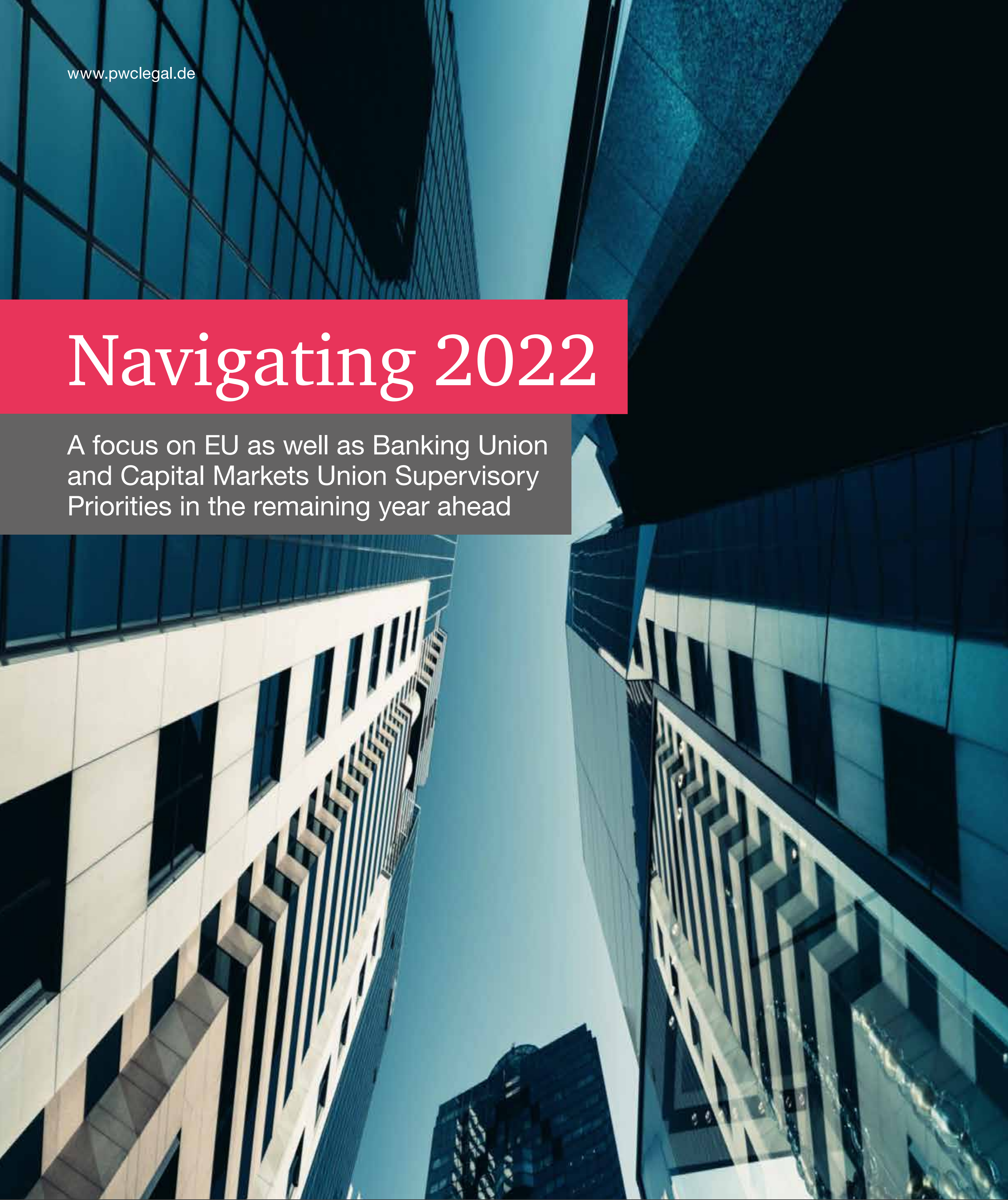

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Navigating 2022

A focus on EU as well as Banking Union and Capital Markets Union Supervisory Priorities in the remaining year ahead

A Background Briefing from PwC Legal's Frankfurt based EU Regulatory Compliance Operations, Risk and Engagement (EU RegCORE) centre

Welcome to Navigating 2022

From all the supervisory changes and announcements made during the course of a challenging year 2021 and a busy start to rulemaking in 2022, our Frankfurt based EU Regulatory Compliance Operations, Risk and Engagement (EU RegCORE) centre has collated the key points in the form of a non-exhaustive "Playbook" for Banking Union Supervised Institutions (BUSIs) and other regulated market participants (RMPs) (collectively firms) already based in or otherwise setting-up in the EU-27 and/or the Banking Union as well as the Eurozone.

This "Playbook" is intended to serve as a resource that complements specific dedicated Thought Leadership (Client Alerts, Background Briefings and other Whitepapers) available from our EU RegCORE analysing key developments as published/ updated from time to time.

Firms may want to refer periodically to this Playbook - regardless of the sector of the market they be active in - especially as a number of priorities and developments have overlapping supervisory aims, expectations and compliance challenges that exist both at the EU-level as well as in individual jurisdictions in which firms operate.

This Background Briefing is split into three parts. These provide a non-exhaustive overview of the key themes for firms and what this means for their compliance priorities.

Part 1: 2022 priorities of the Banking Union supervisory authorities and policymakers, comprised of the:

- European Central Bank – Banking Supervision (ECB) at the helm of the Single Supervisory Mechanism (SSM) and the participating national competent authorities (NCAs)
- Single Resolution Board (SRB) at the helm of the Single Resolution Mechanism (SRM) and the participating national resolution authorities (NRAs)

Part 2: 2022 priorities of the European Supervisory Authorities (ESAs), which are, in addition to the NCAs/ NRAs, part of the EU-wide European System of Financial System Supervision (ESFS), comprised of the:

- The European Banking Authority (EBA)
- The European Securities and Markets Authority (ESMA)
- The European Institutional and Occupational Pensions Authority (EIOPA)
- The European Systemic Risk Board (ESRB)

Part 3: The European Commission's (DG-FISMA) policy and rulemaking priorities for financial services for 2022

This public version of the 2022 edition in our Navigating Series comes a bit later than usual as a result of EU and national policymakers having been impacted by constraints caused by COVID-19, notably the Omicron variant, followed by having rapidly to pivot to pandemic-proofing to focusing on the threat of geostrategic conflict on the doorstep of the EU-27. The content covered herein is as available on 28 February 2022 unless indicated to the contrary.

This Playbook is not aimed as a substitute for legal advice tailored to your business nor is it meant to be an overview of PwC propositions and solutions. Please reach out to us for more information about PwC's or PwC Legal's value propositions in any of these legal, regulatory and risk domains, and we will connect you to the right colleague from PwC Legal or the PwC EMEA Financial Services network.

If you would like to discuss the contents herein in further detail, such as how the 2022 priorities translate into firm-specific legal, regulatory and risk workstreams and possible compliance solutions, please do get in contact with PwC Legal's Frankfurt-based EU Regulatory Compliance Operations, Risk and Engagement (EU RegCORE) centre via de_eufinreg@pwc.com

Your PwC Legal Financial Institutions Regulatory Europe (FIRE) Team and your EU RegCORE Team!

Executive summary

Where are we now, key trends and where are we headed?

2021 was dominated by financial services legislative and regulatory policymakers moving from firefighting COVID-19's economic impact and beginning to plan for beyond the pandemic. Then along came Omicron and various sub-variants, providing a new set-back to plans. The global economy and financial services were just beginning to drive green shoots of the economic recovery, rekindle paused activity along with supply chains and also to counteract the "Great Resignation" as businesses are increasingly struggling to recruit and retain talent following lockdowns and a transition to a new work dynamic.

This most recent variant also raised concerns that while many countries had administered booster shots, a risk of resurgence of hospitalisations and new restrictions remained widespread. So too was the fear that a more lethal mutation could deal the final blow to the viability of a number of real economy but also financial services firms.[1] The novel risks that COVID-19 raised at its outset, coupled with the lessons learned throughout a very much prolonged pandemic, have not only caused a fundamental shift in how financial services activity (and relevant defences[2]) is conducted from where and how, but also how such activity is supervised.

Erstwhile (temporary) regulatory reliefs had, at the end of 2021, given way to the prospect of a return, in 2022, to greater Europeanisation of rulemaking and supervision[3] in particular an increase of a more intrusive tone of regulatory policymaking and supervisory action pushing firms to prepare for the next crisis. As 2022 started, the threat of geopolitical risk along with a worsening outlook on combatting climate risk, higher energy prices and rising inflation and lacklustre growth across developed economies derailed some of the optimism that maybe Omicron was perhaps milder than originally feared.

From February 2022 onwards, that fear took on a new dimension, namely the very real threat that abhorrent conflict was at the doorstep of the EU and the risk of a wider global geostrategic conflict. Such conflict has already translated into a flurry of measures but also a more profound move by private sector market participants continuing to cut their business ties, services, products beyond what is set out in international sanctions.

Just as during COVID-19 state-mandated lockdowns, a number of businesses, customers and workers across the world voluntarily changed their behaviour dramatically in moving to a new working dynamic. Analogously, a bottom-up private sector response has accompanied international sanctions with many abandoning operations in various markets or otherwise cutting both direct and indirect exposures even beyond what restrictions warranted. As with the fundamental shifts caused by COVID-19 in the way financial services but also "real economy" business is conducted (but also defences) and from where, the effects of this change may well be long-lasting and impact both the sanctioned and non-sanctioned markets as each side severs ties to the other.

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1 This was especially the case for those businesses facing existential pressure given the lack of viability, sustainability and the general outlook of their own business models, as well as the needs and channels of interaction with the clients, counterparties, communities and customers they had previously served.

2 Notably, as explored in detail in dedicated Thought Leadership from our EU RegCORE, the notion of how financial services firms' staff work, from where (including as digital nomads), and on what basis and how the traditional three lines of defence model operates in a digitally and decentralised manner has changed and may not move back to an office-centric environment. While this has weathered the storm of the pandemic, it is not clear whether it would fare so favourably in the event of conflict.

3 Notably of who the EU is making the rules and supervising financial services firms' compliance with them. This on the one hand aims to deliver on the continued aim to complete the Banking Union (which grew in 2020 with the addition of Bulgaria and Croatia to 21 out 27 EU member states), as well as the completion of the relaunched Capital Markets Union (CMU) 2.0. But it also aims to help complete the Digital Single Market and apply lessons learned from COVID-19 driven lockdowns and plug identified gaps, while future-proofing solutions for a much more digital world, where one is being asked to do more together but from a safe social distance.

Importantly, much of the EU legislative and financial services regulatory and supervisory policymakers had published their yearly as well as multi-annual work plans for 2022 at the end of 2021. This was thus very much before Omicron or certainly before new conflicts took hold. While, at the time of writing, none of the EU nor national policymakers have sought to fundamentally revisit or delay their plans for 2022, they are more likely to continue to pivot from pandemic preparedness to prioritising those action points that ensure both digital and operational resilience across financial services is bolstered. This is very much the case given that while financial services weathered the shift to the world's largest continuing experiment in remote working rather well, a number of weaknesses (as well as new threats from bad actors and serious failings at national supervisory authorities) have nevertheless been exposed.[4] Consequently, several reforms that were set for completion and thus operationalisation in 2023 and 2024 may have to be fast-tracked during the remainder of 2022. This means that financial services firms will want to ensure that their own internal action plans but also their communication channels with their peers across market sectors as well as supervisory authorities are agile so that resources can be rapidly deployed.

Coinciding with the implementation of agreed new responsibilities, as well as a push for even more new powers and rules, the existing pillars of post-crisis legislation are by and large slated for legislative review. These reviews are set to affect many of the principles, rules and supervisory expectations that, for many market participants, may have become part and parcel of how business is structured, executed, custodied, reported and supervised across the EU-27 and certainly within the Eurozone-19 (soon to be 21) and the Banking Union.

While some of this change is welcome, certainly in that EU policymakers are set to revisit and reform rules and principles to ensure their (continued) workability, it adds complexity to a rather full set of actions for policymakers and the private sector alike.[5] Adding to this rather full agenda are pressures to push for greater results in combatting climate change and delivering ESG-driven reforms. Many workstreams have continued to speed up and take centre stage, reflecting the realisation by the market and policymakers alike that failure to deliver in this area poses a much bigger common threat than COVID-19. Despite this realisation, the absence of sufficient standardisation and existing often overlapping and unclear compliance obligations remains a much needed priority for holistic policymaking. The EU's Green Deal, in which financial services are to act as a catalyst to transition Europe to achieve (or at least come sufficiently close to) climate targets set for 2030 and ultimate carbon neutrality, was echoed by efforts of other EU authorities including the European Central Bank as well as the European Supervisory Authorities as set out below.

When taken together, the efforts achieved in 2021 along with those set for 2022 aim to improve harmonisation of rules along with supervisory convergence and ultimately make the EU's Single Rulebook for financial services more "single" and more workable for stakeholders but also for supervisors. Other changes are scheduled to improve the functioning of both the European System of Financial Supervision (ESFS) and the Single Market more generally.[6]

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[4] Other areas where the EU has certainly continued a much more aggressive pace at the start of 2021 which will likely be stepped up in 2022, including as a result of new threats from geostrategic conflict, include, anti-money laundering and combatting financing terrorism (commonly referred to as anti-financial crime), with the reforms due to the 5th and 6th Anti-Money Laundering Directives in the form of a new Regulation and a bid for a new EU Anti-Money Laundering Authority (AMLA), along with greater centralised powers for (both those that are agreed and those yet to be awarded to) the European Supervisory Authorities (ESAs), notably the European Banking Authority (EBA), to lead, manage and coordinate National Competent Authorities (NCAs) within the ESFS.
Other institutional breakthroughs during 2019 to 2021, which may even become reality in 2022-2024, include European policymakers managing to advance consensus on completing Banking Union's "third pillar" in the form of a common EU-wide national depositor guarantee scheme and finalising the establishment of the European Deposit Insurance Scheme (EDIS). EDIS is to be managed by the Single Resolution Board, which heads the Banking Union's second pillar, the Single Resolution Mechanism (SRM).

[5] notably operationalising reforms in EMIR Refit as it applies to derivatives, as well as the breadth of scheduled reviews to the MiFID II/MiFIR affecting capital markets, as well as Solvency II specifically for the insurance sector, and AIFMD for the non-UCITS and non-money market fund asset management sector.

[6] The EU's aims of finalising the single financial market continues to be advanced through different legislative and non-legislative means. The degree of integration is usually assessed by reference to convergence/divergence of asset prices by asset class type, as well as investor participation from retail and wholesale sectors in domestic as well as cross-border situations, as well as the degree of cross-border market activity in primary and secondary markets, as well as the operational footprint and pan-EU market infrastructure. The EC, in its European Financial Stability and Integration Reviews (EFSIR) and the ECB, in its Financial Integration in Europe Report (the awkwardly named "Fintec Report") provide annual updates on the levels of integration, trends and policy outlook.

Despite the UK's departure from the EU, continued complexity will likely arise in that it picks up the pace in its own reforms to its rules and will continue to diverge away from existing EU concepts. For financial services firms and their counterparties and clients, this will require firms, whether in the UK and the EU-27 as well as other jurisdictions, to carefully navigate a much more muddled jungle of regulatory acronyms and compliance obligations. Firms will have to do all of this during a more "normal" (even if not quite pre-pandemic style) supervisory cycle where the individual authorities that make up the ESFS as well as those making up the Banking Union have also returned to applying more intrusive supervisory practices, including a greater use of on-site inspections (albeit conducted in a hybrid fashion), thematic reviews and deep dives to take the ongoing supervisory dialogue with firms to direct engagement.

Supervisors will double down on their focus on assessing firms' business models (their operational and digital resilience, including with respect to third-party service providers), their profitability drivers (as monetary policy changes and credit risk heightens), "strategic steering" and governance, risk profiles and appetites, risk management and compliance frameworks. In addition, they will likely step up efforts on how to hold governance and executive functions accountable for the outcomes and operation of regulated and non-regulated business activities, including the use of technology- enabled solutions such as FinTech, digitisation and activity in respect of digital assets and cryptocurrency.[7]

Moreover, 2020 and 2021 saw the start of the EU-level supervisors increasing their use of "Common Supervisory Actions" in respect of financial services firms across the EU, i.e., multi-state based investigations as well as the use of "Fast-Track Peer Reviews" in addition to "Peer Reviews". These new tools, which will continue to be applied in 2022, evaluate the performance and compliance of national-level financial services supervisors, so as to drive supervisory convergence and truly build a Single Market that relies on a Single Rulebook and a Single Supervisory Culture.

7 In particular, as part of the transition to (fast-tracking) the implementation of both the EU's proposed Regulation on Markets in Crypto-assets (MiCA), which would create the world's largest single market for crypto- assets, as well as a proposal on an EU Regulation on Digital Operational Resilience Act (DORA), along with accompanying reforms and targeted amendments, all of which are discussed in further detail below.

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Common themes across work programmes yet differing impact and compliance challenges for regulated firms

As in previous years, each of the EU-level and national-level authorities have published individual "Work Programmes" or "Action Plans" detailing what they plan to do during 2022 and beyond. Each of the individual authorities and their publications, despite some priorities that are specific to their respective mandates, do share common themes. While the EU, Eurozone, Banking Union and CMU policymakers have, as in previous years, not published a common document setting out the overarching regulatory and supervisory strategy for 2022 and beyond, certainly as it concerns all of financial markets, each of the authorities respective work plans do aim to advance common priorities.

All the work plans, as in previous years, focus on the overarching theme of advancing individual workstreams while concurrently reducing fragmentation. This includes increased harmonisation of rules, their interpretation along with supervisory convergence across the EU-27 now that Brexit has been completed. The EU authorities, working together with the NCAs will most likely use Common Supervisory Actions, a relatively new tool at their disposal, along with thematic reviews as well as on-site inspections, now that the pressures of COVID-19 firefighting seem to be (welcomingly) nearing their end. This approach will also likely be applied to finalising parts of the EU's Single Rulebook (along with international rules such as Basel IV that are being implemented into it) that were paused during the pandemic and ensuring that these delayed reforms are back on track to full implementation, including through CRR III and CRD VI.

During 2022 and likely through to 2024, EU policymakers will also look to ramp-up rulemaking efforts aiming to improve the operational and cyber-resilience of financial services providers, financial market infrastructure providers as well as market participants more broadly. A number of firms were put through the paces during the pandemic and others were ill-prepared in dealing with a whole new set of risks ranging from power supply outages through to wide-scale cyber-threats. Consequently, with an uncertain geostrategic outlook in 2022 along with an increase in cyber-threats as well as new forms of financial crime that have emerged during the pandemic, policymakers will likely press for firms to apply relevant best practices and recent lessons learned as well as stepping forward-planning of their and their third parties' (and not just service providers') resilience. A host of rules are already in various stages of finalisation.

Firms will also have to continue to adapt how they conduct regulated activity and how they evidence compliance in light of the continuing wave of digitalisation and (longer-term) shift to hybrid, full-remote and/or location independent working arrangements. While much of this was born out of necessity and while COVID-19 has acted as a catalyst for change, consensus is beginning to emerge that such ways of working is here to stay for longer. This will likely mean that a lot of regulatory principles and supervisory expectations as well as firms' relevant risk and compliance frameworks, including the three-lines of defence (3LoD) model may need to be adapted. Firms but also supervisors will want to assess how to amend an office-centric framework of rules and risk-based outlook to reflect this new work mix in financial services but also at how this is being done at their respective counterparts, clients as well as in the communities in which such firms operate.

Both disruptive and non-disruptive digitisation of financial services will likely continue to gather pace. While this may increase competition amongst existing regulated financial services providers as well as FinTechs as well as increasingly BigTechs it will, for both traditional financial services regulated activity inasmuch for other technology-powered as well as crypto-asset services activity, redefine how and who conducts what type of services and regulated activity with whom. The path from 2022 to 2024 will also see increased transition from policy proposals to implementation of prescriptive rules on everything from machine learning, artificial intelligence and a further coming of age for cryptocurrency and digital assets. Such rules, whether conceived at the EU or national level are often overlapping or do have conceptual divergences where affected firms first and supervisors second will probably have to shoulder the burden of making compliance with them a more feasible operational reality.

Other wider-reaching efforts such as delivery of the EU's Green Deal and tying that into the COVID-19 driven recovery are also very much going to be front and centre of efforts at the EU and national level in the EU. This drive is also likely to be evidenced in renewed efforts across a host of legislative and institutional reforms that seek to complete the EU's Banking Union, the Capital Markets Union as well as the Single Market for financial services but also for digital services in a more comprehensive fashion than prior to Brexit and the pandemic.

Assessing these priorities and their impact, in terms of the pain points for firms and their "run the business" as well as "change the business" workstreams, may be relevant for strategic forward-planning of how to shape business operating models as well as how and when to strengthen existing or implement new compliance measures. As a result, firms will want to ensure that they are not only setting the tone from the top and improving the "strategic steering" of the firm but also a bottom-up approach to communicate and embed expectations and accountability across all levels. As in previous years, governance and executive functions of firms, themselves under increased scrutiny in their processes and outcomes-based supervision, may want to consider setting up dedicated working groups of internal and external stakeholders to take greater "ownership" of delivery of impact of individual reforms but also overarching themes.

