Jurisdiction: European Union

2018 IMN Survey of National/Regional Progress in the Implementation of G20/FSB Recommendations

National authorities from FSB member jurisdictions should complete the survey and submit it to the FSB Secretariat (imn@fsb.org) by **Friday, 8 June 2018** *(representing the most recent status at that time).* The Secretariat is available to answer any questions or clarifications that may be needed on the survey. Please also provide your contact details for the person(s) completing the survey and an index of abbreviations used in the response.

National authorities are expected to submit the information to the FSB Secretariat using the Adobe Acrobat version of the survey. The Microsoft Word version of the survey is also being circulated to facilitate the preparation/collection of survey responses by relevant authorities within each jurisdiction.

Jurisdictions that previously reported implementation as completed in a particular recommendation are only required to include information about main developments since last year's survey and future plans (if applicable) ("Update and next steps" table). New reforms to enhance the existing framework in that area should be described, but should not lead to a downgrade from implementation completed to ongoing. Jurisdictions that do not report implementation as completed are required to include full information both in the "Progress to date" and "Update and next steps" tables.

As with previous IMN surveys, the contents of this survey for each national jurisdiction will be published on the FSB's website at around the time of the 2018 G20 Summit in Buenos Aires. The FSB Secretariat will contact member jurisdictions ahead of the Summit to check for any updates or amendments to submitted responses before they are published.

1. 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 take place every 2-3 years henceforth (i.e. in 2019 or 2020).

2. 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

○ **Not applicable**
○ **Applicable but no action envisaged at the moment**
○ **Implementation ongoing**
◉ **Implementation completed as of** 21 July 2012/11 April

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

○ Draft in preparation, expected publication by
○ Draft published as of
○ Final rule or legislation approved and will come into force on
○ Final rule (for part of the reform) in force since

2. Establishment of international information sharing framework

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

2. Establishment of international information sharing framework

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
	According to Article 69 of the AIFMD, the Commission shall carry out a review on the application and the scope of the Directive. The process has been initiated by commissioning an external contractor to conduct a general survey on the functioning of the AIFMD. The final report will be delivered during 2018 and the public consultation will be subsequently launched in 2019. Following that, the Commission will compile the results into a single report that will be presented to the European Parliament and the Council.

Relevant web-links	
Web-links to relevant documents	https://ec.europa.eu/info/law/alternative-investment-fund-managers-aifm-directive-2011-61-eu_en

3. 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)

Remarks

Jurisdictions should indicate specific policy measures taken for enhancing counterparty risk management and strengthening their existing guidance on the management of exposure to leveraged counterparties.

In particular, jurisdictions should indicate whether they have implemented recommendation 3 of the IOSCO *Report on Hedge Fund Oversight (Jun 2009)*.

In their responses, jurisdictions should not provide information on the portion of this recommendation that pertains to Basel III capital requirements for counterparty risk, since it is monitored separately by the BCBS.

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

- ◯ **Not applicable**
- ◯ **Applicable but no action envisaged at the moment**
- ◯ **Implementation ongoing**
- ◉ **Implementation completed as of** 11/2007 (MiFID I)

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ◯ Draft in preparation, expected publication by
- ◯ Draft published as of
- ◯ Final rule or legislation approved and will come into force on
- ◯ Final rule (for part of the reform) in force since

3. Enhancing counterparty risk management

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☐ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

In the EU, prime brokers dealing with hedge funds as counterparties are, in most cases, investment firms required to comply with Directive 2014/65/EU (MiFID II) organisational requirements and business codes of conducts, including granting of authorisation by the national competent authorities, participation in an investor compensation schemes and strict corporate governance rules. Activities of investment firms are subject to ongoing supervision by the national competent authority of the Member States where the firms are registered and authorised.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

3. Enhancing counterparty risk management

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date

Relevant web-links	
Web-links to relevant documents	https://ec.europa.eu/info/law/markets-financial-instruments-mifid-ii-directive-2014-65-eu_en

4. 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 take place every 2-3 years henceforth (i.e. in 2019 or 2020).

5. Strengthening of supervisory requirements or 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 2016

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
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5. Strengthening of supervisory requirements or best practices for investment in structured products

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Sectoral regulation (CRR/AIFMD/Solvency II/CRA III) is already implemented at the national level. Strengthening reforms under new Securitisation Regulation which was adopted on 30 September 2015, and which entered into force in January 2018, 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 Requirements Regulation has also been amended to make the capital treatment of securitisations for banks and investment firms 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. For the insurance sector: Solvency II entered into application on 1 January 2016.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

5. Strengthening of supervisory requirements or best practices for investment in structured products

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
The Securitisation Regulation entered into force in January 2018. The new comprehensive securitisation regime will be applicable as of 1 January 2019.	

