2021 IMN Survey of National/Regional Progress in the Implementation of G20/FSB Recommendations

Jurisdiction
European Union

I1: Hedge funds - Registration, appropriate disclosures and oversight of hedge funds

G20/FSB Recommendations

We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds. (Seoul)

Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management. (London)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will not be collected in the 2021 survey.

I2: Hedge funds - Establishment of international information sharing framework

G20/FSB Recommendations

We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009. (London*)*

Remarks

Jurisdictions should indicate the progress made in implementing recommendation 6 in IOSCO's *Report on Hedge Fund Oversight (Jun 2009)* on sharing information to facilitate the oversight of globally active fund managers.

In addition, jurisdictions should state whether they are:

- Signatory to the IOSCO MMoU in relation to cooperation in enforcement
- Signatory to bilateral agreements for supervisory cooperation that cover hedge funds and are aligned to the 2010 IOSCO *Principles Regarding Cross-border Supervisory Cooperation*.

Jurisdictions can also refer to Principle 28 of the 2017 IOSCO Objectives and Principles of Securities Regulation, and take into account the outcomes of any recent FSAP/ROSC assessment against those Principles.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
21 July 2012/11 April 2013

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
1) Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 2) Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61 of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision. For the purpose of identifying the build-up of systemic risk by the use of leverage and the potential systemic consequences of the AIFM's activities, the AIFMD and its Implementing Regulation foresees rules on the use of information by competent authorities and the exchange of information between the competent authorities. Subject to specific conditions a disclosure of information to third countries is possible.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date
As mandated by Article 69 of the AIFMD, the Commission is carrying out a review on the application and the scope of the Directive. The process has been initiated by commissioning an external contractor to carry out a general survey and an evidence-based study on the functioning of the AIFMD. The final report by the contractor was published in the beginning of 2019. The Commission has completed its report and a staff working document SWD assessing the application and the scope of the AIFMD in the context of its ongoing review and is currently finalising an impact assessment. The AIFMD amending proposal is scheduled for adoption by the Commission at the end of 2021.

Relevant web-links: please provide web-links to relevant documents
https://ec.europa.eu/info/law/alternative-investment-fund-managers-aifm-directive-2011-61-eu_en Report on the operation of the alternative investment fund managers directive (AIFMD) – Directive 2011/61/EU: https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/190110-aifmd-operation-report_en.pdf Report assessing the application and the scope of Directive 2011/61/EU on alternative investment fund managers: https://ec.europa.eu/info/publications/200610-aifmd-application-scope-report_en

I3: Hedge funds - Enhancing counterparty risk management

G20/FSB Recommendations

Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures. (London)

Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties. (Rec. II.17, FSF 2008)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2018 IMN survey. Given this, the reporting of progress with respect to this recommendation will not be collected in the 2021 survey.

II4: Securitisation - Strengthening of regulatory and capital framework for monolines

G20/FSB Recommendations

Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit. (Rec II.8, FSF 2008)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2016 IMN survey. Given this, the reporting of progress with respect to this recommendation will not be collected in the 2021 survey.

II5: Securitisation -Strengthening supervisory, best practices for investment in structured products

G20/FSB Recommendations

Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products. (Rec II.18, FSF 2008)

Remarks

Jurisdictions should indicate the due diligence policies, procedures and practices applicable for investment managers when investing in structured finance instruments and other policy measures taken for strengthening best practices for investment in structured finance products.

Jurisdictions may reference IOSCO's report on *Good Practices in Relation to Investment Managers´ Due Diligence When Investing in Structured Finance Instruments (Jul 2009)*.

Jurisdictions may also refer to the Joint Forum report on *Credit Risk Transfer- Developments from 2005-2007 (Jul 2008)*.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2016 and 2019 (see below for details)

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
Sectoral regulation (CRR/AIFMD/Solvency II/CRA III) is already implemented/directly applicable at the national level. Strengthening reforms under new Securitisation Regulation which entered into force in January 2019, will apply to all securitisations and include due diligence, risk retention and transparency rules together with the criteria for Simple, Transparent and Standardised ("STS") securitisations. STS criteria are in line with the BCBS-IOSCO principles adopted in July 2015. Introduction of STS label identifying best practice. The capital treatment of securitisations for banks, investment firms and insurers has been amended to make it more risk-sensitive and able to reflect properly the specific features of STS securitisations. The same applies to banks and investment firms as regards the prudential treatment for liquidity purposes which is included in a Delegated Act that has been amended on 30 October 2018. In this regard, in December 2018, the EBA issued Guidelines on the STS criteria for non-ABCP securitisation (EBA/GL/2018/09) and Guidelines on the STS criteria for ABCP securitisation (EBA/GL/2018/08), the main objective of which is to provide a consistent interpretation of the STS criteria, ensuring a common understanding by originators, original lenders, sponsors, securitisation special purpose entities, investors, competent authorities and third parties.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey
In early 2022, the European Commission will present to the European Parliament and Council a report reviewing the legal framework for securitisation. As input for the review, the European Commission has issued a public consultation, running from 23 July 2021 - 17 September 2021: https://ec.europa.eu/info/consultations/finance-2021-eu-securitisation-framework_en

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
STS Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164324229&uri=CELEX:32017R2402, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0557&from=EN CRR Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164297009&uri=CELEX:32017R2401, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0558&qid=1626429080387&from=EN

II6: Securitisation - Enhanced disclosure of securitised products

G20/FSB Recommendations

Securities market regulators should work with market participants to expand information on securitised products and their underlying assets. (Rec. III.10-III.13, FSF 2008)

Remarks

Jurisdictions should indicate the policy measures and other initiatives taken in relation to enhancing disclosure of securitised products, including working with industry and other authorities to continue to standardise disclosure templates and considering measures to improve the type of information that investors receive.

See, for reference, IOSCO's *Report on Principles for Ongoing Disclosure for Asset-Backed Securities (Nov 2012)*, *Disclosure Principles for Public Offerings and Listings of Asset-Backed Securities (Apr 2010)* and *report on Global Developments in Securitisation Regulations (November 2012)*, in particular recommendations 4 and 5.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2016 and 2019 (see below for details)

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - N/A Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
Sectoral regulation (CRR/AIFMD/Solvency II/CRA III) is already implemented/directly applicable at the national level Strengthening reforms under the new Securitisation Regulation: strengthened disclosure requirements for issuers of securitisation. Introduction of STS label identifying best practice.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date
In early 2022, the European Commission will present to the European Parliament and Council a report reviewing the legal framework for securitisation.

Relevant web-links: please provide web-links to relevant documents
STS Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164324229&uri=CELEX:32017R2402, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0557&from=EN CRR Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164297009&uri=CELEX:32017R2401, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0558&qid=1626429080387&from=EN

III7: Enhancing supervision - Consistent, consolidated supervision and regulation of SIFIs

G20/FSB Recommendations

All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards. (Pittsburgh)

Remarks

Jurisdictions should indicate: (1) whether they have identified domestic SIFIs and, if so, in which sectors (banks, insurers, other etc.); (2) whether the names of the identified SIFIs have been publicly disclosed; and (3) the types of policy measures taken for implementing consistent, consolidated supervision and regulation of the identified SIFIs.

Jurisdictions should not provide details on policy measures that pertain to higher loss absorbency requirements for G/D-SIBs, since these are monitored separately by the BCBS.

See, for reference, the following documents:

BCBS

- *Framework for G-SIBs (Jul 2018)*
- *Framework for D-SIBs (Oct 2012)*

IAIS

- *Holistic Framework for the Assessment and Mitigation of Systemic Risk in the Insurance Sector (Nov 2019)*
- *Application Paper on Liquidity Risk Management (Jun 2020)*
- *Draft Application Paper on Macroprudential Supervision (Mar 2021)*

FSB

- *Evaluation of the effects of too-big-to-fail reforms (Mar 2021)*
- Framework for addressing SIFIs (Nov 2011)

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your “implementation ongoing” status

Progress to date: If you have selected “Implementation completed” - please provide date of implementation
2016 (identification of G-SIIs and D-SIIs by EU Member States)

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The methodology to identify Global Systemically Important Banks (G-SIBs), initially developed in 2011, was reviewed by the BCBS in 2013 and in 2018. The framework for domestic systemically important banks (D-SIBs) was developed by the BCBS in 2012. Both frameworks for G-SIBs and D-SIBs have been included in EU legislation (Art. 131 CRD IV - Directive 2013/36/EU as amended by CRD V – Directive 2019/878/EU). The EBA has published binding technical standards (implementing technical standards, regulatory technical standards) to identify and assess G-SIIs and guidelines to identify O-SIIs by EU Member States, which have been updated in 2021 to reflect the changes in the BCBS methodology agreed in 2018. The EU framework ensures a consistent, consolidated supervision and regulation of the identified EU G-SIBs and D-SIBs. Further guidance has been provided by the ESRB (ESRB Handbook on Operationalising Macro-Prudential policy in the Banking Sector). By the end of 2016 all EU MS have identified G-SIIs and O-SIIs. G-SIIs and O-SIIs and their additional capital requirements are notified by the EU Member States and published by the EBA and ESRB. The list of O-SIIs is updated yearly. As of 2016, the ECB has implemented a floor methodology for setting O-SII capital buffers that each identified O-SII is required to maintain. This methodology forms part of the analysis which the ECB conducts when assessing the O-SII buffers set by national authorities in the SSM area. The FSB decided to suspend the identification and publication of Global Systemically Important Insurers (GSIIs) the time the IAIS develops its new macroprudential framework. In November 2018 the IAIS published a consultation paper on its proposal to mitigate systemic risk named Holistic Approach (mix between Entity based approach and Activity based approach). The new framework has been adopted in November 2019, for a first application in 2020. The IAIS Holistic Framework includes mandatory measures such as stress testing, disclosure on liquidity and recovery plan. Following a call for advice from the European Commission in the context of the Solvency 2 review, EIOPA issued technical advice in the form of an Opinion including on a reinforced macroprudential dimension that encompasses instruments included in the IAIS Holistic Framework. In September 2021, the Commission adopted legislative proposals that would introduce such reinforced macro-prudential dimension into the Solvency 2 regulatory framework.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey
The EBA has finalised the review of its binding technical standards, reflecting the changes in the methodology agreed by the BCBS in 2018 and the amendments to the CRDIV contained in Art 131 of CRDV.