The ESFS's common themes and priorities as may be relevant to firms when prioritising their own compliance workstreams:

Common overriding themes:	Published Supervisory Priorities of:	Possible actions for firms:
Supervisory convergence of rules but increasingly also supervisory standards in particular on: • Prudential standards, whether new reforms (CRR (II/III)/CRD (V/VI) or in respect of existing building blocks (ICAAP, ILAAP, SREP (incl. specifically ECB-SSM application thereof) outputs and stress testing), as well as proportional application of standards to MiFID investment firms as well as the Solvency II review • Resolvability and resolution planning/ funding • Model governance and model risk management • Resilience and ability to replace credit and/or financial leverage in liquid and illiquid operating conditions • Profitability drivers and lending standards • Tackling financial crime • Improved incident management, improving operational risk management but also strengthening cyber-resilience • Permitted use of inducements and payment for research • Sustainable finance and socially responsible investments Delivering CMU 2.0/3.0 with more conceptual in-progress work being actioned into actual proposed or adopted legislation	All relevant regulatory authorities It should be noted that despite statements from commentators, including the European Court of Auditors, none of the relevant entities have dedicated extensive resources to establishing harmonised technical and continuing training standards and/ or staff qualification outcomes between relevant EU authorities and relevant national authorities or amongst these entities Consensus is emerging that tackling supervisory convergence from the bottom-up would help shape the common supervisory and administrative culture that each of the EU authorities continue to implement within their respective mandates	• Expect more calibration of existing rules as well as those in the pipeline (notably ECB, EBA and ESMA). This will require an oversight at the individual jurisdictional and business unit level but also across the Banking Union in particular so as to ensure appropriate regulatory optimisation by firms • Greater focus on really moving the Single Rulebook from fiction to fact, including more active use of harmonised SREP. This includes also a greater supervisory interest in firms' compliance with MiFID II, PSD2, Insurance Distribution Directive, MAR, AMLD 5 & 6 (with a view to a replacement with a potential AML Regulation), AIFMD/R as well as GDPR (and ethical use of "big data"), which are either at the end of informal grace-periods for full compliance, or have recently been introduced, or where significant breaches/ shortcomings have been identified or where serious "under preparedness," is perceived in terms of firm-internal processes but also where there are risks when engaging with clients and counterparties • Expect greater scrutiny of the appropriateness and resilience of margin, clearing and settlement arrangements (including settlement discipline) during stressed and "normal" market operating conditions as well as resilience of available funding lines. This comes on top of the finalisation of phase-ins of mandatory margining entering into force. • Considerable scrutiny of how firms meet compliance and supervisory expectations as part of their risk, compliance and governance culture but also operationally across levels from oversight through to business processes and how decisions are challenged, justified and documented to avoid "group think" across the firm • Greater emphasis on design, documentation and testing of performance of each component of three-lines of defence (3LoD) and ensuring that the operating as well as compliance framework implemented by a firm is designed in an effective manner, is operationally effective and audit results are implemented in a timely and effective manner

Common overriding themes:	Published Supervisory Priorities of:	Possible actions for firms:
Continued consumer protection focus, including in light of COVID-19 lessons learned on: • Suitability and appropriateness assessments • Product governance and distribution • Ensuring products are non-complex and enhance consumers—a prime example is ESMA and other national authorities making use of product intervention powers for binary options and retail CFDs as well as certain crypto-asset access products • Products that are perceived to provide poor value, especially where fee structures and cost/ return relationships are opaque • Changing role and distribution models of insurers and insurance as well as increased interest in creating a uniform recovery and resolution regime for (re-) insurers	EBA, ESMA and EIOPA	• Further uncertainty on timeline on PRIIPS review and other investor protection standards despite the prominence attached to making progress on finalising output in this area[8] • Greater focus on ensuring risk, return, pay-out profiles and cost structures (including indirect/ direct costs – with a preference for total expense ratios and comparative performance) are communicated prior to the start of and during the business relationship • Improved oversight arrangements by AIFMs and UCITS management companies of fund governance delegation • Performance and service quality of investment managers generally but also where functions are delegated
Continuing to reduce risks posed by non-performing loans and exposures (jointly referred to herein as NPLs) in particular in light of COVID-19 and also the introduction of the EU's new Credit Servicers and Credit Purchasers Directive (Credit Servicers Directive) including respective national law transposition measures	ECB, EBA, EC and ESRB	• Step up efforts working group to start work on compliance with the NPL Guide's and Credit Servicers Directive's requirements including as catered to consider COVID- 19's longer- term impact in mind as this applies to the banking and trading book on the retail and wholesale side • Improve the portfolio segmentation process of identifying and categorising NPLs (and COVID-19 specific NPLs) that are resolvable and those that are non-viable • Increase the testing of resilience of divestment channels
Internal improvements to information and communication technology solutions (ICT); increasingly there is a growing momentum to embrace growing use of RegTech solutions	All relevant entities – although it should be noted that if these entities shared ICT and administrative systems in terms of standards or across entities, then this might improve harmonisation through supervisory standards and processes converging. A similar cost-saving and improvements to comparability, and thus certainty, might be achievable if the relevant authorities were to make greater use of common templates. By way of example, each of the Action Plans of the relevant entities have a different style and very few standardised features/commonalities	• Expect a greater supervisory focus on "cyber resilience" but also operational resilience with new rules that apply to an all hazards resilience risk approach beyond "just" the EU's proposed Regulation as a "Digital Operational Resilience Act" (DORA)

[8] In April 2021, Commissioner Mairead McGuiness confirmed in a speech that the broader level one review of the PRIIPs Regulation will be included in the Commission's Retail Investment Strategy in early 2022. For more information on the Commission's planned review, see European Commission planned review of PRIIPs Regulation in 2022.

Common overriding themes:	Published Supervisory Priorities of:	Possible actions for firms:
Finalising the transition from COVID-19 temporary reliefs to full compliance with post-Brexit operating models and compliance with the ESAs' various guidance (commonly referred to as the "supervisory priorities on relocations" (SPoRs)) and other national-led efforts as they relate to: • Legal entity structuring and booking models • Client and counterparty- facing documentation • Interoperability with financial market infrastructure • Adequacy of documented fallbacks and alternative contingency arrangements within firm but also linkages with peers	All relevant entities	• Revisit existing Brexit-planning arrangements to ensure compliance with SPoRs • Ensure policies and procedures read like and operationally reflect the requirements applicable to firms operating in the EU and specifically BUSIs operating in the Eurozone, while still being interoperable with UK, US and other global requirements, or split governance along regional lines • Firms are still expected by supervisors , despite COVID-19 reliefs, to continue to be active in moving past "day 1 readiness" even if the assumption is that many are rather working towards a "day 90 or day 180" readiness (i.e., full Brexit-proofed arrangements) where possible. This includes a review of all "onshore" i.e., EU-27 capabilities, (human, capital and operating resources) as compared to "offshore" i.e., non-EEA operations
Regulatory reporting, notably transaction reporting and level of data quality, both in breadth and accuracy of what is collated	All relevant entities	• Expect a notable change in the move to a more "European Reporting Framework" and a common taxonomy that may bring with it challenges and compliance risks
FinTech & BigTech	All relevant entities	• Expect MiCA and DORA to be pushed forward • Greater supervisory scrutiny of all firms' cyber-resilience and vulnerabilities, including interconnectedness and risk propagation channels between FinTech and non-FinTech firms • Expect the EU's Digital Markets Act and related BigTech focused reforms to be advanced at a greater pace than has previously been the case

Part 1 – 2022 priorities of the Banking Union supervisory authorities and policymakers

Moving from firefighting to future-proofing

2021 saw a turning point in financial services regulatory policymaking, rulemaking and supervision. The emphasis on firefighting the impact of the COVID-19 pandemic as well as fireproofing firms to make sure they were part of the solution gave way to planning for beyond the pandemic. However, while the economic recovery has begun new risks are also on the horizon. COVID-19 exposed fragilities as did the economic shutdown. A number of firms were put through their paces in what, for many, was the first real test of how the post-2008 regulatory reforms would work, a number of areas were identified by policymakers as being ripe for improvement. 2022 and certainly through to 2024 will see a number of these new areas join the range of other legislative and non-legislative reforms that were paused due to the pandemic.

Consequently, in 2022 and possibly for longer, the EU and the Banking Union will continue to be advanced in a period of global change that complicate the economic outlook. In order to combat these adverse pressures, policymakers will likely need to ensure the economic recovery, government and regulatory policymaking responses continue to prioritise financial but equally operational and digital resilience. More fundamentally a lot of the regulatory principles will need to adapt to a new risk paradigm but also a fundamental change of where regulated activity is conducted from (possibly less office-centric) and how compliance is supervised and risk is identified, mitigated and managed.

The priorities of the ECB-SSM and SRB for the 2022 supervisory cycle aim to embed the lessons learned from 2020 and 2021, pick up the policy areas and reform priorities that were put on pause, first due to Brexit and then the pandemic. Equally, in 2022, both the ECB-SSM and SRB will have fully implemented their new organisational structure and a return to a more familiar supervisory tone by ending a number of temporary reliefs put in place during the pandemic.

Banking Union policymakers will also look to strengthen EU and Banking Union unity across the Single Rulebook for financial services that continues to grow in new thematic areas. Such extension of rules goes hand in hand with greater Europeanisation of oversight (in particular regarding ESG, crypto-assets, digitalisation and (digital) operational resilience and much more). Such Europeanisation comes at a time when regulatory divergences between global jurisdictions continues to grow as the UK continues to look on how to forge its own path. Global financial services firms and BUSIs, perhaps more so than in previous years, may need to work with counsel to navigate the interplay between such diverging regimes, which, unless managed carefully and comprehensively, adds costs and complexity to an increasingly challenging compliance process.

Europeanisation of reforms – So what's ahead for the rest of 2022?

Banking Union authorities along with the ESAs and the EU policymakers continued their efforts in 2021 and will do so in 2022 to further implement the "Basel IV reforms" (CRR III/CRD VI) along with finalisation of a number of SRB guidelines to improve recovery and resolution as well as potential solvent wind-downs as an alternative.

Moreover, the 2021 start of a host of key changes notably in relation to authorising and supervising financial holding companies, mixed activity financial holding companies, intermediate parent undertakings, due to CRD V as well as an expansion of supervision due to the EU's Investment Firms Regulation and Investment Firms Directive (IFR/IFD) will keep supervisors busy.

Other areas for revised reforms relate to implementing a breadth of new ECB-SSM Guides (which, despite being framed as "non-binding", do read like and should in many ways be applied similarly to rulebooks) ranging from the supervisory approach to consolidation in the banking sector, reforms to the ECB-SSM's NPL Guide and the EU's NPL Action Plan as well as plans the ECB-SSM Fit and Proper Guidelines which were updated in January 2022 and will for the first time focus on diversity and inclusion in the composition of key function holders and boards.

More fundamental changes are also being cemented as the ECB-SSM steps into a much more proactive role in supervising AML prevention efforts, which are separate (but also in addition) to the EU co-legislators' plans to create a centralised Anti-Money Laundering Authority (AMLA) as well as a growing focus on BUSIs' operational resilience as well as supervising BUSIs' compliance with the ECB-SSM's expectations on ESG and its efforts on combatting climate change.

Going hand-in hand with the regulatory reforms are a breadth of institutional reforms that both the ECB-SSM and SRB are looking at finalising in both how they themselves but equally how they together with national authorities carry out their supervisory mandates. During 2021 there was even a real hope that the missing third pillar of the Banking Union could become reality – political agreement was in sight on pressing ahead with new revised plans for a European Deposit Insurance Scheme (EDIS) to further improve on the system of national deposit guarantee schemes.

While delayed due to COVID, the start of 2021 also saw the restart of moves on the ECB's "Strategic Review", which was set to close by end of 2020. This exercise largely focused on reviewing the adequacy of the ECB's monetary policy (MonPol) toolkit and activity. The ECB however also had broader aims, in committing that as part of that review it would be "leaving no stone unturned" both in light of COVID but also in fostering the EU's Green Deal.

On a more technical nature, the review also concentrated on the suitability of its economic and quantitative analysis that affects both inflation targets and real economy development, as well as the ECB's use of models for financial stability purposes, including counter-cyclical buffer levels. 2022 will mark the first year that this new and revised MonPol toolkit will be tested.

ECB sets its SSM Supervisory Priorities for 2022–2024

2022 will again be dominated by COVID-19 – albeit with a focus on looking past the pandemic. Even if firms managed to fair better last year in comparison with 2020, challenges still remain. The ECB-SSM, in cooperation with the national competent authorities (NCAs), have performed a thorough assessment of the main risks and vulnerabilities faced by the significant institutions under its direct supervision and has set its strategic priorities for the next three years accordingly.

The ECB-SSM's Supervisory Priorities[9] for 2022, including a number of items tracked through to 2024, were published in December 2021. They build upon and extend the 2021 and 2020 Supervisory Priorities as well as reflect the risk mapping conducted by the ECB-SSM. The COVID-19 pandemic has brought many changes. For example, supervision has changed so that inspections are by and large no longer carried out on site, but rather remotely. The ECB-SSM has also grown significantly with the accession of Bulgaria and Croatia to the Banking Union. Also new is how the ECB conducts its SSM operations in general.

The ECB-SSM's Supervisory Priorities for 2022-2024 identified three priority areas for 2022 (down from four in 2021) that BUSIs will be supervised on, these are:

- Emerging healthy from the pandemic, addressing the adverse impacts of the COVID-19 pandemic and ensuring that the banking sector stays resilient. Planned supervisory activities include targeted reviews in the area of credit risk identification, monitoring and assessment, as well as the relevant dimensions of the IFRS 9 provisioning framework.
- Addressing structural weaknesses via effective digitalisation strategies and enhanced governance. Planned activities include a survey on banks' digitalisation strategies and targeted reviews of banks' management bodies' effectiveness and targeted on-site inspections.
- Tackling emerging risks, including climate-related and environmental risks, IT and cyber risks. Planned activities include a bottom-up climate risk stress test and the development of best practices on climate stress testing. Other activities include a data collection on banks' outsourcing registers and targeted reviews and on-site inspections on cyber resilience and IT outsourcing arrangements.

[9] See here.

The ECB has adjusted its priorities accordingly compared with 2021. In comparison, for 2021 the annual high-level priorities were heavily focused on assessing the risks with regard to the COVID-19 pandemic, with the priorities being:
1. credit risk management;
2. capital strength;
3. business model sustainability; and
4. governance.

For broader context, the 2020 priority areas, which carried on into the supervisory cycles of 2021, were comprised of:
A. continuing balance sheet repair;
B. strengthening future resilience; and
C. other priorities – covering a range of items.

Each of the 2022 priorities is associated with a set of strategic objectives and underlying high-level programmes like reviews or assessments that aim to address the key vulnerabilities identified as part of this year's risks and priorities exercise. The next sections provide more details on the outcome of this risk assessment and outline the supervisory activities planned to address these targeted vulnerabilities.

As in previous years the ECB-SSM will use the full breadth of its supervisory toolkit and supervisory dialogue (as adapted to prolonged pandemic operation conditions) so that Joint Supervisory Teams (JSTs) are able to scrutinise BUSIs' compliance with an obligation in an appropriate manner. In addition to SREP and the annual stress test that is conducted by the EBA, the ECB's SSM 2022 Supervisory Priorities make it clear that in addition to sector-wide thematic reviews, JSTs will use targeted deep dives and both on- and off-site inspections.

A recap on the ECB-SSM's changes to its internal organisation

As part of the July 2020 institutional changes the ECB-SSM also created two additional "business areas" in addition to the existing five areas and redistributed the tasks across these. The first redesign of the ECB-SSM organisational structure was announced on 29 July 2020. This was the first redesign of the SSM structure since its launch in 2014. In the ECB-SSM's own words (our emphasis in bold):
"The reorganisation builds on six years of experience in European banking supervision and shifts the focus towards more risk-focused supervision. It will reinforce the supervisory strategy and risk function – our second line of defence – and facilitate closer cooperation between bank-specific and thematic supervisory teams, ensuring greater consistency in the treatment of banks and thus fostering the transparency and predictability of supervisory actions."

In some instances, ECB-SSM Joint Supervisory Teams (or individual staff members therein) (JSTs) were also reallocated. Consequently, due to the change in how BUSIs will be supervised, i.e., more by business model (as opposed to just by size), the ECB-SSM made the following changes to its internal organisational structure:
1. Bank-specific supervision (BSS) was grouped into three new Directorates, "…generally structured according to the business models" of BUSIs with the aim of creating "…more synergies and allow[ing] a better comparison of common risks and challenges." As a result, those BUSIs that were subject to the supervision of the former Directorates General (DG)-Microprudential Supervision (MS) were reallocated to the following new DGs:
   a. DG Systemic and International Banks (DG/SIB), where the majority of former SCIs previously supervised as DG-MS I firms migrated to;
   b. DG Universal and Diversified Institutions (DG/UDI), where some former DG-MS I firms but a larger number of DG-MS II firms were assigned to;
   c. DG Specialised Institutions and Less Significant Institutions (DG/SPL), where some SCIs were assigned to, even if this DG is responsible for supervisory engagement and oversight in respect of all LSIs;
2. Dedicated horizontal supervision is now conducted by the Directorate General Horizontal Line Supervision (DG/HOL). DG/HOL replaced some of the SSM's "shared functions"/service lines previously grouped in teams in DG-MS III and DG-MS IV. DG/HOL has the task of strengthening risk expertise in the supervision of BUSIs, conducting benchmarking and industry-wide assessments including thematic reviews and developing policy stances and maintaining supervisory methodologies;
3. A strengthened and improved supervisory risk function in the form of Directorate Supervisory Strategy and Risk (D/SSR) was introduced to conduct strategic planning, propose Supervisory Priorities and ensure consistent treatment of all BUSIs (not just SCIs). This new Directorate (as opposed to a higher-ranking DG) took over a number of responsibilities from a number of Divisions previously housed in DG-MS IV;

4. A structurally independent on-site supervision function, the Directorate General On-site and Internal Model Inspections (DG/OMI) was created. This new DG builds upon the previous Centralised On-Site Inspections Division, which was a subset of the previous DG-MS IV's area of responsibility; and
5. A new Directorate General SSM Governance and Operations (DG/SGO) was introduced to support decision-making with a stronger governance and operations function. Importantly, DG/SGO will also be responsible for regulatory authorisations (such as fit and proper assessments and qualifying holding procedures) as well as innovation topics. DG-SGO operates as a standalone DG and took over responsibilities from large parts of the former DG-MS IV along with some divisions previously housed in the DG Secretariat General to the ECB's Supervisory Board.

What is important to note is that these organisational changes were conducted during the bulk of mandatory lockdowns and when most staff across the breadth of the ECB were working remotely due to mandatory lockdowns as well as in, a number of instances, back in the Member States of their origin. The ECB-SSM is to be applauded for completing such a large reorganisation in the midst of the pandemic and looking to continue to build a more uniform single supervisory culture underpinning the Single Rulebook as implemented in the context of Banking Union supervision.

Looking further ahead, the changes discussed above, while being ECB-internal, also impact Banking Union NCAs and how they along with other European Supervisory Authorities (EBA, ESMA and EIOPA) interact with their SSM counterparts. As this new organisational structure starts to flow through into on-going supervisory dialogue, BUSIs and their relevant business lines and their control functions, may need to consider how to respond to perhaps greater and more intrusive supervisory engagement, with a more confident supervisor now that it is looking past the pandemic. It still remains to be seen whether the ECB-SSM will publish an updated public version of its (internal) Supervisory Manual, which details ECB-SSM relevant policies and procedures for supervision of new as well as existing BUSIs.

SSM priority area in 2021	Announced supervisory actions from 2021	SSM priority area in 2022:	Announced supervisory actions for 2022:	Multiple year actions possible?	How Can BUSIs prepare?
1. Credit Risk	• Strengthen the follow-up on 2020 supervisory actions • Focus review of adequacy of BUSI's credit risk management, operations, monitoring • and reporting • Particular attention was placed on BUSI's capacity to (A) identify any deterioration in asset quality at an early stage and make timely and adequate provisions accordingly; and (B) continue taking the necessary actions to appropriately manage loan arrears and NPLs	**1. Banks to emerge healthy from the pandemic**	Tackling the four key vulnerabilities, namely: 1. Deficiencies in credit risk management frameworks – via: • Follow-up by JSTs on credit risk management deficiencies identified during the "Dear CEO letter" exercise, and targeted on-site inspections • Targeted reviews in the area of credit risk identification, monitoring and assessment, as well as the relevant dimensions of the IFRS 9 provisioning framework • Follow-up by JSTs with affected banks, and targeted internal model investigations into model changes related to the implementation of the EBA IRB repair programme or triggered by the impact of the pandemic	While "credit risk" (including variations in names) has been a priority area since 2016 there are activities planned for 2020 to 2023 possibly, which include: • Targeted follow-ups on BUSI-specific supervisory expectations	1. Assess gaps, weaknesses and remedial actions in respect of current policies and procedures in how to deal with credit risk, as well as adequacy of reporting and IT systems to current ECB-SSM and EU Commission NPL Framework as well as EBA Guidelines on non-performing triggers, as supplemented by BUSI's SREP score and actions for remediation 2. Prepare for on-site inspections and how to present evidence of compliance from governance to operational arrangements 3. Embed lessons learned into responding to ECB-SSM internal model investigations and on-site inspections (the OSIIM Guide) – see our standalone Thought Leadership on this 4. Review and assess potential shortcomings and exposures for firms with high volumes of trading activity and/ or derivative portfolios, as these will be the primary focus of increased scrutiny of trading, risk and valuation governance structures, along with IFRS 13, valuation adjustments and profit and loss treatment 5. Build on lessons gained from TRIM and prepare/improve data aggregation and reporting systems and capabilities, as well as the quality of decisions being taken and controls in place as they relate to valuations 6. Forward-plan further measures related to review of FTRB compliance, as well as trading and collateral-related

SSM priority area in 2021	Announced supervisory actions from 2021	SSM priority area in 2022:	Announced supervisory actions for 2022:	Multiple year actions possible?	How Can BUSIs prepare?
	• Follow-up on work from 2020		2. Exposures to COVID-19 vulnerable sectors, including commercial real estate (CRE) – via: • Regular monitoring of banks' exposures towards vulnerable sectors • Targeted reviews and on-site inspections of banks' exposures to CRE 3. Exposures to leveraged finance • Follow-up by JSTs continuing to assess leveraged finance risks and follow up on significant institutions' efforts to implement the supervisory expectations outlined in the related ECB Guidance • Conducting targeted on-site inspections 4. Sensitivities to shocks in interest rates and credit spreads: • Conducting targeted reviews of banks' interest rate and credit spread assessment, monitoring and management, in both trading and banking books • Follow-up by JSTs on banks' remedial action plans whenever material deficiencies are identified, and targeted on-site inspections	While a focus on real estate and leveraged finance has been a priority area since 2016/17 there were activities planned for 2020 & 2021 (delayed), which include: • On-site targeted assessments of credit underwriting standards • On-site analysis on real estate exposures and leverage finance	documentation, which could come into scope and raise discussion points for remedial action in the case of deficiencies

