC proposed new measures to boost Europe's capital markets.

On November 25, 2021 the European Commission (EC) adopted a package of measures related to the Capital Markets Union. The package includes legislative proposals to establish a European Single Access Point (ESAP), to review the European Long-Term Investment Funds (ELTIFs) Regulation, to review the Alternative Investment Fund Managers Directive (AIFMD), and to review the Markets in Financial Instruments Regulation (MiFIR). EC also published questions and answers (Q&A), factsheets, and impact assessments related to the proposals. EC has put forward a communication to provide an overview of the proposals and set out the actions it will take in 2022. These actions include a proposal on listing rules, an open finance framework, an initiative on corporate insolvency, and a financial literacy framework. EC will propose, by the third quarter of 2022, an initiative to harmonize targeted aspects of the corporate insolvency framework and procedures.

FSB issued statement on LIBOR cessation.

On November 22, 2021 the Financial Stability Board (FSB) published a statement to support preparations for LIBOR cessation. Despite the significant progress in transitioning to risk-free rates, market participants still need to finalize preparations to cease new use of LIBOR by end-2021. Considering the significant use of USD LIBOR globally, FSB believes it is important to reinforce the message and timeline from supervisors globally to ensure there is no interruption to new business and financing. FSB also considers engagement with emerging markets and developing economies to be a key part of LIBOR transition globally. FSB will continue to monitor the final steps in completing LIBOR transition over the coming months.

The key points covered in the statement are as follows:

- Significant progress has been made in transitioning to Risk-Free Rates (RFRs), but market participants still need to finalize preparations to cease new use of LIBOR by end-2021.
- Transition should be primarily to overnight RFRs, the most robust benchmarks available, to avoid reintroducing the weaknesses of LIBOR.
- Active transition of legacy contracts remains the best way for market participants to have control and certainty over their existing arrangements.

ESMA announced upcoming publication aimed at CSDs.

On December 1, 2021 the European Securities and Markets Authority (ESMA), announced that it will begin publishing information on trading venues with the highest turnover for bonds. This information is needed by Central Securities Depositories (CSDs) to apply cash penalties under the CSD Regulation. ESMA aims to publish the first data by February 1, 2022 and will update quarterly. This will allow for centralized and transparent information for the application of cash penalties for bonds. In line with its Strategic Orientation 2020-2022, ESMA will publish information on trading venues identified by Market Identifier Code (MIC) and update it on a quarterly basis.

FSB published a report regarding the implementation of OTC Derivatives Reforms.

On December 3, 2021 the Financial Stability Board (FSB) published a report that tracks international progress in finalizing standards and national and regional progress in implementing the G20 reforms to global over-the-counter (OTC) derivatives markets, following the 2008 global financial crisis. The report reveals that there has been further incremental progress across FSB member jurisdictions since the previous annual report in October 2020. The report presents the status of OTC derivatives reforms to jurisdictional frameworks as of September 2021, covering progress in the areas of capital and margin requirements for non-centrally cleared derivatives, trade reporting, central clearing, and platform trading. The report also highlights that Singapore and US expect to implement the standards for standardized approach to counterparty credit risk exposures in January 2022 and that the jurisdictions that have yet to implement the final phase of margin requirements intend to do so by the September 01, 2022 timeline.

EBA updated CET1 list.

On December 8, 2021 the European Banking Authority (EBA) updated the list of Common Equity Tier 1 (CET1) instruments of institutions. The list of CET1 instruments is accompanied by an updated CET1 report, which includes information on the underlying objectives of the monitoring as well as on the consequences of including or excluding instruments in or from the CET1 list. This latest update includes additional guidance in the context of (in)direct funding, refusal of redemption, redeemable shares, incentives for minimum dividends, and minimum dividends. The list encompasses 111 types of CET1 instruments in line with the Capital Requirements Regulation (CRR), with instruments issued by UK institutions having been removed post Brexit and additional instruments from a couple of European Union jurisdictions having been added or removed.

Correspondent banking trends persisted in 2020, even as payment landscape changed.

On December 13, 2021 the Bank for International Settlements (BIS) issued a press release regarding correspondent banking trends. More specifically, correspondent banking trends continued in 2020, with the volume and value of transactions increasing despite the changing payments landscape during the pandemic, according to new data published by the Committee on Payments and Market Infrastructures (CPMI). Cross-border payment volume and value increased by 2% and 7%, respectively, in 2020. Correspondent banking relationships declined by 4% from the previous year, taking their total contraction to about 25% between 2011 and 2020. Following a decline in early 2020, when the beginning of the pandemic induced a bout of market turmoil, the volume and value of correspondent banking rebounded, and the downward trend in relationships stabilized. As the increase in volume and value of transactions shows, correspondent banking relationships continue to play a pivotal role in cross-border payments, despite their worldwide decline. They offer an important payment channel for firms and households, and a critical loss of relationships could hurt financial inclusion, raise the cost of payments and push payments activity into less regulated areas.

BIS CPMI report highlights rapid development of retail fast payments and implications for real-time gross settlement systems.

On December 14, 2021 the Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMI) published a report regarding retail fast payment systems (FPS). The implementation of retail FPS across the globe is continuing at a rapid pace, with significant implications for incumbent real time gross settlement (RTGS) systems. The report assesses recent developments in retail FPS, discusses the implications for RTGS systems and examines the role of central banks in these systems. Specifically, based on a survey of CPMI member jurisdictions, the report highlights findings and implications such as that: global implementation of fast payments is continuing at a rapid pace; the use of a given FPS is generally low in the early stages of its implementation, although some recent FPS have been more rapid in their take-up; FPS can have significant implications for the operations and services of RTGS systems in the same jurisdiction, such as the modification of access criteria and extension of operating hours; FPS are increasingly settling obligations between banks and, where relevant, non-bank FPS participants on a gross (ie payment-by-payment) basis in real time and most jurisdictions have either adopted or are moving towards ISO 20022 as the messaging format for their FPS.

ESMA issued statement on implementation of the CO and DTO with regard to the benchmark transition.

On December 16, 2021 the European Securities and Markets Authority (ESMA) released a public statement on the implementation of the changes to the clearing obligation (CO) and derivative trading obligation (DTO) in light of the benchmark transition. The statement clarifies the situation in which ESMA's proposed draft regulatory technical standards (RTSs) on the CO and DTO will not enter into force in time for the transition to alternative benchmarks of EONIA or LIBOR - based OTC derivative contracts by the end of 2021.

ESMA encourages national competent authorities to take a risk-based approach to their supervisory tasks and not to prioritize their supervisory actions in relation to the CO and DTO for certain interest rate derivative classes from 3 January 2022. ESMA recommends voluntary clearing of derivative classes that will be included in the scope of the CO ahead of its start date.

ESMA published reports on derivatives and securities markets in 2020.

On December 17, 2021 the European Securities and Markets Authority (ESMA) published two annual statistical reports analysing the European Union's (EU) derivatives and securities markets. The reports, based on data submitted under the European Markets and Infrastructure Regulation (EMIR) and the Markets in Financial Instruments Directive (MiFID), provide an overview of EU/EEA markets in 2020. The two reports provide a first comprehensive view of the EU derivatives and securities markets after Brexit, i.e. without data reports from UK financial participants. In both, the impact of the withdrawal is significant; the size of derivatives markets and the volume of securities trading are around two-thirds lower without the UK.

ESMA published 2021 ESEF XBRL taxonomy files and conformance suite.

On December 10, 2021 the European Securities and Markets Authority (ESMA) published the 2021 XBRL taxonomy files and an update to the conformance suite to facilitate implementation of the European Single Electronic Format (ESEF) regulation. The aim is to facilitate the ESEF implementation by providing to XBRL taxonomy files and conformance suite test files that reflect the requirements in the 2021 draft update to the ESEF regulation and the 2021 update to the ESEF reporting manual. The 2021 draft update to the ESEF regulation was submitted by ESMA in May 2021, it was adopted by the European Commission (EC) on November 20, 2021 and it is currently subject to the scrutiny of the European Parliament and Council. In the absence of any objections by the co-legislators, the 2021 update to the ESEF regulation should enter into force approximately by the beginning of March 2022.

ESMA calls to deprioritize buy-in supervision.

On December 17, 2021 the European Securities and Markets Authority (ESMA) published a statement to clarify the practical implementation of the EU CSDR settlement discipline regime. The CSDR settlement discipline regime is scheduled to start applying on 1 February 2022. However, the expected amendment to CSDR should allow ESMA to propose a later start date for the CSDR buy-in regime. ESMA expects NCAs not to prioritize supervisory actions in relation to the application of the buy-in regime until the provision for postponing the application of the buy-in regime is formally in place. The application and supervision of the other CSDR settlement discipline requirements, in particular the settlement fails reporting and the cash penalties regimes, will go ahead as planned.

Corporate Governance

EBA published guidelines on internal governance and remuneration for investment firms under the IFD.

EBA published final draft RTS on disclosure of investment policy by investment firms.

On October 19, 2021 the European Banking Authority (EBA) published the final draft regulatory technical standards (RTS) on disclosure of investment policy by investment firms, under the Investment Firms Regulation (IFR). EBA also published the related disclosure templates and tables, along with the associated instructions for investment firms. The instructions on disclosure of investment policy provide legal references and guidance concerning specific positions for the disclosure templates and tables. These disclosure requirements apply to class 2 investment firms with total assets of more than EUR 100 million. The first disclosure date will be December 31, 2021.

Rules for prudential supervision of leasing companies, credit companies, factoring companies and microfinance institutions of law 4701/2020.

On October 7, 2021 Decision No. 193/2/27.09.2021 of the Executive Committee of Bank of Greece was published in the Greek Government Gazette (B΄4642), entitled “Rules for prudential supervision of leasing companies, credit companies, factoring companies and microfinance institutions of law 4701/2020".
In particular, the abovementioned decision includes, inter alia, prudential rules regarding corporate governance and equity supervision issues, as well as provisions regarding the information to be submitted by these institutions. Finally, it is noted that chapter C of this decision provides for the proportional application of Bank of Greece Governor’s Act No. 2501/31.10.2002 (information rules for the counterparties of credit and financial institutions).

Effective Implementation of FSB Principles for Sound Compensation Practices and Implementation Standards.

On November 4, 2021 the Financial Stability Board (FSB) issued a progress report on the implementation of its Principles for Sound Compensation Practices and their Implementation Standards in financial institutions.

The progress report focusses on:

- The effectiveness of compensation frameworks. While in-year adjustments and malus are commonly used, the use of clawback is not widespread due to ongoing legal and practical constraints. Severance payments have garnered increased attention as the application of malus and clawback conflict with labour laws that tend to protect severance payments, and hence, potentially circumvent the alignment of risk and compensation. Incorporating clawback terms and severance payments clauses in an employment contract may enhance their enforceability and effectiveness.
- Emerging trends. Firms are increasingly incorporating environmental, social and governance (ESG) aspects to drive accountability for delivering outcomes.
- Experience during the COVID-19 pandemic. The report finds that most existing compensation frameworks, and associated governance mechanisms, have demonstrated sufficient flexibility to date.

EBA published guidelines on internal governance for investment firms under the IFD.

On November 22, 2021 the European Banking Authority (EBA) published its revised Guidelines on internal governance for investment firms under the Investment Firms Directive (IFD). The guidelines provide further details on how the IFD governance provisions should be applied by Class 2 investment firms, specifying the tasks, responsibilities and organization of the management body, and the organization of investment firms; this includes the need to create transparent structures that allow for supervision of all their activities. The guidelines also specify requirements aimed at ensuring the sound management of risks across all three lines of defense and, in particular, set out detailed requirements for the second line of defense (the compliance function and the independent risk management where applicable) and, the third line of defense (the internal audit function), where applicable. The IFD contains specific governance requirements for investment firms in parallel to and consistently with the ones already applicable under the Capital Requirements Directive (CRD). These guidelines apply on an individual and consolidated basis within the scope of application set out in accordance with Article 26 of Directive (EU) 2019/2034. The guidelines will enter into force on 30.4.2022.

