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## EUROPEAN CENTRAL BANK (ECB)

### **IT and Cyber Risk – ECB publishes key observations from the 2022 horizontal analysis of IT and cyber risk**

16 December 2022 – The European Central Bank (ECB) has published its key observations from the 2022 horizontal analysis of IT and cyber risk within the significant institutions that the ECB supervises. Deficiencies in IT outsourcing and cyber resilience have been identified as a key vulnerability to be addressed by ECB Banking Supervision as a supervisory priority in the period 2022-24. The ECB provides eleven key observations on IT outsourcing risk, IT security risk, data quality management, IT change risk and IT Governance and risk management, derived mainly from the IT questionnaire that significant institutions were asked to provide. Joint Supervisory Teams will follow up with significant institutions on individual key observations and weaknesses that have been identified.

*[ECB key observations from the 2022 horizontal analysis of IT and cyber risk](#)*

### **Climate stress testing - ECB publishes report on good practices**

19 December 2022 – The ECB has published a report on good practices for climate stress testing, following the results of the ECB's climate stress test (CST) published in July 2022. The objective of the report is to provide banks with examples and suggestions of how to improve their CST capabilities based on good practices identified through the July 2022 stress test, and to support banks in their transitional journey.

The report states that climate and environmental risks will remain key priorities for the ECB and banks are expected to be able to properly manage their climate and environmental risks by the end of 2024. Supervisory CSTs will remain a key tool to assess the vulnerability of banks to climate-related risks, and banks' progress, particularly over the next two years.

*[ECB report on good practices for climate stress testing](#)*

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## **ECB and SRB - ECB publishes MoU on co-operation and exchange of information**

*20 December 2022* - The ECB and the Single Resolution Board (SRB) have revised their Memorandum of Understanding (MoU) in order to further enhance co-operation and information exchange. This follows the previous update in June 2018.

The MoU sets out different approaches to co-operation and the exchange of information in respect of the ECB and SRB's respective functions under the Single Supervisory Mechanism Regulation (1024/2013/EU) (SSM Regulation) and the Single Resolution Mechanism Regulation (806/2014/EU) (SRM Regulation). The update draws on lessons learned from recent crises, including COVID-19, addresses co-operation arrangements derived from the EU Basel III Banking Package and formalises current practices.

[\*Revised Memorandum of Understanding\*](#)

[\*Press release\*](#)

**Please see the 'Single Supervisory Mechanism' section below for an item on the ECB's supervisory priorities for the Single Supervisory Mechanism for 2023-25.**

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## EUROPEAN BANKING AUTHORITY (EBA)

### **Managing ML/TF risks when providing access to financial services – EBA publishes Consultation Paper**

5 December 2022 – The European Banking Authority (EBA) has published a Consultation Paper on two new guidelines relating to the effective management of money laundering (ML) and terrorist financing (TF) risks when providing access to financial services.

The first set of proposed guidelines would add a new section to the EBA's ML/TF risk factors Guidelines, which set out what firms should do to identify and tackle ML/TF risks. Among other things, this new section is intended to assist firms when assessing the ML/TF risks associated with a business relationship with customers that are not-for-profit organisations (NPOs).

The second set of proposed guidelines addresses the interaction between access to financial services and firms' ML/TF obligations, including in circumstances where customers have legitimate reasons for being unable to provide traditional forms of identity documentation. In addition, they set out the steps firms should take when considering whether to refuse or terminate a business relationship with a customer based on ML/TF risks or compliance grounds.

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The consultation closes on February 2022.

[EBA Consultation Paper: Effective management on ML/TR risks and access to financial services](#)

[Webpage](#)

[Press release](#)

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## **Review of the securitisation prudential framework – ESAs publish joint advice**

*12 December 2022* – The European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) have published a joint advice in response to the European Commission's (EC) October 2021 call for advice (CfA) on the review of the EU securitisation prudential framework.

The EC seeks the ESAs assistance to assess whether the framework is functioning in an optimal manner and identify areas for improvement. In particular, the Commission has requested the ESAs to assess the recent performance of the rules on capital and liquidity requirements with respect to the framework's original objective of contributing to the sound revival of the EU securitisation market on a prudent basis.