SSM priority area in 2021	Announced supervisory actions from 2021	SSM priority area in 2022:	Announced supervisory actions for 2022:	Multiple year actions possible?	How Can BUSIs prepare?
2. Capital strength	• General supervisory focus on BUSIs' capital planning practices based on capital projections that are able to adapt to a rapidly changing environment • JSTs scrutinised the appropriateness of BUSIs' capital planning and challenge the adequacy of their dividend and share buyback policies in this respect	**2. Address structural weaknesses via effective digitalisation strategies and enhanced governance**	Tackling two key vulnerabilities, namely: 1. Deficiencies in BUSIs' digital transformation strategies in conducting a: • Survey on banks' digitalisation strategies • Benchmarking analysis and JST follow-up with banks where material deficiencies in their digital transformation strategies are identified • Targeted on-site inspections in areas where the main deficiencies are identified 2. Deficiencies in BUSIs' management bodies' strategic steering capabilities: • Targeted reviews of BUSIs' management bodies' effectiveness and targeted on-site inspections • Development and implementation of an ECB-SSM policy on diversity and a risk-based approach to fit and proper assessments		1. ECB-SSM's continued concerns over business model sustainability are primarily attributable to the risk drivers of low interest rates, higher costs and the threat of digitisation, as well as NPLs. This means that firms will want to consider how to document contingency planning, optimisation scenarios and testing of resilience of financing lines, given that the SSM's views on business models directly affect BUSI's SREP scores 2. As part of on-going supervisory dialogue and on-site inspections, senior management and key business area leads ought to be prepared to answer more intrusive questions on actual versus projected business model sustainability, including in light of digitisation and new entrants, as well as more general strategic steering 3. The ECB-SSM has also indicated that it would welcome consolidation of BUSIs (both SCIs and LSIs) in order to boost resilience, increase efficiency through greater synergies, and raise investment in technology and digitalisation. Building on the point 2 above, BUSIs should be prepared to explain their views on how to future- proof themselves in light of policymakers pushing consolidation

SSM priority area in 2021	Announced supervisory actions from 2021	SSM priority area in 2022:	Announced supervisory actions for 2022:	Multiple year actions possible?	How Can BUSIs prepare?
3. Business model sustainability	• The ECB-SSM continued to be concerned about how BUSIs' profitability and business models remain under pressure from the current economic environment of low interest rates, excess capacity, low cost efficiency, and competition from banks and non-banks. The COVID-19 pandemic exacerbated these pressures • During 2021 the ECB-SSM continued efforts to challenge BUSIs' strategic plans and the underlying measures taken by banks' senior management to overcome existing shortcomings. Moreover, since the pandemic has accelerated the process of digital transformation, supervisors will be assessing banks' progress in response to these developments. Where appropriate, JSTs will engage in a structured supervisory dialogue with banks' management on the oversight of their business strategies • Further consolidation efforts (mergers & acquisitions) will be viewed in line with the ECB-SSM's supervisory principles and Guide on this area	**Covered by the above**		While this has been a priority area since 2016 (excl. 2019) there were activities carried out for 2020 & 2021, which include: • Assessment of BUSI's business models and profitability within SREP • Review of the role of digitalisation	

SSM priority area in 2021	Announced supervisory actions from 2021	SSM priority area in 2022:	Announced supervisory actions for 2022:	Multiple year actions possible?	How Can BUSIs prepare?
Follow on work from 2020 **Follow on work in coordination with the EBA**		**3. Tackle emerging risks**	Tackling the three key vulnerabilities, namely: 1. Exposure to climate-related and environmental risks by conducting: • Bottom-up climate risk stress test and development of best practices on climate stress testing • Thematic review of banks' strategies and governance and risk management frameworks • On-site inspections • Follow-up by JSTs on BUSIs' disclosure practices and adherence to supervisory expectations laid down in the related ECB-SSM Guide		

SSM priority area in 2021	Announced supervisory actions from 2021	SSM priority area in 2022:	Announced supervisory actions for 2022:	Multiple year actions possible?	How Can BUSIs prepare?
4. Governance	• The ECB-SSM continued to focus efforts on reviewing the strength of board governance and the adequacy of "strategic steering", along with the adequacy of BUSIs' crisis management frameworks and their ability to adapt and implement actions in the context of the current prolonged pandemic operating conditions • Management bodies of BUSIs were expected to have access to, evaluate, and effectively challenge the accuracy of risk information, especially information related to credit risk management practices, including about operational capacity and the adequacy of provisioning mechanisms in the current environment • The ECB-SSM challenged BUSIs on their risk data aggregation capabilities and the risk information reported to management. • Furthermore, the ECB-SSM followed up on BUSIs' IT and cyber risk management practices and governance, including risks resulting from the outsourcing of services to third-party providers – this marks a step towards preparing for DORA • Finally, the ECB-SSM continued its assessment of the prudential impact of money laundering and terrorism financing and wider financial crime risks, particularly in relation to BUSIs' internal control frameworks and prevention measures				1. Implement any lessons learned from the ECB-SSM's 2019 and 2020 set of on-site inspections focused on risk (and compliance) culture and, where required, make changes to Risk Appetite Frameworks and strengthen risk management culture along all levels, including ahead of any possible deeper focus from the SSM on relationships between risks appetite and remuneration schemes 2. Review and focus on strengths and shortcomings of BUSI's governance frameworks from operation of the board and executive functions to internal control functions (across each of three lines of defense) and 3. data quality, as well as the ECB-SSM's focus on what is being termed "non-financial risk" management and operational resilience, which, while historically conduct of business issues, and thus outside the primary prudential mandate of the SSM, have, due to "governance" being a CRR and thus, in turn, a SSM consideration, become an area the ECB is increasingly focusing on 4. Review characteristics, resources and performance of BUSI's key functions, such as Chief Risk Officer and Chief Compliance Officer, against the supervisory expectations set by the ECB-SSM, as well as the EBA's Guidelines on Internal Governance 5. Consider diversity and inclusion as part of composition of management and governance functions, given the EBA's recent findings published on February 3, 2020

SRB publishes SRM Supervisory Priorities for 2022

The SRB published its 2022 Work Programme[10] on November 26, 2021, and thus earlier than in previous years. That 2022 Work Programme remains is complemented by a much broader-reaching 2021–2023 Multi-Annual Work Programme (MAP) that also sets further annual work priorities for 2022. The 2021–2023 MAP was published on November 30, 2020.[11] This is the SRB's second MAP and it aims to set out a roadmap with a clear focus on achieving resolvability and a robust recovery and resolution framework and compliance culture for BUSIs under the SRB's remit.

The SRB is currently still faced with new challenges posed by the pandemic, as well as finalising the continued build-up of the Single Resolution Fund's (SRF) firepower in line with the 2023 target funding to reach 1% of covered deposits and be fully mutualised. This makes the SRB's' work on resolvability and crisis readiness all the more important to minimise any impact of potential bank failure on financial stability and the public purse. The backstop is also an important element of the Banking Union, its completion aims to create deeper integration alongside a stronger safety net and an upgraded regime for orderly resolutions.

In 2022, the SRB will work on enforcing and operationalising the guiding principles laid down in the SRB Expectations for Banks (EfB) and the Minimum Requirement for own funds and Eligible Liabilities (MREL) policy. In parallel, the SRB will continue evolving as an organisation and increasing its crisis preparedness. The SRB has also had to, like the ECB-SSM, accommodate structural changes to reflect the accession of new Banking Union members to the SRM – namely, Bulgaria and Croatia from 1 October 2020. The SRB also changed its internal structure to streamline its operations. This included the following changes:

Priority areas	Specific actions
The SRB Secretariat was separated from the Legal Service following the start of this process in 2020	• The Secretariat, incorporating also the Document Management Office, focuses on supporting SRB governance and decision-making. The Legal Service's priority remains the provision of legal advice to other SRB functions and the work on ongoing litigation cases; • The Secretariat will mature as a horizontal function supporting all three formations of the Board, the SRB decision-making policies, and the overall governance; • With respect to the SRB decision-making process, the SRB Secretariat will develop policies in light of the revisions of the Rules of Procedure and the related processes for the Executive and Plenary Session. It will support the Chair in the implementation of the Internal Rules of Procedure and act as the single contact point for all SRB stakeholders with respect to decision-making; • The SRB Secretariat also comprises the Document Management Office and will, over 2021- 2023, grow as the gateway to SRB decision-making and as the first point of contact under the applicable public access regime; and • In 2022, the SRB Secretariat plans to further streamline its decision-making practices by full deployment of a new IT tool (FORward Looking Agenda 'FORA') that supports internal workflows across all types of decisions taken by the Board in all its different compositions.

[10] See here.
[11] See here.

Priority areas	Specific actions
A new function, the Resolution Planning Office (RPO) was introduced	• During the summer of 2020, the SRB established the RPO, which provides resolution units with operational support concerning the planning and implementation of the Resolution Planning Cycle (RPC); • The new functions will, amongst others, monitor the cycle and contribute to maintaining the required quality standards for resolution planning practices across the Banking Union; • The RPO will also contribute to the consistent application of SRB policies and serve as a single point of contact with respect to the management of the RPC; and • The RPO will proactively contribute to internal and external communication on resolution planning matters.
Priorities for the SRB's Legal Service	• The SRB Legal Service covers two main areas: a. it deals with litigation actions that involve the SRB, mainly consisting of proceedings brought before the Court of Justice of the EU and appeals filed with the Appeal Panel; and b. it provides advice to other SRB functions in relation to legal matters, including advice on resolution planning, aspects related to the SRF, crisis cases, and internal administrative functions; • In the first area, the priority in the 2021-2023 period is to deepen in-house expertise and management of litigation proceedings. This will be achieved by the direct involvement of SRB lawyers in pending cases; and • In the second area, the provision of legal advice at the various levels of the organisation, the SRB states that it will aim to ensure a centralised and consistent implementation of the legal framework. To provide a central forum for the exchange of views on legal matters related to the EU resolution framework and following the earlier creation of an external Legal Network with representatives from other EU bodies and NRAs, the SRB established the Internal Legal Network. The Internal Legal Network, formed by legal experts representing the various units of the agency, is entrusted with tasks related to the dissemination of legal information, in order to allow the enhanced sharing of expertise and ensure the consistent implementation of the legal framework across the SRB.
Priorities for the SRB's Compliance function	• The SRB in its 2021-2023 MAP states that the Compliance function is an organisational function directly reporting to the SRB Chair. It ensures, as a second line of defence, that the SRB as an organisation and its staff members individually are adhering to internal and external requirements while safeguarding the SRB values of integrity, EU spirit, and excellence in resolution. This implies that all staff are compliant with all relevant regulatory requirements and the SRB's internal policies, rules, and procedures, including, among others, the SRB Code of Ethics and the SRB Code of Conduct; • During the period 2021-2023, the Compliance function plans to: – Conduct compliance risk management, including monitoring and reporting; – Provide advanced guidance and advice in particular with a view to the implementation of the new Code of Ethics; – Provide advanced staff training focused on staff awareness for compliance standards, as well as on specific compliance issues; and • The key focus for SRB Compliance as a second line of defence for 2022 will be to implement and oversee the new SRB Anti-Fraud Strategy 2022-2024, with its various objectives for mitigating fraud risks and preventing the occurrence of fraud.
Priorities for the SRB's Internal Control function	• The SRB in its 2021-2023 MAP states that the Internal Control function helps the SRB to achieve its objectives and sustain both operational and financial performance, while respecting rules and regulations. It supports sound decision-making and organisational development, while taking into account risks to the achievement of objectives, and reducing them to acceptable levels through cost-effective controls; • The SRB Internal Control team maintains an Internal Control Framework (ICF) in order to monitor the effectiveness, efficiency and economy of the SRB's activities and its resources, safeguard its assets and information, prevent and detect irregularities and fraud, provide reliability of reporting and facilitate the risk management process for its operations and environment; and • In 2022, the SRB Internal Control team will start the implementation of the adapted version of a new, principles-based ICF, which will be based on best international practices and, by analogy, on the ICF laid down by the European Commission for its own services.

Priority areas	Specific actions
Priorities for the SRB's Internal Audit function	• The SRB in its 2021-2023 MAP states that the Internal Audit function is to provide the SRB with assurance and advice as to the effectiveness and efficiency of the risk management, control and governance processes. In 2021-2023, Internal Audit will continue to do this through assurance and consulting engagements in line with its yearly risk-based audit plan. The audit plan, while approved annually, is built with a view to ensure an audit coverage of all key areas of the SRB over a time span of three years, taking into consideration the audits performed by the external auditors; • As part of its planning cycle, Internal Audit will report on the implementation of the audit plan in its annual report to the Board. In addition to conducting audits, Internal Audit will aim to: – Continue to develop its knowledge and expertise to ensure a high level of certification of its staff and knowledge of all SRB activities – supplemented where needed with external expertise; and – Assess its compliance with the standards of the Institute of Internal Auditors through an external assessment and annual self-assessments, and develop Action Plans where further improvement is needed.
Priorities for the Data Protection Office (DPO)	• The SRB in its 2021-2023 MAP stated that the next three years will focus on consolidating the achievements of previous years and assessing the progress made on data protection at the SRB. This includes: – Reviewing and refining the SRB's contractual frameworks with a view to data protection clauses, in particular with regard to new safeguards required for international transfers of personal data to third countries; – Cooperation between the DPO and the SRB's experts on new developments in the sphere of digital communication practices as well as on ICT security; – To further train SRB staff concerning their rights and obligations regarding personal data protection to the best possible standard, including the prevention of any data breaches; and – To focus on the principles of "data protection by design and default", which the recent data protection legislation defined.

The SRB's 2021-2023 Work Programme also echoes the ECB-SSM's calls to finalise EDIS and set its own call to (legislative) action for EU policymakers to press ahead with the harmonisation of liquidation rules for SRB-supervised BUSIs.

The 2021-2023 MAP, however, welcomes the substantial progress on building up Minimum Requirement for own funds and Eligible Liabilities (MREL) where the SRB will look to push BUSIs to keep up momentum. The SRB will over the 2021-2023 period continue to "fully operationalise the use of resolution tools, and their combined use. In this regard, more work is planned particularly on transfer tools."

That being said, even if 2022 marks the seventh anniversary of the SRB taking up its full powers as with the completion of the 2018-2020 MAP, a lot of the priorities the SRB set itself for 2021 to 2023 continued from 2020 or were areas from 2019 or even 2018 which were rebranded. The 2021-2023 MAP is drawn along the same lines of that of the same five areas in the 2018-2020 MAP, and thus the SRB will for 2022 and through to 2023 focus on:

1. Achieving resolvability of SRB BUSIs (including LSIs), in particular the phase-in by 2023 in full of the SRB's Expectations for Banks (EfB) which sets supervisory expectations of BUSIs;
2. Fostering a robust resolution framework;
3. Preparing and carrying out effective crisis management;
4. Operationalising the Single Resolution Fund (SRF) further; and
5. The efficacy of the SRB as an organisation.

Building on the SRB's work in 2019 on integrating global "Total Loss Absorbing Capital" (TLAC) standards into the EU's Minimum Requirements of own funds and Eligible Liabilities" (MREL) framework, and the SRB setting binding requirements at consolidated and individual levels, the reality of Brexit having occurred means that the SRB expects an impact on MREL instruments issued under English law. As a result, the SRB published its expectations on 31 January 2020, for treatment during and after the EU-UK transition period that ran to 31 December 31, 2020, as well as some suggestions as to possible actions to be taken by issuers. In addition to these expectations, the finalisation of the requirements for certain third-country groups of financial institutions to maintain an Intermediate Parent Undertakings (IPUs) as a result of complying with CRR II/ CRD V but also froward planning for the finalisation and implementation of CRR III / CRD VI will also likely continue to keep the SRB busy.

All of this issues above come in addition to the SRB's continued assessment of impediments to resolvability i.e., scrutinising individual BUSIs and the sector generally, as well as holding BUSIs to the SRB's general expectation that BUSIs (large or small) will continue to ensure an appropriate level of resolvability set in the EfB. Moreover, the SRB has also announced that:

1. It will step up its communications of individual minimum expectations and Work Programmes addressed to specific BUSIs that are SCIs i.e., under the SRB's direct remit;
2. It will continue issuing yearly priority letters to BUSIs defining horizontal as well as BUSI-specific priorities in compliance expectations with the EfB;
3. It requires BUSIs to submit long-term resolvability Work Programmes, which cover 2021 and the following years, in order to plan for the development of capabilities in all dimensions of the EfB by end-2023;
4. These programs should be fully developed and budgeted for, and have the involvement of BUSIs' senior management;
5. As part of the resolution planning process, Internal Resolution Teams (IRTs), formed by SRB and
6. NRAs resolution experts, will assess the banks' Work Programmes at the beginning of 2021 and, if relevant, request banks to adjust them; and
7. Once finalised, IRTs will continue monitoring and steering the implementation of the bank-specific resolvability Work Programme.

The SRB priorities lie in five strategic areas, in line with the 2021-2023 MAP. The focus for the year ahead will be on achieving resolvability of SRB entities and less significant institutions, fostering a robust resolution framework, carrying out effective crisis management, operationalising the Single Resolution Fund, with the Common Backstop set to enter into force in early 2022, and establishing a lean and efficient organisation. The SRB has visualised the EfB transition and key deliverables in Figure 3 from the 2021-2023 MAP – "EfB phase in over 2020-2023", which is set as follows:

Fig. 3 From the 2021-2023 MAP – "EfB phase in over 2020–2023"

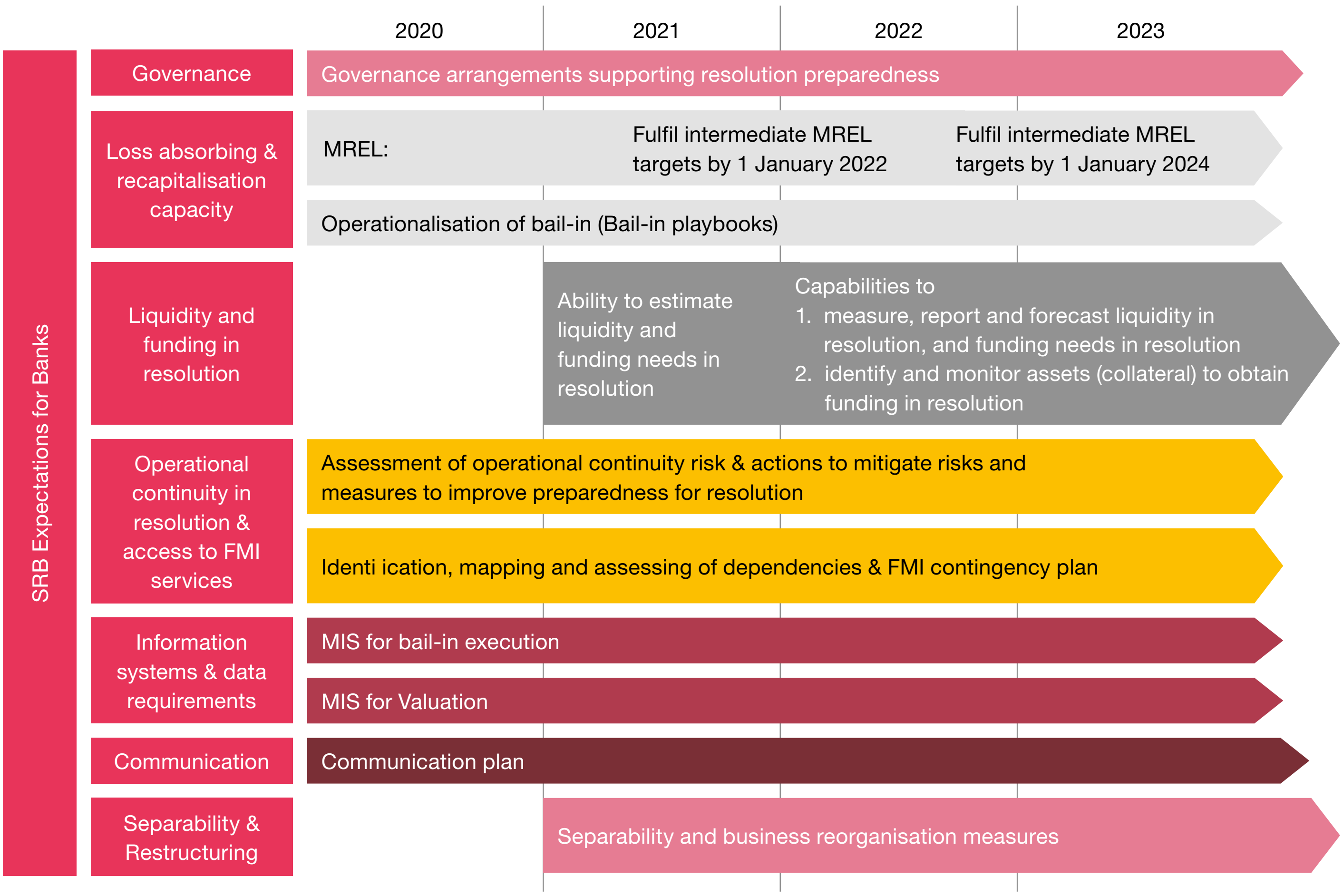
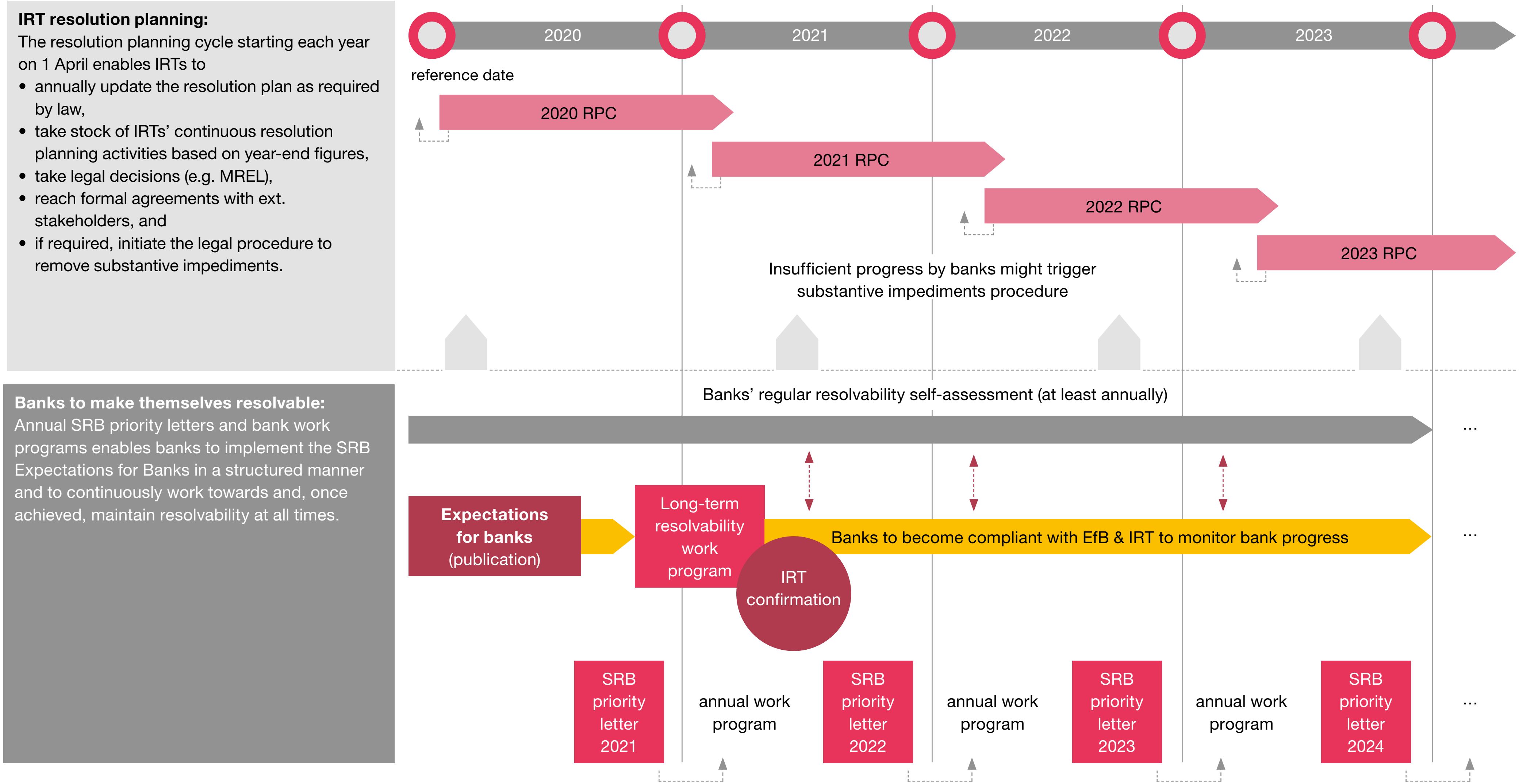