EBA published guidelines on remuneration for investment firms under the IFD.

On November 22, 2021 the European Banking Authority (EBA) published its revised Guidelines on sound remuneration policies for investment firms under the Investment Firms Directive (IFD). The guidelines further detail how the provisions under IFD on remuneration policies and variable remuneration of identified staff should be applied by class 2 investment firms.

The guidelines are as far as possible consistent with the existing guidelines under the Capital Requirements Directive (CRD). Relevant differences between IFD and CRD (for example, the absence of a bonus cap and differences in instruments and the length of deferral periods) have been taken into account. All aspects of the remuneration policy must be gender-neutral in accordance with IFD remuneration requirements. Institutions should, therefore, comply with the principle of equal pay for equal work or equal value of work. The provisions on anti-discrimination and equal opportunities have been retained as they are important to foster diversity in the longer term and to reduce the gender pay gap over time. Investment firms should implement any adjustments of their remuneration policies by April 30, 2022. Where shareholder approvals are required for such revisions, approvals should be requested before June 30, 2022. The remuneration policy should be applied in line with these guidelines for the performance year starting after December 31, 2021.

Environmental, Social and Governance (ESG)

ECB issued the Methodological Note for the 2022 Climate Risk Stress Test.

State aid: Commission invites comments on draft proposal to further facilitate implementation of aid measures promoting the green and digital transition.

On October 6, 2021 the European Commission invited Member States and all other interested parties to comment on certain proposed amendments to the General Block Exemption Regulation (GBER). The purpose of the proposed revision is to reflect the changes to various sets of State aid Guidelines, which are currently being reviewed (namely, the Regional Aid Guidelines, the Climate, Energy and Environmental State aid Guidelines, the Risk Finance Guidelines and the Research, Development and Innovation Framework) and to further facilitate public support for the EU's green and digital transition. The new rules will help set the right foundations for a sustainable economy in a time of recovery from the effects of the coronavirus pandemic. Member States and other interested parties can respond to the consultation until 8 December 2021. The adoption of the revised GBER is planned for the first half of 2022.

2021 Status Report: Task Force on Climate-related Financial Disclosures.

On October 14, 2021 the Financial Stability Board (FSB) - sponsored Task Force on Climate-related Financial Disclosure issued an update to its 2017 recommendations of disclosure of climate-related financial information. Along with a status report to the FSB, TCFD published guidance to support preparers in disclosing decision-useful information and linking those disclosures with estimates of financial impacts, as well as an update to the implementation guidance on its recommendations.

Among the key new points of guidance are the disclosure of various greenhouse gas emissions, guidance on reporting emissions that are related to bank financing activities, and the extent to which bank financing activities are aligned with a "well below 2 degrees Celsius" scenario in global warming. With interest in climate risk disclosures growing dramatically over the past few years and the Securities and Exchange Commission currently considering a proposal to possibly require specific climate risk disclosures, the TCFD framework is often referred to by investors and governmental bodies as the benchmark disclosure guidance.

Climate risk stress test: SSM stress test 2022.

On October 18, 2021 the European Central Bank (ECB) published the Methodological Note for the 2022 Climate Risk Stress Test (CST). The ECB considers this stress test to be a learning exercise for banks and supervisors alike. It aims to identify vulnerabilities, industry best practices and the challenges faced by banks. The exercise will also help enhance data availability and quality, and allow supervisors to better understand the stress-testing frameworks banks use to gauge climate risk. The scenarios of the 2022 CST will be based on the ECB economy-wide climate stress test of 2021.

Bank of Greece COP 26 pledge.

On November 3, 2021, in the context of the 2021 United Nations Climate Change Conference (COP 26), the Bank of Greece pledged to contribute, within its field of responsibility, to the Objective in Article 2.1(c) of the Paris Agreement, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

This pledge supports the Glasgow Declaration of the Network for Greening the Financial System and the European Central Bank pledge on climate change action, aiming to accelerate the efforts of central banks and supervisors towards greening the financial system and managing climate-related risks.

ECB published its pledge on climate change action.

On November 3, 2021 the European Central Bank (ECB) published its pledge on climate change action. On the occasion of the 2021 United Nations Climate Change Conference (COP 26), ECB has set out actions to contribute, within its mandate, to goals of the Paris Agreement and to the efforts of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The actions relate to integrating climate risks into financial stability monitoring and prudential supervision of banks, exploring the effects of climate risks on the policy framework within its mandate, and bridging climate-related data gaps.
More specifically, ECB pledged to:

- assess alignment of banks’ risk management and disclosure practices with supervisory expectations and take appropriate follow-up action;
- develop the supervisory methodology for climate-related and environmental risks and all related supervisory requirements;
- conduct supervisory climate stress tests for banks and macro-prudential climate stress tests or scenario analyses for banks and other financial intermediaries;
- assess how credit rating agencies accepted by the Eurosystem credit assessment framework include climate risks in their credit ratings and consider developing minimum standards to ensure consistent inclusion of climate change risks in the internal credit ratings;
- develop climate change metrics and indicators to help bridge data gaps in the area of physical risks, the carbon footprint of financial institutions’ portfolios, and green financial instruments;
- introduce climate disclosure requirements for private-sector assets used as collateral in Eurosystem monetary policy operations and for asset purchases as a new eligibility criterion or as a basis for differentiated treatment and adjust the rules for corporate-sector asset purchases to incorporate climate change criteria.

BCBS supports the establishment of the International Sustainability Standards Board.

On November 3, 2021 the Basel Committee on Banking Supervision (BCBS) welcomed the announcement by the International Financial Reporting Standards (IFRS) Foundation that it is establishing the International Sustainability Standards Board (ISSB) to develop global standards to improve the consistency, comparability and reliability of sustainability reporting.

The Committee supports the IFRS Foundation's proposed approach to developing globally consistent disclosures by working with relevant standard setters and building on existing initiatives and frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD).

In parallel with the ISSB's work, the Committee will explore using Pillar 3 of the Basel Framework to promote a common disclosure baseline for climate-related financial risks across internationally active banks. This work will consider the availability and reliability of sufficiently granular data for banks and their counterparties, and of defined risk metrics.

The Committee will continue to coordinate with the IFRS Foundation and leverage the work of other international forums, including the Financial Stability Board (FSB) and the Network for Greening the Financial System (NGFS), to ensure the prerequisites for a high-quality and globally consistent disclosure framework for climate-related financial risks are in place.

IOSCO recommendations on sustainability-related practices, policies, procedures and disclosure in asset management.

On November 2, 2021 the International Organization of Securities Commissions (IOSCO) published a report that sets out recommendations on sustainability-related practices, policies, procedures, and disclosures in the asset management industry. This report reflects the feedback received in response to a June 2021 consultation and focuses on asset manager practices and disclosures, product disclosures, supervision and enforcement, development of common sustainable finance terminology, and financial and investor education. The report recognizes a need to address challenges associated with the lack of reliability and comparability of data at the corporate issuer level and the environmental, social, and governance (ESG) data and ratings provided by third-party providers to enable the investment industry to properly evaluate sustainability-related risks and opportunities.

ESMA highlights its contribution to a more sustainable financial system.

On November 4, 2021 the European Securities and Markets Authority (ESMA) published a statement highlighting its contribution to a more sustainable financial system as part of the European Green Deal and global efforts to deliver on the United Nations' COP26 objectives on combatting climate change.

More specifically, ESMA will:

- promote effective and consistent supervision across national competent authorities in relation to climate benchmarks and to the application of sustainability disclosures requirements for benchmarks;
- actively contribute to the development of sustainability reporting standards and foster common supervisory approaches in this area;
- assess the way credit rating agencies incorporate ESG factors in their methodologies for credit ratings and outlooks and how credit rating agencies ensure the robustness of their methodologies;
- review the suitability and product governance guidelines to incorporate sustainability factors;
- continue monitoring and assessing ESG-related market developments and risks and work on further integrating climate risks;
- prepare for possible supervisory responsibilities arising from the EU Green Bond Standard legislative proposal.

EBA reaffirms its commitment to support green finance in view of the UN Climate Change Conference.

On November 3, 2021 the European Banking Authority (EBA) published its environmental statement in the context of the 2021 United Nations Climate Change Conference (COP26), highlighting its efforts to update and enhance the entire supervisory and prudential regulatory framework in the environmental, social and governance (ESG) domain. This will facilitate the transition of the banking and financial sector to a more sustainable economy and mitigate risks stemming from climate change and ESG factors.

Opinion of the ECB on a proposal for a regulation on European green bonds (CON/2021/30).

On November 5, 2021 the Governing Council of the European Central Bank (ECB) adopted Opinion CON/2021/30 at the request of the European Parliament, regarding a regulation on European green bonds.

BCBS consults on principles for the effective management and supervision of climate-related financial risks.

On November 16, 2021 the Basel Committee on Banking Supervision (BCBS) issued consultation on principles for the effective management and supervision of climate-related financial risks, following the publication of a series of analytical reports this year. Through this consultation, BCBS seeks to promote a principles-based approach to improve banks' risk management practices and supervisory practices related to climate-related financial risks.

The Committee intends to monitor implementation across member jurisdictions to promote a common understanding of expectations, support the development of harmonized practices, and facilitate implementation of the principles as soon as possible. The comment period on the consultation closes on February 16, 2022.

Commission approved €2.27 billion Greek aid scheme to support electricity production from renewable energy sources and high efficiency combined heat and power.

On November 24, 2021 the European Commission approved a €2.27 billion aid scheme proposed by Greece to boost renewable power generation. The measure will help Greece meet its renewable energy targets, without unduly distorting competition, the executive arm of the European Union said. The government, aiming for renewables to account for 61% of final electricity consumption by 2030 from 29% last year, wants to shorten its permitting process to about two to three years. That's down from the eight years more typical for such schemes in Greece.

The new scheme that Greece has proposed to support 4.5 gigawatt of installed electricity capacity from onshore wind, photovoltaic, biomass, hydroelectric power and other renewable energy sources includes joint competitive tendering and direct awarding. It is open until 2025 and can be paid out for a maximum of 20 years.

European Semester Autumn Package: rebounding stronger from the crisis and making Europe greener and more digital.

On November 24, 2021 the European Commission launched the 2022 European Semester cycle of economic policy coordination. The European Semester Autumn Package includes the Annual Sustainable Growth Survey, Opinions on euro area Draft Budgetary Plans (DBPs) for 2022, policy recommendations for the euro area and the Commission's proposal for a Joint Employment Report.

The European Commission's Autumn Package, which jumpstarts the 2022 European Semester cycle of economic policy coordination, rightly identifies many of the social and employment-related challenges that workers face in times of Covid, digitalization and the green transition. It should have delivered more on the importance of investments in resilient public services in the re-building Europe post - Covid.
In particular the Autumn Package's Annual Sustainable Growth Survey (ASGS) puts forward a correct analysis of many of the disruptive impacts that the Covid pandemic, digitalization and green transitions have and will have on labor markets, employment, job functions and working conditions. It rightly stresses the need for a just transition, comprising a focus on re- and upskilling, the provision of quality jobs and the fight against poverty and the related need to investments in this area. The accompanying Joint Employment Report, too, emphasizes the need for a fair, inclusive and sustainable recovery.

LIFE Programme: More than €290 million in EU funding for nature, environment and climate action projects.

