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## EUROPEAN CENTRAL BANK (ECB)

### **Cyberattack resilience – ECB announces stress test**

3 January 2024 - The European Central Bank (ECB) has announced that it will carry out a cyber resilience stress test in 2024 on more than 100 banks, out of which a quarter will undergo an enhanced assessment for which they will submit additional information on how they coped with the stress test.

In the exercise scenario, the cyberattack will succeed in disrupting the bank's daily business operations. The banks will then be tested on how they respond to and recover from the cyberattack and the supervisors will discuss the findings and lessons learned with each bank as part of the 2024 Supervisory Review and Evaluation Process (SREP). The main findings of the exercise will be communicated in the summer of 2024.

*Press release*

### **Financial conglomerates - ECB publishes final guide on significant risk concentrations and intragroup transactions**

10 January 2024 - The ECB has published a guide on the reporting of significant risk concentrations and intra-group transactions under the Financial Conglomerates Directive (2002/87/EC). This follows a consultation on a draft version of the guide, launched in August 2023. Among other things, the guide is intended to help financial conglomerates to set up relevant internal processes for reporting using the templates provided in Commission Implementing Regulation (EU) 2022/2454. It also explains the ECB's expectations on the types of transactions to be reported as well as applicable thresholds.

*ECB: Guide on Financial Conglomerate Reporting of Significant Risk Concentrations and Intragroup Transactions*

*ECB feedback statement: Responses to the public consultation on the draft Guide on Financial Conglomerate Reporting of Significant Risk Concentrations and Intragroup Transactions*

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## **Alignment of banking sector with EU climate objectives – ECB publishes report**

*23 January 2024* - The ECB has published the results of an assessment of the alignment of the EU banking sector with EU climate objectives, together with a related blog post by Frank Elderson, ECB Executive Board Member and Supervisory Board Vice-Chair.

The ECB finds that banks' credit portfolios are substantially misaligned with the goals of the Paris Agreement. Transition risks stem largely from financing companies in the energy sector that are either too slow to phase out high-carbon production processes or too slow to build out their renewable energy production capacity. According to the report, many banks also face elevated reputational and litigation risks as they are publicly committed to the Paris Agreement but their credit portfolios are still measurably misaligned with it.

*ECB report: Risks from misalignment of banks' financing with the EU climate objectives: Assessment of the alignment of the European banking sector*

*ECB blog post: "Failing to plan is planning to fail" – why transition planning is essential for banks*

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## EUROPEAN BANKING AUTHORITY (EBA) / EUROPEAN COMMISSION

### **CRD V and CRR II – EBA publishes draft RTS and ITS**

9 January 2024 - The European Banking Authority (EBA) has published a final report on regulatory technical standards (RTS) and implementing technical standards (ITS) regarding supervisory colleges under the Capital Requirements Directive IV (2013/36/EU) (CRD IV). Among other things, the new RTS and ITS implement amendments made to CRD IV and the Capital Requirements Regulation (575/2013) (CRR) by the Capital Requirements Directive V ((EU) 2019/878) (CRD V) and the Capital Requirements Regulation II ((EU) 2019/876) (CRR II). These include the expansion of the framework for supervisory colleges to cover certain financial holding companies and third-country groups with two or more EU institutions.

The EBA will submit the final draft RTS and ITS to the European Commission for adoption.

*[Final Report on RTS and ITS on supervisory colleges \(EBA/RTS/2024/01 / EBA/ITS/2024/01\)](#)*

*[Press release](#)*

### **FRTB reporting – EBA publishes draft ITS**

11 January 2024 - The EBA has published a final report on ITS amending the existing standards on specific reporting requirements on market risks set out in the Commission Implementing Regulation (EU) 2021/451 as part of its Fundamental Review of the Trading Book (FRTB) introduced by the CRR II. The changes include a comprehensive set of templates for reporting.

The EBA will submit the final draft ITS to the European Commission for adoption. The revised reporting requirements under the ITS are generally expected to apply from 31 March 2025.

*[Final Report on Draft ITS on reporting requirements for market risk \(EBA/ITS/2024/02\)](#)*

*[Press release](#)*

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### **CRR - EBA publishes report on specific aspects of the net stable funding ratio framework**

16 January 2024 - The EBA has published a report on aspects of the net stable funding ratio (NSFR) framework under the CRR. Specifically, the report analyses the funding risk linked to derivative contracts, to securities financing transactions and unsecured transactions with a residual maturity of less than six months with financial customers, and to institutions' own holdings of securities to hedge derivative contracts.