Fig. 4 The interaction between RPCs, EfB implementation during the 2021–2023 MAP



SRM priority area 2021–2023	Announced supervisory actions 2021–2023	Announced supervisory actions for 2022:
Achieving resolvability of SRB BUSIs (including LSIs) – in 2020 this was referred to as "strengthening the resolution readiness of BUSIs (SCIs and LSIs) by sound resolution planning"	• Implementing SRB's "Expectations for Banks" (EfB) – the SRB's EfB is the key document of reference for BUSIs to build, under the steering and guise of the SRB, their capabilities to become more resolvable. • The SRB will send bespoke priority letters to BUSIs, who should then describe how these EfB priorities will be actioned, by submitting to the SRB annual Work Programmes. The SRB will subsequently review the long-term Work Programmes (to be delivered by BUSIs in early 2021) and their resolvability self-assessments. These responses will feed into the SRB BUSI-specific resolvability assessment and horizontal heat map. The Internal Resolution Teams (IRTs), formed by SRB and NRAs staff, conduct these processes for all SRB BUSIs as part of the annual Resolution Planning Cycle (RPC). Besides BUSI-specific annual priorities, the SRB sets common EfB priorities across the SRB BUSIs. For 2021, these are: a. liquidity in resolution; b. management information system (MIS) and valuation capabilities; and c. bail-in preparedness. • Further operationalize resolution plans. The SRB has already drafted resolution plans for all SRB BUSIs. Therefore, the focus for 2021-2023 will be to (update and) operationalize the resolution plans and to make them truly actionable at short notice. The majority of SRB-supervised BUSIs' resolution strategies entail bail-in, alone or in combination with other tools. Therefore, the SRB work will focus on detailing BUSIs' bail-in playbooks. For resolution tools other than bail-in, i.e. transfer strategies, IRTs will steer BUSIs to develop the necessary preconditions to enable transfers. • SRB will conduct resolvability assessments, feeding into an SRB "heat map", and take action in case of insufficient progress. Building on the above-mentioned milestones, the SRB performs resolvability assessments as part of the annual RPC. In 2021-2023, such assessments will feed into a central "heat map", aimed to track individual BUSIs' progress and benchmark it across SRB BUSIs. If and when the SRB finds BUSIs' progress to be insufficient, it will take action, including formal procedures for the removal of substantive impediments. • SRB will design and perform on-site inspections (OSI). The SRB plans to develop gradually over 2021-2023 its OSI capacity. As first stepping stone, the SRB will perform in 2021 pilot on-site visits with BUSIs deemed to be of specific interest. Leveraging the lessons learnt from these visits, and from the experience of other relevant European and national authorities, the SRB will then coordinate and plan fully fledged OSIs by 2023. It is expected but not guaranteed that the SRB will leverage the ECB-SSM's own work on its OSIIM Guide49. • Enhance oversight function of less significant institutions (LSI). LSIs are under NRAs' direct remit, with the SRB performing oversight functions. For 2021, NRAs expect to have around 2193 LSIs in scope and to cover 92% of them with resolution plans (reaching 100% by 2023). The SRB has already received the majority of first resolution plans for LSIs: thus, the priority for 2021-2023 is to cover all incoming plans with a deeper assessment. This will be achieved through, inter alia, intensified interaction with NRAs (e.g. bi-annual workshops) and their implementation of comply-or-explain LSI guidelines (SRM-internal), aimed to attain common high-quality standards in resolution planning across SRB BUSIs and LSIs.	

SRM priority area 2021–2023	Announced supervisory actions 2021–2023	Announced supervisory actions for 2022:
Fostering a robust resolution framework	• In delivering on this priority area, the SRB will during 2021-2023, in close cooperation with NRAs, revise and develop further policies and BUSI guidance. The policy program for 2021- 2023 is tailored to underpin the EfB and RPC. Key areas of policy development for 2021-2023 are: 1. MREL: The priority is to refine the 2020 MREL policy to complete the implementation of the Banking Package's new rules as they fall due. For 2021, revisions will cover: a. responses to MREL breaches, including minimum distributable amounts (MDA); b. new aspects of the eligibility framework (and BUSIs' sign-off letters); c. implications of the requirement to set up an intermediate-parent undertaking (IPU) in the EU; and d. refining the No Creditor Worse Off (NCWO) model. 2. PIA: The plan is to extend the SRB's methodology, by strengthening the analysis against the five resolution objectives, and in particular of the impact on financial stability of BUSIs' critical functions, and in case of use of the DGS. 3. Financial continuity framework: This objective refers to policy work, for 2021 and 2022, on liquidity and funding in resolution, and on solvent wind-down (SWD) of BUSIs' trading books. 4. Beyond these three areas above, other policy developments programmed for 2021-2023 include work on: a. resolution scenarios; resolvability assessment, including separability analysis and restructuring; b. resolution tools; c. ancillary powers and moratorium; and d. the SRB will also, as part of its Policy Programme, implement all relevant Technical Standards by the EBA, and the FSB Recommendations. • Mirroring the three EfB horizontal priorities for 2021, the SRB will develop supervisory guidance for BUSIs on: a. Management Information System (MIS) capabilities for valuation; b. MIS capabilities for bail-in execution; c. Estimation of liquidity and funding needs in resolution. • Ex-ante and ex-post quality assurance and consistency improvements. While SRB policy developments aim to attain consistency ex-ante, the SRB will also continue to work to ensure consistency ex-post (or ad-interim), through quality assurance. To do so, the SRB revises draft plans in two phases of the cycle. This allows systematic benchmarking of the plans against SRB policy developments, and fosters harmonized and high-quality practices for SRB BUSIs. • Contribute to external policymaking: The key priority for the SRB in the coming years is to call for and support the completion of the Banking Union. More specifically, the SRB expects and will push as priority areas: a. the establishment of the common backstop to the SRF; b. the issue of liquidity in resolution; c. progress towards a common deposit guarantee system; and d. "measures for a robust bank resolution and insolvency framework". • International cooperation: On the one hand, the SRB in 2021-2023 will continue to negotiate agreements with non-Banking Union authorities and with third-country authorities to support the work of Crisis Management Groups (CMGs). On the other hand, the SRB will contribute to the work of standard setters, such as the FSB, and bilateral, trilateral and multi-lateral dialogues with third-country authorities to improve international cooperation.	• Update and enhance the MREL policy by (i) reviewing the no-creditor-worse-off (NCWO) approach. • Deepen the operationalisation of the single point of entry (SPE). • Introduce additional policy enhancements for the Public Interest Assessment (PIA). • Expand the policy work on Financial Continuity by introducing the operational guidance for the assessment of the identification and mobilisation of collateral for the RPC 2022. • Continue the development and increase the consistency of the SRB MIS architecture, as well as the deployment of data warehouse automated tables and dashboards in resolution planning. • SRB will conduct a systematic quality review of all resolution plans, to ensure up-to-date and harmonised drafting practices for banks under the SRB's direct remit. • SRB will continue to provide informed inputs to the legislative and policy discussions of relevance to resolution and the banking union. • SRB is actively engaged and stands ready to support legislators in the ongoing review of the Crisis Management and Deposit Insurance (CMDI) framework and the European Deposit Insurance Scheme (EDIS) discussions. • SRB contribute to the development of resolution-related international standards at the Financial Stability Board (FSB), and to bilateral dialogues with non-EU jurisdictions on financial services.

SRM priority area 2021–2023	Announced supervisory actions 2021–2023	Announced supervisory actions for 2022:
Preparing and carrying out effective crisis management	• Operationalise resolution tools other than bail-in: The aim of this project is to enhance readiness of the SRB for implementing resolution schemes based on transfer strategies. The focus for 2021 will be to obtain the front-to-back competencies for executing the sale of business tool (both share and asset deals). Work will be divided into three streams: 1. setting-up a virtual data room (VDR) and organising investors' due diligence process; 2. approaching investors and managing the marketing process; and 3. creating the transaction documentation. • Refining data, procedures, documents and tools for crisis cases: The SRB will work to enhance its own procedures and documentation (also in light of possible lessons learnt) and, with NRAs, to update and expand National Handbooks (that look at the implementation of resolution schemes). Moreover, the SRB aims to refine its quantitative tools (e.g. bail-in tool calculator, sale of business tool calculator, crisis dashboard). This is supported by the overarching priority of maintaining an effective ICT platform, aligning data sources and expanding data available to crisis management teams. • Post-resolution priorities: The objective is to elaborate policy stances and operational procedures on, for instance, impacts on business model, governance arrangements, special manager role, etc. • Dry-run exercises: To test crisis preparedness, the objective for 2021-2023 is to perform several "fully-fledged" and "technical" dry-runs. The former type of dry-run simulates the entire management process and decision-making in resolution cases, while the latter investigates specific topics and/or processes in a crisis. Beyond this, the SRB also encourages "bank-specific deep dives", i.e. dry-runs by IRTs to assess specific topics (i.e. governance, communication, use of the resolution tools, etc.), and dry-runs by NRAs to enhance readiness to implement resolution decisions.	• SRB will conduct dry-run exercise testing, among others, decision-making procedures and coordination with external stakeholders. • SRB will conduct a technical dry-run exercise involving at least one resolution unit, one bank and one NRA, with aiming at testing bail-in execution, among others, as well as some aspects of governance in crisis, with the involvement of senior management. • Dry-run will also provide an opportunity to integrate the new SRB ICT platform, Ready for Crisis (R4C), and to align it with other existing data projects and platforms • Lessons learned will be incorporated into the SRB crisis management procedures and templates, ensuring consistent approaches and best practices among IRTs..
Operationalizing the Single Resolution Fund (SRF) further	The SRF by 2023 should have available financial means to reach at least 1% of the amount of covered deposits of all credit institutions authorized in the Banking Union. Consequently work in achieving this will concentrate on: • Contributions: A key priority for 2021-2023 is the monitoring of the evolution of covered deposits, for the annual target setting as well as with regard to the objective of reaching the overall target level of 1% of covered deposits. Other multi-annual priorities regard the evaluation of the current contribution framework, and enhancement of the ICT environment. For 2021, the SRB will work to calculate the individual 2021 ex-ante contributions, notifying NRAs as soon as possible accordingly, and on-boarding two new participating Member States, i.e. Bulgaria and Croatia, into the contributions cycle. The growing number of litigation cases related to ex-ante contributions before the EU courts in recent years will also require substantial work in 2021. • Investments: Key priorities for 2021 are the monitoring of the implementation of the 2021 investment plan by the external investment manager, and the onboarding of a second investment manager. Year-by-year, the SRB will review the investment strategy, update the annual investment plan, and further develop the risk and portfolio management tools. Finally, the SRB will work to operationalize the SRF liquidity. • Funding and financing: Over 2021-2023, the SRB will continue analyzing the optimal financing instruments for capital and/or liquidity support, covering any possible combination of resolution tools. This work will build on existing SRB procedures and past dry-runs. In terms of additional financial means, the SRB aims to conclude the technical work to operationalize the agreements on the Common Backstop, including the completion of the repayment capacity methodology, jointly with the European Stability Mechanism (ESM).	• In early 2022, the Common Backstop to the Single Resolution Fund (SRF) will enter into force. This requires the SRB to implement its collateral policy and the methodology for the assessment of its repayment capacity. • SRF will carry out the annual exercise of calculating and collecting ex-ante contributions. • SRB continues to improve the management of funds. The 2022 Investment Plan will be implemented by two external investment managers, and the SRB will review its investment strategy.

SRM priority area 2021–2023	Announced supervisory actions 2021–2023	Announced supervisory actions for 2022:
The SRB as an organisation – in 2020 this was referred to as "establishing a lean and efficient organisation"	The primary focus, underpinning all SRB MAP-WP priorities, is on SRB staff. In this sense, the priority for the SRB will be the retention, training, mobility and career development of its staff, while ensuring the recruitment of an additional 50 staff members, as a key enabler for the SRB multiannual objectives. Another vital support function for the SRB priorities is ICT and the SRB's ICT Work Programme for 2021 and coming years includes several projects, for instance in the domain of reporting from BUSIs, the expansion of data sources, improvements (and automation) of data processing, ultimately achieving an effective management information system (MIS) and a "digital-SRB". On the communication front, the SRB will in 2021 implement a comprehensive and ambitious communications Work Programme across different channels, including the launch of a new website, and it will develop the SRM Communication Forum. While other functions and their priorities are further described in the SRB's 2021–2023 MAP, it may be worth noting here that the SRB is now working with a renovated and streamlined structure, whereby: • The SRB Secretariat is separated from the Legal Service. The Secretariat, incorporating also the Document Management Office, focuses on supporting SRB governance and decision-making. The Legal Service priority remains the provision of legal advice to other SRB functions and the work on ongoing litigation cases. • A new function, the Resolution Planning Office, operates as a point of reference to support the implementation of the "steady-state" 12-month RPC, and to promote consistent, efficient and high-quality resolution planning across SRB BUSIs. In keeping with the 2020 Work Programme, the SRB will also in future constantly assess its structure and workflow to maintain a lean and efficient structure.	• SRB will continue working towards a 'digital SRB', implementing its 2022 ICT strategy and development programme. • SRB will also work to strengthen talent retention by developing dedicated learning and career opportunities. • SRB will implement the post-pandemic 'new normal' hybrid working arrangements.

The SRB's 2021–2023 MAP also set out the planned areas of work for SRB MREL policies in 2021–2023 as follows:	2021	2022	2023
SRB MREL Policy			
MREL: Implementation/application/contribution to EBA Regulatory Technical Standards (RTSs) on eligible liabilities, on permission to reduce eligible liabilities instruments, EBA Implementing Technical Standards (ITSs) on MREL/ TLAC reporting and disclosure, on reporting of MREL decisions to the EBA, relevant EBA reports on MREL			
MREL: EBA RTSs on the MREL setting in relation to Pillar 2 Requirement (P2R) and CBR for groups not subject to P2R under CRDIV; and on internal MREL and implementation of the resolution strategy			
MREL: EBA RTS 3.0 on ITS on reporting (BRRD2)			
Reporting: EBA RTS 2.10 and ITS on resolution templates			
Resolution scenarios to be considered for resolution planning			
Public interest assessment policy and any EBA work in this area			
Liquidity and funding in resolution (focus on capabilities to measure, report and forecast their liquidity position in resolution)			
Liquidity and funding in resolution – focus on capabilities to identify and monitor assets that can be used as collateral to obtain funding in resolution			
Solvent wind-down			
Methodology for resolvability assessment, including separability analysis and restructuring, resolution tools specifics and relevant EBA work in this area			
Bail-in: use of ancillary powers (Art. 64 BRRD) and use of moratorium powers			
Bail-in: EBA RTSs on Art. 55 BRRD and on contractual terms for resolution stay powers			
FMIs: FSB templates of information that banks and RAs need from FMIs for resolution planning and execution			
FSB paper on approaches to promote information exchange and communication protocols between FMIs, RAs and banks			

Some of the workstreams have new objectives, whilst others have recurring objectives. Delivery against the MAP is measured against key performance indicators – which are set out in Annex 12 of the 2021-2023 MAP.

Top three takeaways for BUSIs and their compliance priorities in meeting SSM and SRM priorities

1. BUSIs should reinforce their working groups and retain external counsel to assist with complying with supervisory expectations and a considerable increase in on-site inspections and thematic reviews on new but also follow-ups to existing/on-going areas of concern – ICAAP/ILAAP, governance, business model viability/sustainability, risk culture, resolution planning and MREL compliance. This is especially the case as Banking Union supervisory teams are likely to request much more quantitative and qualitative data than in previous years, as supervisors shift to policing Supervisory Priorities from earlier supervisory cycles and as the lessons learned of the pandemic become more familiar. New pressures are likely to emerge as supervisory teams set expectations for individual BUSIs and the sector generally.
2. BUSIs should expect a more intrusive (and more joined-up) supervisory approach by JSTs and IRTs on periodic, ad hoc and thematic reviews and workstreams, including in relation to the impact of the wider reaching rulemaking changes.
3. BUSIs should step up efforts to assess and expand the capabilities of their relevant control functions in relation to the range of governance, risk and compliance deliverables, in addition to risk culture, so that these better meet Banking Union specific supervisory expectations (ahead of those of other levels of the ESFS), the overall focus on “strategic steering” of BUSIs, as well as the challenges posed by greater depth of reporting requirements (including BCBS standards) set by the ESFS.

All of these supervisory issues that the SSM and SRB have committed to advance during 2022 and beyond and the resulting workstreams at BUSIs are likely to have enterprise-wide impact and spill-overs to other “change the business,” “run the business” and/ or “change the compliance” projects outside of the Banking Union and/or the EU.

Part 2 – ESA Supervisory Priorities for 2022

The ESA's Work Programmes are usually published in the context of their "multi-annual programming" or "strategic orientation documents". These serve to focus the overriding strategic areas and deliverables for the given year ahead. The ESAs are all mandated, as gatekeepers of the Single Rulebook and in fostering Single Market integration, with regulatory governance, supervisory convergence and (at present limited) direct supervision/intervention tasks and powers in relation to sectoral EU financial market legislation. The individual work programmes of the ESAs for 2022 were published far later in 2021 than in previous years.

What has carried through from previous years is the focus on supervisory convergence efforts. This remains a key theme since 2016 and has been framed by all ESAs, notably ESMA, and the ESAs are each set to operationalise the further supervisory powers and expanded mandates they were granted in 2019. Those institutional changes also led to an amended scope of the Joint Committee (JC) of the ESAs, as set out in its joint "2021 Work Programme" which in turn builds on that set out in the JC's "2020 Work Programme".

The JC of the ESAs works in particular in the areas of retail investment products, retail financial services and consumer and investor protection issues, micro- prudential analysis of cross-sectoral developments, risks and vulnerabilities for financial stability, cybersecurity, financial conglomerates and prudential consolidation, as well as accounting, auditing and regulatory work on external credit assessment institutions (ECAIs) – specifically ESA's mandate on the mapping and monitoring of ECAI's credit assessment under the regulatory framework of the CRR and CRR II, as well as Solvency II.

Each of the ESAs, via the JCs, jointly explore and monitor potential emerging risks for EU-27 financial markets, participants and the financial system as a whole. Moreover, the JC is an important forum for discussing key cross-sectoral trends and vulnerabilities to financial stability, with the publication of the bi-annual cross-sectoral Risk Reports and their submission and presentation to the Financial Stability Table of the Economic and Financial Committee (EFC-FST). This will have particular importance in 2021, in light of the necessity to deal with the economic and financial implication of the COVID-19 pandemic as well as tail-risks due trailing Brexit.

For 2022, the JC will push forward on those key themes it identified during 2021 notably with a greater emphasis, certainly when compared to previous years prior to the COVID-19 pandemic, on consumer protection issues, sustainable finance and financial innovation, notably on:

1. Increasing the ESA's existing efforts on digital finance with a special emphasis on:
   a. monitoring and analysing technological innovations, including use of supervisory technology (SupTech) and, as in 2020, continuing their work on artificial intelligence along with machine learning with a publication of findings and policy options. The JC will also study the use of behavioural finance findings for supervisory purposes, where policy options will be published in a joint report;
   b. as in 2020 and 2021, on cybersecurity, especially as the EU's Regulation known as the Digital Operational Resilience Act (DORA) is expected to be fast-tracked;
   c. increased delivery of the European Commission's Digital Finance Strategy and by the JC supporting the the European Forum for Innovation Facilitators (EFIF), as well as the further coordination and cooperation among national innovation facilitators (regulatory sandboxes and innovation hubs) to foster the scaling up of innovation in the EU's financial sector in line with the EU's FinTech Action Plan. A separate EFIF Work Programme, as published for 2020 to 2021;
   d. as in 2020, assessing the role of artificial intelligence, tokenisation and distributed ledger technologies, open banking and application program interfaces (APIs);
2. Consumer and investor protection issues – notably, by building on work in 2020 and 2021 in advancing the:
   a. review of the PRIIPS Regulation and drafting technical standards, as well as finalising related regulatory standards – notably the development of Q&As and other Level 3 tools to promote supervisory convergence and give NCAs and market participants further guidance on the practical application of the PRIIPs rules. The ESA will also prepare an Annual Report based on data received from NCAs on administrative sanctions or measures imposed;
   b. finalisation and operationalisation of regulatory standards on sustainability-related disclosures in the financial services sector, in particular the Sustainable Finance Disclosure Regulation (SFDR), the Non-Financial Reporting Directive (NFRD), and the ESAs might be asked to further contribute to the development disclosure standards for non-financial information;
   c. following up on individual ESA drafted Guidelines on complaints handling – notably the EBA/ESMA Guidelines for the securities and banking sector and the EIOPA Guidelines for insurance undertakings and creating a common and consistent standard;
3. As in 2020 and 2021, improving effective supervision of financial conglomerates plus further development and finalisation of work on specific reporting formats for financial conglomerates, as well as a 2021 list of identified financial conglomerates;

4. As in 2020, deploying an increased focus on anti- money laundering and financial crime prevention, but a transfer of responsibility from JC to a centralised competence centre led by the EBA, which ESMA and EIOPA will support;
5. Supporting the ESAs to address other cross- sectoral matters, such as the cross-sectoral mandates and questions and answers stemming from the implementation of the regulatory framework of the EU's Securitisation Regulation (in force since 2017), a flagship of the EU's CMU 1.0 efforts;
6. A range of "other work" including:
   a. the delivery of the 9th Joint Consumer Protection Day 2021. Since its inception, the Consumer Protection Day has become an important milestone for stakeholders across the EU that have an interest in the topic of consumer protection;
   b. continue to discuss progress on the reform of fees and long-term performance of retail investment products;
   c. support any legacy issues in order to ensure investor protection, EU market integrity and financial stability following Brexit; and
   d. improve the exchange of information on fit and proper assessments (see also developments on the ECB's own Fit and Proper Guide 2021 discussed above). The ESAs will start with the implementation of information exchange on fit and proper assessments (Article 31a ESAs Regulation). To this end, a pilot business case for possible IT solutions, supporting the exchange of information and covering the banking and insurance sectors first, will be launched. The JC will provide a steer for the implementation to ensure cross-sectoral consistency.

