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## EUROPEAN CENTRAL BANK (ECB)

### **Oversight of cryptoasset activities - ECB publishes blog post**

5 April 2023 - The European Central Bank (ECB) has published a blog post on its oversight of cryptoasset activities, written by Elizabeth McCaul, Member of the Supervisory Board of the ECB.

The post notes recent events in the financial sector and stresses the crucial role of sound regulation in maintaining financial stability. It highlights three principles to keep in mind when shaping cryptoasset regulation, namely:

- looking at lessons learned from historical banking crises, as well as recent events, and applying these lessons to the oversight of cryptoasset markets;
- the requirement for good governance and strong risk management to reduce the risk of bank failures. In particular, the regulatory framework should ensure that all cryptoasset service providers (CASPs) have sound governance and risk management arrangements in place, including binding external audit and financial disclosure requirements; and
- thinking about novel challenges brought about by cryptoasset activities.

Further, the post notes that the banking system relies on the home-host supervision model and consolidated supervision through supervisory colleges. In the securities sector, recognition of regulatory equivalence regimes forms the basis for oversight. However, in the cryptoasset world, no such framework exists. The lack of a traditional central point of entry poses challenges for current regulatory and supervisory approaches. Although the Financial Stability Board (FSB) and the Basel Committee on Banking Supervision (BCBS) have acknowledged the need for a global regulatory and supervisory framework for cryptoassets, this project is still very much in its infancy.

The basis for home-host co-operation is, first and foremost, sound regulation and supervision in each jurisdiction. In the cryptoasset world, however, the very concept of borders and jurisdictions is being challenged. How can businesses that have no physical borders be supervised? More thought needs to be put into imagining what international co-ordination will look like and how it can be effective in regulating the cryptoasset sector.

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The post also makes the point that contagion within the cryptoasset ecosystem has been spreading, with several filings for bankruptcy owing to the high level of interconnectedness. The nature and scale of cryptoasset markets are rapidly evolving and could reach a point where they represent a threat to global financial stability.

[ECB Blog: Oversight of crypto activities](#)

## **Supervisory banking statistics – ECB publishes supervisory banking statistics for Q4 2022**

12 April 2023 – The ECB has published its supervisory banking statistics for the fourth quarter of 2022. The statistics are calculated by aggregating the data that is reported by banks which report capital adequacy information (COREP) and financial information (FINREP) at the relevant point in time. The report covers: (i) balance sheet composition and profitability; (ii) capital adequacy and leverage; (iii) asset quality; (iv) funding; and (v) liquidity. Among other points, the results show:

- the aggregate capital ratios of significant institutions increased in the fourth quarter of 2022, with the aggregate Common Equity Tier 1 (CET1) ratio up to 15.27%, the aggregate Tier 1 ratio at 16.60% and the aggregate total capital ratio at 19.26%;
- the non-performing loans (NPL) ratio (excluding cash balances) at central banks and other demand deposits remained stable at 2.28%;
- the aggregate stage 2 loans as a share of total loans decreased to 9.63% (down from 9.82% in the previous quarter), reversing part of the increase observed during 2022;
- the aggregated annualised return on equity increased to 7.68%, compared with 7.55% in the previous quarter; and
- the aggregate liquidity coverage ratio stood stable at 161.46% while the net stable funding ratio decreased slightly to 125.76%.

[ECB Supervisory Banking Statistics Fourth Quarter 2022](#)

[Press release](#)

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### **Supervisory review and evaluation process – ECB publishes results of external assessment**

*17 April 2023* – The ECB has published a report containing the results of an external assessment by an expert group of the ECB’s supervisory review and evaluation process (SREP).

The expert group has made a number of recommendations to improve the efficiency and effectiveness of the ECB’s existing supervisory processes, including proposed measures to streamline and shorten SREP processes, as well as make them more integrated and risk sensitive. The expert group also encourages the ECB to consider whether its current process for the determination of Pillar 2 requirements (which combines a holistic approach informed by a risk-by-risk approach derived from banks’ internal capital adequacy assessment processes (ICAAPs)) could be improved.

The ECB’s supervisory board intends to evaluate the findings in the report as part of a review of supervisory processes planned for 2024.

*[Assessment of the ECB’s supervisory review and evaluation process](#)*

*[Press release](#)*

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### **Climate-related and environmental disclosures - ECB publishes report on 2022 supervisory assessment**

*21 April 2023* - The ECB has published its third supervisory assessment of banks’ climate-related and environmental (C&E) risk disclosures, which covers 103 directly supervised banks. This follows its last report on these disclosures in March 2022.

The outcome of this exercise shows that the majority of banks now disclose at least basic information covering most of the EBA’s expectations. This includes information on materiality assessments and governance. More than half of the banks disclose basic information on business strategy, risk management, and metrics and targets. However, banks still need to close remaining gaps to disclose all relevant C&E risks. The ECB notes that notwithstanding

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the better provision of information, quality of disclosures remains low and is unlikely to provide market participants with insights on which they can act. In addition, the ECB is of the view that banks appear largely unprepared for the impending new EBA standards on Pillar 3 disclosures.