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
https://www.esrb.europa.eu/pub/pdf/other/140303_esrb_handbook_mp.en.pdf?e6285a744617a7698c6951318069f231 https://www.esrb.europa.eu/national_policy/systemically/html/index.en.html http://www.eba.europa.eu/risk-analysis-and-data/global-systemically-important-institutions http://www.eba.europa.eu/risk-analysis-and-data/other-systemically-important-institutions-o-siis- https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2020/RTS/935712/Final%20report%20-%20Draft%20RTS%20on%20methodology%20for%20GSIIs_.pdf http://europa.eu/rapid/press-release_MEMO-19-2129_en.htm https://www.esrb.europa.eu/pub/pdf/reports/esrb~32aae4bd95.report190430_reviewofmacroprudentialpolicy.pdf?29f3196fe6f34fe397f67ce80fa43590 (special feature C) https://www.eiopa.europa.eu/content/opinion-2020-review-of-solvency-ii_en

III8: Enhancing supervision - Establishing supervisory colleges and conducting risk assessments

G20/FSB Recommendations

To establish the remaining supervisory colleges for significant cross-border firms by June 2009. (London)

We agreed to conduct rigorous risk assessment on these firms [G-SIFIs] through international supervisory colleges. (Seoul)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2017 IMN survey. The BCBS and IAIS will be monitoring implementation progress in this area with respect to banks and insurers respectively.

III9: Enhancing supervision - Supervisory exchange of information and coordination

G20/FSB Recommendations

To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels. (Rec V.7 , FSF 2008)

Enhance the effectiveness of core supervisory colleges. (FSB 2012)

Remarks

Jurisdictions should include any feedback received from recent FSAPs/ROSC assessments on the *September 2012* BCP 3 (Cooperation and collaboration) and BCP 14 (Home-host relationships). Jurisdictions should also indicate any steps taken since the last assessment in this area, particularly in response to relevant FSAP/ROSC recommendations.

Jurisdictions should describe any recent or planned regulatory, supervisory or legislative changes that contribute to the sharing of supervisory information (e.g. within supervisory colleges or via bilateral or multilateral MoUs).

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your “implementation ongoing” status

Progress to date: If you have selected “Implementation completed” - please provide date of implementation
02.12.2016

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The EU has put in place a comprehensive set of rules concerning the exchange of information and coordination among competent authorities. Directive 2013/36/EU provides for exchange of information obligations among authorities involved in the supervision of institutions operating in more than one Member State (art. 50 and 53-62) and authorities concerned by the establishment of a branch of a credit institution (art. 35-38). These provisions are further specified by secondary legislation. Two pieces of legislation were issued on the information to be notified when exercising the right of establishment and the freedom to provide services (Regulation (EU) No 1151/2014 and No 926/2014). Two regulations specify the information to be exchanged by competent authorities supervising institutions operating in more than one Member State through branches or exercising the freedom to provide services, have also been adopted (Reg. (EU) No 524/2014 and No 620/2014). In addition, Directive 2013/36/EU specifies rules governing the exchange of information, planning and coordination of supervisory activities between the various national authorities involved in the supervision of banking groups carrying out activities within the EU. This Directive also provides provisions for information exchanges between EU banking supervisors and other authorities, persons or bodies within and outside the EU. The specific content and procedures for exchanging information in the framework of colleges of supervisors are set out in Delegated Regulation 2016/98 and in Implementing Regulation 2016/99. Furthermore, the ESAs continue developing the single rulebook applicable to all 28 Member States so as to ensure that supervisory practices are consistent across the whole Union. Finally, the creation of a Single Supervisory Mechanism (SSM), which is directly supervising the largest (so-called 'significant') banks in the euro area and in non-euro area EU countries that decided to join SSM through "close cooperation", supplements the monetary union by further strengthening supervisory consistency across the euro area. The SSM as the single supervisor is fully in place from 4 November 2014. For EU banking groups, the home/host supervisory coordination, within the framework of colleges of supervisors continues to exist (as they were previously), except for the groups which are located exclusively in the euro area and which are significant institutions. In case of banking groups located outside the SSM the ECB has the role of the "host supervisor" for all the euro area jurisdictions. This has led to elimination of supervisory colleges for significant groups with activities within the euro area and to a single, and thus more efficient, representation of the euro area supervision of the EU and global banking groups. The SSM is in the process of concluding multiple MoU with third country supervisory authorities which concerns supervisory cooperation and information exchange both within and outside the context of colleges. For less significant banking groups the national competent authorities remain fully fledged members of the college as either "consolidating supervisor" or the host supervisor. The EBA participates in supervisory college meetings and provides regular assessments of the functioning of supervisory colleges. As regards the insurance sector, Solvency II provisions on supervisory colleges apply since 1 January 2016 (see answer to Q8), and EIOPA adopted detailed guidelines on information exchanges in supervisory colleges. EIOPA takes part in supervisory colleges, and is more generally helping supervisory convergence in the EU. In the case of financial conglomerate Directive 2002/87 (FiCoD) provides that the competent authorities responsible for the supervision of regulated entities in a financial conglomerate and the competent authority appointed as the coordinator for that financial conglomerate shall cooperate closely with each other (see Joint Guidelines on the convergence of supervisory practices relating to the consistency of supervisory coordination arrangements for financial conglomerates - JC/GL/2014/01). Without prejudice to their respective responsibilities as defined under sectoral rules, these authorities, whether or not established in the same Member State, shall provide one another with any information which is essential or relevant for the exercise of the other authorities' supervisory tasks under the sectoral rules and the FiCoD. In parallel, EIOPA reinforced its supervisory practices by publishing guidelines on the exchange of information within colleges published in September 2015 and on the supervision of branches of third-country insurance undertakings initially published in 2015 and updated in July 2018.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
On the exchanges of information for supervisory purposes: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:JOL_2014_148_R_0003 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:JOL_2014_172_R_0001 On the SSM: https://www.ecb.europa.eu/ecb/legal/pdf/celex_32014r0468_en_txt.pdf EIOPA's guidelines on information exchanges in supervisory colleges: https://eiopa.europa.eu/publications/eiopa-guidelines/guidelines-on-operational-functioning-of-colleges MoU text: https://www.google.be/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwiC6puwkOHUAhVJYVAKHVOVBUIQFggpMAA&url=https%3A%2F%2Fwww.finanstilsynet.dk%2F~%2Fmedia%2FOm-os%2F2016%2Fmou-filialer-nordiske-lande-2016-12-19n.pdf%3Fla%3Dda&usg=AFQjCNEXIY7lSmgxq58456hzVnNGVgmCdw Latest EBA Report on colleges: https://www.eba.europa.eu/documents/10180/2159826/Report+on+colleges+functioning+2017.pdf

III10: Enhancing supervision - Strengthening resources and effective supervision

G20/FSB Recommendations

We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention. (Seoul)

Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks. (FSF 2008)

Supervisory authorities should continually re-assess their resource needs; for example, interacting with and assessing Boards require particular skills, experience and adequate level of seniority. (Rec. 3, FSB 2012)

Remarks

Jurisdictions should indicate any steps taken on recommendations 1, 2, 3, 4 and 7 (i.e. supervisory strategy, engagement with banks, improvements in banks' IT and MIS, data requests, and talent management strategy respectively) in the FSB thematic peer review report on supervisory frameworks and approaches to SIBs *(May 2015)*.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
01.01.2014