EBA's 2022 Work Programme

The EBA announced its 2022 Work Programme[12] on 5 October 2021 describing its activities and tasks as well as key strategic areas of work for the next year. The EBA's work in 2022 will largely be a continuation of the work carried out in 2021. Furthermore, the EBA will develop a relevant environmental, social and governance (ESG) framework for banks, and monitoring the impact of COVID-19 on their balance sheets will remain at the forefront.

The EBA's 2022 Work Programme was built considering the five vertical and two horizontal strategic priorities that were first approved by the EBA's Board of Supervisors in January 2021 in the context of the Single Programming Document (SPD) for the years 2022 to 2024. These include:

Five strategic areas for 2022:

The EBA plans to:
- Monitor and update the prudential framework for supervision and resolution;
- Revisit and strengthen the EU-wide stress-testing framework;
- Banking and financial data: leverage the EUCLID;
- Deepen analysis and information-sharing in relation to digital resilience, FinTech and innovation more generally;
- Fight AML/CFT and contribute to a new EU infrastructure;

Furthermore, the EBA will, with respect to two horizontal priorities for its policy work prioritise the following:
- ESG: provide tools to measure and manage risks; and
- COVID-19: monitor and mitigate the impact.

In principle, the "strategic priorities" for 2022 and those for 2021 are conceptually largely identical. Some of them have an expanded focus on settlement powers or entirely new powers, including those relating to combating money laundering, terrorist financing and the prevention of financial crime. At the end of 2019 the EBA received more than 100 new mandates in respect of CRR (II/III)/CRD IV(V), BRRD(II) and IFR/IFD legislative reforms known as the "risk reduction package", requiring that the EBA act and create policy but also monitor the "…good and convergent implementation of the Single Rulebook in the EU…"

[12] Available here.

2021 Specific Priorities	2022 Strategic Priorities
1. Supporting deployment of the risk reduction package and the implementation of effective resolution tools	1. Monitoring and updating the prudential framework for supervision and resolution
2. Reviewing and upgrading the EU-wide EBA stress-testing framework	2. Revisiting and strengthening the EU-wide stress-testing framework
3. Becoming an integrated EU data hub, leveraging on the enhanced technical capability for performing flexible and comprehensive analysis	3. Banking and financial data: leveraging the EUCLID
4. Contributing to the sound development of financial innovation and operational resilience in the financial sector	4. Digital Resilience, Fintech and Innovation: deepening analysis and information sharing
5. Building the infrastructure in the EU to lead, coordinate and monitor AML/CFT supervision	5. AML/CFT: contributing to a new EU infrastructure
6. Providing the policies for factoring in and managing ESG risks	

"Horizontal Priorities" are usually multi-sector and multi-annual:

2021 Horizontal Priorities	2022 Horizontal Priorities
a. Establishing a culture of sound and effective governance and good conduct in financial institutions, notably with respect to governance, conduct, including the treatment of customers and AML/CFT, as well as sustainability factors, and to ensure these are covered in relevant supervisory frameworks	a. ESG: providing tools to measure and manage risks The EBA will implement ESG considerations into its policy development via ESG impact assessments and will progress in incorporating ESG risks into its risk analysis and stress testing.
b. Addressing the aftermath of COVID-19 by monitoring resilience in financial institutions, intensifying asset quality reviews, as well as monitoring the use of moratoria and public guarantees to ensure that risk metrics remain reliable and that the banking sector can support the recovery and cope with potentially increasing losses, while equally having clarity on the timing of lifting dividend restrictions and re-building capital buffers.	b. COVID-19: monitoring and mitigating the impact The EBA will strive to preserve the quality and reliability of risk metrics in order to assess the support provided by banks to the real economy and potential losses arising from the aftermath of the crisis.

Despite all individual workstreams and similarly to previous years, the EBA will still continue its rulemaking role, which lies at the heart of its mandate, in tying things together by developing and maintaining (certainly its portion) of the Single Rulebook for financial services in the EU through Implementing Technical Standards (ITS) and Regulatory Technical Standards (RTS) and Guidelines (GL).

In addition to rulemaking, the EBA remains responsible in its supervisory convergence role and its mission to:

"build a single supervisory framework for the entire banking sector in the EU, so as to ensure an efficient, transparent and stable Single Market that benefits its consumers, businesses and the broader economy"

In fulfilling that mission, the EBA aims to contribute to a single supervisory culture through investigating, remedying and preventing incorrect or insufficient application of EU law by NCAs, and taking individual actions against NCAs or remediating disputes amongst them, along with acting as an independent advisory body to the European Parliament, the European Council or the European Commission. For 2022, EBA's activities and actions will, compared to last year's programme, streamline its activities by merging and reshuffling to further benefit from synergies. Consequently, the EBA's organisational structure has been slightly adjusted to better deliver its objectives.

EBA key priority/activity	EBA's announced supervisory actions for 2022
1. Capital, leverage ratio and loss absorbency – specifically by: a. Continuing to monitor CET1 issuance and maintaining a public list of CET 1 instruments b. Engaging in dialogue with numerous stakeholders to follow developments and provide guidance in relation to capital and capital issuances	• Maintaining Additional Tier 1 (AT1) instruments templates • Analysis of interactions with loss-absorbency requirements (same as in 2021) • Assessments of post-CRR instruments and review of pre-CRR instrument (same as in 2021) • Monitoring and reporting on – AT1, Tier 2, TLAC-MREL issuances (including ESG ones) • Maintenance and publication of the EBA CET1 list (same as in 2021) • Questions and answers support on capital (same as in 2021) • Monitoring/promote consistent application (incl. notifications and follow-up actions), update requirements as needed • Report on monitoring of MREL eligible liabilities issuances – update (Q1/Q2) • Follow up of the implementation of the EBA Opinion on legacy instruments (Q1/Q2)
2. Liquidity risk and interest rate risk in the banking book – specifically by: a. Scrutinising the ways in which firms and NCAs have implemented the CRR and RTS provisions in terms of notifications and the use of options and national discretions b. Delivering the GL and RTS stemming from CRR II/CRD V relating to the Interest Rate Risk in the Banking Book (IRRBB) framework	• Developing regulatory products and updating liquidity requirements (same as in 2021) • Monitoring national practices on liquidity and national options and discretions, especially regarding the concrete implementation of the LCR rules and definitions (same as in 2021) • Monitoring of notifications, national practices and national options and discretions related to liquidity and follow-up actions (same as in 2021) • Updating the list of credit institutions waived from the 75 percent inflow cap under Art. 33(5) of the LCR Delegated Regulation (same as in 2021) • Monitoring of interdependent assets and liabilities for the net stable funding ratio (NSFR) (same as in 2021) • Monitoring of interdependent inflows and outflows for the liquidity coverage ratio (LCR) (same as in 2021). Q&A support on liquidity risk and IRRBB (same as in 2021) • RTS on standardised and simplified methodologies for the IRRBB • RTS on supervisory shock scenarios and outlier tests for the IRRBB • GL on the IRRBB and the credit spread risk arising from non-trading book activities (CSRBB)
3. Accounting and audit – which includes monitoring accounting standards and comment letters to the IASB where needed and delivering regulatory output and technical advice to the EC where requested	• Monitoring and promoting consistent application of IFRS 9 and work on the interaction with prudential requirements, including monitoring the institutions' practices, also following COVID-19-related circumstances • Monitoring the use of transitional provisions • Continuing the work on the modelling aspects of IFRS 9 and their related impact on capital, using a benchmarking exercise, as per the roadmap • Monitoring the ongoing quantitative impact of the application of IFRS 9 through selected indicators • Continuation of integration of the IFRS9 benchmarking in the ITS on benchmarking and monitoring the institutions' practices in the current circumstances in order to understand better the impact of IFRS 9 on capital requirements, as well as the way banks are applying judgment in the assessment of the level of and changes in credit risk of their exposures • Continue working on / monitoring consolidation aspects • Monitoring accounting standards and comment letters to the International Accounting Standards Board, where needed • Delivering regulatory products and technical advice to the Commission on the topics requested

EBA key priority/activity	EBA's announced supervisory actions for 2022
4. Credit risk (incl. large exposures, loan origination, NPL, securitisation) with a particular focus on the IRB approach for credit risk in respect of all the business activities of a credit institution, excluding the trading book business, under CRD V/CRR II. The EBA will focus on the implementation of the IRB roadmap and will continue to monitor its effects after application, ensuring supervisory consistency and increasing transparency	• Maintaining credit-related lists, including identification of the eligibility of PSEs for the credit risk framework (same as in 2021) • Monitoring and promoting consistent application of credit risk and credit risk modelling, notably the implementation of the IRB roadmap (same as in 2021) • Issuing Q&A on credit risks (same as in 2021) • Supporting transposition and implementation of the Basel III on credit risk • Monitoring credit risk related issues of COVID-19, including Guidelines on public moratoria • Preparing Basel III-related mandates • Monitoring the implementation of the EBA's loan origination GL • Preparing enhanced and user-friendly NPE data templates to support the emerging EU secondary market NPEs • Supporting effective NPE management as set out in the EBA's NPE GL including customer-centric approach to NPE management • Following-up on the EU action plan for tackling NPLs in Europe • Monitoring market development and promote the consistent application of frameworks on securitisation and covered bonds • Implementing the Covered Bonds Directive • Preparing RTS on performance-related triggers (Q1) • Preparing RTS on synthetic excess spread (STS synthetic) (Q1) • Preparing RTS on homogeneity (STS synthetic) (Q2) • Preparing GL on calculation of K-IRB for dilution and credit risk (Q2) • Preparing GL on the harmonised interpretation and application of the requirements set out in Articles 26b to 26e (STS synthetic) (Q2) • Monitoring report on capital treatment of NPEs securitisation (Q2) • Preparing ITS on the mapping of external credit assessment institution (ECAI) credit assessment for securitisation positions (Q3) • Preparing 2022 benchmarking portfolios – update of ITS (Q4) • Preparing 2021 benchmarking report on IRB models (Q4) • Preparing RTS on the definition of group of connected clients (Q4) • Preparing report on hierarchy-of-approaches practises for calculation of risk weights (CRR Article 254(8)) (Q4) • Preparing report on equivalence regime for covered bonds (Q4)
5. Market risk, investment firms and service risks, and operational risk with a particular focus on introducing more risk-sensitive capital requirements following Basel work on the Fundamental Review of the Trading Book (FRTB) introduced in CRR II/ CRD V and the EC delegated act	• Preparatory work on the implementation of the FRTB – Phase IV: regulatory products whose substance will be derived from the monitoring of the application of the revised frameworks: – Regulatory Technical Standards on material extensions and changes under the Internal Models Approach – Regulatory Technical Standards on the assessment methodology for the IMA – Regulatory Technical Standards on extraordinary circumstances for being permitted to limit the back-testing add-on – Guidelines on the meaning of exceptional circumstances for the reclassification of a position – Report on the impact and relative calibration of the SA for CCR, the simplified SA for CCR and original exposure method – Report on the impact and relative calibration of the SA-CCR; simplified SA-CCR and Revised Original Exposure Method (OEM) • Regular updates to the list of diversified stock indices, incorporating any additional relevant indices and applying the quantitative methodology outlined in the implementing Technical Standards • Monitoring and promoting consistent application of market risk requirements • Q&A support on market risk, market infrastructure and CCR • Monitoring and promoting the consistent application of operational risk and investment firms' requirements • Q&A support on operational risk and investment firms • Investment firms RTS on liquidity risk measurement (Q2) • Investment firms GL to specify the criteria when exempting Article 12(1) (Q2) • Investment firms (class 3) from the liquidity requirements (Q2) • Preparing the 2022 benchmarking portfolios – update of ITS (Q3) • Market risk: 2021 benchmarking report on market risk models (Q4) • Investment firms: GL on benchmarking of internal models (Q4)

EBA key priority/activity	EBA's announced supervisory actions for 2022
6. Supervisory review – focusing on overall further policy development in line with the published Pillar 2 Roadmap and the CRR II/CRD V package and in relation to emerging risks or areas where an international practice (read BCBS and other principles/standards) has been developed	• Supervisory review: second review GL on common procedures and methodologies for SREP (Q1) • Supervisory review: preparing report on convergence of supervisory practices in 2021 (Q2) • Supervisory review: GL on common SREP under IFD (Q2) • Supervisory review: RTS on Pillar 2 add-ons under IFD (Q2) • Supervisory review: Revising RTS-ITS on the functioning of supervisory colleges and on cooperation between CAs, financial intelligence units and other authorities (Q4)
7. Internal governance and remuneration – including the EBA's monitoring and benchmarking of diversity practices at EU level	• Monitoring and promoting consistent application of internal governance and remuneration regulations • Q&A support on internal governance and remuneration • Preparing GL on high earners under CRD (Q2) • Preparing GL on high earners under IFD (Q2) • Preparing GL on benchmarking remuneration and gender pay gap under CRD and IFD (Q3) • Data collection higher approved ratio (Q3) • Report on remuneration benchmarking exercise (2019 and 2020 data) and high earners (2020) (Q4) • Report on diversity benchmarking (Q4)
8. Recovery and resolution The revised BRRD II/CRR II legislation has mandated the EBA to develop a wide range of binding technical standards, Guidelines and reports. The key work will focus on the development of the regulatory mandates that have been addressed by a specific resolution roadmap, including the production of an MREL report that monitors the building up of the MREL resources in the European banking sector. In the context of crisis preparedness, the EBA will continue to monitor evolving practices in relation to recovery planning, triggers for early intervention, and the determination of failing or likely to fail. It will also focus on improving synergies between recovery and resolution plans; increasing the quality of cooperation between supervisory and resolution authorities; and identifying good practices, potential friction points and things to avoid.	• Monitoring convergence in the area of resolution • Quantitative report monitoring the build-up of MREL resources in the EU • A combination of products in resolution planning, which includes: – targeted review of resolution standards and guidelines – content of recovery plans, with special focus on preparatory measures – the operationalisation of resolution tools through crisis simulation exercises – resolution reporting – resolvability assessment (testing and disclosure) – critical economic functions and critical services • Report on the amounts and distributions of holdings of eligible liabilities instruments held by G-SIIs or O-SIIs8 and potential impediments to resolution and the risk of contagion in relation to those holdings (Q2) • Impact assessment of the MREL (Article 45l.2 BRRD) (Q2)

<table>
<tr><th>EBA key priority/activity</th><th>EBA’s announced supervisory actions for 2022</th></tr>
<tr><td>9. Market access, authorisation and equivalence
The completion of work on a feasibility study of an integrated EU reporting framework, mandated by the CRR II, will be key to helping cover a wider scope of data and an efficient integrated system for collecting and sharing data. This will further increase standardisation, ensure common definitions, reduce redundancies and increase efficiency of reporting systems.</td><td>• Cooperation agreements with third-country authorities on supervision, resolution, conduct and AML/CFT
• Monitoring regulatory perimeter and new financial activities across the EU
• EBA opinion on third-country regulatory and supervisory equivalence (Q4)
• Report on the assessment of the equivalence of regulatory and supervisory frameworks and ongoing monitoring of equivalence decisions, including an annual confidential report summarising the findings of its monitoring activities on equivalent third countries (Q4)
• Update GL on the equivalence of third-country authorities’ confidentiality requirements (supervision and resolution) (Q4)</td></tr>
<tr><td>10. Sustainable Finance</td><td>• Contributing to Commission activities in this area (including Platform on Sustainable Finance)
• Preparing Discussion paper on a potential prudential treatment of assets linked with sustainability objectives (Q1)
• Preparing GL on ESG risk management (Q4)
• Monitoring system for ESG risks in the banking sector (Q4)</td></tr>
<tr><td>11. Innovation and FinTech (without MiCA and DORA)</td><td>• Publishing EBA Thematic Reports on:
– Monitoring of financial innovation and targeted reports on new developments, including AI, RegTech/SupTech and platformisation
– Business model changes, and risks and opportunities from FinTech, innovative products and emerging trends

• Contributing to the FinTech Knowledge Hub (workshops, roundtables, seminars)
• Supporting the European Forum for Innovation Facilitators
• Preparing an ESA Opinion on Digital Finance on non-bank lending (call for advice) (Q1)
• Crowdfunding Regulation: RTS on information to clients (Article 19(7)) (Q3)
• Advising and reporting on Digital Finance Strategy (AI, common financial data space, cross-border testing of innovations, digital identities, open finance, lending, platformisation of banking and payment services, etc.) (Q3)

The EBA in delivery of the above, will also very much aim to advance the EBA’s FinTech Roadmap as well as:
i. a regulatory perimeter and the European Forum of Innovation Facilitators
ii. impacts on the business models, and risks and opportunities for financial institutions from FinTech
iii. operational resilience
iv. regulatory obstacles for innovative technologies and business models. The EBA will continue its activities concerning the FinTech Knowledge Hub, in order to facilitate information and experience sharing, to raise awareness, to support the transfer of knowledge on FinTech, and to support information sharing among national innovation facilitators under the Forum of European Innovation Facilitators
v. Work in this area will also support the EBA with its new mandates on digital finance, operational resilience and crypto-assets are expected from the Commission’s legislative and non-legislative initiatives following the public consultations on these topics</td></tr>
</table>

EBA key priority/activity	EBA's announced supervisory actions for 2022
12. Consumer and depositor protection – which includes reviewing the existing legislative and institutional framework of Depositor Guarantee Schemes (DGS) under the EU Directive (DGSD). This workstream is independent of but will influence discussions on how to finalise EDIS as the "third pillar" of the Banking Union.	• Publishing uses of DGS funds including bank failure, covered deposits and financial resources of the DGSs (carryover of work from 2021) • Monitoring liquidations with a DGS payout (carryover of work from 2021) • Assessing notifications received under DGSD (carryover of work from 2021) • Having fulfilled in 2019 the EBA's mandate under Article 19(6) of the DGSD to support the Commission in its review of the DGSD, an assessment of the merits of additional own initiative work to address urgent issues that have been identified. • Answers to questions that the EBA receives on the DGSD through the EBA Q&A tool • Preparing to deliver the mandates that may be conferred on the EBA in the revised DSG **On consumer protection issues:** • Supervisory convergence work on EU requirements pertaining to consumer protection • Continue fulfilling the EBAs new mandate on coordinating mystery shopping activities of national competent authorities • Carrying out a thematic review into the level and transparency of fees and charges of retail bank products • Fulfilling the EBA's new mandate on developing retail risk indicators for the EU banking sector • Responding to potential requests for technical advice as a result of the EU Commission's evaluation and review of the Payment Accounts Directive, the Mortgage Credit Directive, and/or other EU law in the EBA's scope of action • Call for advice to the Joint Committee of the European Supervisory Authorities regarding the packaged retail and insurance-based investment products (PRIIPs) Regulation (Q1)
13. Payment services	• Contributing to the EBA's statutory objective of supervisory convergence across the EU, in the area of payment services (carryover of work from 2021) • Assess and develop answers to the questions that the EBA receives, in relation to PSD2, through its Q&A tool (carryover of work from 2021) • Monitoring the consistent application and implementation of the RTS on strong customer authentication and common and secure communication (the RTS on Strong Consumer Authentication and Common Secure Communications, published as Commission Delegated Regulation (EU) 2018/389) and taking action where required (carryover of work from 2021) • Operate and maintain the EBA register under PSD2 and ensure that competent authorities keep the information up to date, as required under Article 14(2) of PSD2 (carryover of work from 2021) • Monitor the consistent implementation by NCAs and financial institutions of the EBA Guidelines on fraud reporting (EBA/GL/2018/05) and contribute to the compliant integration of the guidelines into the forthcoming reporting framework of the ECB (carryover of work from 2021) • Assessing the need for regulatory or supervisory measures as a result of the EU Interchange Fee Regulation being added to the EBA's scope of action (carryover of work from 2021) • Providing payment-related input to cross-EBA initiatives • Responding to requests for technical advice as a result of the EU Commission's review of PSD2 • Final Guidelines on limited network exclusion under PSD2 (Q1)
14. Anti-money laundering and combatting the financing of terrorism (financial crime) – where the work in 2021 is centred around completion of the European Council Action Plan on anti-money laundering (AML), for which the EBA has taken the lead. The EBA will also review the effectiveness of the approaches to the AML/ financial crime supervision of banks used by NCAs.	• Answers to the questions that the EBA receives in relation to Anti-Money Laundering Directive (AMLD4/AMLD5), through its Q&A tool • Finalising the implementation of and start using the EBA's central AML/CFT database • Monitoring AML/CFT colleges to foster the exchange of information between NCAs, including the development of reports • Providing individual and thematic feedback to NCAs based on the EBA implementation reviews of NCAs' approaches to AML/CFT supervision • Training activities • Providing AML/CFT input into cross-EBA activities, such as FinTech, RegTech, consumer protection, payment services and prudential regulation • Incorporating AML/CFT issues into Guidelines on fit and proper and governance requirements (Q1) • Third report on the functioning of AML/CFT colleges (Q1) • Final Guidelines to be issued on digital identities and electronic onboarding (Q3) • Third report on the EBA's implementation reviews of national approaches to AML/CFT supervision (Q4)

EBA key priority/activity	EBA's announced supervisory actions for 2022
15. Reporting & transparency	• Maintaining ITS on supervisory reporting (legal act, templates, instructions) • Maintaining validation rules, the data point model and XBRL taxonomies • Continuing to review proportionality in the reporting framework • Completing the project to improve data-modelling tools • Following up on the feasibility study on integrated reporting (if required) • Maintaining mapping tool, which was published on August 2021 and specifies the mapping between quantitative disclosure data points and the relevant supervisory data points.[13] • Opinions on sustainability reporting standards under CSRD • Guidance on implementation of disclosures under Article 8 Taxonomy Regulation (if required) • Preparations for the Pillar 3 data hub • Monitoring Pillar 3 disclosures • Monitoring implementation of recommendation of the cost-of-compliance study • Reporting templates on IPU / third-country branches (Q1) • ITS on reporting of the IRRBB (Q4) • Extension of ITS on Pillar 3 disclosures on ESG risks (full scope of ESG risks) (Q4)
16. Risk analysis	• Updating EBA's quarterly EU Risk Dashboards. • Preparing Risk assessment questionnaires – two per year • Preparing internal updates on liquidity and market developments for the EBA's Board of Supervisors and the Banking Stakeholder Group • Working on macroprudential matters (including buffers) • Thematic notes on various risk areas • Publishing Opinions on macroprudential measures • Call for advice on the review of the EU Macroprudential Framework (Q1) • Contributing to the Joint Committee of the ESA's "Spring Risk Report" (Q1) and "Autumn Risk Report" (Q3) (carryover from work in 2020) • Publishing a Funding Plans and Asset Encumbrance Report (Q3) • Presenting an annual risk assessment report on the European Banking System (Q4)
17. Stress testing – notably that the EBA commits itself to improve the EU's stress test methodology	• Conducting the 2022 EU-wide stress test in Q3, improving stress test methodology and developing common methodology and templates in cooperation with NCAs, as well as presenting preparatory work on the 2023 EU-wide stress test exercise and incorporating climate risk into stress-testing exercises
18. Economic analysis and impact assessment	• Work on ESG factors, financial innovation and AML (in addition to the risk reduction mandate) • Contributing to enhancing the stress-testing methodology • Preparing Technical background studies/research projects to support regular EBA analysis and possibly publish in the EBA staff papers series • Working for the Advisory Committee on Proportionality • Impact assessment reports accompanying the EBA's regulatory proposals • Calls for advice and regulatory initiatives • Organisation of regulatory workshops on: • CRD V/CRR II Basel III monitoring report (Q3) • Annual report on the impact and phase in of the LCR (Q4) • Policy research workshop (Q4)
19. Data infrastructure, statistical tools, ad hoc data collections – which builds off a major infrastructure development program that started in 2017 and which was finalised in 2020	• Providing support to all regulatory proposals through the quantitative analysis of data (carryover from work in 2021) • Delivering regulatory products and technical advice to the Commission on the topics requested (carryover from work in 2021) • Delivering quantitative analysis and developing analytical tools to underpin the development of regulatory products (carryover from work in 2021) • Providing support for the EBA's data infrastructure (carryover from work in 2021)

[13] See here.