Relevant web-links	
Web-links to relevant documents	STS Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164324229&uri=CELEX:32017R2402 CRR Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164297009&uri=CELEX:32017R2401

6. 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 2016

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

6. Enhanced disclosure of securitised products

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☐ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Sectoral regulation (CRR/AIFMD/Solvency II/CRA III) is already implemented 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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

6. Enhanced disclosure of securitised products

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
Securitisation Regulation entered into force in January 2018. The new comprehensive securitisation regime will be applicable as of 1 January 2019.	

Relevant web-links	
Web-links to relevant documents	STS Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164324229&uri=CELEX:32017R2402 CRR Regulation (Securitisation): http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1515164297009&uri=CELEX:32017R2401

7. 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 2013)*
- *Framework for D-SIBs (Oct 2012)*

IAIS

- *Global Systemically Important Insurers: Policy Measures (Jul 2013) and revised assessment methodology (updated in June 2016)*
- *IAIS SRMP guidance - FINAL (Dec 2013)*
- *Guidance on Liquidity management and planning (Oct 2014)*

FSB

- *Framework for addressing SIFIs (Nov 2011)*

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ● **Implementation completed as of** 2016 (identification of

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

7. Consistent, consolidated supervision and regulation of SIFIs

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 in 2013. A further revision of the methodology is being finalised by the BCBS in 2018. The framework for domestic systemically important banks (D-SIBs) was developed in 2012. The framework for G-SIBs and D-SIBs has been included in EU legislation (Art. 131 CRD IV - Directive 2013/36/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. This 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. The FSB decided not to publish new GSIIs list in 2017. The framework for the identification of Global Systemically Important Insurers (G-SIIs), initially developed in 2013, was reviewed in 2016, and an amended methodology was used for the identification exercise of 2016. The IAIS plan to publish in November 2018 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 is expected to be finalized at the end of 2019, for a first application in 2020. In parallel, the revision of the systemic risk assessment methodology will continue. A first proposal for additional capital requirements applicable to G-SIIs was finalised end-2015 (named HLA); it is to be reviewed in the light of on-going work on the identification methodology and on an international capital standard applicable to all internationally active insurance groups (at the earliest in 2025).

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

7. Consistent, consolidated supervision and regulation of SIFIs

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date

Relevant web-links	
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/2016 http://www.eba.europa.eu/risk-analysis-and-data/other-systemically-important-institutions-o-siis-/2016

8. 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.

9. 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 2/12/2016

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

9. Supervisory exchange of information and coordination

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 this exchange of information 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 is fully in place from 4 November 2014. For EU banking groups, the home/host supervisor coordination procedures and colleges of supervisors continue to exist as they were previously, except for parts of the group which are located in the euro area and which are significant institutions. For these banks, the ECB is the sole member of the college and a consolidating supervisor if the group is headquartered in the euro area. 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

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

9. Supervisory exchange of information and coordination

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date

Relevant web-links	
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:

10. 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 1 January 2014

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

10. Strengthening resources and effective supervision

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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. 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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

10. Strengthening resources and effective supervision

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
No major development since last year. On FinTech, the EBA is gathering information and reflecting on how best address risks carried by the use of technology in the banking sector. In 2019 The EBA's work will focus on a number of key priorities in FinTech. This includes assessing the risks and opportunities for financial institutions from FinTech, the impact of FinTech on the business models of institutions (such as on the resolution of credit institutions and investment firms), and examining regulatory obstacles for innovative technologies and business models. As regards insurance, Solvency II fully applies since 1 January 2016. In particular, Articles 27 and following of Directive 2009/138/EC set minimum requirements for domestic supervisory authorities in the EU. This Directive also sets different levels of supervisory intervention where the capital requirements are not met (Articles 137 and following).	The EBA guidelines on supervisory review and evaluation process, are currently undergoing a review to incorporate the latest developments in supervisory best practices, and expand or add certain topics, such as supervisory stress testing, IT and IRRBB risks. The revised Guidelines are expected to be implemented by 2019.