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The EU has put in place a comprehensive set of rules concerning effective supervision. Directive 2013/36/EU (CRD IV) requires the Member States to ensure that the supervisory authorities have all the necessary expertise, resources, operational capacity, powers and independence to carry out their tasks (Article 4(4) CRD IV). It further lists the general powers and measures that supervisors shall have (Art. 102-104), including the power to impose penalties (Art. 18 and 64) and the procedure to follow to carry out banks' supervision (Art. 97-98). Among the powers entrusted to supervisors, there is the obligation to carry out stress testing at least annually (Art. 100). Primary legislation has been complemented principally by the EBA guidelines on supervisory review and evaluation process, applicable since January 2016, and its revised guidelines applicable since January 2019. The founding regulation of the European Banking Authority mandates the EBA "to monitor new and existing financial activities" and "to adopt guidelines and recommendations with a view to promoting the safety and soundness of markets and convergence in regulatory practice". The EBA has launched several initiatives on FinTech and is reflecting on which, if any, regulatory and/or supervisory actions are needed to ensure that the regulatory framework capture properly the risks carried by the use of technology in the banking sector.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
EBA revised guidelines on SREP: https://www.eba.europa.eu/documents/10180/2282666/Revised+Guidelines+on+SREP+%28EBA-GL-2018-03%29.pdf EBA guidelines on supervisory review and evaluation process: https://www.eba.europa.eu/documents/10180/935249/EBA-GL-2014-13+(Guidelines+on+SREP+methodologies+and+processes).pdf Activity 18 (Innovation and FinTech) of the EBA 2019 Work Programme: https://www.eba.europa.eu/about-us/work-programme/current-work-programme EBA Roadmap on FinTech: https://www.eba.europa.eu/-/eba-publishes-its-roadmap-on-fintech

IV11: Macroprudential frameworks and tools - Establishing oversight regulatory framework

G20/FSB Recommendations

Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk. (London*)*

Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions. (London)

Remarks

Please describe major changes in the institutional arrangements for macroprudential policy (structures, mandates, powers, reporting etc.) that have taken place in your jurisdiction since the global financial crisis.

Please indicate whether an assessment has been conducted with respect to the adequacy of powers to collect and share relevant information among national authorities on financial institutions, markets and instruments to assess the potential for systemic risk. If so, please describe identified gaps in the powers to collect information, and whether any follow-up actions have been taken.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your “implementation ongoing” status

Progress to date: If you have selected “Implementation completed” - please provide date of implementation
2014

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - N/A Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The EU macro-prudential framework has been established gradually, via the adoption of different pieces of legislation: the ESRB founding Regulations -in force since December 2010- (Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010), the CRD IV/CRR macro-prudential rules and tools -in force since January 2014- and the SSM Regulation (Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions) which entrusts specific macro-prudential competences to the ECB/SSM. The latter piece of legislation is in force since November 2014. Following the ESRB Regulation, the responsibility of macro-prudential oversight has been entrusted to the European Systemic Risk Board (ESRB). In pursuing its macro-prudential mandate, the ESRB performs a number of key activities, namely risk monitoring, risk assessment and, ultimately, if deemed appropriate, it adopts warnings and recommendations. Going forward, with the establishment of the Banking Union as of 1 November 2014 the ECB as single supervisor also has some macro-prudential competences within the Single Supervisory Mechanism (SSM). The SSM Regulation entrusts the ECB with specific macro-prudential competences to be applied within the Banking Union using the macro-prudential instruments enshrined in EU law (i.e. CRD IV/CRR macro-prudential tools). The ECB Framework Regulation further clarifies how these powers are to be implemented. The ESRB Recommendation (ESRB/2011/3) on the macro-prudential mandate of national authorities initiated the setting-up of national macro-prudential authorities. Furthermore, the regulations on capital requirements (CRD IV/CRR) that entered into force on 31 December 2013 required the Member States to designate the national macro-prudential authorities responsible for the macro-prudential instruments introduced through this legislation. The amendments to the CRD IV/CRR that entered into force on 27 June 2019 include a number of targeted improvements to the macro-prudential provisions, notably increased flexibility in the use of existing macro-prudential instruments while eliminating the macro-prudential use of Pillar 2, and streamlined activation and reciprocation procedures for macro-prudential instruments establishing the ESRB as the notification hub for macro-prudential measures. The ESRB is also broadly involved in the design of an enhanced macro-prudential toolkit for the insurance sector (see report published in February 2020 in the context of the Solvency II review), beyond the measures taken in view of the COVID-19 pandemic (ESRB Recommendations 2020/7, 2020/8 and 2020/15).

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey
Amendments to the ESRB establishing regulation published on 18 December 2019 and applicable as of 1 January 2020.

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
https://www.esrb.europa.eu/shared/pdf/esrb.regulation20191218_2176.en.pdf?09300365cf08c838bf29b2da7483548c https://www.esrb.europa.eu/pub/pdf/reports/esrb~32aae4bd95.report190430_reviewofmacroprudentialpolicy.pdf?29f3196fe6f34fe397f67ce80fa43590 https://www.esrb.europa.eu/pub/pdf/other/esrb.letter201016_on_response_to_Solvency_II_review_consultation~8898c97469.en.pdf

IV13: Macroprudential frameworks and tools - Enhancing monitoring and use of macropru instruments

G20/FSB Recommendations

Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level. (Rec. 3.1, FSF 2009)

We are developing macro-prudential policy frameworks and tools to limit the build-up of risks in the financial sector, building on the ongoing work of the FSB-BIS-IMF on this subject. (Cannes)

Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system. (Washington)

Remarks

Please describe at a high level (including by making reference to financial stability or other reports, where available) the types of methodologies, indicators and tools used to assess systemic risks.

Please indicate the use of tools for macroprudential purposes over the past year, including: the objective for their use; the process to select, calibrate and apply them; and the approaches used to assess their effectiveness.

See, for reference, the following documents:

- FSB-IMF-BIS progress report to the G20 on *Macroprudential policy tools and frameworks (Oct 2011)*
- CGFS report on *Operationalising the selection and application of macroprudential instruments (Dec 2012)*
- IMF staff papers on *Macroprudential policy, an organizing framework (Mar 2011)*, *Key Aspects of Macroprudential policy (Jun 2013)*, and *Staff Guidance on Macroprudential Policy (Dec 2014)*
- IMF-FSB-BIS paper on *Elements of Effective Macroprudential Policies: Lessons from International Experience (Aug 2016)*
- CGFS report on *Experiences with the ex ante appraisal of macroprudential instruments (Jul 2016)*
- CGFS report on *Objective-setting and communication of macroprudential policies (Nov 2016)*
- IMF Macroprudential Policy Survey database

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your “implementation ongoing” status

Progress to date: If you have selected “Implementation completed” - please provide date of implementation
01.01.2014

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The adopted ESRB Recommendation ((ESRB/2013/1), OJ 2013/C 170/01) on intermediate objectives and instruments of macro-prudential policies proposed a list of intermediate objectives of macro-prudential policies and a corresponding list of instruments that can be used by macro-prudential authorities to meet the intermediate objectives. The Recommendation gives an indicative list of instruments that national macro-prudential authorities can use to fulfil their mandate. Also with the EU prudential rules for banks (CRDIV/CRR) that entered into force on 1 January 2014, the macro-prudential authorities in the EU can apply a new set of policy instruments to address financial stability risks more effectively. These legislative texts provide for a broad range of compulsory and voluntary instruments, primarily targeting capital. Member States are increasingly choosing to apply macro-prudential instruments in their jurisdictions, with many of these instruments being reciprocated by jurisdictions with material exposures to it to ensure they can take full effect. CRDV/CRRII, adopted in 2019, contain targeted changes to the macroprudential toolset for the banking sector. Furthermore, the ESRB has been given a central role in the transmission of information on macroprudential measures ('notification hub'); relevant authorities have to notify the ESRB (and other stakeholders) of the macroprudential measures that are planned or have been implemented. To assist the use of macro-prudential instruments, the ESRB has prepared the following set of documents: the ESRB Flagship Report that provides a first overview of the new macro-prudential policy framework in the EU; the ESRB Handbook which provides more detailed assistance to macro-prudential authorities on how to use the new instruments; Decision 2015/4 which sets out the process and coordination framework for preparing ESRB opinions or issuing recommendations on macro-prudential measures, notified to the ESRB by relevant authorities, in line with the CRD/CRR; recommendations on guidance for setting countercyclical buffer rates and on recognising and setting countercyclical buffer rates for exposures to third countries; a recommendation on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures.. In addition, within its remit of systemic risk monitoring, the ESRB has issued, among others, a recommendation on liquidity and leverage risks in investment funds (ESRB/2017/6); a report on the macroprudential use of margins and haircuts; public warnings to 8 EU Member States on medium-term vulnerabilities in the residential real estate sector (2016); and public warnings and recommendations to 11 EU Member States on medium-term vulnerabilities in the residential real estate sector (2019). The ESRB regularly reports on macroprudential developments in the EU in its annual Review on Macroprudential Policy in the EU and in its Annual Report. The European Banking Authority (EBA) published in October 2020 final Guidelines on the appropriate subsets of sectoral exposures in the application of a systemic risk buffer (SyRB). The Guidelines suggest a common framework of dimensions and sub-dimensions from which the relevant authority can define a subset of exposures. The Guidelines advocate for appropriate coordination and cooperation between the competent authority and the designated authority in order to avoid the risk of overlaps, double counting of risk and inefficient risk targeting. Moreover, the EBA proposed in December 2020 the implementation of an EU-wide floor methodology to calibrate buffer rates of Other Systemically Important Institutions (O-SIIs). The proposed methodology aims at strengthening the stability of the banking sector and avoiding the under-calibration of O-SII capital buffer rates, while allowing the relevant authorities to consider national banking sector specificities. In addition, on 23 August 2021, the ESMA Guidelines on art. 25 of Directive 2011/61/EU (AIFMD) entered into force. The aim of the Guidelines is to ensure a common, uniform, and constant application of art. 25 of AIFMD. In particular, it has established a common analytical framework for the assessment of leverage-related systemic risk within the European market of alternative funds. The competent Authorities should comply by incorporating the Guidelines into national supervisory frameworks in order to assess, consistently across the EU, whether the condition for imposing leverage-related measures is met.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
https://www.esrb.europa.eu/pub/pdf/other/140303_flagship_report.pdf https://www.esrb.europa.eu/pub/pdf/other/esrb.handbook_mp180115.en.pdf https://www.esrb.europa.eu/pub/pdf/other/Decision_ESRB_2015_4.pdf https://www.esrb.europa.eu/pub/pdf/recommendations/esrb.recommendation180214_ESRB_2017_6.en.pdf?723f0fa99b1e8886e651e4950d2a55af https://www.esrb.europa.eu/pub/pdf/reports/170216_macroprudential_use_of_margins_and_haircuts.en.pdf?b9eeb2de65fa0f48d8d2dfd775026912 https://www.esrb.europa.eu/mppa/warnings/html/index.en.html https://www.esrb.europa.eu/pub/pdf/reports/esrb~32aae4bd95.report190430_reviewofmacroprudentialpolicy.pdf?29f3196fe6f34fe397f67ce80fa43590 https://www.esrb.europa.eu/pub/ar/html/index.en.html Special feature C of https://www.esrb.europa.eu/pub/pdf/reports/esrb~32aae4bd95.report190430_reviewofmacroprudentialpolicy.pdf?29f3196fe6f34fe397f67ce80fa43590 https://www.esrb.europa.eu/pub/pdf/reports/esrb~32aae4bd95.report190430_reviewofmacroprudentialpolicy.pdf?29f3196fe6f34fe397f67ce80fa43590 https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/Guidelines%20on%20the%20appropriate%20subsets%20of%20exposures%20in%20the%20application%20of%20the%20systemic%20risk%20buffer/932759/Final%20Report%20on%20EBA%20draft%20GL%20on%20the%20appropriate%20subsets%20of%20exposures%20in%20the%20application%20of%20SyRB.pdf https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Reports/2020/961796/EBA%20report%20on%20calibration%20of%20OSII%20buffer%20rates.pdf

