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List of Supervised Entities – ECB publishes updated list

12 November 2020 – The European Central Bank (ECB) has published a new list of all significant and less significant supervised entities, up to date as per 1 October 2020. The list indicates that, as at that date, the number of significant entities directly supervised by the ECB is 113.

List of supervised entities is [here](#).

Sustainable finance – ECB publishes interview given by Yves Mersch

21 November 2020 – Yves Mersch, Member of the Executive Board of the European Central Bank (ECB) and Vice-Chair of the Supervisory Board of the ECB, has given an interview to German financial newspaper Börsen-Zeitung on the ECB's role in relation to green and sustainable finance. Although Mr Mersch clarifies that green and sustainable finance does not fall within the scope of the ECB's primary objective, he notes that questions of sustainability do fall within the scope of its secondary objectives. As such, the ECB is exploring its role in ensuring "a high level of protection and improvement of the quality of the environment".

Mr Mersch also notes that one of the potential risks relating to green and sustainable finance in the coming years is that it is "degenerated into a pure marketing tool", rather than actually helping to "make the world a greener place". Better and more standardised non-financial reporting will be crucial to allow investors to correctly price the risks associated with investing in green products.

Interview with Yves Mersch is [here](#).

EURIBOR fallbacks – EU working group publishes two consultations

23 November 2020 – The EU working group on euro risk-free rates has published consultations on fallback rates to the euro interbank offered rate (EURIBOR). Fallback rates are rates that can be relied upon in case of the unavailability of the main rate. The first consultation contains proposals on fallback rates based on the euro short-term rate (€STR) and spread

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adjustment methodologies in order to produce the most suitable EURIBOR fallback measures for each asset class. The second consultation contains proposals on potential events that could trigger such fallback measures.

The consultation on €STR-based fallback rates considers both forward-looking rates, based on the derivatives markets referencing the €STR and which reflect market expectations of the evolution of the €STR, and backward-looking rates, based on simple mathematical calculations of the value of past realised daily fixings of the €STR over a given period of time. The second consultation identifies a generic set of potential fallback trigger events that market participants could consider, including in fallback contractual provisions and financial instruments referencing EURIBOR.

Both consultations close on 15 January 2021.

Public consultation by the working group on euro risk-free rates on €STR-based EURIBOR fallback rates is [here](#).

Public consultation by the working group on euro risk-free rates on EURIBOR fallback trigger events is [here](#).

Webpage is [here](#).

COVID-19 and Brexit – ECB publishes interview given by Yves Mersch

25 November 2020 – The ECB has published the transcript of an interview given by Yves Mersch with the Financial Times. The interview covers several topics, including COVID-19 and Brexit.

On COVID-19, Mr Mersch comments that the recent set of lockdown measures have been “much less growth-damaging and much more targeted”, which could mitigate the fallout. He notes that what is being seen is increased fragmentation between the services sector and the manufacturing sector, meaning some countries’ economic structures are being hit harder than others. The ECB believes it will be difficult to maintain positive growth going into the fourth quarter for most countries, but it is too early to predict further into 2021.

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Mr Mersch also comments on the financial services sector's preparations for the end of the Brexit transition period and acknowledges the large number of contracts that still require repapering or novation. He remains concerned that, after the end of the transition period, there may still be a risk of UK firms acting in the EU without the proper authorisation to provide services to EU clients. Extensive use of third country national regimes could also pose risks to the level playing field and undermine the integrity of supervision. Banks and investment firms may unduly use these regimes, alongside national exemptions, to avoid EU banking supervision and he emphasises that the ECB will be monitoring the situation.

He concludes by emphasising the ECB's message – that EU products and transactions with EU clients should be booked in the EU and risk management capabilities related to these products should be located in the EU.

Interview by Yves Mersch with the Financial Times is [here](#).

SIPS Regulation - ECB consults on changes to oversight requirements for payment systems

30 November 2020 – The ECB is consulting on amendments to the Regulation on oversight requirements for systemically important payment systems ((EU) 765/2014) (the SIPS Regulation). The SIPS Regulation relates to both large-value and retail payment systems of systematic importance and applies to payment systems operated both by central banks and by private operators.

The proposed amendments concern:

- criteria for determining which Eurosystem central bank is to be designated as the competent authority for the oversight of SIPS (requiring further technical amendments to two implementing decisions to clarify how oversight should be exercised when two competent authorities are designated);
- additional methodology for the identification of a payment system as a SIPS; and
- the introduction of a phasing-out period for reclassifying a SIPS as a non-SIPS.