On November 25, 2021 the European Commission approved an investment package of more than €290 million for 132 new projects under the LIFE program for the environment and climate action. This EU funding will mobilize a total investment of €562 million, with projects in almost all Member States. The new LIFE projects will help Europe become a climate-neutral continent by 2050, put European biodiversity on a catching-up path by 2030 and contribute to the EU's post-COVID-19 green recovery.

With this new package, the Commission has allocated around €223 million to projects on the environment and resource efficiency, nature and biodiversity, environmental governance and information. It is also investing more than €70 million in various climate change mitigation, adaptation and governance and information projects.

ECB's report on the supervisory review of banks' approaches to manage climate and environmental risks.

On November 22, 2021 the European Central Bank (ECB) published its first review of banks' approaches to climate and environmental risks management. According to the report, the European banking sector still has a long way to go before being able to meet the supervisor's expectations.

The report covers more than 130 areas of focus and encompasses 112 banks directly supervised by the ECB with €24 trillion of combined assets. According to the ECB, the survey represents an unprecedented review of European banks' preparedness to adequately manage and disclose their exposure to C&E risks. The report tracks the performance of the EU's largest banks along 13 supervisory expectations laid out by the 2020 guide regarding the integration of climate and environmental (C&E) risks into their business models and strategies, governance and risk appetite.

IOSCO published a report on ESG Ratings and Data Products Providers.

On November 23, 2021 the Board of the International Organization of Securities Commissions (IOSCO) published a report that sets out recommendations applicable to Environmental, Social and Governance (ESG) ratings and data product providers. As this market does not typically fall within the remit of securities regulators, IOSCO suggests that regulators could consider focusing greater attention on the use of ESG ratings and data products and the activities of ESG rating and data products providers in their jurisdictions. This could help to increase trust in ESG ratings and data going forward.

After considering the identified improvement areas, IOSCO has set out specific recommendations on what regulators could consider when developing their framework. These recommendations are underpinned by more specific guidance to assist members when navigating this new market. In its report, IOSCO provides recommendations on the possible regulatory and supervisory approaches, the internal processes of ESG ratings and data products providers, the use of ESG ratings and data products, and the interactions of ESG ratings and data products providers with entities subject to assessment by ESG ratings and data products providers.

IOSCO specifies that ESG ratings and data products providers could consider a number of factors related to issuing high-quality ratings and data products, including publicly disclosed data sources, defined methodologies, management of conflicts of interest, high levels of transparency, and handling confidential information. The recommendations also suggest that users of ESG ratings and data products could consider conducting due diligence on the ESG ratings and data products that they use within their internal processes.
Recommendations also cover suggestions that ESG ratings and data products providers, and entities subject to assessment by ESG ratings and data products providers, could consider to improve information gathering processes, disclosures and communication between providers and entities subject to assessment.

Climate change litigation and central banks.

On December 3, 2021 the European Central Bank (ECB) published a working paper regarding climate change litigation and central banks. Given the urgent need to dramatically reduce greenhouse gas emissions, and concern regarding insufficient climate action and ambition across the globe, NGOs and individuals are increasingly turning to the courts to force States, public authorities, and private entities to increase their climate action and ambition and hold them accountable through climate-related litigation. The three contributions in this legal working paper discuss various aspects of such climate change litigation around the world. The papers examine the evolution of climate-related cases, the scope of such cases and the varying grounds on which they have been based. They also focus in some detail on certain key judgments addressing novel issues, as well as a recent climate-related case brought against a national central bank.

EU finance ministers reached agreement on updating rules for VAT rates.

On December 7, 2021 the European Commission welcomed the agreement reached by EU finance ministers to update the current rules governing value-added tax (VAT) rates for goods and services.

These new rules will provide governments with more flexibility in the rates they can apply and ensure equal treatment between EU Member States. At the same time, the updated legislation will bring VAT rules into line with common EU priorities such as fighting climate change, supporting digitalisation and protecting public health. The European Parliament must now be consulted on this final text.

EIOPA announced its sustainable finance activities for the coming three years.

On December 7, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) announced its three year plan which will help to integrate sustainable finance across all areas of its own work. From 2022-2024, EIOPA defined its key areas of activity:

- Integrate ESG risks in the prudential framework of insurers and pension funds;
- Consolidate the macro/micro-prudential risk assessment of ESG risks;
- Promote sustainability disclosures and a sustainable conduct of business framework;
- Support supervision of ESG risks and supervisory convergence in the EU;
- Address protection gaps;
- Promote the use of open source modelling and data in relation to climate change risks;
- Contribute to international convergence for the assessment and management of sustainability risks.

EC issued guide for a fair transition towards climate neutrality.

On December 14, 2021 the European Commission (EC) issued policy guidance for a fair and inclusive transition towards climate neutrality to complement the package on delivering the Green Deal presented in July. The proposed Council Recommendation sets out specific guidance to help Member States devise and implement policy packages that ensure a fair transition towards climate neutrality, by addressing the relevant employment and social aspects linked to the transition in a comprehensive manner.

The proposal pays particular attention to addressing the needs of the people and households that are highly dependent on fossil fuels and could be most affected by the green transition, and invites Member States to make optimal use of public and private funding and work in close cooperation with social partners.

FinTech

FSB published progress report on the regulation, supervision and oversight of "global stablecoin" arrangements.

On October 7, 2021 the Financial Stability Board (FSB) published a progress report on implementation of its high-level recommendations for the regulation, supervision, and oversight of global stablecoin arrangements. The report discusses key market and regulatory developments since the publication of the recommendations in October 2020 and takes stock of the implementation of the recommendations across jurisdictions. The report also describes the status of existing standard-setting body frameworks, standards, guidelines, and principles in light of the recommendations and concludes with an identification of the consideration areas for further international work.

EBA repealed its guidelines on the security of internet payments under the former PSD1.

On October 14, 2021 the European Banking Authority (EBA) repealed its guidelines on the security of internet payments. These guidelines were issued prior to the revised Payments Services Directive (PSD2) in 2016 and have been replaced by the PSD2 and the related EBA instruments developed in support of it.

The EBA issued the guidelines in 2014 to provide details as to how provisions in the Payment Services Directive (PSD1) should be interpreted for the purpose of enhancing the security of payment services, with a view to mitigating the risks from the growing payments fraud that occurred at the time.

ECB published new framework for overseeing electronic payments.

In January 2016, the PSD2 entered into force, which articulates more specific requirements concerning the security of payments. The PSD2, which has applied since January 2018, also mandated the EBA to develop several legal instruments, including the technical standards on strong customer authentication and common and secure communication, which have applied since September 2019.

As the PSD2 and the related EBA instruments incorporate, and also go beyond, the requirements set out in the guidelines, the EBA has decided to repeal them, and asked Member State national competent authorities to take the corresponding steps that may be necessary at a national level.

EBA published clarifications to the seventh set of issues raised by its industry working group on Application Programming Interfaces under PSD2.

On October 20, 2021 the European Banking Authority (EBA) published clarifications to a seventh set of issues that had been raised by participants of its working group on Application Programming Interfaces (APIs) under the Payment Services Directive (PSD2). The clarifications respond to issues raised on downtime of dedicated interfaces, payment status/rejection reasons, ASPSPs restricting access in case of embedded redirection, scope of the bank offered consent, inability to initiate bulk payments via APIs and whether the Electronic Banking Internet Communication Standard (EBICS) is within the scope of PSD2.

ECB announced members of Digital Euro Market Advisory Group.

On October 25, 2021 the European Central Bank (ECB) announced the new members of the Market Advisory Group for the forthcoming digital euro project. According to the press release, the ECB has appointed 30 senior professionals with experience in the retail payments market across the region.

The group will be named 'The Eurosystem's High-Level Task Force on Central Bank Digital Currency. Among the functions of the members of the brand-new group, it will include advising the Eurosystem on the design and distribution of a potential Eurozone's central bank digital currency (CBDC) 'from an industry perspective' and how it could add value to all players in the payments ecosystem.

Moreover, the central bank noted that a representative from the European Commission (EC) and representatives from Eurosystem national central banks would join the group to participate in the discussions, which are expected to start from November with written consultations in-between. Also, the ECB noted that it would conduct different focus group sessions with the public and merchants to assess the feasibility of a digital euro's adoption.

EBA published consultation paper on amending RTS on SCA and CSC under PSD2.

On October 28, 2021 the European Banking Authority (EBA) launched a public consultation on the amendment of its Regulatory Technical Standards (RTS) on strong consumer authentication and secure communication (SCA & CSC) under the Payment Directive (PSD2) with regard to the 90-day exemption for account access.

The amendments proposed in the consultation paper aim to address a number of the issues identified by the EBA in the application of the exemption by some account servicing payment service providers (ASPSPs) across the EU, where the ASPSPs have not made use of the exemption and request SCA for each account access, or where they request SCA more frequently than every 90-days, as allowed by the RTS.

ECB published new framework for overseeing electronic payments.

On November 22, 2021 the European Central Bank's Governing Council approved a new oversight framework for electronic payments. The Eurosystem oversight framework for electronic payment instruments, schemes and arrangements (PISA framework) includes an assessment methodology and an exemption policy. It replaces the current Eurosystem oversight approach for payment instruments and complements the Eurosystem's oversight of payment systems.

In addition to the Eurosystem using the new framework to oversee companies enabling or supporting the use of payment cards, credit transfers, e-money transfers, digital payment tokens and direct debits, the PISA framework will also cover crypto-asset-related services, such as the acceptance of crypto-assets by merchants within a card payment scheme and the option to send, receive or pay with crypto-assets via an electronic wallet.

Companies are expected to adhere to the new framework by November 15, 2022, or within one year following initial notification they will be subject to oversight under the new framework.

CBDC: functional scope, pricing and controls.

On December 1, 2021 the European Central Bank (ECB) published a working paper regarding central bank digital currency (CBDC). Even before their deployment in major economies, one of the concerns that has been voiced about CBDC is that it might be too successful and lead to bank disintermediation, which could intensify further in the case of a banking crisis. Some also argue that CBDC might crowd out private payment solutions beyond what would be desirable from the perspective of the comparative advantages of private and public sector money. This paper discusses success factors for CBDC and how to avoid the risk of crowding out. After examining ways to prevent excessive use as a store of value, the study emphasises the importance of the functional scope of CBDC for the payment functions of money. The paper also recalls the risks that use could be too low if functional scope, convenience or reachability are unattractive for users.

Finding an adequate functional scope – neither too broad to crowd out private sector solutions, nor too narrow to be of limited use – is challenging in an industry with network effects, like payments. The role of the incentives offered to private sector service providers involved in distributing, using and processing CBDC (banks, wallet providers, merchants, payment processors, acquirers, etc.) is discussed, including fees and compensation.

ECB published an opinion on proposed regulation on information accompanying transfers of funds and certain crypto assets.

On November 30, 2021 the European Central Bank (ECB) published an opinion (CON/2021/37) on the legislative proposal for a regulation on information accompanying transfers of funds and certain crypto assets (2021/0241(COD)). The opinion supports the aim of extending traceability requirements to crypto assets, as the ECB considers that crypto asset transfers are subject to similar money laundering and terrorism financing risks as wire funds transfers. In the opinion, the ECB suggests amendments to the legislative proposal including the definition of crypto assets, as well as the date of application. The ECB suggests that the regulation should apply from the same date as MiCA.

BIS, Bank of France and Swiss National Bank conclude successful cross-border wholesale CBDC experiment.

On December 8, 2021 the Bank for International Settlements (BIS) announced the success of cross-border wholesale central bank digital currency (CBDC) experiment. The recently completed Project Jura, by BIS, the Bank of France, and the Swiss National Bank showed that CBDCs can be used effectively for international settlements between financial institutions. The Project was conducted in collaboration with a group of private sector firms and explored settlement of tokenized euro commercial paper and foreign exchange transactions. Tests were conducted in a near real-life setting and met current regulatory requirements. Issuing wholesale CBDCs on a third-party platform and giving regulated non-resident financial institutions direct access to central bank money raises intricate policy issues.