For the items in relation to which data is available, the report evaluates the materiality of the phenomena and assesses the impact of possible changes to the current prudential treatment. On the basis of this analysis and coupled with the fact that the current treatment appears to be aligned with other jurisdictions, the EBA concludes that changes to the current legislation are not necessary.

*[EBA report on specific aspects of the NSFR framework under Article 510 \(4\), \(6\) and \(9\) of Regulation \(EU\) 575/2013 \(EBA/Rep/2024/01\)](#)*

*[Press release](#)*

### **CRR - EBA publishes Consultation Paper on targeted amendments to prudential valuation framework**

16 January 2024 - The EBA has published a Consultation Paper on targeted amendments to Commission Delegated Regulation (EU) 2016/101, which sets out the RTS on the prudential valuation of fair-valued financial instruments under the CRR.

The amendments aim to promote a more harmonised application of the RTS and to reduce the observed variability of additional value adjustments under the core approach, as well as to set the rules for the application of the prudent valuation framework in extraordinary circumstances. The consultation will be open until 16 April 2024 and a public hearing will take place via webinar on 4 March 2024.

*[EBA Consultation Paper: Amending Draft RTS on prudent valuation under Article 105\(14\) of Regulation \(EU\) No 575/2013 \(EBA/CP/2024/001\)](#)*

*[Press release](#)*

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### **MiCAR - EBA publishes new Guidelines on ML/TF risk factors to crypto-asset service providers**

16 January 2024 – The EBA has published its new guidelines on money laundering and terrorist financing (ML/TF) risk factors to crypto-asset service providers (CASPs) (EBA/GL/2024/01). The guidelines aim to foster a shared understanding of the ML/TF risks associated with CASPs while providing measures for CASPs, credit institutions and financial entities to effectively manage and mitigate these risks. The guidelines amend the EBA's revised ML/TF Risk-Factors Guidelines (EBA/GL/2021/02).

The EBA is mandated to issue the guidelines by Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain cryptoassets, amending the Fourth Anti-Money Laundering Directive (Directive (EU) 2015/849) (AMLD4). The regulation is part of the European Commission's legislative package containing four proposals to reform the EU's legal and institutional ML/TF framework, issued in July 2021. The regulation subjects CASPs to the same ML/TF requirements and supervision as other credit institutions and financial entities.

The guidelines come into effect on 30 December 2024.

*[Final report on Guidelines on the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision \(EBA/GL/2023/07\)](#)*

*[Press release](#)*

### **DORA – ESAs publish on first set of final draft RTS for ICT and third-party risk management**

17 January 2024 – DB - The Joint Committee of the European Supervisory Authorities (ESAs) has published the first set of draft final technical standards under the Digital Operational Resilience Act (EU) 2022/2554) (DORA). The draft technical standards address information and communication technology (ICT) and third-party risk management as well as incident classification and reporting frameworks in the financial sector.

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The joint final technical standards include:

- RTS to further harmonise ICT risk management tools, methods, processes, and policies (JC 2023 86), complementary to those identified in DORA;
- RTS on criteria for the classification of ICT-related incidents, and materiality thresholds for major incidents and significant cyber threats (JC 2023 83);
- RTS to specify the policy on the use of ICT service supporting critical or important functions provided by ICT third-party service providers (TPPs) (JC 2023 84); and
- ITS on standard templates for the register of information on contractual arrangements on the use of ICT services provided by ICT TPPs (JC 2023 85).

[Final report on draft RTS on ICT Risk Management Framework and on simplified ICT Risk Management Framework \(JC 2023 86\)](#)

[Final Report on draft RTS on classification of major incidents and significant cyber threats \(JC 2023 83\)](#)

[Final report on draft RTS to specify the policy on ICT services supporting critical or important functions \(JC 2023 84\)](#)

[Final report on draft ITS on Register of Information \(JC 2023 85\)](#)

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[Press release](#)

### **CRD - EBA consults on draft Guidelines on the management of ESG risks**

18 January 2024 – The EBA has published a Consultation Paper (EBA/CP/2024/02) on its draft guidelines on the management of environmental, social and governance (ESG) risks. After the amendments to the CRD IV, the EBA is mandated to issue guidelines establishing requirements for the internal processes and risk management arrangements related to ESG risks that institutions are required to implement.