EBA key priority/activity	EBA's announced supervisory actions for 2022
20. Statistical tools (see above)	• Work to facilitate better interaction with NCAs to ensure a smooth data flow and effective quality checking (carryover from work in 2021) • Providing training on data and analysis tools shared with EBA and NCAs' data users (carryover from work in 2021) • Implementing a full list of validation rules and additional quality checks for statistical analysis (carryover from work in 2021) • Developing interactive and visualisation tools for internal and external data dissemination (carryover from work in 2021) • Management of the data workflow with templates to be pre-populated by the EBA whenever possible (same as in 2021). • Risk dashboards and other tools for internal and external data users • Update macro and bank-specific risk dashboards (Q4)
21. Policy coordination, communication, and training	• Supporting the EBA's participation in EU and international institutions/bodies • Supporting the EBA's contribution to EU and international fora • Development of internal policies/processes to support the EBA's activities • Updating and implementing the communication strategy • Implementation of the legislative package of the ESA review and possible follow-up to the Commission's report on the experience acquired following the revised ESA's Regulation • Finalisation of the European Union Strategic Priorities 2022-2023 plan. • Peer review: implementation of the 2-year work programme • Q&A: maintain the interactive external interface of the Single Rulebook, coordinate and publish answers to stakeholders on the Single Rulebook • Training for EU competent authorities. • Multi-annual work programme (2023-2025 horizon) (Q1) • Consolidated annual activity report 2021 (Q2) • Peer review on a package of guidelines on non-performing exposures (Q2) • 2023 Annual work programme (Q3) • Peer review on the guidelines on ICT risk assessment under SREP (Q3) • Peer review of the EBA Guideline on authorisation and registration under PSD2 (EBA GL/2017/09) (Q4)
22. Legal & Compliance	• Providing legal advice to the EBA's staff and governing bodies • Assisting data protection, ethics, anti-fraud and risk management functions • Supporting sound internal processes for adopting EBA decisions • Representing the EBA before the Board of Appeal and the Court of Justice • Identifying potential breaches of EU law, with investigations and recommendations where appropriate • Supporting the settlement of disputes between NCAs through mediation and the adoption of binding decisions • Monitoring the implementation of the legislative package of the ESA review
23. Finance, procurement and accounting	• Execution of the 2022 annual budget • Establishment and acquisition of the 2023 budget • Establishment of the 2024 budget • Creation of the 2022 procurement plan • Implementation of the 2022 procurement plan • Production of the 2022 annual accounts
24. Human Resources	• Continued focus on fulfilment of the EBA's "Establishment Plan" • Development of skills and expertise • Adoption of further HR implementing rules • Improvement of the HR processes • Update of existing and introduction of new internal policies • Further development of E-HR tools

EBA key priority/activity	EBA's announced supervisory actions for 2022
25. Information technology	• Implementation of the EBA's IT strategy 2020-2025 • Master and reporting data collection via the EUCLID platform (including committed information rate, peak information rate, supervisory, resolution, investment firms (CRR) and fraud payments data) • Support and enhancement of analytics solutions • Replace legacy systems • Support and tools for the Single Rulebook/sign posting • Implementation and on-boarding of key enablers to cloud infrastructure • Enhancing access management and security protocols • Supporting the annual business continuity exercise
26. Corporate support	• Generally, the "actions" in this priority area reiterate previous items and serve as a catch-all and receive a budget allocation of €1,209,906 for 2022

ESMA's 2022 Work Programme

ESMA announced its 2022 Work Programme[14] on 27 September 2021. In keeping with the approach taken by other ESAs, ESMA's priorities[15] are each measured against "Key Performance Indicators."[16] ESMA continues to implement its strategic orientation for 2022, setting out its objectives and reflecting increased focus on supervisory convergence and more direct supervision responsibilities, following from the ESAs and EMIR Review.
Much of ESMA's attention in 2022, also building on its delivery of workstreams completed in 2021, will be on ensuring these responsibilities, along with the governance and organisational changes they imply, are initiated and developed to the highest quality standards. ESMA will be prepared to assist with new initiatives resulting from the European Commission's new action plan, renewed sustainable finance strategy, and new digital finance strategy and fintech action plan.

ESMA considers the development of the Capital Markets Union (CMU) as one of its strategic priorities in order to support the EU's objective of developing capital markets that can contribute to financing the economy and ensure economic growth and job creation. ESMA particularly supports the development of a large retail investor base with a capacity to ensure long term financial planning which cannot be achieved by merely placing savings into deposits.

ESMA will continue working on the relevant actions from the Commission' CMU action plan, where appropriate and necessary, including providing support to the design and development of the European single access point (ESAP) and to specific Commission initiatives to facilitate SMEs access to public markets (such as those linked to the review of the requirements of the Prospectus Regulation).

Furthermore, in 2022 the priority will be to support building the relevant rules related to environmental, social and governance (ESG) disclosures. ESMA will develop its risk identification methodology related to ESG factors and continue to promote transparency by issuers and market participants. It will help investors to better understand the impact of ESG factors on their investment(s) and enhance transparency on an investment's contribution to a sustainable economy.

The following table sets out an overview of ESMA's priorities and announced supervisory actions for 2022.

[14] See here.
[15] ESMA organises its key priorities into five major related areas:
1. Supervisory Convergence;
2. Investor Protection;
3. International;
4. Transversal topics;
5. Direct supervision; available here.

[16] See: Annex III of the 2022 Work Programme

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
1. Cross-cutting themes	• This section contains the highlighted themes included in ESMA's 2020-22 Strategic • Orientation and in line with the EU's priorities. The information included here about these key work streams, groups the work described in several of ESMA's sub-activities, as set out in the work programme below. 1. Capital Markets Union 2. Sustainable finance 3. Innovation and digitalisation
2. Supervisory convergence	• ESMA's 2022 supervisory convergence priorities will be to continue contributing to a sound and efficient EU Single Market by promoting supervisory convergence focused on supervisory outcomes and using innovative tools. It prioritises its supervisory convergence activity through risk-driven assessments and its commitment to consumer protection • Through the building of a common outcome focused supervisory and enforcement culture, ESMA aims to become a central hub for knowledge and expertise sharing that will ensure the development of common supervisory responses • ESMA will deliver peer reviews on (i) the supervision of cross-border activities of investment firms, on (ii) NCAs' handling of relocation to the EU27 in the context of the UK's withdrawal from the EU, (iii) the supervision of CSDs providing cross-border services of participating in interoperable links (iv) the scrutiny and approval procedures of prospectuses, (v) the implementation of STS criteria and (vi) on supervision of CCPs' business continuity under remote working arrangements
3. Risk assessment	• In 2022, ESMA will further strengthen its risk identification work and its co-operation with NCAs and with other public authorities at EU and international level, including the ESRB, IOSCO and the FSB. To do so, ESMA will further intensify the use and analysis of its proprietary financial market data. ESMA will also increase its interactions with NCAs to act as a data hub and to exploit economies of scale in data and statistics provisioning, whilst respecting the respective institutional roles. Stress-testing will continue playing a pivotal role to enable early identification of risks and tailored supervisory responses to preserve financial stability • In terms of risks to investor protection, ESMA's new co-ordination role on mystery shopping will provide new insights on misconduct across the Union. ESMA will continue to evaluate the benefits and risks of financial innovation and ESG-related market development for consumers, and for the financial system as a whole
4. Single Rulebook	• ESMA will continue to develop itself as a source of expertise and strategic direction on financial market regulation recognised by its stakeholders – the EU institutions, market participants, investors, and citizens. As part of this development ESMA will continue its efforts to be more proactive, by identifying potential shortcomings in regulations, and offer advice on the strategic direction of the regulatory agenda • ESMA will particularly contribute to the planned post-implementation reviews on the Prospectus and Transparency Directives, MiFID II/MiFIR, PRIIPS, SSR, and CSDR, as well as maintaining a high degree of transparency when developing regulatory provisions. ESMA will also continue contributing to the EU retail investment strategy, including by responding to the Commission's request for advice received in July 2021
5. Direct supervision	• In 2022, ESMA will continue to intensify its risk-based preventive approach to supervision and will continue to enhance its enforcement processes. ESMA will further invest in its data-driven approach to support its supervisory mandates • Take up its work as supervisor of securitisation repositories • With the new entities coming under its direct supervision – critical benchmarks, DRSPs and Tier 2 CCPs – ESMA will play an important role in the oversight of the critical market infrastructures. Additionally, ESMA will aim to further strengthen its reputation as supervisor of Credit Rating Agencies and Trade Repositories and will seek to establish itself as a credible supervisor of Securitisation Repositories

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
6. Supporting the development of sound capital markets	• Contribute to developments in the regulatory and supervisory framework supporting the development of efficient and orderly capital markets • Foster investor participation and greater cross-border investment by supporting the development of a Capital Markets Union (CMU) • Support Small and Medium-sized Enterprises' (SME) access to capital markets • ESMA has been working in support of the CMU over the past years by delivering amongst others several reports to support the Commission in its assessment over the functioning of the CMU and necessary changes. ESMA will follow-up on these reports and continue to support the Commission in the execution of its latest CMU action plan • Depending upon the scope and timing of various Commission legislative and non-legislative proposals that are within the remit of ESMA's scope of action, ESMA will contribute to enhancing transparency of information from issuers to investors through the design and development of the European single access point (ESAP) • ESMA will also contribute to initiatives to strengthen retail participation and increase trust in the capital markets as part of the EU Retail investment strategy, one of the pillars of the CMU. ESMA will further contribute to the review of the relevant sectoral legislation (such as MIFID II and PRIIPs). Furthermore, in close co-operation with the other ESAs, ESMA will support targeted financial education and financial literacy initiatives • ESMA may also contribute to any future Commission proposals adopted following the Wirecard case (such as those related to the possible revision of the Transparency Directive) • ESMA will actively monitor developments within and outside the EU that could impact capital markets and will advise the EU Institutions accordingly
7. Innovation and Digitalisation	• ESMA will contribute to developing the Single Rulebook in the area of digital finance following the adoption of DORA, MiCA and the regulation on a pilot regime for market infrastructures based on distributed ledger technology • ESMA will further its understanding of the impact of financial innovation on financial markets functioning and participants and foster a co-ordinated approach with the NCAs, to the regulatory and supervisory treatment of new or innovative financial activities and technological innovation. ESMA will provide advice to the EU institutions, market participants or consumers where appropriate • Contribute to the development of the Single Rulebook in the area of digital finance. In particular by preparing to implement efficiently, in co-ordination with the other ESAs, the new mandates included in the Digital Finance Package. Specific work includes producing technical standards and guidelines under the MiCA and DORA regulations. In addition, ESMA will prepare for its new tasks under the DLT Pilot Regime, in particular by reviewing the technical standards adopted in application to the MiFIR Regulation to ensure that they can be effectively applied to financial instruments issued on DLT. ESMA will also provide analysis, market intelligence and data, when available, to support the efficient implementation of the new mandates included in the Digital Finance Package, in co-ordination with the other ESAs and will finalise the technical advice on digital finance requested by the European Commission by 31 January 2022. ESMA will continue to contribute to the European Forum for Innovation Facilitators (EFIF) together with EBA and EIOPA (ESMA will chair the EFIF from Q3 2021 to Q3 2022). The EFIF was launched by the European Commission in April 2019 and has been established to promote co-ordination and co-operation among national innovation facilitators to foster the scaling up of innovation in the EU financial sector and to promote a common response to new technologies

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
8. Investors and Issuers	• ESMA will contribute to the review of MiFID II and the development of a Single Rulebook in the area related to investment firms, the provision of investment services, the application of the third-country firms' regime and crowdfunding by ensuring that the relevant technical advice, technical standards and other relevant documents are delivered to the Commission within the deadlines • ESMA will promote to supervisory convergence by ensuring consistent application of MiFID II and MiFIR requirements and co-ordination between NCAs in the area of investor protection and intermediaries (including cross- border activities). Foster convergence in the application of the new European Crowdfunding Service Providers Regulation (ECSPR) • ESMA will assist the Commission by delivering advice in the context of the retail investment strategy • ESMA plans to continue focusing on the consistent application of MiFID II/MiFIR, by developing supervisory convergence tools for the supervision of investment firms, amongst others in relation to conduct of business, organisational requirements and sustainable finance. This will include Q&As, guidelines, supervisory briefings, exchanges on supervisory cases and training as appropriate • ESMA will review the suitability and product governance guidelines, to incorporate sustainability factors, in line with Level 2 requirements, and review its remuneration guidelines • ESMA plans to publish its annual report on MiFID II sanctions and keep discussing with NCAs the importance of using the full range of supervisory and enforcement powers • ESMA will continue its work on the implementation of the new regulation on crowdfunding and the evolving markets for crypto-assets • Cooperate with the EBA on the development of technical standards, guidelines and other legal acts required under the new prudential framework for investment firms (IFR/IFD)
9. Investment Management	• ESMA will aim to achieve greater convergence and consistency of NCAs' supervisory approaches and practices in relation to the EU legislation on investment management, with a particular focus on improving investor protection and financial stability through ESMA's work on funds' liquidity • ESMA will facilitate mutual understanding and common approaches on the application and supervision of the relevant sectoral requirements through initiatives such as facilitating discussions among NCAs on supervisory cases with cross-border relevance and organising workshops and/or trainings with NCAs. ESMA will also encourage supervisory convergence in the area of sustainable finance and work with NCA to find effective ways to combat greenwashing in collective investment undertakings • ESMA will continue promoting supervisory convergence of NCAs' practices by issuing and reviewing guidelines, supervisory briefings and Q&As and making use of other supervisory convergence tools concerning investment management matters. In particular, ESMA intends to prepare a supervisory briefing in the area of sustainability products in investment management, to assist NCAs' practices in supervising investment managers issuing products with sustainability features • ESMA will also publish its annual reports on UCITS and AIFMD sanctions and keep discussing with NCAs the importance of using the full range of the supervisory and enforcement toolkit they have been provided with by the applicable legal framework. ESMA will keep focusing on stress testing, in particular by updating its guidelines on MMF stress testing, taking into account the latest market developments. ESMA will also continue to use its fund stress simulation framework to assess the resilience of the EU fund industry and identify potential vulnerabilities in funds. ESMA may also have to issue advice to NCAs about the leverage limits that they intend to impose on AIFMs • In line with its convergence priority, ESMA will carry out follow-up work on the cost and performance of retail investment products to bring consistency to NCAs' supervision and enforcement in this important area. This may include any follow-up work arising from the CSA on cost and fees which is being conducted in 2021 and possibly continuing co-ordination of NCAs' work in the area of closet indexing and benchmark disclosure obligations • Should concrete cases with a cross-border dimension involving more than two NCAs and raising investor protection concerns arise, ESMA will establish ad-hoc groups to deal with these • The review of the AIFMD (and possibly of the UCITS Directive) and ELTIF Regulation may lead to some additional Single Rulebook work in relation to these pieces of legislation. Similarly, the Commission's review of the PRIIPs Regulation may give rise to additional work within the Joint Committee of the ESAs. Moreover, further work on draft technical standards on ESG disclosure may be carried out within the Joint Committee. Finally, ESMA will provide input to the Commission in relation to the review of the MMF Regulation

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
10. Issuer disclosure	• ESMA will continue contributing to the Single Rulebook under the Prospectus Regulation, the Shareholders Rights Directive II and the Transparency Directive, as necessary • ESMA will continue contributing to the standard setting and the set-up of high-quality corporate reporting standards, including standards for sustainability reporting, as well as maintaining an updated regulatory framework for digital reporting • ESMA plans to strengthen the level of supervisory convergence and facilitate the exchange of experience in the areas of corporate reporting, prospectus, notifications of major holdings and takeover bids • ESMA will continue to strengthen the supervision and enforcement of financial and sustainability information with a particular focus on issues related to alternative performance measures, sustainable finance and the European Single Electronic Format (ESEF) • ESMA plans to contribute to the development of the Single Rulebook by continuing to monitor developments in prospectus supervision, notifications of major holdings and corporate governance in order to continually evaluate if the Single Rulebook in these areas remains fit for purpose. Contingent to a mandate from the Commission ESMA will also embark on the review of the public statement on shareholder cooperation and acting in concert under the Takeover Bids Directive • ESMA will undertake Single Rulebook work in the audit area by providing views on relevant International Standards on Auditing (ISA) and by participating in the Committee of European Audit Oversight Bodies (CEAOB), where ESMA chairs the subgroup of International Equivalence and Adequacy and is an observer in the subgroup on audit of the ESEF. ESMA will also engage with representatives of European audit oversight bodies in order to increase the co-operation between accounting and auditing supervision activities • ESMA will actively monitor the application by issuers of the requirements related to ESEF, publish updates to supporting documentation and guidance whenever relevant and consider if there is a need to provide new guidance to market participants. In addition, ESMA will support NCAs in supervisory activities relating to, and leveraging on, electronic reports. Furthermore, ESMA will update the regulatory technical standards relating to ESEF to be used for the preparation of annual financial reports in ESEF format, to reflect the most recent version of the IFRS Taxonomy and any other relevant developments • In addition, ESMA will monitor developments and provide advice to the Commission on any potential review of the Transparency Directive requirements • ESMA will continue its supervisory convergence work in the area of investor-facing disclosure aiming at providing guidance on the application of the Prospectus Regulation. This will include continuing to organise discussions among supervisors of supervisory cases relating to prospectus supervision with a view to promoting supervisory convergence and a harmonised application of the PR provisions across the EU. ESMA will also continue to monitor developments in relation to SPACs and actively engage with European and international supervisors to assess the need for further guidance and potential convergence work as a follow-up to its public statement on this topic • ESMA will also prepare the prospectus annual activity and sanctions report based on the data submitted in the new Prospectus Register. Depending on needs and the availability of resources, ESMA might also undertake convergence work in the area of major shareholdings. Depending on NCA needs, ESMA may also organise targeted training sessions for NCA staff in some of the areas within the remit of Corporate Finance • In the area of supervision and enforcement of financial information, ESMA will continue to organise meetings of the European Enforcers Coordination Session (EECS) where discussions of real cases are taking place in order to ensure a common supervisory response, some of which are subject to publication • Following the amendments to the Guidelines on enforcement of financial information (GLEFI) in 2020 (and related supervisory briefings), ESMA will actively promote and support their timely application by NCAs as of 1 January 2022 before monitoring their application once effective. Drawing from the work carried out in 2020 on its Fast Track Peer Review into the Guidelines, ESMA will consider what areas of supervisory convergence could be strengthened • In the area of Alternative performance measures (APMs), ESMA will continue to promote common supervisory practices also considering the development of possible Q&As • ESMA will follow developments at European and international level to contribute to the improvement of sustainability reporting and the much needed standardisation in this area. In this context, ESMA will provide its opinion to the Commission on the technical advice provided by EFRAG on sustainability reporting standards under the CSRD • ESMA will continue to contribute actively to the accounting standard setting and IFRS endorsement in the EU through its observership at the EFRAG Board and Technical Expert Group (TEG), and at the Accounting Regulatory Committee. In addition, ESMA will contribute to the due process of the International Accounting Standards Board (IASB) in the development of those global standards, including through its membership of the IFRS Advisory Council and the IFRS Taxonomy Consultative Group (ITCG)