The ESAs believe that recalibrating the securitisation prudential framework would not be a solution that, in itself, would ensure the revival of the securitisation market. However, the targeted proposals in the advice aim to improve the consistency and risk sensitivity of the capital framework for banks, which is likely to further stimulate the origination of securitisation by banks. Therefore, the ESAs propose certain targeted amendments to the framework, such as reducing the risk weight floor for senior tranches retained by originators under a set of appropriate safeguards.

[ESAs Joint advice - executive summary](#)

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[ESAs Joint advice \(banking\)](#)

[ESAs Joint advice \(insurance\)](#)

[EC Call for advice](#)

[Press release](#)

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### **Sustainable finance – EBA publishes roadmap**

*13 December 2022* – The EBA has published a roadmap outlining a number of objectives, and a timeline, relating to its work on sustainable finance. The roadmap explains the EBA's approach over the next three years to the integration of ESG risk considerations into the banking framework. Among other things, the EBA has initiated an assessment of whether amendments to the existing prudential treatment of exposures to incorporate environmental and social considerations are justified. The EBA will also continue its efforts to ensure that ESG factors and risks are integrated into firms' risk management framework, and into the Authority's supervision of firms, including through climate stress tests.

[EBA roadmap on sustainable finance](#)

[Press release](#)

### **Overall recovery capacity in recovery planning – EBA publishes Consultation Paper**

*14 December 2022* – The EBA has published a Consultation Paper on draft guidelines covering overall recovery capacity (ORC) in recovery planning.

Under the Bank Recovery and Resolution Directive (2014/59/EU) (BRRD), institutions are required to set up recovery plans to strengthen their ability to restore financial and economic viability when facing potential situations of significant deterioration. The guidelines aim to set up a consistent framework for the determination of ORC by institutions in their recovery plans and the respective assessment by national competent authorities.

The consultation closes on 14 March 2023, and there will be a public hearing on 14 February 2023.

[EBA Consultation Paper: Draft guidelines on overall recovery capacity in recovery planning](#)

[Webpage](#)

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### **Transparency and level of fees and charges for retail banking products – EBA publishes thematic review**

*14 December 2022* – The EBA has published a thematic review on the transparency and level of fees and charges levied by financial institutions on retail banking products in the EU.

The review covers all retail banking products and services which fall within the EBA's consumer protection mandate, namely mortgage credit, consumer credit, deposits, payment accounts, payment services and electronic money. The report provides evidence that, for some financial institutions, fees and charges represent an important source of their income, and that they vary widely across the EU market, both in terms of the type and level of fees. The review concludes that, despite improvements in consumer protection brought about by several EU sectoral directives introduced in the past decade to regulate banking retail products, market practices for fees and charges are causing significant detriment to consumers.

*[EBA: Thematic review on the transparency and level of fees and charges for retail banking products](#)*

*[Press release](#)*

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### **CET1 instruments – EBA updates list**

*19 December 2022* – The EBA has published an updated list of capital instruments that national competent authorities across the EU and, for the first time, the European Economic Area (EEA), have classified as Common Equity Tier 1 (CET1). Article 26(3) of the CRR mandates the EBA to establish, maintain and publish a list of all the forms of capital instruments in each Member State that qualify as CET1. The last updated list was published on 8 December 2021.

*[Updated CET1 list December 2022](#)*

*[Press release](#)*

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## SINGLE SUPERVISORY MECHANISM (SSM)

### Single Supervisory Mechanism – ECB publishes priorities for 2023-25

12 December 2022 – The European Central Bank (ECB) has published its supervisory priorities for the Single Supervisory Mechanism (SSM) for 2023-25. They are as follows:

- Priority 1: strengthening resilience to immediate macro-financial and geopolitical shocks;
- Priority 2: addressing digitalisation challenges and strengthening management bodies' steering capabilities;
- Priority 3: stepping up efforts to address climate change. According to the ECB, climate change can no longer be regarded only as a long-term emerging risk, since its impact is already visible and is expected to grow materially.

[ECB Banking Supervision: SSM supervisory priorities for 2023-25](#)

[Blog post](#)

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## SINGLE RESOLUTION MECHANISM (SRM)

No relevant items.



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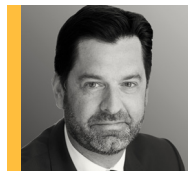
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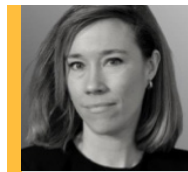
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