Jura explored a new approach, including subnetworks and dual-notary signing, which may give central banks comfort to issue wholesale CBDCs on third-party platforms and to provide regulated non-resident financial institutions with access to wholesale CBDCs. Also published was a full report on the experiment on cross-border settlement using wholesale CBDC.

MIFID II

EBA and ESMA launched a consultation on their guidelines on common procedures and methodologies for the SREP.

ESMA published Technical Standards on Crowdfunding.

On November 10, 2021 the European Securities and Markets Authority (ESMA) published a Final Report on technical standards (RTS and ITS) under the Crowdfunding Regulation (ECSPR). The 12 standards in the report cover all investor protection aspects under the ECSPR, namely:

- Complaints handling;
- Conflict of interest;
- Business continuity plan;
- Authorisation;
- Information on default rate;
- Entry knowledge test and simulation of the ability to bear loss;
- Key investment information sheet;
- Cooperation between competent authorities;
- Reporting;
- Notification to ESMA of national provisions concerning marketing requirements;
- Cooperation between competent authorities; and
- Cooperation between competent authorities and ESMA.

EBA and ESMA consult on framework for the supervisory review and evaluation process of investment firms.

On November 18, 2021 the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) launched a public consultation on their Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP).

The EBA is also consulting on draft Regulatory Technical Standards (RTS) on the additional own funds requirements that could be determined by competent authorities for investment firms. Both regulatory products are based on the Investment Firms Directive (IFD) and aim at consistent supervisory practices with regard to the review and evaluation of investment firms. The consultations run until 18 February 2022.

The draft joint SREP Guidelines set out the process and criteria for the assessment of the main SREP elements such as:

- business model;
- governance arrangements and firm-wide controls;
- risks to capital and capital adequacy; and
- liquidity risk and liquidity adequacy.

ESMA published final report on RTS for commodity derivatives.

On November 22, 2021 the European Securities and Markets Authority (ESMA) published its final report on draft Regulatory Technical Standards (RTS) for commodity derivatives under the MiFID II Recovery Package. The draft RTS include proposals on the application procedure for position limit exemptions, a methodology to determine position limits and position management tools for trading venues, which will contribute to stable and orderly commodity derivative markets at a time of heightened scrutiny.

The European Commission has three months to decide whether to endorse the draft technical standards. The revised MiFID II regime for commodity derivatives will apply at the end of February 2022.

ESMA published its annual report on waivers and deferrals.

On December 16, 2021 the European Securities and Markets Authority (ESMA) published its annual report on waivers and deferrals for equity and non-equity instruments covering the year 2020. The report includes an analysis based on waivers for which ESMA issued an opinion to the competent authority. It also provides an overview on the use of waivers and the application of the deferral regime in the European Economic Area (EEA) for trade transparency under MiFIR. Overall, ESMA observed no major change in market microstructure and waivers and deferrals regimes remain an integral part of the EEA market structure.

Risk Management

EC adopted revised guidelines on State aid to promote risk finance investments.

Ratings & Credit Risk

EBA published final draft technical standards on the alternative standardized approach for market risk as part of its FRTB roadmap.

On October 22, 2021 the European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) on residual risk add-on (RRAO) and gross jump-to-default (JTD) amounts.

The final draft RTS include the technical specifications for implementation of the abovementioned elements and are part of the phase 3 deliverables of the EBA roadmap for the new market and counterparty credit risk approaches.

In particular, the draft RTS on RRAO shed light to the scope of the RRAO by specifying a list of risks that do not constitute residual risks and a non-exhaustive list of instruments that bear residual risks. In addition, they provide clarity on the fact that weather, natural disaster, longevity risk and future realized volatility should be regarded as exotic underlyings.

As far as the draft RTS on JTD are concerned, they elaborate on key required inputs for the computation of own funds requirements for default risk. The gross JTD amounts determined in accordance with these draft RTS are consistent with those determined in the context of international standards, while at the same time incorporating the formulae and requirements of the Capital Requirements Regulation (CRR).

EBA observes discrepancies in relation to the protection of client funds by deposit guarantee schemes and makes recommendations to the EU Commission.

On October 28, 2021 the European Banking Authority (EBA) published its Opinion regarding client funds treatment under DGSD, where an assessment on the current approaches to the protection of funds deposited with credit institutions on behalf of clients by entities excluded from DGS protection was performed.

More specifically, the EBA assessed the treatment of client funds placed with banks by payment institutions, investment firms and other types of financial institutions and observed certain discrepancies in relation to the protection of client funds by DGSs within Member States and across the EU.

Thus, through its Opinion, the EBA recommends to the Commission to provide clarifications regarding the DGSD to ensure uniform protection of deposited funds on behalf of clients across the EU. Finally, the Opinion points out ways to avoid the spreading of contagion from a failed bank to entities which placed client funds with that bank.

EBA consulted on draft technical standards on Initial Margin Model Validation under EMIR.

On November 4, 2021 the European Banking Authority (EBA) launched a public consultation regarding its draft Regulatory Technical Standards (RTS) on Initial Margin Model Validation (IMMV) under the European Markets Infrastructure Regulation (EMIR).

The consultation paper points out the supervisory procedures for initial and ongoing validation of initial margin models that will be used for the determination of the level of margin requirements concerning uncleared over the counter (OTC) derivatives. Supervisory validation will ensure harmonised supervisory procedures and an appropriately prudent approach to the level of initial margins for EU derivatives counterparts. The consultation runs until 4 February 2022.

By implementing a dual approach proportionate to the size of the counterparty, the consultation paper portrays the application of supervisory procedures to both large and medium-sized counterparties. Additionally, the paper envisages a phased-in implementation of supervisory requirements towards a smooth model validation process, which allows more time for compliance of smaller counterparties with the new requirements.

Finally, in the context of market disruption minimization, competent authorities and counterparties will receive support in the application of the new validation approach for a transitional period of two years from the application date of the new rules.

BCBS on Disclosure Standards for Market Risk and Sovereign Exposures.

On November 11, 2021 the Basel Committee on Banking Supervision (BCBS) finalized standards for the voluntary disclosure of sovereign exposures and revised the market risk disclosure requirements to reflect changes to the minimum capital requirements for market risk, which were published in January 2019. The revised disclosure standards reflect changes related to the "traffic light" approach for capital requirements and simplified standardized approach, along with the other changes in the market risk standards. The revised market risk disclosure requirements shall come into effect on January 01, 2023.

EIOPA published its methodological framework for stress-testing IORPs.

On November 26, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published a methodological framework for stress-testing IORPs (Institutions for Occupational Retirement Provision) which presents a set of standard approaches, practical rules and possible methodologies to support the design phase and the management of future IORP stress test exercises.

The methodological framework serves as a reference point and toolbox from which appropriate approaches can be developed and custom-fitted, bearing in mind the specificities of the individual exercise in question.

In particular, the methodological framework for stress-testing IORPs sets out:

- Horizontal approaches and types of analysis that can be applied to all types of IORPs and schemes within the divergent European occupational pension frameworks;
- A toolbox approach to choose the most relevant set of analyses to be employed and further adjusted to the objective of the individual exercise in a proportionate manner;
- Approaches to address new and emerging risks, particularly environmental risks.

EBA published sample of banks participating in the December 2021 mandatory Basel III monitoring exercise.

On December 1, 2021 the European Banking Authority (EBA) published the sample of banks for the mandatory Basel III monitoring exercise which will have as a reference data from December 2021. The exercise is expected to begin on late January 2022 and finalized at the end of September 2022.

The selection of banks included in the sample has been performed by the relevant National Competent Authorities in accordance with Articles 4 and 8 of the EBA Decision on the mandatory Basel III monitoring exercise EBA/DC/2021/373.

The selected sample includes 157 banks, covering approximately 80% of the banking sector in the European Economic Area (EEA). 114 of the selected banks are either global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIs). Moreover, 64% of the sample are banks that provide all banking services, while 19% and 17% represents corporate and retail-oriented banks respectively.

Approximately 64% of the sample consists of banks, which provide the entirety of banking services, the so called "universal" banks, around 17% corresponds to "retail-oriented" banks and nearly 19% represents "corporate-oriented and other specialised" banks. Finally, various corporate actions (e.g. mergers, restructuring etc.) may lead to further adjustments in the final sample.

EBA consults on interest rate risk arising from non-trading book activities.

On December 2, 2021 the European Banking Authority (EBA) launched three consultations regarding the specification of technical aspects of the revised framework capturing interest rate risks for banking book (IRRBB) positions. The consultations run until 4 April 2022.

The first consultation relates to draft Guidelines on IRRBB and credit spread risk arising from non-trading book activities (CSRBB); the second to draft Regulatory Technical Standards (RTS) on the IRRBB standardised approach; and the third to draft Regulatory Technical Standards (RTS) on the IRRBB supervisory outlier test.

The CSRBB and IRRBB Guidelines will act as a replacement of the current guidelines on technical aspects of the management of interest rate risk arising from non-trading activities under the supervisory review process published in 2018. The updated Guidelines incorporate new aspects of the mandate and in particular, they identify criteria to assess and monitor CSRBB and specify the criteria to identify non-satisfactory internal models for IRRBB management.

The RTS on the IRRBB standardised approach elaborate on the criteria for the evaluation of IRRBB and provide a simplified approach for smaller and non-complex institutions. Finally, the RTS on IRRBB supervisory outlier tests point out the supervisory shock scenarios and the criteria to evaluate in case of a large decline in the net interest income or in the economic value of equity that could trigger supervisory measures.

EBA consults on liquidity requirements for investment firms.

On December 10, 2021 the European Banking Authority (EBA) launched a public consultation on its draft Regulatory Technical Standards (RTS) on specific liquidity measurement requirements for investment firms and draft Guidelines on liquidity requirements exemptions for small and non-interconnected investment firms. The draft RTS and draft Guidelines aim to ensure consistent supervisory practices with regards to the application of liquidity requirements for investment firms across all EU Member States. The consultations run until 10 March 2022.

ECB will not extend liquidity relief beyond December 2021.

On December 17, 2021 the European Central Bank (ECB) decided to not extend, beyond December 2021, the liquidity relief measure that allowed banks to operate with a liquidity coverage ratio below 100% and expects all banks to maintain a ratio of above 100% as of January 01, 2022.

ESMA published report on expected credit loss disclosures of banks.

On December 15, 2021 the European Securities and Markets Authority (ESMA) published its report on the application of the IFRS 7 Financial Instruments: Disclosures (IFRS 7) and IFRS 9 Financial Instruments (impairment requirements) (IFRS 9) requirements regarding banks' expected credit losses (ECL). ESMA has identified room for improvement in the level of compliance, comparability and transparency in the application of the relevant IFRS requirements.

EBA confirms EU banks' solid overall liquidity position but warns about low foreign currency liquidity buffers.

On December 17, 2021 the European Banking Authority (EBA) published a report on liquidity measures, which monitors and evaluates the liquidity coverage requirements currently in place in the EU. The liquidity coverage ratio (LCR) of EU banks stood at 176% in June 2021, materially above the minimum threshold of 100%. At the same time, the EBA renews its concern of EU banks' low foreign currency LCR values and encourages banks and supervisors to work towards improving the situation.

COVID-19

FSB: Lessons learnt from the COVID-19 pandemic from a financial stability perspective.

On October 28, 2021 the Financial Stability Board (FSB) published its final report concerning the lessons learnt from the COVID-19 Pandemic. The report incorporates feedback received from the FSB's Regional Consultative Groups and external stakeholders.