The ECB expects banks to continue to address these shortcomings. The report includes examples of good practice that banks can use when seeking to align disclosures with supervisory expectations.

*[ECB report: The importance of being transparent: A review of climate-related and environmental risks disclosures practices and trends](#)*

*[Press release](#)*

### **Climate insurance protection gap - ECB and EIOPA publish joint Discussion Paper**

24 April 2023 - The ECB and the European Insurance and Occupational Pensions Authority (EIOPA) have published a joint Discussion Paper on policy options to reduce the climate insurance protection gap.

The climate insurance protection gap refers to the uninsured portion of economic losses caused by climate-related natural disasters. The Discussion Paper notes that only about a quarter of climate-related catastrophe losses are currently insured in the EU. It sets out possible actions which should be considered to tackle this protection gap and mitigate catastrophe risks from climate change in the EU by means of insurance coverage and adaptation measures. The actions discussed throughout the Discussion Paper have been designed to fulfil the following main objectives:

- help provide prompt insurance claim pay-outs after a natural disaster;
- incentivise risk mitigation and adaptation measures;
- be complementary to existing insurance coverage mechanisms;
- require the sharing of costs and responsibilities across the relevant stakeholders and reduce moral hazard; and
- lower the share of economic losses from major natural disasters borne by the public sector over the long term.

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The Discussion Paper argues for a “ladder approach,” whereby losses are shared between several parties and different loss layers. This builds on the existing frameworks of private re insurance, cat bonds and national public sector interventions. It also discusses the possible case for more concerted and forward-looking policy coordination and intervention at national and EU level.

The Discussion Paper closes for comments on 15 June 2023.

[ECB and EIOPA Discussion Paper: Policy options to reduce the climate insurance protection gap](#)

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## EUROPEAN BANKING AUTHORITY (EBA)

### **Guidelines on resubmission of historical data under EBA reporting framework – EBA publishes Consultation Paper**

18 April 2023 – The European Banking Authority (EBA) has published a Consultation Paper (EBA/CP/2023/06) on draft Guidelines that aim to provide a common approach to the resubmission of historical data under the EBA reporting framework where there are errors, inaccuracies or other changes.

The general approach for the resubmission of historical data envisaged in the draft Guidelines depends on the frequency of the original reporting and the reference dates affected by the errors or inaccuracies that require correction. Firms are expected to resubmit the corrected data for the current reporting date and historical data for past reference dates going back at least one calendar year (except for data with a monthly reporting frequency). The draft Guidelines also explain when the resubmission of historical data may not be required and consider the role of the EBA in dealing with corrections.

The EBA is holding a public hearing on the draft Guidelines on 7 June 2023 and comments can be made on the proposals until 31 July 2023. The Guidelines will apply from 31 December 2023.

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*EBA Consultation Paper: Draft Guidelines on resubmission of historical data under the EBA reporting framework*

*Press release*

### **NPL Directive – EBA consults on assessment of adequate knowledge and experience of management**

19 April 2023 – The EBA has published a Consultation Paper on draft Guidelines on the assessment of adequate knowledge and experience of the management or administrative organ of credit servicers under Article 5(2) of the Directive on credit services and credit purchasers ((EU) 2021/2167) (known as the Non-Performing Loans Directive).

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The draft Guidelines (set out in chapter 4 of the Consultation Paper) specify the criteria for assessing the collective knowledge and experience of senior management. They also set out the main requirements of the assessment process and specify when an assessment must be performed. Where shortcomings are identified, the credit servicer must take appropriate corrective measures, which might include providing training.

Comments can be made on the draft Guidelines until 19 July 2023. The EBA is aiming to publish the final version of the Guidelines by the end of 2023. It expects they will come into force in early 2024, three months after publication of the official EU language translations.

*[EBA Draft Consultation Paper on EBA Guidelines on the assessment of adequate knowledge and experience of the management or administration organ of credit services, as a whole, under Directive \(EU\) 2021/2167](#)*

*[Webpage](#)*

*[Press release](#)*

### **Securitisation Regulation - EBA publishes Consultation Paper on the STS criteria for on-balance-sheet securitisation**

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21 April 2023 - The EBA has published a Consultation Paper on its draft Guidelines on the criteria related to simplicity, standardisation and transparency, as well as additional specific criteria, for on-balance-sheet securitisations (STS securitisations) under Article 26a(2) of the Securitisation Regulation ((EU) 2017/2402).

The Guidelines aim to provide a harmonised interpretation of the criteria and to clarify potentially ambiguous aspects. The Consultation Paper is composed of two sections. The main section includes draft Guidelines for STS securitisations. The second section includes the targeted amendments to the Guidelines for non-asset-backed commercial paper (ABCP) and ABCP securitisation to ensure that the interpretation provided by the EBA is, where appropriate, the same and consistent across all three sets of Guidelines. The draft Guidelines also propose targeted amendments to the Guidelines in relation to non-ABCP, and ABCP securitisations.

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The consultation closes on 7 July 2023.