V13: Improving credit rating agencies (CRAs) oversight- Enhancing regulation and supervision of CRAs

G20/FSB Recommendations

All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals. (London*)*

National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process.

CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process.

The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO. (London*)*

Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010. (FSB 2009*)*

We encourage further steps to enhance transparency and competition among credit rating agencies. (St Petersburg)

Implementation of this recommendation was reported to be completed by all FSB jurisdictions in the 2018 IMN survey. Given this, the reporting of progress with respect to this recommendation will not be collected in the 2019 survey.

V14: Improving credit rating agencies (CRAs) oversight - Reducing the reliance on ratings

G20/FSB Recommendations

We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. (Seoul)

Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation. (Rec IV. 8, FSF 2008)

We reaffirm our commitment to reduce authorities' and financial institutions' reliance on external credit ratings, and call on standard setters, market participants, supervisors and central banks to implement the agreed FSB principles and end practices that rely mechanistically on these ratings. (Cannes)

We call for accelerated progress by national authorities and standard setting bodies in ending the mechanistic reliance on credit ratings and encourage steps that would enhance transparency of and competition among credit rating agencies. (Los Cabos)

We call on national authorities and standard setting bodies to accelerate progress in reducing reliance on credit rating agencies, in accordance with the FSB roadmap. (St Petersburg)

Remarks

Jurisdictions should indicate the steps they are taking to address the recommendations of the May 2014 FSB thematic peer review report on the implementation of the FSB Principles for Reducing Reliance on Credit Ratings, including by implementing their agreed action plans. Any revised action plans should be sent to the FSB Secretariat so that it can be posted on the FSB website.

Jurisdictions may refer to the following documents:

- FSB *Principles for Reducing Reliance on CRA Ratings (Oct 2010)*
- FSB *Roadmap for Reducing Reliance on CRA Ratings (Nov 2012)*
- BCBS *Basel III: Finalising post-crisis reforms (Dec 2017)*
- IAIS ICP guidance 16.9 and 17.8.25
- IOSCO *Good Practices on Reducing Reliance on CRAs in Asset Management (Jun 2015)*
- IOSCO *Sound Practices at Large Intermediaries Relating to the Assessment of Creditworthiness and the Use of External Credit Ratings (Dec 2015)*.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
31.05.2013

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - N/A Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The progress made by the EU in reducing reliance on ratings in accordance with the 2012 FSB Roadmap is summarised in the EU Action Plan to reduce reliance on ratings which was published on 12 May 2014. The overall framework in the EU to reduce reliance on CRAs has a multilayer approach, covering EU regulation on CRAs, sectoral legislation in financial services, actions by European supervisory authorities (European Securities and Markets Authority (ESMA), European Banking Authority (EBA) and European Insurance and Occupational Pensions Authority (EIOPA) and by national competent sectoral authorities. In accordance with the requirements of Article 39b of the CRAIII Regulation, the European Commission adopted in October 2016 a report taking stock of the current situation in the credit rating market and assessing the impact and effectiveness of key provisions of the CRA Regulation on reducing over-reliance on credit ratings including on potential alternatives to external credit ratings. The report encouraged supervisors to continue promoting mitigation of mechanistic reliance on credit ratings by ensuring that market participants use additional tools (such as those suggested in the Report) as a complement to external ratings, in order to make their own assessment of credit risk and avoid sole and mechanistic reliance on ratings. The report noted however that there are currently no feasible alternatives that could fully replace external credit ratings.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date
The Commission will continue to monitor the impact of the CRA III Regulation requirements in cooperation with ESMA, with a view to mitigating any risks of excessive reliance on credit ratings in financial services legislation.

Relevant web-links: please provide web-links to relevant documents
EU Action Plan to reduce reliance on ratings: http://ec.europa.eu/finance/rating-agencies/docs/140512-fsb-eu-response_en.pdf Commission Report (18 October 2016): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1476967405955&uri=COM:2016:664:FIN ESAs' Report on Good Supervisory Practices for Reducing Mechanistic Reliance on Credit Ratings (20 December 2016): https://esas-joint-committee.europa.eu/Pages/News/European-Supervisory-Authorities-issue-report-on-reducing-reliance-on-credit-ratings.aspx

VI15: Enhancing accounting standards - Consistent application of high-quality accounting standards

G20/FSB Recommendations

Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards. (Washington)

Remarks

Jurisdictions should indicate the accounting standards that they follow and whether (and on what basis) they are of a high and internationally acceptable quality (e.g. equivalent to IFRSs as published by the IASB), and provide accurate and relevant information on financial position and performance. They should also explain the system they have for enforcement of consistent application of those standards.

Jurisdictions may want to refer to their jurisdictional profile prepared by the IFRS Foundation, which can be accessed at: https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/.

As part of their response on this recommendation, jurisdictions should indicate the policy measures taken for appropriate application of recognition, fair value measurement and disclosure requirements.

In addition, jurisdictions should set out any steps they intend to take (if appropriate) to foster transparent and consistent implementation of the new accounting requirements for the measurement of expected credit losses on financial assets that are being introduced by the IASB and FASB.

See, for reference, the following BCBS documents:

- *Supervisory guidance for assessing banks' financial instrument fair value practices (Apr 2009)*
- *Guidance on credit risk and accounting for expected credit losses (Dec 2015)*
- *Regulatory treatment of accounting provisions - interim approach and transitional arrangements (March 2017)*

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
01.01.2005

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - N/A Other actions (such as supervisory actions) - N/A

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The EU adopted in 2002 a regulation to adopt IFRS (i.e. the IAS Regulation). Since January 2005, the IFRS are mandatory for the consolidated accounts of listed companies. Enforcement of IFRS is done by the national securities markets authorities and coordinated by the European Securities and Markets Authority (ESMA). In that context in March 2021 ESMA published a Report on Enforcement and Regulatory Activities of Accounting Enforcers in 2020. Over 10 years after the adoption of the IAS Regulation, the European Commission has assessed the effects of the use of IFRS in the EU against its original aims. Its report on the evaluation to the European Parliament was published on 18 June 2015. In 2018, European Commission launched a fitness check on the EU framework for public reporting by companies, dealing inter alia with an assessment of the IAS regulation. The final results of this assessment was published in April 2021.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date
New standards, amendments or interpretations provided by the IASB will continue to go through due process of endorsement before becoming law in the EU.