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
11. Benchmark providers	• ESMA shall establish and implement a data-driven, risk-based and outcome-focused supervisory framework following the entry into force of ESMA's new mandate for direct supervision of administrators of EU critical benchmarks and third-country administrators recognised in the EU under the Benchmarks Regulation (BMR) • ESMA will monitor the use of benchmarks in the EU for early identification of new critical benchmarks • ESMA will assess the application for recognition by third-country administrators: ensure applicants meet regulatory requirements and objectives of BMR and that applications are completed within regulatory deadlines • ESMA plans to identify and remediate risks related to the provisions of critical and recognised third-country benchmarks and adopt enforcement actions where breaches against BMR are identified • ESMA will continue (i) to contribute to the establishment of a robust regulatory framework under the BMR, (ii) to develop policy tools in support of ESMA's and NCAs' supervisory activities and (iii) to promote supervisory convergence • From 2022, ESMA will be directly supervising the administrators of EU critical benchmarks. Following the discontinuation of EONIA as of January 2022, EURIBOR remains the only benchmark recognised as critical in the EU and ESMA will have direct supervisory responsibilities over its administrator, European Money Markets Institute (EMMI). Specifically, in 2022, ESMA's supervisory focus will be on EURIBOR's representativeness of the underlying market and ESMA will actively engage with EMMI • ESMA will chair the EURIBOR college of supervisors, which will be composed of the NCAs responsible for the supervision of EURIBOR's panel banks. ESMA will regularly update the college members about the ongoing supervision of EURIBOR and will discuss with them any specific issue related to EURIBOR which deserves supervisory intervention. ESMA will also co-operate with the ECB to ensure an appropriate exchange of information • While EURIBOR will be the only EU critical benchmark supervised by ESMA as of January 2022, ESMA will also be responsible for the identification of new critical benchmarks in the EU and stands ready to directly supervise their administrators, should the Commission recognise new benchmarks as critical • From January 2022, ESMA will also be the competent authority of third-country administrators under the BMR recognition regime. In that context, ESMA will also supervise the application of the BMR specific requirements on climate benchmarks should they be provided by third country recognised administrators • Both in relation to EURIBOR administrator and third-country administrators, ESMA will focus on the timely identification of industry trends, supervisory risks and harmful behaviours vis-à-vis BMR's requirements and objectives. ESMA will do so also through ongoing engagement with benchmarks' administrators, users of benchmarks and more generally market participants, assessment of notifications, onsite inspections or investigations, as applicable. Where breaches against the BMR are identified, ESMA will request timely and effective remediation to benchmark administrators and adopt enforcement actions • ESMA will promote supervisory convergence regarding amongst others (i) climate benchmarks and how the sustainability-related disclosure requirements for benchmarks (except interest rates and foreign exchange benchmarks) are applied and (ii) the discontinuation of LIBOR • Supervisory convergence work will continue to build upon exchanges between competent authorities to address, for instance, questions posed by market participants or issues reported by national regulators and can result in the production of Guidelines, Q&As, opinions (e.g., on a benchmark to be recognised as critical in a member state), or other supervisory convergence tools • ESMA may review some of the RTS (e.g., on recognition) under BMR to ensure they remain aligned with regulatory developments • For any new BMR equivalence decision adopted by the Commission, ESMA will establish co-operation arrangements with the competent authority of the third-country. Similarly, ESMA will establish co-operation arrangements with the third-country competent authority supervising third-country administrators that have been recognised in the EU

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
12. Sustainable finance	• ESMA will deliver on ESMA's Sustainable Finance Strategy and contribute to the EU transition towards more sustainable financial markets in the areas that are within ESMA's remit. Ensure that developments relating to environmental, social and governance (ESG)-related factors are taken into account across ESMA's activities • ESMA will continue monitoring and assessing ESG-related market developments and risks and work on the further integration of environmental risks, in particular with regard to the ESG investment value chain • ESMA plans to continue to ensure that ESG factors are taken into account in the EU Single Rulebook and will play an important role in relation to regulatory initiatives such as the EU Green Bonds Regulation, the Corporate Sustainability Reporting Directive (CSRD), the Taxonomy Regulation, the Regulation on sustainability-related disclosures in the financial services sector (SFDR), adjustments to MiFID II, UCITS, AIFMD, the Benchmarks Regulation, the Securitisation Regulation as well as the Sustainable Corporate Governance Initiative • ESMA will implement a roadmap for supervisory convergence in the area of sustainable finance, covering a number of priority sectors such as asset management and issuer disclosure, as well as gaining a better understanding of transversal themes like data availability and quality and greenwashing. In relation to the latter, ESMA will undertake work to better understand the risk of greenwashing and the main forms it takes to address this consumer detriment in a coordinated way across NCAs, as well as across ESAs for areas of common interest • ESMA will implement actions stemming from the European Commission's Renewed Sustainable Finance Strategy and actively contribute to the work of the European Commission's Platform on Sustainable Finance, notably on the usability of the Taxonomy for the various actors in the investment value chain • In its direct supervision, ESMA will assess the way CRAs incorporate ESG factors into their methodologies for credit ratings and outlooks and how CRAs ensure the robustness of their methodologies in this context. Furthermore, under the proposal for a Regulation on European green bonds, ESMA would have the important task of supervising external reviewers for such green bonds • At the international level, ESMA will remain active in a number of groups and networks of experts. This will include following and contributing to the work of IOSCO's Sustainable Finance Task Force (STF), the FSB and ESRB workstreams on climate risks and the work undertaken by the Network for Greening the Financial System (NGFS) on scenario analysis and bridging data gaps
13. Credit Rating Agencies (CRA)	• ESMA will assess registration applications under the CRA Regulation, ensure registrants meet regulatory requirements and objectives of CRA Regulation and that applications are completed within regulatory deadlines • ESMA will ensure credit ratings in the EU are independent, objective and of high quality by conducting effective supervisory activities • ESMA will focus on identifying timely, employing data-driven supervisory tools, the key industry trends, supervisory risks and concerns to support pro-active and outcome-based supervision of CRAs • ESMA will request timely and effective remediation and adopt enforcement actions where breaches against the CRA regulation are identified • ESMA will continue to contribute to the establishment of a robust regulatory framework under the CRA Regulation and provide support to ESMA's supervisory activities • For 2022, ESMA has identified the following key priority areas for CRAs on which it will focus its supervisory activities, namely to: – monitor, identify and address new risks posed by industry and capital markets developments, such as those stemming from the ongoing impact of COVID-19 (e.g., the increase in BBB-ratings and developments in high-yield bond markets), developments in ESG products and use of new technologies; – assess the way CRAs incorporate ESG factors into their credit ratings, rating outlooks and methodologies and how CRAs ensure the robustness of their methodologies in this context; – proactively analyse risks in outstanding credit ratings and take appropriate actions where supervisory concerns are identified; – engage with CRAs to address concerns on the organisational aspects of their control environment that undermine the independence of control functions and that enhance compliance's monitoring activities; – ensure that CRAs employ independent, robust and well-structured rating processes and understand impact of new technologies, the implementation of cost savings and outsourcing on the rating process; – review the processes used by CRAs to identify errors in their rating process to ensure errors are properly identified by CRAs and subsequently reported to ESMA; – engage with CRAs regarding the involvement of EU Boards in strategic decision-making within CRAs and increase engagement with Independent Non-Executive Directors of CRAs; – assess the drivers behind changes to methodologies and ensure that CRAs use methodologies that are robust, systematic, continuous and subject to validation and back-testing. ESMA will also engage with CRAs' internal review functions to ensure these are sufficiently empowered; and – engage with CRAs to address identified concerns on IT and information security controls, including cybersecurity, cloud outsourcing. ESMA will also assess the implementation by the CRA industry of the ESMA Guidelines on outsourcing to cloud service providers.

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
	• In parallel, ESMA will engage its supervisory and policy resources to support the European Commission's objectives under the Strategy for Financing the Transition to a Sustainable Economy for credit ratings and CRAs. Specifically, this will involve assessing CRAs disclosure of ESG factors in credit ratings, as well as the consideration of ESG factors in CRAs methodologies • In addition, ESMA will perform assessments of third-country regulatory frameworks for endorsement as needed and will provide technical advice to the European Commission on the equivalence of third countries in case the Commission requests this • ESMA will continue co-operating with EBA and EIOPA to provide a mapping to newly registered External Credit Assessment Institutions (ECAIs) as well as monitor the mapping provided to already registered ECAIs in order to promote a consistent implementation of Capital Requirements Regulation (CRR) and Solvency II Directive across the EU
14. Markets and Infrastructures: Central Counterparties (CCPs) in Third Countries (TC-CCPs)	• ESMA will ensure appropriate categorisation of TC-CCPs and monitoring of risks depending on their activities in the EU, the evolution of third-country legal and regulatory frameworks and market developments • ESMA aims to conduct ongoing supervision of Tier 2 CCPs, including compliance with EMIR or comparable requirements, liaising with the home supervisor when needed and adopting effective enforcement actions, when required • ESMA plans to address systemic risks resulting from TC-CCPs or clearing services deemed substantially systemic for the financial stability of the EU or one or more of its Member States • With respect to Tier 1 CCPs, this work includes (re)negotiating revised Memoranda of Understanding (MoUs) with 18 third-country jurisdictions deemed equivalent, reviewing recognition decisions of 32 recognised TC-CCPs, conducting their tiering determination assessment, processing new applications, monitoring TC-CCPs, including active scrutiny depending on risks related to their EU activities, ensuring compliance with recognition conditions by TC-CCPs and monitoring the TC legal and regulatory framework development with reference to the relevant equivalence decision(s) • ESMA will assess recognition of applying CCPs if new equivalence decision is granted • With respect to Tier 2 CCPs, ESMA is entrusted with direct supervision of Tier 2 CCPs, in liaison with the home supervisor, including the monitoring of compliance with EMIR (or comparable) requirements, CCP Stress Tests, initiating and conducting investigations and on-site inspections when needed • Following the September 2020 equivalence decision of the European Commission on the UK framework for the regulation and supervision of CCPs, ESMA will conduct a comprehensive review of whether or not some or all of the services provided by the UK Tier 2 CCPs are of such substantial systemic importance that the CCP should not be recognised to provide these clearing services. ESMA will closely liaise with the Central Banks of Issue and the ESRB, as well as other relevant public and private stakeholders
15. CCPs in the EU	• ESMA plans to promote a pro-active approach to supervisory convergence across EU CCPs, develop a common supervisory culture and ensure a consistent implementation of the EMIR regulatory framework for EU CCPs by the CCP Supervisory Committee • ESMA shall step up efforts to complete the Single Rulebook in the area of central counterparties by reviewing the existing Level 2 where necessary and developing new Level 2 measures and guidelines with respect to the CCP Recovery and Resolution Regulation • ESMA will assess the resilience of CCPs to adverse market developments and identify potential risks for financial stability with the use of CCP Stress Tests • ESMA will develop opinions on a range of NCA and college decisions, including authorisation, extension of services, outsourcing, interoperability, etc. ESMA also expects to produce further guidance in this area through recommendations, guidelines, and opinions on selected supervisory topics and to contribute over time to the Common Supervisory Handbook (see section 2.6.3) • ESMA will also establish processes and procedures to implement the CCP Recovery and Resolution Regulation (CCP RRR), for example in relation to the establishment and maintenance of a central database of administrative penalties and running the new ESMA Resolution Committee • In accordance with the EMIR REFIT and EMIR 2.2 mandates, ESMA may be reviewing existing CCP related requirements where needed, including on anti-procyclicality, liquidity risks and CCP investments. ESMA will carefully consider their impact on the broader clearing ecosystem and cooperate closely with relevant authorities to ensure holistic and coherent policy choices. Some work which started beginning 2021 will most probably proceed in 2022 • ESMA has initiated its 4th EU-wide stress tests, building on the experience from the past three exercises in order to further improve and enhance the conceptual design of the stress test framework and its methodology. The exercise is to cover 15 CCPs, including all authorised EU CCPs and the two UK Tier 2 CCPs

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
16. Data Reporting Service Providers	• ESMA will ensure the effective and consistent application of ESMA's data-driven, risk-based approach to its new mandate for supervision of DRSPs as of January 2022 • ESMA plans to ensure continued compliance by DRSP's following the handover of supervisory duties from the NCAs • ESMA plans to improve its arrangements to adopt effective enforcement actions, when required • Starting 2022, ESMA will have the supervisory powers to authorise and supervise DRSPs, i.e., Approved Publication Arrangements (APAs), Authorised Reporting Mechanisms (ARMs) and, once established, Consolidated Tape Providers (CTPs) • ESMA will apply a data-driven and risk-based approach when conducting supervision of DRSP. In 2022, ESMA's key priority will be to ensure continued compliance by DRSPs with the regulatory requirements, following the handover of supervisory duties from the NCAs. In particular, ESMA will focus on availability and integrity of transaction data provided by ARMs to NCAs for the purposes of market abuse monitoring. As a result of its day-to-day supervision and specific reviews or investigations, ESMA will request DRSPs to adopt remedial actions, where areas of concern have been identified
17. Trading	• ESMA will promote consistent application of MiFID II and MiFIR requirements, in particular the revised commodity derivatives framework, the boundaries of multilateral systems and the transparency framework • ESMA plans to provide technical advice and/or develop technical standards as a follow-up to the MiFID II/MiFIR review covering transparency, market structure and commodity derivatives issues • ESMA will review the RTS on transparency and reporting requirements to reflect any changes necessary for DLT market infrastructures to operate • ESMA plans to prepare for the application of the DLT Pilot Regime and develop measures to ensure consistent application of the Regime across the Union • ESMA will continue to ensure consistent application of the MAR, by specifically following up on the findings of the MAR review Technical Advice in those areas where guidance is needed and draft new MAR technical standards (in case MAR is reviewed in 2022) • ESMA shall contribute to the potential revision of the Short Selling Regulation (SSR) by issuing technical advice to the European Commission • ESMA remains committed to monitoring and contributing to the consistent implementation and application of EMIR, in particular through the development of reports, by providing guidance to market participants and NCAs, as well as through dedicated supervisory case discussions • ESMA will continue to contribute to the Single Rulebook in the area of OTC derivatives by reviewing and amending technical standards under EMIR
18. Central Securities Depositories	• ESMA will monitor and contribute to the consistent implementation and application of CSDR, in particular through the development of reports, by providing guidance to market participants and NCAs, as well as through dedicated supervisory case discussions • ESMA shall contribute to the Single Rulebook in the area of settlement and CSD requirements by reviewing and amending technical standards under CSDR and by developing new technical standards or revising existing ones if amendments to CSDR were introduced as a result of its Review, as well as by developing reports on CSDR matters • ESMA will continue to improve arrangements to recognising third-country CSDs and periodic monitoring of compliance • ESMA plans step-up its preparations for the application of the DLT Pilot Regime and ensure consistency with CSDR • ESMA will promote supervisory convergence (including supervisory case discussions) related to CSDR requirements, in particular in relation to the settlement discipline regime, and possibly any additional areas linked to the review of CSDR. ESMA will also monitor the level of internalised settlement and the level of CSD settlement efficiency. Furthermore, ESMA will report to the Commission on various aspects of CSDR implementation • Under CSDR, ESMA has direct responsibilities regarding the recognition of third-country CSDs providing notary or central maintenance services in relation to financial instruments constituted under the law of a Member State or establishing a branch in a Member State. This activity includes periodic monitoring of the compliance with recognition conditions by third-country CSDs on the basis of information received from the responsible third-country authorities and granting of new recognition decisions

ESMA key priority/activity	ESMA's announced supervisory actions for 2022
19. Securitisation Repositories	• ESMA will continue to contribute to the establishment of a robust regulatory framework under the Securitisation Regulation (SECR) • ESMA plans to further establish and ensure risk and outcome-based supervision of Securitisation Repositories (SRs) with a focus on SR data quality and operational resilience • ESMA shall engage with relevant regulators and market participants to monitor SR data quality, the securitisation market as well as the adequacy of existing technical standards and reporting guidance under the SECR • ESMA plans to promote consistent application of the SECR requirements, exchange supervisory experiences and coordination among NCAs, in particular in the areas of disclosure requirements and Simple, Transparent and Standardised (STS) securitisations
20. Trade Repositories	• ESMA will follow the risk-based and data-driven supervision of TRs under EMIR/SFTR with main focus on ensuring TR data quality, as well as the confidentiality, integrity and availability of EMIR/SFTR data by conducting efficient supervisory activities with lasting impact • ESMA will continue its work in requesting timely and effective remediation and adopting enforcement actions at individual TR level where breaches against EMIR or SFTR are identified • ESMA will assess any registration applications under EMIR and SFTR and ensure delivery within regulatory deadlines and quality standards • In 2022, ESMA's main supervisory objective on TRs will continue to be the enhancement of the quality of data reported to TRs under EMIR and SFTR and systems resiliency • ESMA will apply a data-driven and risk-based approach to the supervision of the EMIR and SFTR data reporting. ESMA's supervisory work will focus on performing re-validations on data submissions to ensure reports are in line with validation rules, assessing completeness and accuracy of Trade State and Trade Activity reports, assessing inter-TR reconciliation, as well as on the implementation of the EMIR Data Quality Action plan and SFTR Data Quality Engagement Framework • In accordance with the requirements of SFTR, ESMA will work on the preparation of a report on the efficiency of the reporting, taking into account the appropriateness of single-side reporting, in particular in terms of reporting coverage and quality as well as reduction of reports to trade repositories, and on significant developments in market practices with a focus on transactions having an equivalent objective or effect to an SFT
21. Risk Assessment– Risk Monitoring and Analysis	• ESMA will identify and assess financial market risks, report on these risks to the relevant institutions, and inform the public • ESMA plans to provide data, statistical and analytical basis for ESMA and NCA supervision, regulation, and convergence activities • ESMA will cooperate with EU and international bodies, including the ESRB, IOSCO and the FSB, to identify and assess financial stability and systemic risks • ESMA shall identify opportunities and risks related to financial innovation, with particular attention to crypto-asset market developments and risks. Systematically monitor trends and risks related to retail investor and ESG developments • On the basis of its sectoral risk assessments for the EU, ESMA will contribute to the European systemic risk analysis by performing in-depth research and monitoring work • To prioritise which financial innovations require deeper analysis and potential responses, ESMA has developed the financial innovation scoreboard: a methodology based on quantitative and qualitative assessment. Key analytical areas are digital finance, FinTech, crypto-assets, SupTech/RegTech, artificial intelligence, machine learning, and technology risk, including outsourcing to cloud providers and digital operational resilience • ESMA will continue monitoring and assessing ESG-related market developments and risks and work on the further integration of climate risks, for example in its stress testing framework through climate scenario and sensitivity analyses. Particular attention will be given to monitoring the evolution of the ESG investment value chain and risks potentially arising in that chain for the various actors, being issuers, financial market participants, data providers or investors

ESMA's Peer Review Work Programme 2022–2023

Under the revised ESMA Regulation, ESMA, in its 2022 Work Programme, has prepared a "peer review work plan" for 2022 and 2023. Peer reviews are an important tool for supervisory convergence. These exercises focus on achieving an equally high level of supervisory outcomes and on promoting investor protection, orderly markets or financial stability through convergence in the EU.

ESMA (historically) performs two types of peer reviews:
a. discretionary peer reviews; and
b. mandatory peer reviews.

Discretionary peer reviews are exercises performed on topics approved by the Board of Supervisors, whereas mandatory peer reviews are required by sectoral EU legislation. ESMA also follows up on the recommendations made in the context of previous peer reviews and this often leads to rule changes and/or further clarifications to existing or setting of new supervisory expectations.

What's in store for 2022?

In 2022 ESMA expects to conclude and possibly conduct four peer reviews commenced in 2021 as planned under the 2021 Annual Work Programme. These include the following peer reviews:

1. on NCA's supervision of cross-border activities of investment firms;
2. on NCA's handling of relocations to the EU-27 in the context of Brexit;
3. on scrutiny and approval procedures of prospectuses; and
4. on supervision of CSDs providing cross-border services of participating in interoperable links.

Additionally, ESMA expects to launch in 2022 and 2023 the following peer reviews:

Mandatory peer reviews

1. **CCP annual peer review:** In 2022 and in 2023, ESMA will carry out yearly peer reviews on the supervision of CCPs. These peer reviews are mandated under EMIR, requiring that to further strengthen consistency in supervisory outcomes, ESMA conducts every year a peer review of the supervisory activities of all competent authorities in relation to the authorisation and the supervision of CCPs. In 2022, the annual CCPs supervision peer review is expected to focus on due diligence of clearing members. In 2023, the annual CCPs supervision is expected to focus on concentration risk; and
2. **Implementation of the securitisation simple, transparent and standardised (STS) criteria peer review:** In 2022, ESMA will carry out a peer review on the implementation of the STS criteria for asset-backed commercial paper (ABCP) and non-ABCP securitisation (transaction and program level).This peer review is mandated by the Securitisation Regulation requiring that ESMA carries it out three years from the date of application of the Regulation.

Discretionary peer reviews

ESMA may, in the case of urgent or unforeseen events (as with Wirecard), or when it considers a peer review appropriate, carry out a fast-track peer review as an alternative to the following standard discretionary peer reviews.

1. **Supervision of depositary obligations peer review:** In 2022, ESMA expects to launch a discretionary peer review on the depositary obligations under the UCITS Directive and AIFMD. This peer review would focus on the oversight and safekeeping functions of depositaries, which play a key role for the protection of investors;
2. **Trading Venues – Provision of market data (pre- and post-trade transparency) by trading venues:** ESMA will continue carrying out in 2023 a discretionary peer review on NCAs supervision of Trading Venues, namely on requirements linked to the provision and the cost of market data. This peer review will start later than expected i.e., early 2023 instead of 2022; and
3. **Delegation and outsourcing peer review:** In 2023, ESMA plans to launch a discretionary peer review on delegation and outsourcing. The exact scope of the peer review, including sectors to be covered, will be further defined and notably in light of the outcome of the peer review on NCAs' handling of relocation to the EU in the context of the UK's withdrawal from the EU.

Fast-track peer reviews

In addition to the above peer reviews and in case of urgency or unforeseen events, when a peer review is considered the appropriate tool, ESMA may also decide to carry out a fast-track peer review as a flexible alternative to standard peer reviews.

Picking up the pace on previous years' peer reviews

In addition to the above, ESMA expects to follow up in 2022 and 2023 on the following peer reviews conducted between 2017 and 2021, including:

- Peer Review on Certain Aspects of the Compliance Function under MiFID II.
- Peer review into supervisory actions aiming at enhancing the quality of data reported under EMIR.
- Peer review on the collection and use of STORs under MAR as a source of information in market abuse investigations.
- Fast track peer review on the application of the guidelines on the enforcement of financial information by BAFIN and FREP in the context of Wirecard.

ESMA used the publication of the 2021 Work Programme to build upon its existing "One Mission" approach to enhance investor protection and promote stable and orderly financial markets and the "Three Objectives" it set itself in respect of (i) investor protection, (ii) orderly markets and (iii) financial stability.

These Three Objectives are supported by its "Four Activities" of (i) promoting supervisory convergence, (ii) assessing risks to investors, (iii) markets and financial stability and (iv) completing the Single Rulebook for EU financial markets and directly supervising specific financial services entities.

How ESMA will deliver on its work

Delivering on its One Mission, its Three Objectives and Four Activities in relation to the Work Programme, ESMA has addressed the EC with a 2020 budget request of €59 million and 219 full time equivalents. As in previous years, ESMA's efficacy to deliver against the volume of the technical, supervisory, administration and coordinating workload set by the EC and other policymakers needs to be viewed in light of the lean resources that it is allocated for the given year. In many ways it may need to continue to do more with less, a trend that ESMA has continued to deliver with a wealth of output and improvements to engagement.