Relevant web-links

Web-links to relevant documents	EBA revised guidelines on 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 Draft revised SREP Guidelines on supervisory review and evaluation process: https://www.eba.europa.eu/documents/10180/2006890/Draft+Revised+SREP+Guidelines+-+consolidated+text.pdf/094b1168-6a4a-45f2-ac2c-a8ce0c70af2f Activity 18 (Innovation and FinTech) of the EBA 2019 Work Programme: https://www.eba.europa.eu/about-us/work-programme/current-work-programme

11. Establishing regulatory framework for macro-prudential oversight

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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 2014

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

11. Establishing regulatory framework for macro-prudential oversight

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 successive important legislations: 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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

11. Establishing regulatory framework for macro-prudential oversight

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
There is ongoing macroprudential activity by Member States (see the ESRB "Review of macroprudential policy in the EU in 2017"). The Commission issued a proposal for a revision of the ESRB founding regulation. The proposal is under discussion at Council and European parliament. The ongoing revision of the CRR/CRD is also taking into consideration targeted changes and improvements to the EU macroprudential toolset in banking.	Adoption of the amendments to the ESRB establishing regulation. Adoption of the amendments to the CRR/CRD might also include targeted changes to the EU macroprudential policy framework.

Relevant web-links

Web-links to relevant documents	https://ec.europa.eu/info/law/better-regulation/initiatives/com-2017-538_en

12. Enhancing system-wide monitoring and the use of macro-prudential 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)*

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** January 2014

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

12. Enhancing system-wide monitoring and the use of macro-prudential instruments

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

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. 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; and public warning to 8 EU Member States on medium-term vulnerabilities in the residential real estate sector.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

12. Enhancing system-wide monitoring and the use of macro-prudential instruments

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
Ongoing macro-prudential activity by Member States, updated version of the ESRB Handbook in early 2018.	Ongoing revision of the ESRB establishing regulation. The ongoing revision of the CRR/CRD might also include targeted changes to the EU macroprudential policy framework.

Relevant web-links

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

13. 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)

Remarks

Jurisdictions should indicate the policy measures undertaken for enhancing regulation and supervision of CRAs including registration, oversight and sharing of information between national authorities. They should also indicate their consistency with the following IOSCO document:

- *Code of Conduct Fundamentals for Credit Rating Agencies (Mar 2015)* (including on governance, training and risk management)

Jurisdictions may also refer to the following IOSCO documents:

- Principle 22 of *Principles and Objectives of Securities Regulation (Jun 2010)* which calls for registration and oversight programs for CRAs
- *Statement of Principles Regarding the Activities of Credit Rating Agencies (Sep 2003)*
- *Final Report on Supervisory Colleges for Credit Rating Agencies (Jul 2013)*

Jurisdictions should take into account the outcomes of any recent FSAP/ROSC assessment against those principles.

Progress to date

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ● **Implementation completed as of** 17/11/2009

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

13. Enhancing regulation and supervision of CRAs

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

Short description of the content of the legislation/regulation/guideline/other actions

Regulation (EC) No 1060/2009 introduces a regulatory regime for credit rating agencies (CRAs) which have to comply with stringent rules on transparency, accuracy and conflicts of interests, subject to authorisation and ongoing supervision. In addition, the Regulation was amended : - in 2011 in order to attribute the authorisation and supervision of rating agencies to a single authority, the European Securities and Markets Authority (ESMA), which has been effective since the 1st of July 2011; - on 21 of June 2013, in order to introduce rules to reduce reliance on CRA ratings, enhance transparency on sovereign debt ratings, introduce a civil liability regime, further address conflicts of interests and enhance competition in the rating industry. In 2016, The Commission adopted three implementing technical standards (ITSs) mapping the credit ratings scales used by CRAs to the risk weights categories under the Capital Requirement Regulation (CRR) for banks and the Solvency II Directive for insurance companies, as well as for securitisation positions under the banking legal framework (CRR).

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

13. Enhancing regulation and supervision of CRAs

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
As since the adoption of two implementing technical standards (ITSs) that map the credit ratings scales used by CRAs to the risk weights categories under the Capital Requirement Regulation (CRR) for banks and the Solvency II Directive for insurance companies, ESMA has withdrawn the registration of one credit rating agency and registered or certified five new credit rating agencies, amending ITSs were prepared to include mappings for the current ECAI population. The amending ITSs were adopted on 24 April 2018.	The European Commission will continue monitoring the development of the market in response to the implementation of the CRA Regulation before considering the adoption of further measures. This is particularly relevant as some of the provisions are still in the process of implementation and would require some time to assess the benefits.