The most important key actions and lessons learnt concern institutional and market resilience, operational resilience and crisis preparedness. In the context of institutional and market resilience the most important lesson was that bank capital and liquidity buffers functioning requires further attention as concerns about possible excessive procyclicality in the financial system are still present. In terms of operational resilience, COVID-19 has pointed the need for incorporation of effective and proactive operational risk management practices throughout the market. The FSB will develop best practices for the types of information authorities may require related to cyber incidents to promote financial stability. As far as crisis preparedness is concerned, the pandemic showed the importance of effective cross-border cooperation, coordination and risk-sharing.

Finally, the report highlighted broader policy issues in need of attention such as promoting resilience amidst rapid technological change, addressing debt overhang in the non-financial corporate sector and examining how macroprudential policy has functioned during the pandemic and its aftermath.

EBA notes significant efforts in IFRS 9 implementation by EU institutions but cautions on some of the observed accounting practices, especially in the context of the COVID-19 pandemic.

On November 24, 2021 the European Banking Authority (EBA) published a report summarizing the findings arising from the monitoring activities on the International Financial Reporting Standard (IFRS 9) implementation by EU institutions. The aim of this report is to assist supervisors evaluate the quality and adequacy of IFRS 9 Expected Credit Loss (ECL) models, in order to contribute to a high-quality and consistent application of the IFRS 9 standard in the EU. In line with the IFRS 9 Roadmap, the EBA will continue monitoring and promoting consistent application of IFRS 9, as well as working on the interaction with prudential requirements.

Recovery/Resolutions

EBA published guidelines on recovery plan indicators.

On November 9, 2021 the European Banking Authority (EBA) published its final Guidelines regarding recovery plan indicators. The purpose of the Guidelines is to build a common approach in the EU for the development of the recovery plan indicators framework by offering additional guidance on monitoring, calibration and notification of breaches of indicators.

The main aim of the guidelines is to contribute to the effective crisis preparedness of institutions and improve the quality of the recovery indicators framework. The recovery plan indicators serve a main objective which is to assist institutions in responding and monitoring the evolution and emergence of stress.

Moreover, the Guidelines provide additional guidance on the calibration of thresholds of recovery indicators to ensure the early implementation of recovery options, so as to be effective. The Guidelines also point out the importance of timely notification of breaches to supervisors and the constant monitoring of recovery indicators.

Finally, the minimum list of indicators entails three new additional recovery indicators (MREL/TLAC, asset encumbrance and liquidity position) to the minimum list of recovery indicators and one of them (cost of wholesale funding) has been removed.

FSB published a report on good practices for CMGs.

On November 30, 2021 the Financial Stability Board (FSB) published a report on good practices for Crisis Management Groups (CMGs). This report analyzes specific good practices that have assisted CMGs to improve their preparedness for the resolution/management of a cross-border financial crisis affecting a Global Systemically Important Bank (G-SIB) consistent with the Key attributes of the FSB.

More specifically, the report aims to pinpoint the good practices that CMGs have utilized over the past decade to strengthen their crisis management preparedness. Some of these practices are well established while others are under development. The good practices identified in the report relate to structural and operational aspects of CMGs, coordination towards strengthening a firm's resolvability and the enhancement of home-host coordination arrangements for crisis preparedness.

The FSB will continuously monitor the development of CMGs practices as they continue to evolve and will take into account any future work that serves to promote the effective operation of CMGs.

FSB illustrates practical approaches to the execution of bail-in.

On December 13, 2021 the Financial Stability Board (FSB) published a paper on the execution of bail-in. Bail-in is at the core of resolution strategies for global systemically important banks (G-SIBs). Set out in the Key Attributes of Effective Resolution Regimes for Financial Institutions, it is an important tool enabling an orderly resolution that minimizes any impact on financial stability and ensures the continuity of critical functions, without exposing taxpayers to loss. The paper describes some of the main operational processes and arrangements that resolution authorities of G-SIBs follow when operationalizing bail-in in accordance with their jurisdictions' legal frameworks, securities law and requirements of trading venues.

EBA published final guidelines on the delineation and reporting of available financial means of DGSs.

On December 17, 2021 the European Banking Authority (EBA) published the final guidelines on the delineation and reporting of available financial means (AFM) of deposit guarantee schemes (DGSs). The purpose of the guidelines is to ensure that only funds that credit institutions originally contributed to a DGS fund, or that stem indirectly from such contributions, such as recoveries, will count towards reaching the target level of said DGS fund. Conversely, funds that stem directly or indirectly from borrowed resources should not count towards the target level.

These clarifications aim at preventing a situation whereby a DGS could meet the target level by taking out a loan, instead of raising contributions from the industry. The guidelines shall apply from March 30, 2022.

Risk-Weighted Assets

EBA published RTS specifying how to identify the appropriate risk weights and conditions when assessing minimum LGD values for exposures secured by immovable property.

On November 5, 2021 the European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) specifying the types of factors and conditions to be considered for the assessment of the appropriateness of risk weights and of minimum loss given default (LGD) values. These final draft RTS will support relevant authorities across EU Member States in carrying out their periodical assessments by striking the right balance between ensuring coherence and harmonization of their assessments and preserving the necessary flexibility.

The final draft RTS have been developed according to Articles 124(4) and 164(8) of the Capital Requirements Regulation (CRR), which mandates the EBA to develop, in close cooperation with the European Systemic Risk Board (ESRB), draft RTS to specify the types of factors to be considered for the assessment of the appropriateness of the risk weights referred to in the first subparagraph of paragraph 2 of Article 124 of the CRR; and the conditions that the authority designated by the Member State shall take into account when assessing the appropriateness of minimum LGD values as part of the assessment referred to in paragraph 6 of Article 164 of the CRR. Given the similar nature of the mandates laid down in Articles 124 (4) and 164 (8) of the CRR, these final draft RTS deliver on both mandates.

ECB consults on its draft Guide on the notification of securitization transactions.

On November 15, 2021 the European Central Bank (ECB) issued a public consultation concerning its draft guide on the notification of securitization transactions. This is subsequent to the ECB's announcement, on May 2021, of its decision to ensure the compliance of directly supervised banks with risk retention requirements as well as transparency and resecuritisation for all securitisations requirements, set out under Articles 6, 7 and 8 of the EU Securitisation Regulation.

This Guide is non-binding and elaborates on the information that the ECB expects that directly supervised banks, as originators or sponsors of securitisation transactions, will provide. The requirements of the Securitisation Regulation cover all the spectrum of securitisation transactions irrespective of whether or not they are structured to achieve significant risk transfer.

The ECB's expectation is for banks to comply with the Guide for all securitisation transactions issued after April 1, 2022. The Guide will be reviewed when indicated to reflect developments in the supervision and regulation of securitisations.

The outcome of the consultation, which runs until 5 January 2022, will be taken into account during the finalisation of the Guide.

EBA published RTS on how to calculate risk weighted exposure amounts for exposures towards collective investment undertakings.

On November 24, 2021 the European Banking Authority (EBA) published its final draft Regulatory Technical Standards (RTS) specifying the methodology to apply to calculate the risk-weighted exposure amounts, in the context of the mandate-based approach when there are some missing inputs.

These final draft RTS will contribute to the calculation of own funds requirements for the exposures in the form of units or shares in CIUs under the Standardized Approach (SA) for credit risk. In particular, the final draft RTS provide clarification on the regulatory treatment for missing inputs when the underlying risk of derivatives is unknown, as well as for the computation of the exposure value for counterparty credit risk. The RTS also account for situations where the notional amount of a netting set needs to be computed or for when the identification of netting sets is not feasible.

Finally, these draft RTS explain what is considered as insufficient information versus missing inputs and clarify whether market measures provide sufficient information for the application of the MBA for exposures to CIUs.

EBA published amended technical standards on credit risk adjustments.

On December 13, 2021 the European Banking Authority (EBA) published the final report amending the draft regulatory technical standards on credit risk adjustments used in the calculation of the risk-weight of defaulted exposures under the standardized approach to credit risk. The draft standards amend the Delegated Regulation 183/2014 on prudential requirements for credit institutions and investment firms. The proposed amendments follow up on the Action Plan of the European Commission to tackle Non-Performing Loans (NPLs) in the aftermath of the COVID-19 pandemic; the plan indicated the need for a revision of the treatment of purchased defaulted exposures under the standardized approach.

Surveys and Statistics

EBA's Risk Dashboard points to stabilizing return on equity in EU Banks.

On October 6, 2021 the European Banking Authority (EBA) published its Risk Dashboard for Q2 of 2021. The data shows that banks are benefitting from the economic recovery with RoE being very similar to that of the previous quarter. Moreover, NPL ratios declined further and capital rations remained stable. However, due to cyber and ICT related risks, operational risks remain elevated.

According to the Risk Dashboard profitability was roughly stable (RoE decreased to 7.4% in Q2 2021 from 7.7%) and banks maintained strong capital levels. In addition, the Liquidity Coverage Ratio (LCR) remained high (LCR declined from 173.6% in Q1 to 172.4% in Q2 2021) and the aggregate NPL ratio continued to decline, reaching 2.3% at end Q2. There was also a deterioration in PGS and the asset quality of exposures under moratoria. Finally, Cyber and ICT related risks were high despite the fact that no major cyber - attacks were reported. The figures included in the Risk Dashboard are based on a sample of 131 banks, covering more than 80% of the EU/EEA banking sector (by total assets), at the highest level of consolidation, while country aggregates also include large subsidiaries.

EIOPA published its Risk Dashboard.

On November 3, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published its Risk Dashboard based on Solvency II data from the second quarter of 2021. The results show that insurers' exposures to macro risks remain at a high level while all other risk categories, such as insurance as well as profitability and solvency risks, stay at medium levels. With regards to macro risks, inflation forecasts have been revised upwards. Unemployment rates are still elevated but on a decreasing trend. Financial markets stay broadly stable, amid fiscal and monetary support. The environmental, social and governance (ESG) related risks, included for the first time in the current Risk Dashboard, are at a medium level, with transaction and physical risks slightly improving.

ESMA continues to see risk of market corrections amid elevated valuations.

On November 26, 2021 the European Securities and Markets Authority (ESMA), published the second Risk Dashboard for 2021, which covers the third quarter of 2021. ESMA maintains risk levels unchanged, as the market environment is conquered by very high uncertainty, abrupt shift in risk premia and continued elevated asset valuations with risk of price corrections.

The macroeconomic outlook was brightening the past few months, and there is realistic scope for a reduction in risk levels in case improvements in financial markets prove resilient in the medium-term. The ability of markets to withstand the potential future phasing out of the pandemic-linked public and monetary support without material disruptions will be the critical factor for a risk level reduction.

The quarter's risk drivers of most importance are the economic outlook, inflation uncertainty, political and event risks and indebtedness in sovereign and private debt markets. From a future perspective, the resurgence of the pandemic in Q4, and the continuation of fiscal and monetary policy support as well as uncertainty around inflation may lead to long-term vulnerabilities both for the financial and non-financial sectors.

EIOPA published monthly update of the symmetric adjustment of the equity capital charge for Solvency II – end November 2021.

On December 3, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of November 2021.

The symmetric adjustment is regulated mainly in Article 106 of Directive 2009/138/EC (Solvency II Directive); Article 172 of the of the Delegated Regulation of Solvency II as well as in EIOPA's Final report on ITS on the equity index for the symmetric adjustment of the equity capital charge.

EIOPA published monthly technical information for Solvency II Relevant Risk-Free Interest Rate Term Structures and parallel technical information.

On December 3, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of November 2021. EIOPA also published the second parallel technical information on the RFR with reference to the end of November 2021 based on the published approach for the implementation of Interbank Offered Rates (IBOR) transitions.

EIOPA insurance stress test shows industry resilience but also reliance on transitional measures.

