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NEWS FROM THE ECB

Supervised entities as of 1 December 2019 - European Central Bank (ECB) publishes updated list of supervised entities

7 January 2020 – The ECB has published an updated list of significant supervised entities, which are directly supervised by the ECB, and less significant supervised entities, which are indirectly supervised by the ECB.

List of supervised entities as of 1 December 2019 is [here](#).

Central bank digital currencies – New group launched which includes the Bank of England

21 January 2020 – The Bank of England has announced the launch of a central bank group to assess the potential cases for developing central bank digital currencies (CBDCs). The group comprises the Bank of England, the Bank of Canada, the Bank of Japan, the Sveriges Riksbank, the ECB, the Swiss National Bank and the Bank for International Settlements (BIS). The group will “assess CBDC use cases; economic, functional and technical design choices, including cross-border interoperability; and the sharing of knowledge on emerging technologies”. The Bank of England first raised the possibility of a central bank-issued digital currency in its research agenda in 2015.

Press release: Bank of England announces launch of central bank digital currencies group is [here](#).

Please also see the Single Supervisory Mechanism (SSM) section for items on an ECB recommendation and ECB draft Guideline consultation.

Supervisory Review and Evaluation Process (SREP) - European Central Bank (ECB) publishes outcomes of its 2019 SREP

28 January 2020 - The ECB has published the outcomes of its 2019 SREP. The overall SREP requirements and guidance for Common Equity Tier 1 (CET1) capital in 2019 remained at the same level as in 2018. The average Pillar 2 requirement and the non-binding Pillar 2 guidance, set by the supervisor for each bank, also remained unchanged from the previous year. In order to increase transparency, for the first time the ECB published the bank-specific data. The ECB concludes that business models, internal governance and operational risks in banks remain a key area of concern. The ECB will sharpen its supervisory focus on these topics.

Press release: ECB keeps capital requirements and guidance for banks stable and increases transparency is [here](#).

Less significant institutions – ECB publishes risk report on less significant institutions

30 January 2020 – The ECB has published a report of the approximately 2,400 less significant institutions (LSIs) regarding their main risks and vulnerabilities, particularly in relation to the development of digital-only banking. The ECB concludes that poor profitability remains a major vulnerability for LSIs and that their movement into digitalisation poses several risks.

Risk report on less significant institutions is [here](#).

NEWS FOR THE SINGLE SUPERVISORY MECHANISM (SSM)

Dividend distribution policies and variable remuneration policies - ECB publishes Recommendation and letter from Chair of the Supervisory Board

21 January 2020 - The European Central Bank (ECB) has published a Recommendation, dated 17 January 2020, on firms' dividend distribution policies and a letter from Andrea Enria (Chair of the Supervisory Board of the ECB) on the variable remuneration policies of credit institutions under the Single Supervisory Mechanism. Among other things, the ECB states that:

- it pays close attention to the dividend and remuneration policies of financial institutions under its supervision and, in particular, any impact that such policies may have on maintaining a sound capital base;
- firms should adopt a prudent, forward-looking stance when deciding on a remuneration policy and apply a policy that is consistent with a conservative (and at a minimum, a linear) path towards its fully-loaded capital requirements, including the combined buffer requirement, and outcomes of the supervisory review and evaluation process; and
- firms should consider the potentially negative impact of their remuneration policy on their ability to maintain a sound capital base, taking into account the transitional requirements set out in the Capital Requirements Directive (2013/36/EU) (CRD IV) and the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds under the Capital Requirements Regulation (575/2013/EU) (CRR).

ECB Recommendation on dividend distribution policies is [here](#).

ECB letter on variable remuneration policies of credit institutions under the Single Supervisory Mechanism is [here](#).

The road towards a truly European single market – Speech by Andrea Enria

30 January 2020 - Andrea Enria, Chair of the Supervisory Board of the ECB, has delivered a speech on the integration of the European banking sector. In his speech he looks back at what already has been achieved and discusses what still needs to be tackled. Areas where progress has been made include implementing global standards through an extensive set of European regulations; the development of EBA's single rulebook; and a common definition of capital, liquidity requirements, and non-performing loans. The areas that remain untackled include the establishment of a European deposit insurance scheme and a roadmap for the definitive completion of the banking union, which identifies and removes the obstacles to cross-border business and mergers.

Speech by Andrea Enria, 'The road towards a truly European single market' is [here](#).

Single Supervisory Mechanism - ECB consults on the materiality threshold for credit obligations past due for less significant institutions

January 2020 – The ECB has published for consultation a draft Guideline on the definition of the materiality threshold for credit obligations past due for less significant institutions under the Single Supervisory Mechanism Regulation (EU) 1024/2013. The draft Guideline provides for national competent authorities (NCAs) to exercise their discretion, under Article 178(2)(d) of the Capital Requirements Regulation (575/2013/EU) (CRR), in setting a single materiality threshold for both retail and non-retail exposures, irrespective of the method used for the calculation of capital requirements.

The consultation period closes on 17 February 2020.

ECB Consultation Paper on a draft ECB Guideline on the definition of the materiality threshold for less significant institutions under the Single Supervisory Mechanism is [here](#).

FAQs is [here](#).

Webpage is [here](#).

Press release is [here](#).

NEWS FOR THE SINGLE RESOLUTION MECHANISM (SRM)

Work Programme 2020 - published by the European Commission

29 January 2020 - The European Commission has published its work programme for 2020, which outlines the Commission's new policy initiatives, its regulatory fitness and performance review (REFIT) initiatives, and priority proposals that are pending adoption by the European Parliament and European Council for the year ahead. Those proposals include a Regulation amending the Single Resolution Mechanism Regulation (806/2014/EU) to establish a European deposit insurance scheme.

European Commission Work Programme 2020 is [here](#).

Annex 3 (Priority pending proposals) is [here](#).

Factsheet is [here](#).

Webpage is [here](#).

Brexit – Single Resolution Board (SRB) publishes statement on UK withdrawal from the EU

31 January 2020 – The SRB has published a statement on what it expects to happen after the UK formally leaves the EU. The SRB states that “During the Transition Period (until the end of December 2020), MREL-eligible liabilities governed by UK law are treated as if they were governed by Member State law. After that, they will be treated as third country liabilities and may need additional clauses.”

SRB statement: UK withdrawal from the EU is [here](#).

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We have unrivalled coverage of regulatory developments in the EU, which enables us to provide pure regulatory advice on the interpretation and application of EU directives and regulations. We also have strong connections with the best financial institutions lawyers in the United States, Asia and South America.

Our many years of experience of advising a diverse range of major financial institutions allows us to offer the most incisive advice available.

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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