Relevant web-links: please provide web-links to relevant documents
https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021SC0081&from=EN https://eba.europa.eu/-/eba-provides-preliminary-assessment-on-post-implementation-impact-of-ifrs-9-on-eu-institutions https://www.esma.europa.eu/sites/default/files/library/esma32-63-1101_enforcers_2020_activity_report.pdf https://eiopa.europa.eu/Publications/Reports/EIOPA-18-717_EIOPA_Analysis_IFRS_17_18%2010%202018.pdf http://www.efrag.org/Endorsement

VII16: Enhancing risk management - Enhancing guidance to strengthen banks' risk management practic

G20/FSB Recommendations

Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. (Washington)

National supervisors should closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. (Rec. II.10, FSF 2008)

Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets. (FSB 2009)

We commit to conduct robust, transparent stress tests as needed. (Pittsburgh)

Remarks

Jurisdictions should indicate the measures taken in the following areas:

- guidance to strengthen banks' risk management practices, including BCBS good practice documents (*Corporate governance principles for banks*, *External audit of banks*, *and the Internal audit function in banks*);
- measures to monitor and ensure banks' implementation of the BCBS *Principles for Sound Liquidity Risk Management and Supervision (Sep 2008)*;
- measures to supervise banks' operations in foreign currency funding markets;[1] and
- extent to which they undertake stress tests and publish their results.

Jurisdictions should not provide any updates on the implementation of Basel III liquidity requirements (and other recent standards such as capital requirements for CCPs), since these are monitored separately by the BCBS.

[1] Only the emerging market jurisdictions that are members of the FSB should respond to this specific recommendation.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
01.01.2017

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - No

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
In December 2013, EBA adopted guidelines on Pillar 2 capital measures for lending in foreign currencies. These guidelines address the recommendation made by the ESRB (European Systemic Risk Board), following its 2011 Report on lending in foreign currencies. These guidelines specify the method to be used by supervisory authorities where FX lending risk is deemed to be material and where capital measures are deemed to be an appropriate method of treating this risk. In line with the previous stress test exercises in 2014, 2016 and 2018, EBA published in June 2019, for consultation, a draft stress test methodology and respective templates to be used in the 2020 exercise. The 2020 EU-wide stress test exercise will be launched in January 2020 and results will be published by July 2020. In December 2014, EBA published guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) (EBA/GL/2014/13). These guidelines aim to provide supervisory authorities with a common European framework for SREP and risk assessment under Pillar 2. They explain how to assess the various risks to which banks are exposed, including FX lending and liquidity risks, as well the governance and internal control framework of banks for identifying, managing, monitoring risks. These guidelines entered into force in January 2016. To complement them, EBA has also published in November 2016 guidelines on the collection of information related to the internal liquidity adequacy assessment process (ILAAP). These guidelines aim at harmonising what information has to be collected in order for supervisors to assess the reliability of the ILAAP and the internal liquidity estimates of the institutions. They entered into force in January 2017. Directive 2013/36/EU (CRD IV) implements into EU law the Basel Committee's corporate governance principles for banks, including in particular aspects concerning boards' responsibilities, qualifications, structure and composition, senior management, risk management, compensation and disclosure. This Directive has been amended by Directive 2019/878/EU (CRD V), in particular with regard to gender diversity, gender neutral remuneration policies, money laundering, financing terrorist risk and the management of conflicts of interest, including in the context of loans and other transactions with members of the management body and their related parties. As regards the bank's compensation structure, the CRD IV as amended by CRD V is complemented by Commission Delegated Regulations (EU) No 2021/923, which set out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of CRD IV as amended and Commission Delegated Regulations (EU) No 527/2014 which specifies the classes of instruments that adequately reflect the credit quality of an institution as a going concern and are appropriate to be used for the purposes of variable compensation. In July 2021, the EBA published its revised guidelines on internal governance (EBA/GL/2021). The guidelines' objective is to further harmonise bank's internal governance arrangements, processes and mechanisms within the EU. The guidelines provide requirements aimed at ensuring the sound management of risks across all three lines of defence (the independent risk management and compliance function) and the third line of defence (the internal audit function). They also provide further principles concerning issues such as organisational framework on a group context, internal control functions or the role of supervisors. Taking into account the amendments introduced by CRD 5, the updated guidelines clarify that identifying, managing and mitigating money laundering and financing of terrorism risk is part of sound internal governance arrangements and credit institutions' risk management framework. The revised Guidelines further specify and reinforce the framework regarding loans to members of the management body and their related parties. Those loans may constitute a specific source of actual or potential conflict of interest and, therefore, specific provisions have been explicitly included in the CRD. In the same way, other transactions with members of the management body and their related parties have the potential to create conflicts of interest and, therefore, the EBA is providing guidance on how to properly manage them. Finally, in line with the requirement to have a gender-neutral remuneration policy, the revised Guidelines provide new guidance on the code of conduct to ensure that credit institutions take all necessary measures to avoid any form of discrimination and guarantee equal opportunities to staff of all genders. In addition, institutions should monitor the gender pay-gap. In July 2021, the EBA and ESMA issued revised joint guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06) taking into account the amendments introduced by CRD5. These guidelines set out the measures for the assessment of the suitability of members of the boards, including the CEO. The guidelines also foresee the assessment of the bank's key function holders (i.e. the CFO and the heads of internal control functions) who have a significant influence over the direction of the business. In addition, the final updated joint Guidelines clarify, in line with CRD V, that assessing the knowledge, experience and skill requirements include identifying, managing and mitigating money laundering and financing of terrorism risks, as these aspects are part of the assessments of the collective suitability of members of the management body, of the member of the management body identified as responsible for these risks, and the assessment of key function holders. In addition, a gender balanced composition of the management body is of particular importance. Institutions should respect the principle of equal opportunities for any gender and take measures to ensure a more gender balanced composition of staff in management positions so as to ensure a more gender balanced pool of candidates for positions within the management body. The joint Guidelines also take into account the recovery and resolution framework introduced by the Bank Recovery and Resolution Directive (BRRD) and provide further guidance in this regard. As part of early intervention measures and during resolution, the suitability of newly appointed members of the management body and the management body collectively are relevant and require an assessment. The Guidelines provide further details on how the exchange of information between resolution authorities and competent authorities should work. Finally in July 2021, the EBA published its revised guidelines on sound remuneration policies (EBA/GL/2021/). Institutions have to apply sound remuneration policies to all staff and specific requirements for the variable remuneration of staff whose professional activities have a material impact on the institutions' risk profile (identified staff). In line with CRD, the guidelines specify further the requirements for the variable remuneration of identified staff. The update takes into account the amendments introduced by the CRD V in relation to institutions' sound remuneration policies and, in particular, the requirement that remuneration policies should be gender neutral. The Guidelines also consider supervisory practices and clarify some aspects of retention bonuses and severance pays.

Additional guidance is provided on the application of waivers based on institutions' total balance sheet and for staff with a low variable remuneration that have been introduced with CRD V regarding the requirements to defer and pay out in instruments a part of the variable remuneration of identified staff.
The final Guidelines also clarify how the remuneration framework applies on a consolidated basis to financial institutions that are subject to a specific remuneration framework (for example, firms subject to the Investment Firms Directive (IFD), the Undertakings for Collective Investment in Transferable Securities Directive (UCITS), or the Alternative Investment Fund Managers Directive (AIFMD)).
All those sets of guidelines will enter into force on 31 December 2021 and are applied by EU Member States on a 'comply or explain' basis. Finally, in February 2019, the EBA issued Guidelines on outsourcing arrangements (EBA/GL/2019/02), which set out provisions for financial institutions' governance frameworks with regard to their outsourcing arrangements and the related supervisory expectations and processes, and has integrated the former recommendation on outsourcing to cloud service providers, published in December 2017 (EBA/REC/2017/03). The financial institution's management body should ensure that sufficient resources are available to appropriately support and ensure the overseeing of all risks and the management of the outsourcing arrangements.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
Regulation No 575/2013 on prudential requirements for credit institutions and investment firms (CRR): http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0575&from=EN Directive 2013/36/EU (CRD4): http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0036&from=EN Commission Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2015.011.01.0001.01.ENG Implementing Regulation on additional monitoring metrics for liquidity reporting: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0313&from=EN amended by http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32017R2114 EBA Guidelines on capital measures for foreign currency lending to unhedged borrowers: https://www.eba.europa.eu/documents/10180/535130/EBA-GL-2013-02+%28Guidelines+on+capital+measures+for+FX+lending%29.pdf/966f1ca0-7454-4003-a40a-e2fc98214fc1 EBA Guidelines on SREP: https://www.eba.europa.eu/documents/10180/935249/EBA-GL-2014-13+(Guidelines+on+SREP+methodologies+and+processes).pdf EBA revised guidelines on SREP: https://www.eba.europa.eu/documents/10180/2282666/Revised+Guidelines+on+SREP+%28EBA-GL-2018-03%29.pdf The EBA page on stress test exercise for 2020: https://eba.europa.eu/-/eba-issues-2020-eu-wide-stress-test-methodology-for-discussion EBA Guidelines on ICAAP and ILAAP: https://www.eba.europa.eu/documents/10180/1645611/Final+report+on+Guidelines+on+ICAAP+ILAAP+%28EBA-GL-2016-10%29.pdf/6fa080b6-059d-4b41-95c7-9c5edb8cba81 EBA Guidelines on Internal Governance: https://www.eba.europa.eu/documents/10180/1972987/Final+Guidelines+on+Internal+Governance+%28EBA-GL-2017-11%29.pdf/eb859955-614a-4afb-bdcd-aaa664994889 IFRS9 transitional Regulation: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32017R2395 EBA Guidelines on institutions' stress testing,: https://www.eba.europa.eu/documents/10180/2282644/Guidelines+on+institutions+stress+testing+%28EBA-GL-2018-04%29.pdf EBA Guidelines on sound remuneration policies (EBA/GL/2015/22): https://www.eba.europa.eu/regulation-and-policy/remuneration/guidelines-on-sound-remuneration-policies EBA Guidelines on credit institutions' credit risk management practices (EBA/GL/2017/06): https://www.eba.europa.eu/-/eba-publishes-final-guidelines-on-credit-institutions-credit-risk-management-practices-and-accounting-for-expected-credit-losses EBA Guidelines on ICT risk assessment under the Supervisory Review and Evaluation Process (SREP) (EBA/GL/2017/05): https://www.eba.europa.eu/regulation-and-policy/supervisory-review-and-evaluation-srep-and-pillar-2/guidelines-on-ict-risk-assessment-under-the-srep EBA Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services (EBA/GL/2016/06): https://www.eba.europa.eu/-/eba-publishes-final-guidelines-on-the-remuneration-of-sales-staff EBA Guidelines on connected clients under Article 4(1)(39) of Regulation (EU) No 575/2013 (EBA/GL/2017/15): https://www.eba.europa.eu/regulation-and-policy/large-exposures/guidelines-on-connected-clients

