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€STR – ECB guideline published in the OJ

7 April 2021 – Guideline (EU) ECB/2021/565 (ECB 2021/10) (the Guideline) of the European Central Bank (ECB) has been published in the Official Journal of the European Union.

The Guideline amends guideline (EU) 2019/1265 (ECB/2019/19), which governs the euro short-term rate (€STR), and establishes the ECB's responsibility for its administration to provide:

- that the ECB is responsible for calculating and publishing compound rates; and
- greater clarity on the issue of stakeholder consultation.

The Guideline will take effect on the day of its notification to the national central banks of the EU member states whose currency is the euro. These banks are required to comply from 15 April 2021.

Guideline (EU) 2021/565 of the ECB

The proposal for a regulation on a pilot regime for market infrastructures based on distributed ledger technology – ECB publishes opinion

28 April 2021 – The ECB has published an opinion on a proposal for a regulation of the European Parliament and of the Council on a pilot regime for market infrastructures based on distributed ledger technology (DLT). The opinion was requested on 18 and 30 November 2020 by the Council and the European Parliament, respectively.

The proposed regulation aims to enable investment firms, market operators and central securities depositories (CSDs) to operate market infrastructures based on DLT, either as a DLT multilateral trading facility (MTF) or a DLT securities settlement system (SSS). Under the regulation, operators of DLT MTFs may provide services in addition to those provided under MiFID II; namely, they may provide core CSD services.

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The ECB welcomes the proposed regulation and the limitations that the proposed regulation brings, both in terms of asset classes and market size, but also makes several recommendations, including:

- it could be further considered whether to extend the asset classes, while maintaining the thresholds, to include sovereign bonds;
- it would be advisable to consider providing national competent authorities with an option to lower the relevant thresholds (bearing in mind the level of capital markets' development in some EU Member States);
- an additional threshold, set at the level of a DLT market infrastructure on the basis of settled value, could be contemplated, as this is one of the relevant indicators used in assessing the systemic importance of a settlement infrastructure; and
- a potential shortcoming with regard to the envisaged exemption from the application of the provisions on access set out in the CSD Regulation needs to be highlighted. The ECB believes that such an exemption, if granted in a wide manner by national competent authorities across the EU, may hamper the CSD Regulation's aim of harmonising and enhancing the efficiency of cross-border settlement within the EU and has the potential to affect interoperability among SSSs, which could ultimately lead to increased fragmentation of liquidity.

EBC opinion: The proposal a regulation on a pilot regime for market infrastructures based on distributed ledger technology

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Climate change and banks' role in greening the economy – ECB publishes speech

29 April 2021 – The ECB published a speech by ECB Supervisory Board Vice-Chair and Executive Board Member, Frank Elderson, on climate change and the role of banks in greening the economy. Mr Elderson outlined ECB Banking Supervisions' latest initiatives and explained that the ECB:

- has asked banks to conduct a self-assessment against the supervisory expectations outlined in the guide on climate-related and environmental risks for banks and to draw up action plans for aligning with supervisory expectations;
- has started work on incorporating climate-related risks into its Supervisory Review and Evaluation Process (SREP) methodology and expects that the actions it is taking in 2021 will result in banks being adequately prepared for its full supervisory review in 2022;
- is carrying out a stress test to assess the impact of climate-related risks on the European banking sector over a 30-year horizon which will map projects of climate patterns and expected climate developments to the location of firms' physical assets and will estimate the impact that severe climate events would have on those assets and banks' portfolios;
- when assessing the suitability of prospective members of a bank's management body, will consider their knowledge and experience of climate-related and environmental risks; and
- will include an understanding of climate-related and environmental risks as a specific area of expertise within the collective suitability of a bank's board.

ECB Speech: ADII the way to zero – guiding banks towards a carbon-neutral Europe

Please see the **News for the Single Supervisory Mechanism** section for items on the ECB's benchmarking of recovery plans and the ECB's review of internal models.

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NEWS FOR THE SINGLE SUPERVISORY MECHANISM (SSM)

Recovery plans - Benchmarking of recovery plans based on 2019 cycle plans

13 April 2021 - The European Central Bank (ECB) published results of its benchmarking analysis of the recovery plan cycle for 2019. The results aim to provide a horizontal overview of key characteristics of recovery plans of significant institutions and their assessments in order to facilitate identification of key focus points for improvements.

The data is based on the recovery plan standardised reporting template (SRT) submitted in the 2019 cycle; FINREP/COREP. Overall 96 recovery plans were assessed by the ECB in the cycle, in their role as consolidating supervisor.