On December 16, 2021 the European Insurance and Occupational Pension Authority (EIOPA) published the results of the 2021 insurance stress test. The 2021 insurance stress test assessed the industry's resilience to a prolonged COVID-19 scenario in a "lower for longer" interest rate environment. EIOPA also performed a capital and solvency assessment and, for the first time, examined participants' pre- and post-stress liquidity positions. The test allowed participants to calculate their post-stress position using two distinct approaches: the fixed balance sheet approach without management actions and the constrained balance sheet approach, where reactive management actions were permitted. Based on the results of this exercise, EIOPA will assess the need for issuing recommendations on relevant concerns identified in the exercise.

EBA's feasibility study on integrated reporting system provides a long-term vision for increasing efficiencies and reducing reporting costs.

On December 16, 2021 the European Banking Authority (EBA) published the final report on the feasibility study of an integrated reporting system in the European Union. This report is the outcome of over two years of effort and active engagement of both national and European authorities as well as the interaction with financial institutions, professional associations and specialized service providers. This study is part of a broader strategy of the European Commission to improve and modernize EU supervisory reporting while minimizing the aggregate reporting burden for all parties. The report puts forward a long-term vision on how the reporting processes could be streamlined and improved for both institutions and competent authorities and how cooperation among the competent authorities could be enhanced in the area of prudential, resolution, and supervisory reporting.

Other General aspects

EBA updated risk assessment indicators.

On October 7, 2021 the European Banking Authority (EBA) published an updated list of indicators for risk assessment and risk analysis tools, and an accompanying methodological guide. This guidance states the way that risk indicators are computed in EBA publications and helps competent authorities and users of EBA data to interpret key bank figures consistently during their risk assessments. This is accomplished without adding any reporting burden to reporting institutions and competent authorities.

The basis of this update is the EBA reporting framework version 3.0 and entails the review of indicators on institutions' exposures and profitability, to own funds and sovereign counterparties requirements for operational risk, among others. In addition, other indicators to monitor the use of the Standardized Approach (SA) in the credit risk framework and assess the use of external ratings and were incorporated to the list. Finally, EBA also updated the Guidance Note on how to compile the financial soundness indicators (FSIs) of the International Monetary Fund (IMF) after the release 3.0 of the EBA reporting framework.

EIOPA's comment on Solvency II proposals from the EC.

On October 1, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published a press release in which it comments on the European Commission's legislative proposal for amendments to the Solvency II Directive (2009/138/EC).
The proposals largely share EIOPA's approach and follow the objectives set in EIOPA's Opinion from December 2020. EIOPA particularly welcomes the proposal of the European Commission to develop an Insurance Recovery and Resolution Directive, to include the macroprudential perspective in Solvency II, to enhance the proportionality principle, and to give mandates for further action on sustainable finance. Furthermore, the new extrapolation methodology of the Risk-Free curve, the adjustments of the interest risk rate as well as additional tools and measures to address systemic risk are welcome steps.

EIOPA published monthly technical information for Solvency II Relevant Risk-Free Interest Rate Term Structures -end-September 2021.

On October 5, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of September 2021.
RFR information has been calculated on the basis of the content of the Technical Documentation under background material and based on RFR coding released on 8 October 2019.

EIOPA issued supervisory opinions on DC risk management and pension charges.

On October 7, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published two supervisory notes, with the first on improved supervision of pension costs and charges and the second on defined contribution (DC) risk management.
With regards to the opinion on costs and charges, EIOPA noted that such fees can have a substantial cumulative impact: a 1% increase in costs can have a 20% impact on the amount of pension received. Therefore, it said in order to protect members and beneficiaries, a transparent and comprehensive view of all costs and charges is essential for IORPs, social partners and supervisors. To address this, the opinion sets out expectations on the supervisory reporting of costs and charges of IORPs.
In addition, on the opinion on the supervision of risk assessment by IORPs providing DC schemes, EIOPA said that the supervisory approach to DC products needs to ensure that risks borne by DC IORPs are appropriately monitored and managed.

FSB published final report with policy proposals to enhance money market fund resilience.

On October 11, 2021 the Financial Stability Board (FSB) published its final report with policy proposals to enhance money market fund (MMF) resilience. The aim of the report's policy proposals is to minimize the need of central bank interventions and address systemic risks in order to support the sector.

The report identifies two types of vulnerabilities that MMFs are subject to. These include challenges in selling assets, particularly under stressed conditions, as well as sudden and disruptive redemptions. In the context of addressing these vulnerabilities, the report groups policy options in accordance with the mechanism through which they strengthen MMF resilience (e.g. absorb credit losses or reduce liquidity transformation). Moreover, it incorporates considerations concerning the way that authorities can combine and prioritize these policy options.

Finally, the FSB continues to work with the International Organization of Securities Commissions (IOSCO) in reviewing the progress made by member jurisdictions in adopting reforms to enhance the resilience of MMFs.

ESMA published final report for STS synthetic securitization notifications.

On October 12, 2021 the European Securities and Markets Authority (ESMA) published its final report on STS synthetic securitization notifications. The report summarizes the received feedback from stakeholders to the consultation paper and the relevant responses from ESMA. ESMA welcomed the received support regarding the consultation paper despite the fact that the feedback was limited.

The main aim of the report is to promote consistency across STS frameworks for both synthetic and traditional securitizations while at the same time consider the technical variations between on-balance sheet and traditional securitizations. Due to the fact that synthetic securitizations are executed exclusively in private markets, ESMA takes into account the comments of market participants in the context of the proportionality of requested information (e.g. the classification of the protection seller as "Non-Financial Counterparty, the identification of the protection sellers etc.).

Finally, Annex I of the report contains the legislative mandates to develop draft ITS and RTS, Annex II includes the draft ITS cost benefit analysis and Annex III and IV contain the text of the draft ITS and RTS.

FSB published its annual report.

On October 27, 2021 the Financial Stability Board (FSB) published its latest Annual Report. The report describes the FSB's work to promote global financial stability. According to the report:

- the outlook for financial stability continues to be dominated by the COVID-19 pandemic, with the recovery uneven across economies and sectors;
- FSB is carrying out analytical and policy work to foster global financial stability in response to the pandemic as well as to new and emerging risks;
- there has been limited additional progress in implementing G20 reforms over the past year, as authorities have focused on responding to the impacts of the pandemic;
- the COVID experience provides important lessons for the functioning of the G20 reforms and reinforces the importance of global regulatory cooperation and of completing the remaining elements of the post-crisis reform agenda.

Parallel publication of the monthly technical information relating to RFR following the approach for IBOR transitions.

On November 3, 2021 the European Insurance and Occupational Pensions Authority (EIOPA), published a news report regarding the publication of monthly calculations of the technical information relating to the risk-free interest rate (RFR) term structures. The publication of the technical information will be issued in parallel to the current official published RFR information, based on the published approach for the implementation of Interbank Offered Rates (IBOR) transitions.
This parallel publication will allow for comparability of EIOPA's calculations to those conducted by investors and will be published in addition to the current official monthly technical information in a dedicated section in EIOPA's website, below Monthly Technical Information 2021 for the reference dates 31 October 2021, 30 November 2021 and 31 December 2021.

EIOPA updated representative portfolios to calculate volatility adjustments to the Solvency II risk-free interest rate term structures for 2022.

On November 3, 2021 the European Insurance and Occupational Pensions Authority (EIOPA), published updated representative portfolios that will be used for calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures for Solvency II.

The updated portfolios allow for a more accurate reflection of market volatility's impact under the Solvency II framework and are based on the annual reporting templates that European (re)insurance companies reported to their national supervisory authorities on the end of 2020.

The VA calculation for the end of March 2022 will be performed by utilizing these updated representative portfolios. The publication of the representative portfolios five months in advance will provide (re)insurers with enough time to take all appropriate measures concerning this change. Finally, EIOPA also updated the technical documentation of the methodology to derive risk-free interest rate term structures of EIOPA.

Decisions taken by the Governing Council of the ECB.

On November 12, 2021 the European Central Bank (ECB) published decisions taken by the Governing Council. The decisions relate to i) macroprudential policy and financial stability, ii) advice on legislation regarding European green bonds, iii) amending Decision on the volume of coin issuance in 2021 and iv) public consultation on the draft ECB Guide on notification of securitisation transactions.

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

On November 10, 2021 the European Banking Authority (EBA) published its first draft implementing technical standards (ITS) on Pillar 3 disclosure of institutions' exposures to interest rate risk on positions not held in the trading book (IRRBB).
The final draft ITS set out comparable disclosures that will assist stakeholders evaluate the sensitivity of institutions' economic value of equity and net interest income to changes in interest rates and the institutions' IRRBB risk management framework.

In line with the strategic objective of developing a single and comprehensive Pillar 3 package that should further promote market discipline and facilitate implementation by institutions these standards will amend the comprehensive ITS on institutions' public disclosures.
Moreover, under the objective of implementing the disclosure requirements of Article 448 of the CRR, the final draft ITS introduce templates for the impact of changes in interest rates on institutions' economic value of equity and net interest income, the disclosure of information on institutions' IRRBB risk management objective and policy as well as the institutions' internal assumptions for the calculation of their IRRBB exposure values.
These disclosure requirements apply to large institutions and to other institutions except those that are not listed, in accordance with the provisions of Articles 433a and 433c of the CRR.

EIOPA published annual report on the use of capital add-ons during 2020 under Solvency II.

On November 22, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) published its annual report on the use of capital add-ons during 2020.
The basis for the analysis in the report is 2020 year-end data collected under Directive 2009/138/EC (Solvency II) as reported by the solo undertakings or insurance groups from the European Economic Area accompanied by a dedicated survey for national competent authorities that entailed both qualitative and quantitative questions.

In 2020, seven national competent authorities set capital add-ons to nine solo undertakings while, in 2019, nine national competent authorities had set capital add-ons to ten solo undertakings.

Due to the low number of capital add-ons, the weight of capital add-ons imposed on undertakings using the standard formula remains very low overall in 2020. However, it remains significant when considering the amount at individual level accounting for 25% of the total Solvency Capital Requirement of the undertakings with capital add-ons. Although there is a wide range in its distribution (from 86% to 1%), in all cases (except for one) the capital add-on increases the Solvency Capital Requirement by at least 10%.

BCBS published more details on global systemically important banks.

On November 23, 2021 the Basel Committee on Banking Supervision (BCBS) published further information on global systemically important banks. More specifically, further details include global denominators and individual bank indicators to help understand the scoring methodology as well as additional information related to the end-2020 G-SIB assessment. The publication accompanies the Financial Stability Board's release of the updated list of G-SIBs and includes:

- the denominators of each of the 12 high-level indicators used to calculate banks' scores;
- the 12 high-level indicators for each bank in the sample used to calculate these denominators; and
- the cutoff score used to identify the G-SIBs in the updated list and the thresholds used to allocate G-SIBs to buckets for the purpose of calculating the specific higher loss-absorbency requirements.

BCBS's methodology assesses the systemic importance of global banks using indicators calculated from historical data of the previous fiscal year-end (2020) supplied by banks and validated by national authorities. Final scores are then linked to corresponding buckets that determine the higher loss absorbency requirement for each G-SIB.

ESMA published its 2020 annual report on EU market abuse sanctions.

On November 23, 2021 the European Securities and Markets Authority published its annual report on administrative and criminal sanctions, as well as other administrative measures, issued across the European Union under the Market Abuse Regulation in 2020. The annual report describes an increase in the number of administrative sanctions and measures in 2020 compared to 2019, reaching 541 from 279 the preceding year. However, it also found that the financial penalties imposed are significantly lower, reaching only €17.5 million in 2020, compared to €82 million in 2019.

BIS released an executive summary on stress testing.