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The consultation closes on 8 January 2021.

Draft Regulation amending the SIPS Regulation on oversight requirements for SIPS is [here](#).

Decision amending Decision (EU) 2017/2098 on procedural aspects concerning the

imposition of corrective measures for non-compliance with the SIPS Regulation is [here](#).

Decision amending Decision (EU) 2019/1349 on the procedure and conditions for exercise by a competent authority of certain powers in relation to oversight of SIPS is [here](#).

Press release is [here](#).

Risk reduction - European Commission, ECB and SRB publish seventh edition of monitoring report on indicators

1 December 2020 – The European Commission, the ECB and the Single Resolution Board (SRB) have published the seventh edition of the monitoring report on risk reduction indicators. This edition was designed to inform the decision on the possible early introduction of the common backstop to the Single Resolution Fund by the European Stability Mechanism.

Overall, the report concludes that all risk reduction indicators have improved over the assessment period and that despite heightened levels of uncertainty arising from the COVID-19 pandemic, remedial actions are being taken at the appropriate level and by the appropriate authorities to address specific concerns.

European Commission, ECB and SRB monitoring report on risk reduction indicators is [here](#).

Supervisory cooperation and operational resilience – ECB and PRA each publish statement

3 December 2020 – The ECB and the PRA have published identical statements regarding supervisory cooperation and operational resilience. They note that banks have made

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progress enhancing operational resilience in recent years, including through their response to COVID-19, but more work needs to be done. The ECB and the PRA recognise the global and interconnected nature of banks and the importance of supervisory coordination and are therefore committed to working together closely, along with the Federal Reserve, to ensure that supervisory approaches to operational resilience are well coordinated.

PRA statement on supervisory cooperation and operational resilience is [here](#).

ECB statement on supervisory cooperation and operational resilience is [here](#).

Please see the SSM section for an item on the ECB's final Guide for SSM banks on climate change and environmental risks

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NEWS FOR THE SINGLE SUPERVISORY MECHANISM (SSM)

Climate-related and environmental risks – ECB publishes final guide on supervisory expectations for SSM banks

27 November 2020 – The European Central Bank (ECB) has published its final guide on supervisory expectations relating to the risk management and disclosure of climate-related and environmental risks, following a consultation in May 2020. Amongst other things, the guide outlines the ECB's expectations for banks in the single supervisory mechanism (SSM) to take these risks into account when formulating and implementing their business strategy and governance and risk management frameworks. It applies from the date of publication.

An accompanying press release confirms that the ECB expects to take two follow-up steps:

- in early 2021, it will ask banks to conduct a self-assessment in light of the supervisory expectations outlined in the guide and to draw up action plans so that the ECB can then benchmark the self-assessments and plans and challenge them in supervisory dialogue; and
- in 2022, it will conduct a full supervisory review of banks' practices and take follow-up measures where necessary.

The ECB has also separately published a report on climate-related and environmental risk disclosures which notes that the level of progress in this area varies considerably across institutions, depending on their size and the topic in question. Most notably, the report states that virtually none of the institutions in the scope of the assessment would meet a minimum level of disclosures set out in the Task Force on Climate-related Financial Disclosures (TCFD). The ECB has also published a feedback statement, providing an overall assessment of comments to the public consultation on the draft ECB guide on climate-related and environmental risks and its response.

ECB Guide on climate-related and environmental risks: Supervisory expectations relating to risk management and disclosure is [here](#).

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ECB report on institutions' climate-related and environmental risk disclosures is [here](#).

ECB Feedback statement: Responses to the public consultation on the draft ECB Guide on climate-related and environmental risks is [here](#).

Press release is [here](#).

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NEWS FOR THE SINGLE RESOLUTION MECHANISM (SRM)

BRRD, SRM Regulation and DGSD – European Commission publishes combined inception impact assessment

10 November 2020 – The European Commission (Commission) has published a combined evaluation roadmap and inception impact assessment in relation to its review of the Bank Recovery and Resolution Directive (2014/59/EU) (BRRD), the Regulation for the Single Resolution Mechanism (806/2014) (SRM Regulation) and the Deposit Guarantee Schemes Directive (2014/49/EU) (DGSD).

As well as looking at measures for preparing for and preventing bank failures, the evaluation will also consider measures applicable once a bank has been declared failing or likely to fail, such as the level of depositor protection.