Relevant web-links

Web-links to relevant documents	Three ITS adopted in October 2016: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1799&from=EN http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1800&from=EN http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1801&from=EN Amending ITS adopted on 24 April 2018: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.105.01.0006.01.ENG&toc=OJ:L:2018:105:FULL

14. 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 31/5/2013

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

14. Reducing the reliance on ratings

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 CRA3 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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

14. Reducing the reliance on ratings

Update and next steps	
Highlight **main developments since last year's survey**	**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	
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

15. 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: http://www.ifrs.org/Use-around-the-world/Pages/Analysis-of-the-G20-IFRS-profiles.aspx.

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

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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 1 January 2005

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

15. Consistent application of high-quality accounting standards

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 market authority and coordinated by the European Securities and Markets Authority (ESMA). In that context in March 2016 ESMA published a Report on Enforcement and Regulatory Activities of Accounting Enforcers in 2015. 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. The EU endorsed the new standard on Fair Value Measurement (IFRS 13) in 2012. This standard has been in force in Europe since the 1st January 2013. 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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

15. Consistent application of high-quality accounting standards

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
The EU endorsed on 22 November 2016 IFRS 9 for mandatory application in the EU from 2018 onwards, except for entities undertaking insurance activities that, thanks to an amendment of IFRS 4 (the scope of which has been extended by a Commission's top-up) may defer IFRS 9 first application until the new insurance standard (IFRS 17, to be endorsed) is expected to enter into force in 2021. In 2018, IFRS 15: revenue with customers, endorsed in 2016, will apply for the first time. IFRS 16: leases, was endorsed in 2017 and will become applicable in 2019. On expected credit loss (ECL) provisioning under IFRS 9 the EBA adopted in March 2017 guidelines on accounting for ECL provisioning which have a "comply or explain" status. The EBA guidelines make the Basel Guidance applicable in the EU. ESMA, the European Securities and Market Authority, undertook a fact finding exercise on the disclosure of the expected impact of IFRS 9 in annual and interim financial statements. EBA and ESMA are closely following the proper application of IFRS 9 ECL provisioning. Since 2018 ESMA has set up a specific Task Force to investigate enforcement issues of particular complexity arising from the application of IFRS 9, the Financial Institutions Task Force which reports to ESMA's Corporate Reporting Standing Committee. In the context of the review of the CRR, the EU adopted end-2017 transitional arrangements that allow to phasing in the impact of IFRS 9 on prudential capital. The transitional arrangement can be used from 2018 onwards until 2022.	New standards, amendments or interpretation provided by the IASB will continue to go through due process of endorsement before becoming law in the EU.

Relevant web-links

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 http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32016R2067 https://www.eba.europa.eu/documents/10180/1532063/EBA-CP-2016-10+%28CP+on+Guidelines+on+Accounting+for+Expected+Credit%29.pdf https://ec.europa.eu/transparency/regdoc/rep/1/2016/EN/COM-2016-850-F1-EN-MAIN.PDF https://www.esma.europa.eu/sites/default/files/library/2016-410_esma_report_on_enforcement_and_regulatory_activities_of_accounting_enforcers_in_2015.pdf

16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 1 January 2017

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 and in 2016, EBA published in January 2018 its new stress test methodology including scenarios and templates. The results of the stress tests will be published in November 2018. 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.

The Capital Requirements 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. As regards the bank's compensation structure, the CRD IV is complemented by Commission Delegated Regulations (EU) No 604/2014 and (EU) No 527/2014, which set out criteria to identify categories of staff whose professional activities have a material impact on an bank's risk profile and 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 September 2017, the EBA published its revised guidelines on internal governance (EBA/GL/2017/11). 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. Also in September 2017, the EBA and ESMA issued joint guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12). 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. Both sets of guidelines will enter into force on 30 June 2018 and are applied by EU Member States on a 'comply or explain' basis.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

16. Enhancing guidance to strengthen banks' risk management practices, including on liquidity and foreign currency funding risks

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
New stress test methodology in 2018 (see details above); amendments to the Commission Implementing Regulation on additional liquidity monitoring metrics (publication in 2017)	

Relevant web-links

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

17. 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 2017

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

17. Enhanced risk disclosures by financial institutions

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☐ Other actions (such as supervisory actions)

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 January 1st 2018. The amendments to IFRS 4 permit entities that predominantly undertake insurance activities, (Commission Regulation (EU) 2017/1988) the option to defer the effective date of IFRS 9 until 1 January 2021.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

17. Enhanced risk disclosures by financial institutions

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
In May 2017, the EBA adopted guidelines with a "comply or explain" status on expected credit loss (ECL) provisioning under IFRS 9. These guidelines make the "Basel guidance" applicable in the EU, including the recommendations in Principle 8. The EBA guidelines aim at ensuring sound credit risk management practices associated with the implementation and on-going application of the accounting for expected credit losses. The EBA guidelines emphasize high-quality and consistent application of IFRS 9 and are meant to help to promote consistent interpretations and practices. The objective of the EBA guidelines is to be in line with the BCBS guidance and they would not prevent credit institutions from meeting the impairment requirements in IFRS 9.	