VII17: Enhancing risk management - Enhanced risk disclosures by financial institutions

G20/FSB Recommendations

Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate. (Washington)

We encourage further efforts by the public and private sector to enhance financial institutions' disclosures of the risks they face, including the ongoing work of the Enhanced Disclosure Task Force. (St. Petersburg)

Remarks

Jurisdictions should indicate the status of implementation of the disclosures requirements of IFRSs (in particular IFRS 7 and 13) or equivalent. Jurisdictions may also use as reference the recommendations of the October 2012 report by the Enhanced Disclosure Task Force on *Enhancing the Risk Disclosures of Banks* and *Implementation Progress Report by the EDTF (Dec 2015)*, and set out any steps they have taken to foster adoption of the EDTF Principles and Recommendations.

In addition, in light of the new IASB and FASB accounting requirements for expected credit loss recognition, jurisdictions should set out any steps they intend to take (if appropriate) to foster disclosures needed to fairly depict a bank's exposure to credit risk, including its expected credit loss estimates, and to provide relevant information on a bank's underwriting practices. Jurisdictions may use as reference the recommendations in the report by the Enhanced Disclosure Task Force on the *Impact of Expected Credit Loss Approaches on Bank Risk Disclosures (Nov 2015)*, as well as the recommendations in Principle 8 of the BCBS *Guidance on credit risk and accounting for expected credit losses (Dec 2015)*.

In their responses, jurisdictions should not provide information on the implementation of Basel III Pillar 3 requirements, since this is monitored separately by the BCBS.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
2017

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - N/A

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
In the European Union listed banks are required to use IFRS for their consolidated accounts, by virtue of the IAS Regulation and the subsequent adoption of individual IFRS standards. The most relevant standards for risk disclosure are IAS 32, IFRS 7 and IFRS 13 all adopted in the EU. IFRS 9 was endorsed by the EU through Commission Regulation (EU) 2016/2067 and has entered into force on 1 January 2018. The European Securities and Markets Authority (ESMA) monitors the consistent application of IFRS. By the end of 2021, ESMA intends to issue a report providing an overview of the application of the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments regarding ECL disclosures by European banks. In the context of this work, ESMA will host a workshop on “Banks’ disclosures on expected credit losses (ECL) in IFRS financial statements” on 28 September 2021.

Update and next steps: highlight main developments since 2019 survey
Publication of the new EU Regulation no. 2020/852 (Taxonomy Regulation) establishing a framework to facilitate sustainable investment. EU Proposal on Corporate Sustainability Reporting Directive concerning disclosure on sustainability amending the Accounting Directive (2013/34/EU)

Update and next steps: planned actions (if any) and expected commencement date

Relevant web-links: please provide web-links to relevant documents
http://ec.europa.eu/finance/company-reporting/standards-interpretations/index_en.htm#legal-framework EBA guidelines on credit institutions’ credit risk management practices and accounting for expected credit losses http://www.eba.europa.eu/documents/10180/1842525/Final+Guidelines+on+Accounting+for+Expected+Credit+Losses+%28EBA-GL-2017-06%29.pdf EBA Guidelines on credit institutions’ credit risk management practices and accounting for expected credit losses (EBA/GL/2017/06): https://www.eba.europa.eu/-/eba-publishes-final-guidelines-on-disclosure-requirements-of-ifrs-9-transitional-arrangements https://www.esma.europa.eu/sites/default/files/library/call_for_interest_esma_ecl_workshop_1.pdf

VIII18: Strengthening deposit insurance - Strengthening of national deposit insurance arrangements

G20/FSB Recommendations

National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed. (Rec. VI.9, FSF 2008)

Remarks

Jurisdictions that have not yet adopted an explicit national deposit insurance system should describe their plans to introduce such a system.

All other jurisdictions should describe any significant design changes in their national deposit insurance system since the issuance of the revised IADI *Core Principles for Effective Deposit Insurance Systems* (November 2014).

In addition, jurisdictions should indicate if they have carried out a self-assessment of compliance (based on IADI’s 2016 Handbook) with the revised Core Principles:

- If so, jurisdictions should highlight the main gaps identified and the steps proposed to address these gaps;
- If not, jurisdictions should indicate any plans to undertake a self-assessment exercise.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your “implementation ongoing” status

Progress to date: If you have selected “Implementation completed” - please provide date of implementation
03.07.2015

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - No

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The Directive on Deposit Guarantee Schemes (DGSD) maintains the harmonised level of coverage (€ 100, 000) and harmonises the scope of coverage (i.e. specify depositors and products being eligible or ineligible for DGS protection), gradually reduces the pay-out deadline from 20 to 7 working days (by 2024), strengthens the financing of DGS by introducing a principle of ex-ante financing with a specified target fund level (0.8% of covered deposits to be reached until 2024), allows for the partial use of DGS funds for failure prevention, contributions in bank resolution, as well as the transfer of deposits in liquidation, introduces an obligation to apply risk-based contributions in Member States, improves depositor information, and enhances cross-border cooperation between EU schemes. All Member States have fully transposed the DGSD into their national laws. To further support the application of the DGSD the European Banking Authority (EBA) published a number of guidelines over the past three years (guidelines on methods for calculating contributions to DGS, on payment commitments, on stress tests of DGS and on cooperation agreements between DGS). In addition, in 2019, the EBA carried out a peer review of national stress test of DGSs and their resilience in all EU Member States, based on guidelines it had issued three years earlier. The EBA published a report of the results (EBA/REP/2020/18) and used the lessons learned to revise the Guidelines (EBA/CP/2021/08) so that future such stress tests are more robust and harmonised, and more comparable across jurisdictions.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey
Since the 2019 survey, in line with the mandate in the DGSD, the EBA supported the Commission in reviewing the implementation of the DGSD. More specifically, the EBA published three Opinions on the implementation of the Directive with recommendations of changes to the current framework addressed to the Commission. The EBA also published an Opinion on the interplay between the Anti-money Laundering Directive (AMLD) and the DGSD.

Update and next steps: planned actions (if any) and expected commencement date
Following the mandate by the Euro Summit to continue working with a view to complete the Banking Union, ongoing discussion in the High-level Working Group of the Member States on establishing the European Deposit Insurance Scheme (EDIS). Ongoing work of the Commission’s services on the review of the Crisis Management and Deposit Insurance (CMDI) framework, which includes a review of the DGSD, BRRD and SRMR.

Relevant web-links: please provide web-links to relevant documents
The DGSD was published in the Official Journal on 12 June 2014: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0049&from=EN The EDIS proposal was adopted on 24 November 2015: https://ec.europa.eu/info/publications/commission-proposal-european-deposit-insurance-scheme-edis_en The effect analysis on EDIS was published by the Commission on 11 October 2016 : https://ec.europa.eu/info/publications/effects-analysis-european-deposit-insurance-scheme-edis_en The amendments tabled by Members of the European Parliament and draft report on EDIS prepared by the rapporteur: http://www.europarl.europa.eu/committees/en/econ/amendments.html?ufolderComCode=ECON&ufolderLegId=8&ufolderId=05179&linkedDocument=true&urefProcYear=&urefProcNum=&urefProcCode= The Communication on completing the Banking Union was published by the Commission on 11 October 2017: http://ec.europa.eu/finance/docs/law/171011-communication-banking-union_en.pdf

IX19: Safeguarding financial markets integrity and efficiency - Enhancing integrity and efficiency

G20/FSB Recommendations

We must ensure that markets serve efficient allocation of investments and savings in our economies and do not pose risks to financial stability. To this end, we commit to implement initial recommendations by IOSCO on market integrity and efficiency, including measures to address the risks posed by high frequency trading and dark liquidity, and call for further work by mid-2012. (Cannes)

Remarks

Jurisdictions should indicate whether high frequency trading and dark pools exist in their national markets.