Amendments to the existing legislative framework are being considered by the Commission, which may include: (i) adjusting the public interest assessment to ensure an adequately broad scope for bank resolution; (ii) creating new tools for orderly liquidation inside resolution with funding appropriate for smaller and medium-sized banks; and (iii) ensuring the availability and usability of tools for deposit guarantee scheme (DGS) interventions in insolvency as an alternative to paying out depositors. Non-legislative tools such as interpretation or guidance on the current framework are also being considered.

The Commission is welcoming comments on the assessment until 8 December 2020, and it intends to publish a consultation on the review focusing on fundamental issues and design principles in November 2020. It then intends to adopt legislative proposals in the third quarter of 2021.

European Commission evaluation roadmap is [here](#).

Webpage to provide feedback on Commission's review is [here](#).

Inception impact assessment is [here](#).

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2021-2023 Multi-Annual Programme – published by the Single Resolution Board

30 November 2020 – The Single Resolution Board (SRB) has published its 2021-2023 Multi-Annual Programme, including its Work Programme 2021. The accompanying press release notes that the COVID-19 pandemic has led to a number of changes to the prudential framework and State aid to facilitate bank lending and that, as such, “*the urgent need to complete the Banking Union will remain a high priority on the agenda*”. In 2020 two new Member States – Bulgaria and Croatia – joined the Single Resolution Mechanism (SRM).

SRB Multi-Annual Programme 2021-2023 and 2021 Work Programme is [here](#).
Press release is [here](#).

Backstop to SRF and reform of ESM - Eurogroup announcement

30 November 2020 – The Eurogroup has announced that it will proceed with the early introduction of the backstop to the Single Resolution Fund (SRF) two years ahead of schedule, aiming for its entry into force by the beginning of 2022. The backstop will take the form of a credit line from the European Supervisory Mechanism (ESM). The Eurogroup considers that the reform “*will further develop the ESM toolkit and strengthen the role of the ESM in the design, negotiation and monitoring of financial assistance programmes. It also provides for establishing a common backstop to the SRF in the form of a credit line from the ESM to replace the Direct Recapitalisation Instrument, providing a financial safety net for bank resolutions in the Banking Union, which will help to protect financial stability. These changes will strengthen the resilience and crisis resolution capacities of the euro area.*”

Statement of the Eurogroup announcing ESM reform and early introduction of the backstop to the Single Resolution Fund is [here](#).

Remarks by President of the Eurogroup, Paschal Donohoe, following the Eurogroup video conference of 30 November 2020 is [here](#).

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Risk reduction - European Commission, ECB and SRB publish seventh edition of monitoring report on indicators

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Overall, the report concludes that all risk reduction indicators have improved over the assessment period and that despite heightened levels of uncertainty arising from the COVID-19 pandemic, remedial actions are being taken at the appropriate level and by the appropriate authorities to address specific concerns.

European Commission, ECB and SRB monitoring report on risk reduction indicators is [here](#).

BRRD II – European Commission notice on interpretation published in the OJ

2 December 2020 – A Commission notice relating to the interpretation of certain legal aspects of the bank resolution framework in response to questions from member state authorities has been published in the Official Journal of the EU (OJ). This notice follows, and supplements, the first Commission notice published in the OJ in September 2020.

The questions relate to the interpretation of the BRRD, as amended by the BRRD II Directive (EU) 2019/879. The notice also considers the interaction of certain aspects of BRRD II with the Capital Requirements Regulation (575/2013/EU) (CRR) (as amended by the CRR II Regulation (EU) 2019/876), the Capital Requirements Directive (2013/36/EU) (CRD IV) (as amended by the CRD V Directive (EU) 2019/878) and the SRM Regulation.

Other questions and answers in the notice relate to: (i) the selling of subordinated eligible liabilities to retail clients; (ii) the minimum requirement for own funds and eligible liabilities; (iii) the contractual recognition of bail-in and the contractual recognition of resolution stay powers; and (iv) the write down or conversion of capital instruments and eligible liabilities.

Commission Notice relating to the interpretation of certain legal provisions of the revised bank resolution framework is [here](#).

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If you would like to discuss any of the developments in this update, or any other financial regulatory matter, please contact one of the following or your usual EFIG contact.

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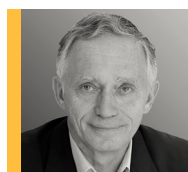
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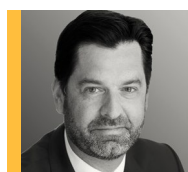
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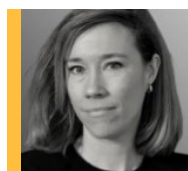
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