Relevant web-links	
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-credit-institutions-credit-risk-management-practices-and-accounting-for-expected-credit-losses EBA Guidelines on uniform disclosures under CRR as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01):

18. 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 3 July 2015

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

18. Strengthening of national deposit insurance arrangements

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [ ] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 early intervention, failure prevention, and 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).

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

18. Strengthening of national deposit insurance arrangements

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
On 24 November 2015 the Commission proposed to set up a "European Deposit Insurance Scheme" (EDIS) as the third pillar of a fully-fledged banking union, alongside the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM). The EDIS proposal forms part of a wider package including a number of risk reduction measures, designed to further strengthening the Banking Union. The EDIS proposal builds on the system of national DGS regulated by the DGSD. This system already ensures that all deposits up to € 100 000 are protected through national DGS all over the EU. EDIS would provide a stronger and more uniform degree of insurance cover in the euro area. This would reduce the vulnerability of national DGS to large local shocks, ensuring that the level of depositor confidence in a bank would not depend on the bank's location and weakening the link between banks and their national sovereigns. According to the proposal, EDIS would develop in different stages and its support would progressively increase over time. At the final stage of the set-up, the protection of bank deposits would be fully financed by EDIS, supported by a close cooperation with national DGS. EDIS would be mandatory for euro area Member States and open to non-euro area Members States willing to join the Banking Union. A full EDIS is envisaged in 2024. To encourage progress in the negotiations, the Commission proposed in its Communication on completing the Banking Union of 11 October 2017 to introduce EDIS more gradually compared with the original proposal of November 2015. In a first phase, EDIS would only provide liquidity support which would need to be repaid by national DGSs. In a second phase EDIS would start sharing losses. The transition to this second phase would be contingent on a set of conditions, including an asset quality review (AQR). The proposed ideas try to address concerns raised in the European Parliament and the Council, in particular with respect to existing legacy risks on banks´ balance sheets. The endgame should be a fully-fledged EDIS with both 100% liquidity and loss coverage as proposed in the original EDIS proposal of November 2015. The Euro Summit of 29 June 2018 concluded that "adhering to all elements of the 2016 roadmap in the appropriate sequence,	Detailed discussion on the suggestions presented in the Commission's Communication of October 2017 and alternative design options in the European Parliament and the Council as well as actions in the context of the envisaged "EDIS roadmap". Continue technical level discussions in the Ad Hoc Working Party on the Strengthening of the Banking Union, adhering to all elements of the 2016 roadmap in the appropriate sequence. In addition, the Deposit Guarantee Scheme Directive requires the Commission, supported by European Banking Authority (EBA) and its 28 national authorities, to submit to the European Parliament and to the Council a report on the progress towards the implementation of the DGSD.

Relevant web-links

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?

19. Enhancing market 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 3 January 2018

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

19. Enhancing market integrity and efficiency

Progress to date

Issue is being addressed through

- ☑ Primary / Secondary legislation
- ☑ Regulation / Guidelines
- ☑ Other actions (such as supervisory actions)

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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

19. Enhancing market integrity and efficiency

Update and next steps	
Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
Adoption of the outstanding secondary legislation including implementing measures under MAR and MiFID II/MIFIR. ESMA provides ongoing support for implementation of MAR and MIFID/MiFIR through supervisory guidance in form of guidelines and Q&As as well as opinions (position limits and ancillary services). Successful entry into application on January 2018 without a disruptive impact of financial markets.	

Relevant web-links	
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

20. Regulation and supervision 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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 3 January 2018

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

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- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
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20. Regulation and supervision of commodity markets

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

20. Regulation and supervision of commodity markets

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
MiFID2 entered into force on 3rd January 2018 and the delegated acts setting the rules for the implementation of the new framework are being applied since then. These include the following elements: 1.. The methodology allowing national competent authorities to set limits on the positions that any person can hold at any time on a commodity derivative; 2.. The methodology allowing non-financial entities to calculate the size of their non-hedging activities to notify to their competent authorities that these are ancillary to their main activity (or, in the contrary, to ask for a license as investment firm); 3.. The reporting standards for the publication of "Commitment of Traders" reports by operators of trading venues.	