Jurisdictions should indicate the progress made in implementing the recommendations:

- in relation to dark liquidity, as set out in the IOSCO Report on Principles for Dark Liquidity (May 2011).
- on the impact of technological change in the IOSCO Report on Regulatory Issues Raised by the Impact of Technological Changes on Market Integrity and Efficiency (Oct 2011).
- on market structure made in the IOSCO Report on Regulatory issues raised by changes in market structure (Dec 2013).

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your “implementation ongoing” status

Progress to date: If you have selected “Implementation completed” - please provide date of implementation
03.01.2018

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - Yes

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The Market Abuse Regulation (MAR, entered into application on 3 July 2016) and the Markets in Financial Instruments Directive and Regulation (commonly referred to as the MiFID II framework, in application since 3 January 2018) have strongly enhanced the transparency and integrity of European financial markets, including for derivatives, commodity derivatives and OTC transactions. MiFID II also contains measures specifically targeted at investment firms that engage in algorithmic trading and algorithmic trading techniques. In addition, to foster market efficiency and reduce market fragmentation, the EU has taken a number of equivalence decisions for third country trading venues.

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date
The European Commission sent on 20 March 2019 a formal request to ESMA for technical advice on the review of the MAR with a deadline to provide their advice before the end of 2019. The Final Report on the MAR Review was delivered in September 2020. The Commission also sent a mandate in June 2019 to ESMA to draft a report for the MiFID/MiFIR review provisions as referred to in the legislation.

Relevant web-links: please provide web-links to relevant documents
MiFID II: https://ec.europa.eu/info/law/markets-financial-instruments-mifid-ii-directive-2014-65-eu/amending-and-supplementary-acts/implementing-and-delegated-acts_en#relatedlinks MiFIR: https://ec.europa.eu/info/law/markets-financial-instruments-mifir-regulation-eu-no-600-2014/amending-and-supplementary-acts/implementing-and-delegated-acts_en#relatedlinks MAR: https://ec.europa.eu/info/law/market-abuse-regulation-eu-no-596-2014/amending-and-supplementary-acts/implementing-and-delegated-acts_en#relatedlinks https://www.esma.europa.eu/sites/default/files/library/esma70-156-2391_final_report_-_mar_review.pdf

IX20: Safeguarding financial markets integrity and efficiency - Regulation of commodity markets

G20/FSB Recommendations

We need to ensure enhanced market transparency, both on cash and financial commodity markets, including OTC, and achieve appropriate regulation and supervision of participants in these markets. Market regulators and authorities should be granted effective intervention powers to address disorderly markets and prevent market abuses. In particular, market regulators should have, and use formal position management powers, including the power to set ex-ante position limits, particularly in the delivery month where appropriate, among other powers of intervention. We call on IOSCO to report on the implementation of its recommendations by the end of 2012. (Cannes)

We also call on Finance ministers to monitor on a regular basis the proper implementation of IOSCO's principles for the regulation and supervision on commodity derivatives markets and encourage broader publishing and unrestricted access to aggregated open interest data. (St. Petersburg)

Remarks

Jurisdictions should indicate whether commodity markets of any type exist in their national markets.

Jurisdictions should indicate the policy measures taken to implement the principles found in IOSCO's report on *Principles for the Regulation and Supervision of Commodity Derivatives Markets (Sep 2011)*.

Jurisdictions, in responding to this recommendation, may also make use of the responses contained in the update to the survey published by IOSCO in September 2014 on the principles for the regulation and supervision of commodity derivatives markets.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
03.01.2018

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - No

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
On 1 December 2016, the European Commission adopted two Delegated Regulations as part of the MiFID II rulebook, based on the draft regulatory technical standards ('RTS') of the European Securities and Markets Authority (ESMA). In particular, the RTS define parameters for competent authorities to determine "position limits", i.e. the maximum amount of commodity derivatives that can be held by a single trader, and which represent a tool to help to limit commodity speculation, support orderly pricing and prevent market abuse. The rules establish a "baseline" and maximum bands of deviation on either side of the baseline, to be set by the competent regulators in line with observed price volatility in the underlying commodity markets. The standard also contains several chapters to cater for the "illiquid" derivative contracts, i.e. where open interest levels are low or where there a few market participants. Moreover, the new standards contain an explicit reference to how volatility should be considered by NCAs. In particular, authorities should seek to minimise volatility or at least review their limits more often in cases of excessive volatility. The new rules also ensure that large non-financial firms trading a large amount of commodity derivatives are regulated under MiFID II (through the "ancillary activity test"). This "ancillary test" represents a ratio between (i) the capital that would need to be allocated under CRR for the firm to engage in speculative derivatives trading versus (ii) the capital employed to conduct a firm's main business. The market abuse regime strengthens the existing market abuse framework applying to commodities.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey

Update and next steps: planned actions (if any) and expected commencement date
MiFID II has been amended by the Capital Markets Recovery Package (CMRP) in February 2021, in order to help the recovery from the COVID-19 crisis, including to facilitate the development of commodity markets, while still ensuring market integrity. The amendments will enter into application in February 2022. Mainly, the position limits regime will only apply to significant/critical contracts (meaning commodity derivatives with an open interest of at least 300 000 lots on average over a one-year period), and to agricultural commodity derivatives. Securitized derivatives will also be out of scope of the position limits regime and the reporting of positions limits. In addition, the current "ancillary activity test" has been simplified and non-financial firms are not required anymore to notify annually their national competent authority, but only upon request.

Relevant web-links: please provide web-links to relevant documents
EUR-Lex - 32017R0591 - EN - EUR-Lex (europa.eu) EUR-Lex - 32017R0592 - EN - EUR-Lex (europa.eu) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021L0338&qid=1628515551718 https://www.esma.europa.eu/press-news/esma-news/esma-issues-final-guidelines-commodity-derivatives-inside-information

IX21: Safeguarding financial markets integrity and efficiency - Reform of financial benchmarks

G20/FSB Recommendations

We support the establishment of the FSB's Official Sector Steering Group to coordinate work on the necessary reforms of financial benchmarks. We endorse IOSCO's Principles for Financial Benchmarks and look forward to reform as necessary of the benchmarks used internationally in the banking industry and financial markets, consistent with the IOSCO Principles. (St. Petersburg)

Collection of information on this recommendation will continue to be deferred given the ongoing reporting of progress in this area by the FSB Official Sector Steering Group, and ongoing IOSCO work to review the implementation of the IOSCO Principles for Financial Benchmarks.

X22: Enhancing financial consumer protection - Enhancing financial consumer protection

G20/FSB Recommendations

We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability, endorse the FSB report on consumer finance protection and the high level principles on financial consumer protection prepared by the OECD together with the FSB. We will pursue the full application of these principles in our jurisdictions. (Cannes)

Remarks

Jurisdictions should describe progress toward implementation of the OECD's *G-20 high-level principles on financial consumer protection (Oct 2011)*.

Jurisdictions may refer to OECD's *September 2013 and September 2014 reports* on effective approaches to support the implementation of the High-level Principles, as well as the *G20/OECD Policy Guidance on Financial Consumer Protection in the Digital Age*, which provides additional effective approaches for operating in a digital environment. The effective approaches are of interest across all financial services sectors – banking and credit; securities; insurance and pensions – and consideration should be given to their cross-sectoral character when considering implementation. In the case of private pensions, additional guidance can be found in the *Good Practices on the Role of Pension Supervisory Authorities in Consumer Protection Related to Private Pension Systems*.

Jurisdictions should, where necessary, indicate any changes or additions that have been introduced as a way to support the implementation of the High-level Principles, to address particular national terminology, situations or determinations.

Progress to date:
Implementation completed

Progress to date: If you have selected "Not applicable" or "Applicable but no action envisaged at the moment" - please provide a brief justification

Progress to date: please provide a date for your "implementation ongoing" status

Progress to date: If you have selected "Implementation completed" - please provide date of implementation
23/2/2018 (IDD), 21/3/2016 (MCD), 3 January 2018 (MiFID II), 01/01/2018 (PRIIPs). The transposition date of PAD was 18/9/2016. The transposition date of PSD2 is 13 January 2018.