[EBA Consultation Paper: Guidelines on the STS criteria for on-balance-sheet securitisation under the Securitisation Regulation](#)

[Webpage](#)

### **CRD IV and IFD - EBA publishes Consultation Paper on benchmarking diversity practices**

24 April 2023 - The EBA has published a Consultation Paper on its Guidelines on the benchmarking of diversity practices, including diversity policies and the gender pay gap under articles 75(1) and 91(1) of the Capital Requirements Directive (2013/36/EU) (CRD IV) and articles 26 and 34(1) of the Investment Firms Directive ((EU) 2019/2034) (IFD). It is hoped that the issuance of these Guidelines will lead to a higher level of transparency regarding the EBA's work on the topic of diversity and gender equality and will help improve the quality of the collected data as well as awareness on this topic.

The EBA notes that the Guidelines are necessary to ensure a harmonised benchmarking of diversity practices, including the composition of the management body, diversity policies and the gender pay gap at the level of the management body of institutions and investment firms. The benchmarking of diversity practices will allow national competent authorities to monitor diversity trends over time, including the identification of common practices for diversity policies and information on the gender pay gap at the level of the management body. The aspects of diversity that will be analysed concern the gender, age, educational and professional background as well as the geographical provenance of members of the management bodies. Templates for data collection are included in the Guidelines.

The deadline for comments is 24 July 2023. It is planned that the first data on diversity practices under these Guidelines should be reported in 2025 with a reference date of 31 December 2024.



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[EBA Consultation Paper: Draft Guidelines on the benchmarking of diversity practices including diversity policies and gender pay gap](#)

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### **CRR - EBA publishes final report on draft RTS specifying the determination by originator institutions of the exposure value of SES in securitisations**

25 April 2023 - The EBA has published its final draft regulatory technical standards (RTS) specifying the determination by originator institutions of the exposure value of synthetic excess spread (SES) under Article 248(4) of the Capital Requirements Regulation (575/2013/EU). The draft RTS clarify the calculation of the components that should be included in the exposure value of SES, taking into account the relevant losses expected to be covered by the SES. This follows publication of the EBA's Consultation Paper on the draft RTS in August 2022.

The final draft RTS will be submitted to the Commission for adoption. Following this, these RTS will be subject to scrutiny by the European Parliament and the Council of the European Union before being published in the Official Journal of the European Union.

[Final report on draft RTS specifying the determination by originator institutions of the exposure value of synthetic excess spread](#)

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## SINGLE SUPERVISORY MECHANISM (SSM)

### **Single Supervisory Mechanism – European Commission publishes second review report**

18 April 2023 – The European Commission has published a report on the Single Supervisory Mechanism (SSM) (COM(2013) 212 final) following its second review of the SSM Regulation (1024/2013/EU).

Among other things, the report notes that the SSM has continued to improve its supervisory practices and has further established its authority. In recent years, it has developed more harmonised, transparent and comparable supervisory practices. The report also finds that the SSM has shown that it is capable of adapting to emerging supervisory challenges as well as to unexpected adverse events. It highlights a number of areas that require particular focus, including the supervision of specialist areas such as cyber risks. Another area requiring further attention is the lack of harmonisation in certain areas of the legal framework.

[\*Report on the Single Supervisory Mechanism\*](#)

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## SINGLE RESOLUTION MECHANISM (SRM)

### **CMDI framework reforms - European Commission publishes legislative proposals**

18 April 2023 – The European Commission has published the following legislative proposals that it has adopted amending the Bank Recovery and Resolution Directive (2014/59/EU) (BRRD), the Single Resolution Mechanism (SRM) Regulation (806/2014) and the Deposit Guarantee Schemes Directive (2014/49/EU) (DGSD):

- a Proposal for a Directive amending the BRRD as regards early intervention measures, conditions for resolution and financing of resolution action (COM(2023) 227) (interinstitutional reference number 2023/0112(COD)); and
- a Proposal for a Regulation amending the SRM Regulation as regards early intervention measures, conditions for resolution and funding of resolution action (COM(2023) 226) (interinstitutional reference number 2023/0111(COD)); and
- a Proposal for a Directive amending the DGSD as regards the scope of deposit protection, use of deposit guarantee schemes (DGSs) funds, cross-border co-operation, and transparency (COM(2023) 228) (interinstitutional reference number 2023/0115(COD)).

The proposed reforms reflect the outcome of the Commission's review of the EU's legislative framework for crisis management and deposit insurance (CMDI) relating to banks and other credit institutions. The Commission's review considered the effectiveness of the resolution and deposit protection regimes, and the interaction of these regimes with related frameworks, such as national insolvency procedures and EU state aid rules.

The Commission has also published a Communication on its review of the CMDI framework (COM(2023) 225). An impact assessment report, executive summary, factsheet and Q&As are also available.

*Communication from the Commission on the review of the crisis management and deposit insurance framework contributing to completing the Banking Union*

*ECB and SRB welcome European Commission's legislative proposals for bank crisis management and deposit insurance framework*

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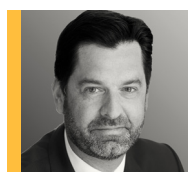
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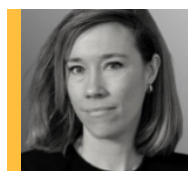
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