SSM assessment: Benchmarking of Recovery Plans Based on 2019 cycle plans

Internal models – European Central Bank publishes report of its review

19 April 2021 – The ECB has published a report containing the results of its targeted review of internal models (TRIM). The TRIM was launched by the ECB in 2016 and aims to assess whether the internal models used by significant institutions in the Single Supervisory Mechanism comply with regulatory requirements and whether their results are reliable and comparable.

The outcomes of the TRIM confirmed that the internal models of significant institutions can continue to be used for the calculation of own funds requirements. However, for some models, limitations were needed to ensure a level of own funds that was appropriate to cover the underlying risk.

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The ECB also identified a number of deficiencies to be remediated, and a related press release explains that binding supervisory measures to take corrective action have been issued. Through these measures, the TRIM resulted in a 12% increase (about €275 billion) of risk-weighted assets for the affected internal models.

The report emphasises that banks need to continue to invest in the development and maintenance of their internal models. The ECB plans to pursue its risk-based supervision of internal models to ensure that banks continue to meet their regulatory requirements.

[ECB Report: Targeted Review of Internal Models Project Report](#)

[Press Release](#)

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NEWS FOR THE SINGLE RESOLUTION MECHANISM (SRM)

Crisis management and deposit insurance framework – Single Resolution Board respond to European Commission consultation on its review

21 April 2021 – The Single Resolution Board (SRB) has published its response to the European Commission’s targeted consultation of its crisis management and deposit insurance (CMDI) framework.

The CMDI framework sets out the rules for handling bank failures while protecting depositors and consists of three EU legislative texts working together with relevant national legislation: the Bank Recovery and Resolution Directive (2014/59/EU) (BRRD); the Regulation on the Single Resolution Mechanism (806/2014/EU) (SRM Regulation); and the Deposit Guarantee Schemes Directive (2014/49/EU). The consultation (which closed on 20 April 2021) sought to gather stakeholders’ experience with the current CMDI framework as well as their views on the revision of the framework.

Among other things, the SRB makes the following points in its response:

- it believes the resolution objectives are appropriate for the CMDI framework;
- deposit guarantee scheme flexibility should be preserved to strengthen the CMDI framework;
- the resolution framework already has a comprehensive set of tools at its disposal and enhancing these tools, rather than taking additional measures relating to the availability, effectiveness and fitness of these tools in the framework, is preferable; and
- it seems unnecessary and unhelpful to change SRB governance arrangements if the review of the CMDI framework enhances, rather than overhauls, the resolution toolkit.

[Single Resolution Board Consultation Response: Targeted consultation document review of the crisis management and deposit insurance framework](#)

[Press Release](#)

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Resolution planning – SRB publishes Resolution Planning Cycle (RPC) Booklet 2021

21 April 2021 - The RPC aligns the resolution planning of the banks under the SRB. To safeguard the resolution objectives, the resolution plans are annually updated taking into account changes in the market and in banks themselves. These updates ensure that the resolution plans can be immediately operational if needed.

The RPC Booklet 2021 provides information to stakeholders about the SRB's resolution planning activities and describes the main processes and phases of the current RPC that was launched on 1 April 2021. With regard to the drafting phase, the Booklet provides information on the content of the 2021 resolution plan and describes on which information the yearly resolution plans must be based. It also contains information on resolution reporting, key policies and guidance documents, time planning and on the cooperation with the ECB. The Booklet also provides information on the review, approval and communication phase.

[SRB Resolution Planning Cycle \(RPC\) Booklet](#)

Liquidity and funding in resolution - Single Resolution Board issues new guidance

30 April 2021 – The SRB has published its new guidance on liquidity and funding in resolution. This guidance focuses on one of the three elements described in the SRB's Expectations for Banks (Efb) document. This particular element holds an expectation for banks to develop methodologies to estimate ex-ante the liquidity needs for the implementation of the resolution strategy. This guidance aims to enhance banks' resolvability and preparedness for a potential resolution.

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This guidance establishes the expectations for banks to:

- identify their key liquidity entities (KLEs) in resolution and to explain why these entities are expected to be relevant for liquidity in resolution, or not;
- identify and provide a list of key drivers of the liquidity position in resolution; and
- develop resolution-specific methodologies to estimate the liquidity position in resolution and apply it to a minimum of two resolution scenarios: a slow-moving and a fast-moving scenario.

In order to meet these expectations, banks are invited to leverage on any capability already established for supervisory purposes, such as recovery planning. However, the resolution-specific aspects of the guidance are expected to be addressed.

[Single Resolution Board: New guidance on liquidity and funding in resolution](#)

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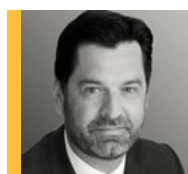
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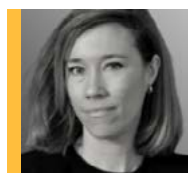
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