Relevant web-links

Web-links to relevant documents	http://eur-lex.europa.eu/legal-content/IT/TXT/?toc=OJ:L:2017:087:TOC&uri=uriserv:OJ.L_.2017.087.01.0492.01.ENG http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.087.01.0479.01.ENG&toc=OJ:L:2017:087:TOC https://www.esma.europa.eu/press-news/esma-news/esma-issues-final-guidelines-commodity-derivatives-inside-information

21. 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 forthcoming FSB progress report on implementation of FSB recommendations in this area, and ongoing IOSCO work to review the implementation of the IOSCO *Principles for Financial Benchmarks*.

22. 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 also refer to OECD's *September 2013 and September 2014 reports* on effective approaches to support the implementation of the High-level Principles. 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.

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

- ○ **Not applicable**
- ○ **Applicable but no action envisaged at the moment**
- ○ **Implementation ongoing**
- ◉ **Implementation completed as of** 23/2/2018 (IDD), 21/2

If "**Not applicable**" or "**Applicable but no action envisaged…**" has been selected, please provide a brief justification

If "**Implementation ongoing**" has been selected, please specify

- ○ Draft in preparation, expected publication by
- ○ Draft published as of
- ○ Final rule or legislation approved and will come into force on
- ○ Final rule (for part of the reform) in force since

22. Enhancing financial consumer protection

Progress to date

Issue is being addressed through

- [x] Primary / Secondary legislation
- [x] Regulation / Guidelines
- [ ] Other actions (such as supervisory actions)

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 standardised sheet with user-friendly, detailed information on the characteristics of the loan on offer, including specific warnings in the case of variable rate loans and foreign currency loans; it 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 and to exercise reasonable forbearance before foreclosure proceedings are initiated against borrowers that have fallen into arrears, with further details provided in two sets of Guidelines developed by the European Banking Authority (EBA) and its 28 national authorities. The Directive 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 Directive requires Member States to designate the national competent authorities and grant them investigating and enforcement powers and adequate resources. Moreover, the Directive 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. Borrowers 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.
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.

If this recommendation has not yet been fully implemented, please provide **reasons for delayed implementation**

22. Enhancing financial consumer protection

Update and next steps

Highlight **main developments since last year's survey**	**Planned actions** (if any) and expected commencement date
	IDD: Technical Advice by EIOPA - 1 February 2017 Draft Implementing Technical Standards - February 2017 Transposition into national law: 1 July 2018. MCD: Adopted in 2014. Deadline for transposition by Member States was 21 March 2016. As of May, 27 MS have transposed the Directive. 1 Member State has not yet transposed the Directive and a case against it is pending before the Court. MiFID II: Apart from a few remaining implementing measures, the Commission has adopted and published the vast majority of the level 2 measures. ESMA provides ongoing implementation support by means of guidelines and Q&As. PAD was adopted in 2014. Deadline for transposition by Member States is 18 September 2016. As of May 2018, PAD has been transposed by all Member States. The Commission is in close contact with one Member State which has notified only partial transposition of the Directive. The EC has adopted and published regulatory technical standards and implementing technical standards regarding the standardised terminology of services and common format and symbol of the FID and SOF. PRIIPs: PRIIPs Regulation together with regulatory technical

Relevant web-links

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

List of abbreviations used

Sources of recommendations

- Hamburg: G20 Leaders' Communique (7-8 July 2017)
- Hangzhou: G20 Leaders' Communique (4-5 September 2016)
- Antalya: G20 Leaders' Communique (15-16 November 2015)
- Brisbane: G20 Leaders' Communique (15-16 November 2014)
- St Petersburg: The G20 Leaders' Declaration (5-6 September 2013)
- Los Cabos: The G20 Leaders' Declaration (18-19 June 2012)
- Cannes: The Cannes Summit Final Declaration (3-4 November 2011)
- Seoul: The Seoul Summit Document (11-12 November 2010)
- Toronto: The G-20 Toronto Summit Declaration (26-27 June 2010)
- Pittsburgh: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
- London: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
- Washington: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
- FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
- FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
- FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)
- FSB 2012: The FSB Report on Increasing the Intensity and Effectiveness of SIFI Supervision (1 November 2012)