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The Guidelines specify:

- minimum standards and reference methodologies for the identification, measurement and management, and monitoring of ESG risks;
- timelines and intermediate quantifiable targets and milestones in order to monitor and address the financial risks stemming from ESG factors; and
- qualitative and quantitative criteria for the assessment of the impact of ESG risks on the risk profile and solvency of institutions in the short, medium and long term.

[Consultation paper on draft Guidelines on ESG risks management \(EBA/CP/2024/02\)](#)

[Press release](#)

### **Interest rate risk in the banking book – EBA publishes heatmap outlining areas of scrutiny**

24 January 2024 - The EBA has published a heatmap following its scrutiny of the implementation of the interest rate risk in the banking book (IRRBB) standards in the EU. The heatmap describes the work the EBA has carried out in this area to date and identifies the main areas that will be subject to further EBA scrutiny, as well as corresponding actions in the short, medium and long term.

[Heatmap following the EBA scrutiny on the IRRBB standards implementation in the EU \(EBA/REP/2024/02\)](#)

[Press release](#)

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## SINGLE SUPERVISORY MECHANISM (SSM)

### ECB publishes updated SSM Manual

4 January 2024 - The European Central Bank (ECB) has published an updated version of its Supervisory Manual for the Single Supervisory Mechanism (SSM). The Supervisory Manual outlines the organisational structure of the SSM and defines the methodologies, processes and procedures for banking supervision in the euro area. It also provides insights into how the SSM collaborates with other authorities within the wider institutional framework.

The ECB published the first Supervisory Manual in March 2018. The recently revised version incorporates updates resulting from the restructuring of ECB banking supervision in 2019 and replaces the EBC's 2014 guide to banking supervision.

The updated Supervisory Manual is structured as follows:

- Chapter 1 elaborates on the functioning of the SSM, covering its organisation, operating structure, decision-making processes, and collaborative efforts with other institutions and authorities.
- Chapter 2 addresses the supervisory cycle, comprising four elements: (i) setting up supervisory priorities and strategic planning; (ii) establishing policies, methodologies, expert groups, horizontal activities, and supervisory operations; (iii) conducting day-to-day supervision; and (iv) enhancing banking supervision: evolving supervisory priorities, and the second line of defence review.
- Chapter 3 focuses on the supervision of all entities, with the noteworthy addition of paragraph 3.3, which addresses the approval of parent (mixed) financial holding companies.
- Chapters 4 and 5 respectively cover the supervision of significant and less significant institutions.

*[ECB Supervisory Manual](#)*



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## SINGLE RESOLUTION MECHANISM (SRM)

### **General Court annuls SRB decision on the calculation of ex ante contributions - Dexia Crédit Local v SRB**

24 January 2024 - The General Court of the Court of Justice of the European Union issued its judgment in the case of Dexia Crédit Local against the Single Resolution Board (SRB) (Case T-405/21). In this judgment, the General Court annuls the SRB's decision determining the 2021 ex-ante contributions to the Single Resolution Fund (SRF) (the Decision) to be made by the Dexia Crédit Local (the Applicant).

The Applicant sought annulment of the Decision arguing, among other things, that Articles 5, 69 and 70 of the Single Resolution Mechanism (SRM) Regulation (806/2014), on the basis of which the annual target level and the Applicant's ex-ante contribution were determined by the SRB, were unlawful. These provisions were adopted pursuant to Article 114(1) of the Treaty on the Functioning of the European Union (TFEU), which requires that the legislative acts adopted on its basis should i) comprise measures for the approximation of the provisions laid down by law, regulation or administrative action in the Member States and, ii) have as their objective the establishment and functioning of the internal market.

The General Court assessed and found that these criteria were both met, stating that the current resolution regime was developed in the context of an economic and financial crisis which put the functioning of the internal market in the area of banking services under threat. This threat was addressed by the creation of a uniform resolution regime in participating Member States. This uniformity is ensured by the design of the SRB, which allows for swift and effective decision-making with the object of improving the functioning of the internal market. The General Court also found that the measures taken in the field of resolution must be based on specific professional and technical expertise. In those circumstances, Articles 5, 69 and 70 SRM Regulation may be regarded as provisions for the approximation of the provisions of the Member States concerning the resolution of institutions.

The General Court nevertheless annulled the Decision, as it found that the SRB had not fulfilled its obligation to state reasons for the establishment of the annual target level.

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## CRISIS MANAGEMENT AND DEPOSIT INSURANCE (CMDI) FRAMEWORK

No relevant items.

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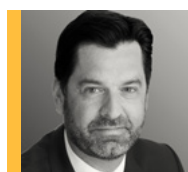
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