On November 30, 2021 the Bank for International Settlements (BIS) released an executive summary about the effects of stress testing across firms and institutions. Stress tests are forward-looking exercises that aim to evaluate the impact of severe but plausible adverse scenarios on the resilience of financial firms. They involve the use of models and data at the firm or system wide level and may rely on historical or hypothetical scenarios.

EC adopted revised guidelines on State aid to promote risk finance investments.

On December 6, 2021 the European Commission (EC) adopted revised guidelines on State aid to promote risk finance investments. The revised Guidelines will apply from January 1, 2022. They clarify and simplify the rules under which Member States can support and facilitate access to finance by European start-ups, small and medium-sized enterprises ('SMEs') and companies with a medium capitalization ('mid-caps'), while ensuring a level playing field in the Single Market.

EBA report highlights shortcomings in the application of its guidelines on the remuneration of sales staff.

On December 9, 2021 the European Banking Authority (EBA) published a report on the application of the guidelines on the remuneration of sales staff. The guidelines have been in force since 2016. EBA assessed how a sample of 70 financial institutions from 12-member states are applying these guidelines. The analysis focused on institutions' internal arrangements for designing, approving, and monitoring the remuneration policy and practices for sales staff, in particular the practices for awarding variable remuneration to sales staff. The EBA assessment revealed that financial institutions focus more on prudential requirements and commercial interests than on meeting the interests of consumers. However, EBA also identified good practices that are considered to be compliant with the guidelines.

ECB moves towards harmonizing statistical reporting to ease burden for banks and improve analysis.

On December 17, 2021 the European Central Bank (ECB) took the next step in the project to develop the Integrated Reporting Framework (IReF).

This harmonized statistical reporting system is intended to make it easier for banks to report statistical data to the European System of Central Banks (ESCB) and to reduce their reporting burden by leveraging digitalization and state-of-the-art production organization.

At the same time, the system will facilitate policymakers' analysis and comparison of such data. Following an industry-wide consultation, the ECB is now launching the design phase of the project, which is expected to go live in 2027.

EIOPA highlights key risks for the insurance and pension sectors.

On December 13, 2021 the European Insurance and Occupational Pension Authority (EIOPA) published its December 2021 Financial Stability Report. The analysis underpinning the report examined key macroeconomic developments and the prevalence of risks that are key for the insurance and pension sectors.

FSB reports on global trends and risks in non-bank financial intermediation.

On December 16, 2021 the Financial Stability Board (FSB) published a report that presents the results of its annual monitoring exercise to assess global trends and risks in non-bank financial intermediation (NBFI). The report presents NBFI developments up to end-2020, which is the first year of the COVID-19 pandemic, covering 29 jurisdictions that account for approximately 80% of global GDP. In the report, FSB focuses on the parts of NBFI that may pose bank-like financial stability risks and/or regulatory arbitrage (the so-called narrow measure of NBFI). The report finds that, in contrast to the trend over the past decade, the NBFI sector grew less than the banking sector in 2020.

EBA will run its next EU-wide stress test in 2023.

On December 8, 2021 the Board of Supervisors of the European Banking Authority (EBA) decided to carry out its next EU-wide stress test in 2023. This is in line with the decision to aim for a biennial exercise. This decision has been communicated to the European Parliament, the Council and the Commission. In 2022, the EBA will perform its regular annual transparency exercise.

Other

ECB published its supervisory priorities for 2022-2024.

Euro area quarterly balance of payments and international investment position: second quarter of 2021.

On October 4, 2021 the European Central Bank (ECB) published the euro area quarterly balance of payments and international investment position regarding the second quarter of 2021. In particular:

- Current account surplus of the euro area increased to €337 billion (2.9% of euro area GDP) in the four quarters to the second quarter of 2021, up from €200 billion (1.7% of GDP) a year earlier;
- Geographic counterparts: largest bilateral current account surpluses vis-à-vis United Kingdom (€176 billion) and United States (€74 billion), largest deficit vis-à-vis China (€66 billion);
- At the end of the second quarter of 2021 the international investment position of the euro area recorded net liabilities of €576 billion vis-à-vis the rest of the world (4.9% of euro area GDP), decreasing from €649 billion in the previous quarter.

EBA published its work programme for 2022.

On October 5, 2021 the European Banking Authority (EBA) published its annual work programme for 2022, describing its activities and tasks as well as key strategic areas of work for next year.
For 2022, the EBA has set five vertical priorities: i) monitoring and updating the prudential framework for supervision and resolution; ii) revisiting and strengthening the EU-wide stress-testing framework; iii) leveraging the European centralised infrastructure for supervisory data (EUCLID); iv) deepening analysis and information-sharing in the areas of digital resilience, fintech and innovation; and v) fighting AML/CFT and contributing to a new EU infrastructure.

Moreover, the EBA has set two horizontal priorities: a) providing tools to measure and manage environmental, social and corporate governance (ESG) risks; and b) monitoring and mitigating the impact of COVID-19.

EBA updated version 5.1 of its filing rules for supervisory reporting.

On October 19, 2021 the European Banking Authority (EBA) published an updated version of its 5.1 filing rules document for supervisory reporting. In particular, the update modifies rule 1.6 to simplify the use of the filing indicator by removing the option “empty filing” indicator. This updated rule must be followed for all the submissions and resubmissions as of 1 January 2023. In addition, the update modifies rule 3.6 to improve Consolidated/Individual information circulation and to allow for multiple consolidation levels for an entity. CON/IND is being moved from module name to reporting subjects. This change will apply as of 31 December 2022.

IOSCO published its final report setting out principles on outsourcing.

On October 27, 2021 the Board of the International Organization of Securities Commissions (IOSCO) published a final report updating the outsourcing principles for regulated entities that outsource tasks to service providers, including the cloud service provider. The updated principles are based on the earlier outsourcing principles for market intermediaries and for markets, but their application has been expanded to include trading venues, intermediaries, market participants acting on a proprietary basis and credit rating agencies.
The principles cover the following areas:

- Due diligence in the selection and monitoring of a service provider and its performance;
- The contract with a service provider;
- Information security, business resilience, continuity and disaster recovery;
- Confidentiality Issues;

- Concentration of outsourcing arrangements;
- Access to data, premises, personnel and associated rights of inspection;
- Termination of outsourcing arrangements.

The report also briefly addresses the impact of COVID-19 on outsourcing and operational resilience and includes an Annex which describes how outsourcing integrates with cloud computing and how credit rating agencies use and incorporate outsourcing and cloud computing in their organizational strategies and structures.

ECB published monetary policy decisions.

On October 28, 2021 the European Central Bank (ECB) published monetary policy decisions. The Governing Council continued to judge that favourable financing conditions can be maintained with a moderately lower pace of net asset purchases under the pandemic emergency purchase programme (PEPP) than in the second and third quarters of this year.
The Governing Council also confirmed its other measures, namely the level of the key ECB interest rates, its forward guidance on their likely future evolution, its purchases under the asset purchase programme (APP), its reinvestment policies and its longer-term refinancing operations.

Commission strengthens cybersecurity of wireless devices and products.

On October 29, 2021 the Commission decided to improve the cybersecurity of wireless devices available on the European market. The delegated act to the Radio Equipment Directive aims to make sure that all wireless devices are safe before being sold on the EU market. This act lays down new legal requirements for cybersecurity safeguards, which manufacturers will have to take into account in the design and production of the concerned products. It will also protect citizens' privacy and personal data, prevent the risks of monetary fraud as well as ensure better resilience of our communication networks.
The delegated act will come into force following a two-month scrutiny period, should the Council and Parliament not raise any objections. Following the entry into force, manufacturers will have a transition period of 30 months to start complying with the new legal requirements.

Digital Economy and Society Index 2021: overall progress in digital transition but need for new EU-wide efforts.

On November 12, 2021 the Commission published the results of the 2021 Digital Economy and Society Index (DESI), which tracks the progress made in EU Member States in digital competitiveness in the areas of human capital, broadband connectivity, the integration of digital technologies by businesses and digital public services. The DESI 2021 reports present data from the first or second quarter of 2020 for the most part, providing some insight into key developments in the digital economy and society during the first year of the COVID-19 pandemic. However, the effect of COVID-19 on the use and supply of digital services and the results of policies implemented since then are not captured in the data, and will be more visible in the 2022 edition.
All EU Member States have made progress in the area of digitalization, but the overall picture across Member States is mixed, and despite some convergence, the gap between the EU's frontrunners and those with the lowest DESI scores remains large. Despite these improvements, all Member States will need to make concerted efforts to meet the 2030 targets as set out in Europe's Digital Decade.

Publication of Law 4849/2021.

On November 5, 2021 Law 4849/2021 was published (Greek Government Gazette A' 207), in articles 85-93 of which are included provisions for the regulation of the internal control of the enterprises of the private sector.

State aid: Commission sets out future of Temporary Framework to support economic recovery in context of coronavirus outbreak.

On November 18, 2021 the European Commission decided to prolong until 30 June 2022 the State aid Temporary Framework (currently set to expire by 31 December 2021). In order to further accelerate the recovery, the Commission has also decided to introduce two new measures to create direct incentives for forward-looking private investment and solvency support measures, for an additional limited period.

EPC publications regarding SEPA.

On November 22, 2021 the European Payments Council (EPC) published the following regarding SEPA (Single European Payments Area):

- Guidelines for the Appearance of Mandates for the SDD Core and SDD B2B Schemes;
- Creditor Identifier Overview;
- Guidance on Reason Codes for SCT Inst R-transactions;
- Guidance on Reason Codes for SCT R-transactions;
- Guidance on Reason Codes for SDD R-transactions; and
- Clarification Paper on the SEPA SDD Core and SDD B2B Rulebooks.

EIOPA sets out a framework for delivering better value for money in a consumer-centric way.

On November 30, 2021 the European Insurance and Occupational Pensions Authority (EIOPA) issued a supervisory statement, which sets out the common principles needed so unit-linked products can offer value for money.
EIOPA considers that reliably putting consumer outcomes at the heart of product design, distribution and monitoring processes is critical for tackling value for money issues. Hence it has issued a supervisory statement to outline how supervisory authorities will monitor manufacturers' and distributors' product oversight and governance processes.
With this statement EIOPA highlights that while value for money is embedded already within product oversight and governance requirements, more convergence is needed in practical supervisory implementation.

EPC published a report on standardization and governance of QR codes for IPs at the POI.

On November 29, 2021 the European Payments Council (EPC) published a report on standardization and governance of QR codes for instant payments (IPs) at the point of interaction (POI).

The report consists of two main parts: the specification of a QR-code standard for IPs at the POI, both for a merchant-presented and a consumer-presented QR-code (Chapter 4), and the governance aspects related to the usage of QR-codes for IPs (Chapter 5), which should become part of the overall Governance of an Interoperability Framework for IPs at the POI (see ERPB/2020/026). The latter involves also the establishment of a so-called Registration Authority for the issuance of IP service provider identifiers. Annex 1 provides illustrative examples of process flows for IPs based on QR-codes while Annex 2 describes the options for minimum data sets for consumer-presented QR codes that currently have not been retained and for which further guidance from the EBA has been sought.

EPC published the updated version of the SRTP Rulebook.

On November 30, 2021 the European Payments Council (EPC) published the updated version of the SEPA Request-to-Pay (SRTP) Scheme Rulebook which consists of a set of rules, practices and standards that makes it possible for any eligible SEPA RTP Service Provider to join, participate and operate in the SRTP Scheme. The objectives of the Rulebook are:

- To be the primary source for the rules and obligations set by the Scheme.
- To provide authoritative information to Scheme Participants and other relevant parties as to how the Scheme functions.

The Rulebook is due to be implemented by June 1, 2022.

Determination of non-cooperative states for the tax year 2020 based on Law 4172/2013.