Progress to date: issue is being addressed through
Primary / Secondary legislation - Yes Regulation / Guidelines - Yes Other actions (such as supervisory actions) - No

Progress to date: short description of the content of the legislation/regulation/guideline/other actions
The Insurance Distribution Directive (IDD) covers inter alia direct sales by insurers and intermediaries and aims at enhancing the internal market in insurance distribution and providing for a more effective protection of consumers when purchasing insurance products. The Mortgage Credit Directive (MCD) improves the information given to the consumer at pre-contractual stage by the means of a European Standardised Information Sheet (ESIS) with detailed information on the characteristics of the mortgage loan offer, including specific warnings in the case of variable rate loans and foreign currency loans; the MCD also provides for a list of standard information at the advertising stage. The MCD obliges creditors to conduct a thorough, documented creditworthiness assessment based on defined criteria. The MCD obliges Member States to adopt measures to encourage creditors to exercise reasonable forbearance before foreclosure proceedings are initiated against consumers that have fallen into arrears, with further details provided in two sets of Guidelines developed by the European Banking Authority (EBA) and its national competent authorities. The MCD also sets important principles to guarantee that creditors and credit intermediaries act in the consumer's interests, imposes high-level standards regarding their remuneration structure and requires specific disclosures to the consumer as regards the nature of the links between creditors and credit intermediaries. The MCD requires Member States to designate the national competent authorities and grant them investigating and enforcement powers and adequate resources. Moreover, the MCD grants consumers a generalized right to repay early under certain conditions and establishes with few exceptions a product tying ban. Insurance ancillary products can be taken out from an alternative supplier provided the level of protection is equivalent. Consumers who took out a foreign currency mortgage benefit either from the right to convert under certain conditions or alternative arrangements to limit the exchange fluctuation risks. In support of the MCD and other EU Directives, the EBA issued in 2019 extensive Guidelines on loan origination and management, which are addressed to banks and non-banks alike, cover all types of credit, further enhance consumer protection, and will apply from mid-2021 onwards. MiFID II which has been applicable since 3 January 2018 introduces better organisational and business conduct requirements for investment firms, such as client asset protection, stricter conflict of interest rules, remuneration policy and product governance requirements. It also sets additional requirements with regard to information to clients about costs and financial instruments. Furthermore, limitations are imposed on the receipt of inducements with more stringent rules for independent advisors and portfolio managers. The Payment Accounts Directive (PAD) 2014/92/EU of 23 July 2014 concerns three areas: - Comparability of payment account fees: the aim is to make it easier for consumers to compare the fees charged by banks and other payment service providers in the EU on payment accounts; - Switching between payment accounts: the aim is to establish a simple and quick procedure for changing from one payment account to another, with a different bank or financial institution at national level and to help consumers who close their bank account in one Member State and open another account in a different country. - Access to payment accounts: the aim is to allow all EU consumers, irrespective of their country of residence in the EU, to open a basic payment account that allows them to perform essential operations (like receiving their salary or pension, transferring funds to another account, withdrawing cash or using debit cards) unless he/she already holds an account in this Member State. The Directive requires Member States to designate the national competent authorities and grant them investigating and enforcement powers and adequate resources. PAD also introduces an obligation for competent authorities of different Member States to cooperate with each other. The revised Payment Services Directive (PSD2) EU/2015/2366, which has been applicable since 13 January 2018, aims at improving the existing rules and also takes new digital payment services into account. The directive includes provisions to make it easier and safer to use payment services; better protect consumers against fraud, abuse, and payment problems; promote innovative mobile and internet payment services; and strengthens consumer rights. PSD2 also strengthens the role of the European Banking Authority (EBA) to coordinate with the 28 national supervisory authorities and draft twelve technical standards and guidelines in support of the Directive. Packaged Retail and Insurance-based Investment Products (PRIIPs): the PRIIPs Regulation aims to improve investor protection by introducing the obligation for PRIIPs manufacturers to provide a clear, short and standardised key information document (KID), and to publish it on its website. The KID is to offer a standardised presentation that clearly spells out main features, risks and expected returns as well as costs associated with a broad range of investment products available to retail investors, such as insurance-based investment products, structured investment products and collective investment schemes. The recent Regulation 1238/2019 on the Pan-European Personal Pension (PEPP) product introduces high standards of consumer protection: in particular, full mandatory advice and enhanced transparency for savers (through a standardised Key Information Document (PEPP KID) supplied before the purchase and a pension benefits statement (PBS) supplied annually during the product lifetime). PEPP savers will also benefit of a simple and affordable default option (the Basic PEPP) with costs capped at 1% of the capital/per year and of multiple flexibility features (right to switch provider (at capped costs) and to change investment option every five years, flexibility regarding the type of out-payments). The PEPP will be also a modern product that can be distributed and purchased online. The EBA carried out, and published the results of, two supervisory convergence exercises in 2019 (EBA/REP/2020/28) and 2020 (EBA/REP/2020/37) with authorities in 13 EU Member States, with a view to check compliance by financial institutions with the EBA Guidelines on Product Oversight and Governance (POG, EBA-GL-2015-18). The EBA issued the POG Guidelines 4 years earlier to improve consumer protection and conduct, by requiring banks and non-banks to identify the target market for their products before launching them, test their products, to monitor them and to take remedial action if necessary.

Progress to date: if this recommendation has not yet been fully implemented, please provide reasons for delayed implementation

Update and next steps: highlight main developments since 2019 survey
In 2021, the EU Commission has published a proposal to amend the EU Consumer Credit Directive (CCD), with a view to further enhance the protection of consumers, in particular through enhanced requirements for creditworthiness assessments.

Update and next steps: planned actions (if any) and expected commencement date
IDD: Transposition into national law: 1 July 2018. All Member States, except one have notified full transposition. Application of national provisions from 1 October 2018, at the latest. The Commission has adopted and published the level 2 measures. EIOPA provides ongoing implementation support by means of guidelines and Q&As. MCD: Adopted in 2014. All Member States have now transposed the MCD. The European Commission published in May 2021 a report on the effectiveness and appropriateness of the MCD provisions, based on an evaluation study. The European Commission intends to start the MCD revision in October/November 2021 with the publication of an open public consultation and call for evidence. MiFID II: The Commission has adopted and published the level 2 measures. ESMA provides ongoing implementation support by means of guidelines and Q&As, including measures adopted with regard to product intervention. PAD: PAD was adopted in 2014. Deadline for transposition by Member States was 18 September 2016. As of July 2019, PAD has been transposed by all Member States. The European Commission has adopted and published regulatory technical standards and implementing technical standards regarding the standardised terminology of services and common format and symbol of the fee information document (FID) and statement of fees (SOF). A contract for a study to provide input for review of the Directive, in compliance with Article 28 was awarded in 2019, with a view to assess the effectiveness of provisions on transparency, switching and access to payment accounts. The study has been finalised and was published in Q3 2021. PSD2: The deadline for transposition into national law was January 13, 2018. All member states have transposed the directive. Based on technical standards and supervisory actions carried out by the EBA between 2017 and 2021, payment transactions in all 27 EU Member States are now subject to two-factor authentication, further enhancing the safety and security of consumers, even when engaging in open banking services. PAD, MCD, CCD, PSD2, DGSD: across these Directives, the EBA has started in 2021 two initiatives that are due to be completed in 2022: -a supervisory convergence exercise with 14 national authorities to check compliance by financial institutions with Guidelines the EBA issued in 2016, on the remuneration of sales staff; -a thematic review into the level and transparency of fees and charges for payment accounts, payment services, mortgage credit, consumer credit and deposits, including by coordinating mystery shopping exercised of national authorities. In 2022/23, the EU Commission will be evaluating and/or reviewing the MCD and PSD2, possibly bringing forward proposals for the Directives' revision. PEPP Regulation: published in the OJEU on 25 July 2019, will enter into application on 22 March 2022 (i.e. 12 months after the publication of the regulatory technical standards in the OJEU (article 74 of the PEPP Regulation). The PEPP Regulation contains a mandate for 3 Commission delegated acts, 7 regulatory technical standards (RTS) and 2 implementing technical standards (ITS). The Commission has adopted and published these level 2 measures. MiFID II was amended by Directive (EU) 2021/338 in the context of the Capital Markets Recovery Package (CMRP) as a response to the Covid-19 crisis to reduce red tape, facilitate the provision of investment services and the performance of investment activities, while still fully protecting investors. The Directive (EU) 2021/338 shall be transposed by Member States by 28 November 2021 and shall apply from 28 February 2022. The recently adopted Directive on credit servicers and credit purchasers of NPLs has strengthened the consumer protection in the MCD (and CCD) by enhancing disclosure of NPL portfolios and strengthen the forbearance requirements in favour of consumers. The PRIIPs Regulation gives retail investors clear and comparable information on key features of various retail investment products. Industry has pointed out some issues related to the cross-sectoral approach. For this reason, on 3 February 2021, the three European Supervisory Authorities submitted draft PRIIPs Regulatory Technical Standards (RTS) to the Commission aiming at addressing issues identified following the implementation of the PRIIPs KID in 2018, including on the presentation of cost information, the treatment of multi-option products, and auto-callable bonds.

Relevant web-links: please provide web-links to relevant documents
IDD: https://ec.europa.eu/info/law/insurance-distribution-directive-2016-97-eu_en MCD: https://ec.europa.eu/info/law/mortgage-credit-directive-2014-17-eu_en MiFID II https://ec.europa.eu/info/law/markets-financial-instruments-mifid-ii-directive-2014-65-eu_en PAD: https://ec.europa.eu/info/law/payment-accounts-directive-2014-92-eu_en PRIIPs Regulation http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2014:352:TOC PRIIPs Commissions Delegated Regulation http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L:2017:100:TOC Commission interpretative guidelines on the key information documents (KIDs) for packaged retail and insurance-based investment products (PRIIPs) http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2017.218.01.0011.01.ENG&toc=OJ:C:2017:218:TOC ESAs Q&As on the Key Information Document for PRIIPs https://esas-joint-committee.europa.eu/Pages/News/European-Supervisory-Authorities-publish-QA-on-the-Key-Information-Document-.aspx MCD: https://op.europa.eu/en/publication-detail/-/publication/e4a1db26-2f94-11eb-b27b-01aa75ed71a1 (MCD evaluation study) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0229&qid=1599516053067 (European Commission's report on the effectiveness and appropriateness of the MCD)

List of abbreviations used

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