On November 29, 2021 the Joint Ministerial Decision No. 1246 was published (Government Gazette B' 5497), which identifies 43 non-cooperative states in the tax area, as defined in paragraph 1 of article 65 of Law 4172/2013, for the entire fiscal year 2020. In addition, 4 non-cooperative states are identified for a certain period of time, within the fiscal year 2020, in respect of each of these states.

Obligation to submit the annual financial reports for the financial year 2021 using ESEF.

On December 3, 2021 the Hellenic Capital Market Commission (HCMC) and the Athens Stock Exchange issued an announcement regarding the following:
Issuers with securities listed on a regulated market in the European Union have to prepare their annual financial reports in accordance with the European Single Electronic Format (ESEF), aiming to facilitate accessibility, analysis and comparability of financial information at European Union level. In particular:

- All annual financial reports should be in XHMTL format.
- Regarding the consolidated financial statements according to International Financial Reporting Standards (IFRS), the financial information included in the Total Income Statement, Statement of Financial Position, Statement of Changes in Equity and Cash Flow Statement, should be labeled XBRL according to the ESEF Taxonomy.
- From fiscal year 2023 onwards, the notes to the consolidated financial statements under IFRS should also be labeled XBRL, with the use of 'XBRL block tags'.

It is noted that the annual financial reports according to ESEF should be subject to the statutory audit by chartered accountants.
The Athens Stock Exchange and the HCMC have adapted systems to receive the Publishers' annual financial reports in accordance with ESEF. More specifically:

- The submission and upload of the required files is also available in the HERMES service of the Athens Stock Exchange according to ESEF (XHTML / iXBRL).
- The submission of the required files according to ESEF (XHTML / iXBRL), at the HCMC's Reporting Web Portal is also available, following the same procedure as submitting the pdf file.

Finally, for publishers who prepare their annual financial report in English, it should be noted that this annual report is also being prepared according to ESEF.

ECB published guide on fit and proper assessments.

On December 8, 2021 the European Central Bank (ECB) Banking Supervision published the guide on fit and proper assessments of members of the management body.

The guide covers the management function (executive directors) and the supervisory function (non-executive directors) of all institutions under the direct supervision of ECB. These entities are also known as the significant institutions, whether credit institutions or (mixed) financial holding companies. The guide explains the processes and specifies the key expectations of ECB when conducting suitability assessments.

BoG: The new TARGET Instant Payment Settlement model is in operation.

On December 10, 2021 the Bank of Greece (BoG) announced that the new model of direct payment settlement in the Greek component of the TARGET 2 payment system is in operation. The new TARGET Instant Payment Settlement (TIPS) model replaces the different direct payment schemes adopted in individual countries, creating a single scheme with single features and full interoperability across the Eurozone.

The transition to the new scheme, with the participation of most Greek credit institutions through the DIAS retail payment system, results in the possibility of making direct payments domestically and across borders with uniform rules and procedures throughout the Eurozone. With this fact, direct payments become much more user-friendly, creating the prospect of their wider adoption as a means of payment by the public.

State aid: Commission adopts revised STEC Communication.

On December 6, 2021 the European Commission issued a press release about the adoption of a revised Communication on Short-term export credit insurance (STEC Communication). The STEC Communication sets rules to:

- Ensure that competition among private and public (or publicly supported) export credit insurers is not distorted by the credits exported by State support; and
- Create a level playing field among exporters in different Member States.

The application date of the revised STEC Communication is set to 1 January 2022. Export credits allows foreign buyers of goods and services to defer payment. This deferral poses a credit risk for sellers who seek insurance against that risk (export credit insurance).
Based on the 2012 STEC Communication, marketable risks are entailed in trade within the 27 EU Member States and the nine OECD countries listed in its Annex. This means that such risks should not be insured by the State or by State supported insurers as the insurance capacity provided by private insurers should be sufficient to cover them. In other words, as private insurers offer that type of insurance, there is no need for the State to step in and offer a similar product.

ECB published its supervisory priorities for 2022-2024.

On December 7, 2021 the European Central Bank (ECB) published its supervisory priorities for 2022-2024. Despite the fact that the risk landscape of the European banking sector continues to be shaped by the impact of the coronavirus (COVID-19) pandemic, supervised institutions have remained resilient over the last year.
Against this background, ECB Banking Supervision, in cooperation with the national competent authorities, has assessed the main vulnerabilities and risks that significant institutions face and has set its strategic priorities for the next three years accordingly.
The three priorities identified for 2022-2024 aim to ensure:

- the healthy emergence of banks from the pandemic;
- that banks seize the opportunity to address structural weaknesses via effective digitalization strategies and enhanced governance; and
- that banks tackle emerging risks, mainly climate-related and environmental risks, IT and cyber risks.

A set of strategic objectives and work programs has been developed by ECB Banking Supervision for each priority, which aim to address the most material vulnerabilities identified during this year's risks and priorities exercise. The priority-setting process and risk-identification is a central mechanism for the development and formulation of ECB Banking Supervision's strategy for the next three years.

Financial Stability Review (December 2021).

On December 2, 2021 the Bank of Greece (BoG) published the annual Financial Stability Report for 2021.

In 2021, economic activity in Greece recovered rapidly after the significant recession of 9.0% in 2020 due to the COVID-19 pandemic and its limitations. As a result, GDP (seasonally adjusted data) increased in the first half of 2021 by 6.3% due to the recovery by 16.2% in the second quarter of the year. The recovery was mainly fueled by the increase in private consumption, due to the rise in disposable income, while exports of goods and services, public consumption and gross fixed capital formation made a significant contribution.

This Financial Stability Report covers the entire financial system, emphasizing the analysis of banking developments, given the great importance of the banking sector for the Greek economy, while it is framed by a series of Special Issues.
In Special Issue I, the issue of climate change and the relationship with the banking sector are developed. It describes the risks and initiatives taken, both globally and at EU level, and in particular nationally by the BoG to tackle climate change and maintain financial stability.
Special Issue II presents the axes for reviewing the banks' crisis management framework, as recorded through the European Commission's public consultation. At the same time, the views of the BoG on the key points of the institutional framework that need improvement are described in detail, as well as its relevant proposals for addressing its weaknesses.

Special Issue III describes the protected regulatory environment (regulatory sandbox) of the BoG as a mechanism to facilitate innovation and as a supervisory tool. The goals and conditions for participation in the sandbox are developed, as well as the framework of its operation.

Finally, Special Issue IV describes the operation of large technology companies and their impact on the functioning of the financial system.

ECB published action plan to address recommendations after TARGET incidents in 2020.

On December 17, 2021 the European Central Bank (ECB) published an action plan to address the recommendations of an independent review mandated by its Governing Council in November 2020, following the five major incidents that affected TARGET2 and TARGET2 Securities in 2020. The action plan also addresses recommendations issued by the Eurosystem oversight function and the Internal Audit Committee in relation to these incidents. The action plan consists of six workstreams: change and release management, business continuity management, fail-over and recovery tests, communication protocols, governance, and data center and IT operations. Measures addressing several recommendations have already been agreed or implemented in the course of 2021, while most of the remaining ones will be implemented by the end of 2022. The measures will benefit all TARGET services, including TARGET Instant Payment Settlement (TIPS).

EU institutions agree priorities for 2022 for a resilient and reinvigorated EU.

On December 16, 2021 the leaders of the EU institutions signed a Joint Declaration identifying key legislative priorities for 2022, and welcomed progress on the 2021 priorities. The Declaration sets out the institutions' shared vision for a transformed, more resilient Europe. It demonstrates the institutions' determination to enable the EU to emerge stronger from the COVID-19 pandemic and the dramatic consequences of climate change and other global crises.

Digital Finance: new EC strategy paves the way for modern and streamlined supervisory data reporting.

On December 15, 2021 the European Commission (EC) presented a new strategy to improve and modernize financial supervisory reporting in the EU.

The strategy's main objective is to put in place a system that delivers accurate, consistent and timely data to supervisory authorities at EU and national level, while minimizing the overall reporting burden on financial institutions. This will ultimately benefit citizens, through more efficient and agile supervision that ensures the stability of the financial system, market integrity, and investor protection. It will also help companies by reducing the reporting burden where possible. This strategy will contribute directly to the objectives of the European Data Strategy and the Digital Finance package to promote digital innovation in Europe. Moreover, this strategy contributes to the objectives of a Capital Markets Union and helps to achieve a single market in financial services.

EPC publications regarding SEPA.

On December 13, 2021 the European Payments Council (EPC) published the following updated rulebooks regarding SEPA (Single European Payments Area):

- 2021 SEPA Credit Transfer (Version 1.1);
- 2021 SEPA Direct Debit Core (Version 1.1);
- 2021 SEPA Direct Debit B2B (Version 1.1);
- 2021 SEPA Instant Credit Transfer (Version 1.1).

The rulebooks are expected to enter into force on January 11, 2022.

ESMA statement on transfer of competences and duties relating to certain DRSPs from NCAs to ESMA.

On December 14, 2021 the European Securities and Markets Authority (ESMA) issued a statement to clarify the transfer of competences and duties relating to supervisory and enforcement activity in the field of certain data reporting services providers (DRSPs) from National Competent Authorities (NCAs) to ESMA.

ESMA's public statement outlines the approach for DRSP supervision that it intends to follow in the interim period until the delegated act becomes applicable:

- on 1 January 2022, ESMA will take over supervisory responsibilities from NCAs only for the DRSPs which are likely fall under its remit once the delegated act applies. ESMA will bilaterally inform the DRSPs that it is planning to start supervising them from 1 January 2022; and
- once the delegated act becomes applicable, ESMA will charge fees to the DRSPs which fall under its supervision for the entire period starting from 1 January 2022.

ESMA encourages NCAs to continue to oversee DRSPs that are likely to remain outside the scope of ESMA supervision and, therefore, fall under NCAs' supervisory purview once the delegated act applies.

APPENDIX: GLOSSARY

AANA
Aggregate Average Notional Amount

AML/CFT
Anti-Money Laundering and Countering the Financing of Terrorism

AI
Artificial Intelligence

AISPs
Account Information Service Providers

AIFMD
Alternative Investment Funds Market Directive

BCBS
Basel Committee on Banking Supervision

BIS
Bank of International Settlements

BMR
EU Benchmark Regulation

CDD
Customer Due Diligence

CRD IV
Capital Requirements Directive IV

DGSs
Deposit Guarantee Schemes

DLT
Distributed Ledger Technology

DRSP
Data Reporting service providers

EBA
European Banking Authority

ECON
Economic and Monetary Affairs Committee

EFKA
National Social Security Fund

EIOPA
European Insurance and Occupational Pensions Authority

EP
European Parliament

ESAs
European Supervisory Authorities

ESG
Environmental, Social and Governance

FICC
Fixed Income Clearing Corporation

GAR
Green Asset Ratio

GEMI
General Electronic Commercial Registry

GSIS
General Secretariat of Information Systems for Public Administration

IOSCO
International Organization of Securities Commissions

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

ITS
Implementing Technical Standards

IT
Information Technology

IOSCO
International Organization of Securities Commissions

LCR
Liquidity Coverage Ratio

LIBOR
London Inter-Bank Offered Rate

APPENDIX: GLOSSARY

MiCA
Markets in Crypto Assets

NPEs
Non-Performing Exposures

NPL
Non-Performing Loans

P2B
Platform to Business

PISPs
Payment Initiation Services Providers

RTS
Regulatory Technical Standard

RegTech
Regulatory Technology

RWAs
Risk weighted assets

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

SFTR
Securities Financing Transactions Regulation

SFT
Securities Financing Transactions

SupTech
Supervisory Technology

OTC
Over-the-Counter

Grant Thornton

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 58,000 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 4 offices in Greece (Athens, Thessaloniki, Heraklion-Crete and Ioannina) and more than 850 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 79%, one of the highest among Grant Thornton member-firm network in over 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