ESMA has committed itself to improving its organisational and delivery capabilities across key business units. In summary this includes a move to a centralised document management system, "activity- based budgeting and costing" along with greater digitisation of finance and procurement decisions. These changes should improve how ESMA operates, given its budget considerations.

For supervised firms and other external stakeholders, however, the most important commitments by ESMA include on-going improvements to its new Corporate Affairs Department, which facilitates strategic planning and communications with stakeholders. ESMA has also, as in 2019, continued to commit itself to improving the legal drafting and soundness of its legal and rulemaking instruments, including the governance process, minimising the legal risk and proactively handling complaints, appeals and other actions against ESMA, as well as providing greater clarity on the range of tools available to ESMA and making these available in a more user-friendly manner to stakeholders.

Picking up ESMA's "other" key priorities for 2020–22

ESMA published its Strategic Orientation for 2021- 2023, which remains in force for 2022 and sets out ESMA's future focus and objectives and reflects its expanded responsibilities following the ESAs Review, in which it was granted greater responsibility and powers, and EMIR 2.2, in which the range of entities supervised by ESMA was expanded.

The new powers and responsibilities include developments in the areas of:

- supervisory convergence, such as enhanced supervisory convergence tools and strategic multi-annual Supervisory Priorities[17] while developing an EU Supervisory Handbook;
- investor protection, such as developing retail risk indicators and collecting and analysing consumer trends;
- direct supervision centred around critical benchmarks, securitisation repositories and securities financing transactions; as well as
- a range of international and transversal topics, including new tasks for third-country equivalence assessments, and embedding technological innovation, sustainable finance and proportionality in ESMA's activities.

ESMA's strategic direction is to contribute to mitigating the challenges faced by the EU, its citizens and capital markets. As such, ESMA aims to:

- Further promote the development of a large retail investor base to develop capital markets and ensure long-term financial planning. As part of that, it also intends to improve small and medium-sized enterprises' (SME) access to capital markets;
- Promote sustainable finance and long-term oriented capital markets, with ESMA developing its risk identification related to environmental, social and governance (ESG) factors;
- Examine digitalisation as an opportunity for market participants and regulators.
- ESMA, together with NCAs will require EU market participants:
  - to acknowledge the risks that may stem from digitalisation by ensuring business continuity and the use of adequate and up-to-date technology and adequate protection against cyber-threats;
  - Continue striving for openness of the EU financial markets to ensure the EU's voice is heard in the global financial markets context. This ties in with the concept of decreasing market fragmentation and promoting global standards to regulate capital markets. ESMA also aims to further develop its co- operation with third-country authorities to ensure investor protection and financial stability; and
  - Continue following a proportionate approach in its activities. The emphasis on the need for a strong EU Single Rulebook remains, as part of ESMA's commitment to enhance investor protection and promote stable and orderly financial markets, however ESMA is committed to take into account the factors important for small companies and market players as well.

[17] Available here.

EIOPA's 2022 Work Programme

EIOPA's approach to publishing its Work Programme follows the European Commission's "new" approach introduced in 2016, and condenses its multi-annual Work Programme and strategy into a "Single Programming Document" 2022-2024, (the SPD), which was published on 8 October 2021.[18]

EIOPA's multi-annual objectives set the general goal at "Building a safe and sustainable EU for its citizens in times of transformation" and the strategic direction in:

1. Ensuring strong and consistent protection of consumer interests across the EU; and
2. Safeguarding the financial stability of the insurance and pension sectors and effectiveness of the financial system.

The 2022-2024 SPD lists as new tasks to be assumed the new legislative proposal on Digital Operational Resilience Act (DORA) and the European Commission's sustainable finance proposal. While both also featured relatively prominently in last year's SDP, they are now more detailed.

In relation to DORA, EIOPA states that it will focus on finalising the technical work needed for the implementation of the new legislative proposal. In this context, EIOPA plans to prepare, in addition to the draft technical standards to be delivered, the implementation of the system for cyber incidents reporting and a threat-led cyber resilience testing for insurance. Further, it pledges to prepare the technical work aiming to introduce an EU-wide Oversight Framework of critical ICT third-party service providers (CTPPs) with the aim of promoting convergence, strengthening the digital operational resilience, and contributing in preserving the EU's financial system stability.

In the context of the European Green Deal, EIOPA plans on developing initiatives that help recognise the role insurers and pension funds can play. The regulator also states it will continue focusing on the integration of ESG risks in the prudential framework of insurers and pension funds and will assign significant importance to the promotion of sustainability disclosures and a sustainable conduct of business framework to prevent greenwashing.

The 2022 Work Programme and also the SPD confirm EIOPA's focus on its original strategic priorities for CMU (2.0) generally, but also specifically in:

1. Integrating sustainable finance considerations across all areas of work, notably by implementing its own sustainable finance action plan and continuing work on the Sustainable Finance Disclosures together with the other ESAs;
2. Supporting the market and supervisory community through digital transformation via developing the overall strategy for digital transformation in light of the European Commission's Digital Finance Package. EIOPA will also target preparatory work on open insurance and on the development and impact of platforms within the insurance value chain;
3. Enhancing the quality and effectiveness of supervision. The tasks here are split into three parts, namely those assisting national supervision; conduct of business supervision and supervisory data;
4. Ensuring technically sound prudential and conduct business policy. In relation to prudential policy EIOPA will follow up to its 2020 Opinion on the Solvency II Framework including in relation to the proportionality principle and will contribute to the review of IORP II directive. In relation to conduct of business policy, EIOPA will provide input into the Commission's planned Retail Investment Strategy, including the review of the PRIIPs Regulation;
5. Identifying, assessing, monitoring and reporting on risks to the financial stability and conduct of business and promoting preventative policies and mitigating actions. Amongst others, in 2022, EIOPA will focus on developing a methodology for assessing cyber risk exposures and vulnerabilities, a Pensions Risk Dashboard, and conducting an IORPs Stress Test; and
6. Ensuring good governance, agile organisation, cost effective resource management and a strong corporate culture.

Overall, EIOPA's activities will continue to be influenced by macro-economic and political developments. These include in particular, the COVID-19 pandemic, and the need to support the economic recovery, built on both the green and digital transition. In this regard, EIOPA's work will assist in building more resilient insurance and pensions sectors and further strengthening a common supervisory culture. Key priorities on which EIOPA will focus include climate change, cyber risk and digitalisation, as well as the need to address protection gaps.

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[18] Available here.

In general, the tone of messages in the SPD and each of the "Strategic Activity Areas", which supplement the above "strategic objectives," similarly to last year, point to a confident EIOPA leading NCAs in thematic areas as opposed to "merely" coordinating.

As with its ESA counterparts, EIOPA's plans are supported by multi-annual objectives as well as 2021 objectives and relevant key performance indicators. Albeit with a slightly different structure and names for its new priorities, some of the messages will be familiar from previous years, namely those revolving around supervisory convergence, DORA or the development of a sound and prudent regulatory framework for pensions to improve the functioning of the EU internal market for private pensions.

In 2022, EIOPA will focus on emergent risks and areas including COVID-19, monitoring of the level of implementation of equivalent solvency regimes in third countries, strengthen cross-border and cross sectoral supervisory cooperation, and training of NCAs on Solvency II in the area of insurance supervision and digital finance.

It will strive to integrate ESG risks in the prudential frameworks of insurers and pension funds. Additionally, linked to the CMU Action Plan, EIOPA will be expected to assume a more coordinating role in facilitating how financial education measures are promoted by NCAs at national level.

Solvency II, the publication of the risk-free rate, following up on risk margins and CAT calibration, establishing good practices on internal model governance and supervision, and overall EIOPA's shift from rulemaking to supervision of the prudential capital regime, is a key theme of the SPD, as is the practical implementation of the International Association of Insurance Supervisors' (IAIS) International Capital Standard (ICS). EIOPA has indicated that it has and will continue to narrow down optionality on valuation (market-adjusted valuation) and develop and/or refine aspects relating to activities-based methodology for systemic risk.

Another key theme that is of prime relevance to the main strategic objectives is EIOPA's focus on addressing deliverables under PRIIPs or the Insurance Distribution Directive (IDD). Moreover, EIOPA will lead the coordination of NCAs so as to ensure safe, sustainable and adequate pensions, in light of pension deficits, proportionate implementation of the institutions for occupational retirement provision directive (IORP II), and in relation to national reforms incentivising the creation of funded complementary pension schemes through occupational or personal schemes. Rulemaking and convergence is likely to continue as EIOPA leads on the PRIIPs regime, the IDD and a range of other workstreams related to Insurance- Based Investment Products (IBIPs). EIOPA engages in the new tasks and power transferred to it by the PEPP Regulation as well as the ESA review regulation.

What is perhaps important to note is that despite the systemic importance of the insurance and pensions firms that EIOPA is responsible for across the EU-27, it does have the lowest level of human capital resources.

EIOPA has also reconfirmed that for 2022, as in previously 2020 and 2021, it remains committed to improving its internal functioning through reforms to working processes, staff and ICT competencies, notably in relation to data collection and methodologies, as well as a number of improvements, which will feed into EIOPA's Supervisory Handbook.

The following table sets out 10 of the most relevant key priorities and activities as well as corresponding supervisory actions for 2022. Other items that are set out in the SPD that relate to how EIOPA will assist NCAs and create a more 'single' Single Rulebook in the areas within EIOPA's mandate, or improvements within EIOPA's own set-up etc., are not included below.

EIOPA key priority/ activity	EIOPA's announced supervisory actions for 2022
1. Implementing the sustainable finance action plan	EIOPA will focus on this objective predominantly during the calendar 2022, however a lot of the individual products' deadlines are still marked as tbc (please note that these line items are not listed here due to the uncertainty in their taking place/time at which they would take place) **Continuous work** • Sustainable Finance Disclosure Regulation (SFDR) together with the other ESAs: drafting various Q&As **Work due by Q1 2022** • EIOPA will focus on step-by-step implementation of supervision of sustainable finance – oversight- active engagement with NCAs to ensure sustainable finance inclusion in the agendas **Work due by Q2 2022** • EIOPA will introduce guidance on the supervision of the use of climate change risk scenarios in ORSA – Voluntary pilot exercise **Work due by Q3 2022** • EIOPA will develop an interface for the use of the open source model Climada **Work due by Q4 2022** EIOPA will finalise its Dashboard on Insurance Protection Gap for Natural Catastrophes • EIOPA plans to integrate the Taxonomy Regulation into requirements applicable to insurers and pension funds (e.g., into concrete supervisory requirements concerning the application of the Stewardship Principle) • EIOPA aims to further enhance its methodological framework and tools for assessing ESG risks, including the EIOPA Risk Dashboard and Stress Testing methodological framework • EIOPA will drive its work on the Sustainable Finance Disclosure Regulation (SFDR) together with the other ESAs focusing on the following: – reviewing the RTS under the SFDR, to clarify environmental and social indicators; – contributing to the Commission's work on minimum sustainability criteria, or a combination of criteria for financial products that fall under Art. 8 of the SFDR; – building on the RTS under the SFDR, contribute to the Commission's work on strengthening the disclosure and effectiveness of decarbonisation action; and – pursuing the empowerment to the ESAs to work on one Implementing Technical Standard (ITS) on marketing communications.
2. Promoting a sound regulatory framework and supervisory convergence to support the digitalisation of the market and facilitate innovation by developing and implementing a Strategy on Digital Transformation, tackling fragmentation in the Digital Market for financial services, addressing the risks of digital transformation and European Data Strategy	**Continuous work** • EIOPA will deliver its work to further the EU's Digital Finance Strategy (incl. DORA): Assessment of possible regulatory barriers impacting innovation, and continued assessment of the effectiveness of actions already taken in view of the Commission FinTech Action Plan. This includes the following workstreams: – ahead of the deadline of 3 years after the adoption of the DORA legislative proposal: Work on the assessment of the feasibility of establishing a single EU Hub for major ICT-related incident reporting by financial entities, including the conditions of access by third parties (e.g. by insurance undertakings). Facilitation and coordination of national market monitoring and of market-wide and company-specific monitoring activities; – delivering on technical input in the Technological Innovation and Cybersecurity objectives as defined in the Joint Committee Work Programme plus work; and – drafting possible best practices/guidelines/policy recommendations in the area of digital finance strategy.

EIOPA key priority/ activity	EIOPA's announced supervisory actions for 2022
	• In the context of the following workstreams, EIOPA will undertake the following work: – cyber-underwriting: further implementation of the Cyber Underwriting Strategy, mainly in the area of incident reporting; – supervisory data: 1. analysis and potential development of new tools using new technologies and its capacity to improve efficiency and effectiveness of the Supervisory Review Process – SupTech (following approval of SupTech Strategy); 2. cooperating on Data and IT covering the entire supervisory reporting chain: data standardisation (including master data management and the registers), data acquisition and data exploitation from both a data governance and IT implementation angle; and contributing to the European Union's Financial Data Strategy, in particular the Strategy on Supervisory Data, and embed it in its own IT and Data Strategy. **Work due by Q2 2022** • EIOPA will with respect to supervisory data work on: Data Point Modelling (DPM) Re-fit and development of DPM tooling in cooperation with EBA **Work due by Q3 2022** • EIOPA will with respect to cyber-underwriting: follow-up from the evaluation of the need to issue a supervisory convergence tool on the treatment of non-affirmative cyber risk, sound underwriting practices and accumulation risk addressing undertakings **Work due by Q4 2022** EIOPA will in the context of the following workstreams undertake the following work: • Digital Finance Strategy (incl. DORA): Follow-up from its Thematic Review with a "report on priority" concerning InsurTech work - (e.g. emergence of insurance platforms and ecosystems); • Digital Finance Strategy (incl. DORA): Further assessment of the opportunities and challenges of the use of modern technology (such as DLT/Blockchain) and Artificial Intelligence, including the emergence of possible Open insurance/Open Finance initiatives; and • Supervisory data: Cyber risk sensitivity analysis and incorporation of assessment of cyber risk into the current risk dashboard framework conducted within the context of improvement of methodological framework for identifying, assessing, mitigating and managing risks.
3. Stimulating the discussion and sharing of experiences between supervisors regarding the supervisory practices under the Solvency II and IORPs II frameworks leading to the development of common benchmarks for supervisory practices and supervisory convergence tools; building a common supervisory culture that frames the Supervisory Review Process and promote a high quality and effective supervision	**Continuous** • Projects addressing priority areas identified in the Annual Supervisory Convergence Plan (SCP) • Supervisory convergence in the area of multi-sponsor IORP providers • Review/further development of EIOPA Supervisory Handbooks on Solvency II, on IORPs and on Conduct of business supervision • Projects addressing priority areas identified by the Advisory Committee on Proportionality **Work due by Q1 2022** • Annual Supervisory Convergence Plan (SCP) • Supervisory Statement on Run-off **Work due by Q2 2022** • Annual Supervisory Activities Report including functioning of colleges **Work due by Q4 2022** • Annual Report on the use of Capital Add-ons • Annual Report on the use of limitations and exemptions from reporting • Preparation for the Annual Report on the use of Proportionality under Solvency II

EIOPA key priority/ activity	EIOPA's announced supervisory actions for 2022
4. Increasing overall quality of national supervision and achieve greater supervisory convergence in specific areas	**Contingent on demand work** • At least Q2 and Q4: Regular supervisory risk and issue reports to enable prioritisation by EIOPA's management • Supervisory recommendations • Reports on bilateral visits • Lessons learned exercises • Dedicated project based on specific supervisory requests **Work due Q4 2022** • Identify and report on Union-wide Strategic Supervisory Priorities in cooperation with NCAs
5. Providing successful implementation of the PEPP Regulation for the EU	EIOPA will coordinate supervisory activities in relation to PEPP – supervisory approaches to PEPP, coordination of PEPP supervisory plans. **Continuous** • Promoting cooperation between NCAs and EIOPA and coordination of supervisory plans via dedicated supervisory convergence process. **Work due by Q1 2022** • Process for product intervention powers set up. **Work due by Q 4 2022** • Prepare Annual Report on PEPP Market.
6. Supporting convergent and consistent application of the Solvency II Directive and developing the regulatory work needed as a follow-up of the Solvency II review	EIOPA will focus on delivering: **Continuous** • Regulatory work to promote the establishment of a Capital Markets Union addressing securitisation and recovery and resolution issues- **Contingent on demand** • Follow-up to wide-ranging call for advice from the European Commission in the context of the Solvency II 2020 Review • No-action-letters (in exceptional circumstances) • Depending on the SII legislative proposals: Development of a Proportionality Rulebook **Work due Q1–Q4 2022** • -Implementation of new IBOR benchmarks **Work due Q2 2022** • Complete review of System of Governance Guidelines, considering as well specific work on Outsourcing and Third Party Providers in the context of COM new legislative proposal on digital operational resilience act (DORA) • Review of technical standards and guidelines following changes arising from 2020 review • Consideration of the regulatory treatment of composites

EIOPA key priority/ activity	EIOPA's announced supervisory actions for 2022
7. Strengthening the protection of consumers through a smart regulatory framework	EIOPA will focus on delivering: **Continuous** • IDD: Annual report on national sanctions imposed under the IDD • IDD: On-going work on Q&As on IDD and its implementing measures • PRIIPs: On-going work on Q&As • Policy work on the implementation of findings reached under conduct oversight work • Coordinating role in facilitating how financial education measures are promoted by NCAs at national level in line with the CMU action plan **Work due by Q2 2022** • PRIIPs: Finalisation of technical advice to Commission regarding review of the PRIIPs regulation, which will cover inter alia: • a general survey on the use of the PRIIPs KID across the Union; • scope of the Regulation and possible expansion to other types of pensions; • input to survey covering the operation of the comprehension alert; • input to Commission survey of the practical application of the regulation; • the effectiveness of the administrative sanctions, measures, and other enforcement actions for infringements of the PRIIPs Regulation; • the extent to which the PRIIPs regulation is adapted to digital media; • input to consumer testing carried out by the Commission which is expected to include inter alia proposed approaches to be tested and example products; and • input to Commission market study on use of online calculator tools. **Continuous Q4** • PRIIPs: Annual report on national sanctions imposed under the PRIIPs Regulation **Work due by Q2 2023** • IDD: RTS adapting the base euro amounts for professional indemnity insurance and for financial capacity of insurance and reinsurance intermediaries
8. Providing timely and accurate financial stability analysis and risk assessment	EIOPA will focus on delivering: **Continuous** • Internal Risk Update • Implementation of the Holistic Framework in the EU • Ad hoc analysis to assess and monitor emerging financial stability risks Work due by: • Risk Dashboard (Q1,2,3,4) • Financial Stability Report (first half covering all sectors and risks, second half focused on key topics) (Q2, Q4) • IORPs stress test 2022 (Q4 pending BoS decision) • Cyber risk sensitivity analysis (Q4)

EIOPA key priority/ activity	EIOPA's announced supervisory actions for 2022
9. Providing in-depth analysis of key themes related to risks in the insurance sector and high-quality insurance and IORP statistics	EIOPA will focus on delivering: **Continuous** • Ad hoc studies to monitor vulnerabilities and analysis of emerging risks (ESG and/or other) • Descriptive overviews and reports of the European insurance and IORP sector **Quarterly:** • Quarterly Group Statistics Publication • Quarterly Solo Statistics Publication • Quarterly IORP statistics publication **Work due by Q3:** • Annual Financial Stability Indicators Publication • Annual Group Statistics Publication • Annual Solo Statistics Publication • Annual Insurance Sector Overview Report • Annual IORP statistics publication
10. Ensuring good governance and the effective, efficient and professional management of tasks and resources	EIOPA will focus on delivery of: **Work due by Q1 2022** • Final adoption by the BoS of the Single Programming Document 2022-2024, including Annual Work Programme 2022 **Q1, Q3, Q4** • Review of the draft Single Programming Document 2023-2025, including Annual Work Programme 2023 **Quarterly** • Quarterly activity reports to the Management Board on main developments in EIOPA's environment, risks, opportunities, and progress in delivery of products and services • Internal risks assessments with regular intervals to inform senior management decisions on efficient and effective management **Work due by Q3** • Annual Activity Report 2021 **Work due by Q4** • EIOPA Anti-Fraud Strategy Implementation Project Products 2022

ESRB's 2021 priorities

The ESRB is responsible for macro-prudential oversight within the ESFS and flanks the work of the ESAs, the Banking Union supervisors, as well as the relevant NSAs and NCAs. The aim and mission of the ESBR is the prevention and mitigation of systemic risks in the European Union and not just the Eurozone. To achieve this goal, it collects and analyses data. It also issues warnings and makes supervisory recommendations. Implementation of the recommendations is monitored and constant coordination with other EU and international supervisory bodies is maintained.

The ECB provides the ESRB secretariat, and the ECB's President is also the Chair of the ESRB. The ESRB's main periodic working output is its "Risk Dashboard."The last update was the November 2021 Risk Dashboard[19] released on 9 December 2021. As in previous years, this publication provides a set of quantitative and qualitative indicators of systemic risk in the EU's financial system, including calculated systemic interlinkages and estimated probabilities of simultaneous defaults. The ESRB is also responsible for coordinating and at times tailoring various "buffers" such as the "Capital Conservation Buffer," global and national systemic buffers, etc. and in 2021 highlighted the trends and decreases in the median solvency ratios in the EU insurance sector.

In the November 2021 Risk Dashboard, the ESRB addresses the deteriorating outlook for nonfinancial corporate debt. In addition, it warned on household debt and NPLs. The sustainability of government debt also takes up a large share of its concerns. In addition to the Risk Dashboard and the continuing work on buffers, the ESRB also pressed forward its work on cyber risk as part of its own general mandate and the work of the European Systemic Cyber Group, which the ESRB established in 2017 to identify common and individual vulnerabilities in individual financial systems. The ESRB also continued its transaction-level data monitoring of derivatives activity, CCP interoperability arrangements, as well as how to further prevent system-wide increases in NPLs –a series of specific reports on these topics, building on the work done in 2019 and 2020, were published in 2021.

Top three takeaways for firms and their compliance priorities in meeting the priorities of the ESAs and the ESRB

1. In keeping with previous years, firms should position themselves to meet the ESA's ongoing shift from rulemaking to calibrating, i.e., revising as well as harmonising supervisory standards in the pipeline or those already in place, including those that were paused due to COVID-19. Now that the ESAs have formally been granted more power, we would anticipate that the ESAs will press ahead in deploying their new tools in their expanded mandate. The Europeanisation of financial services rulemaking and supervision will step up over the remainder of the decade, both as part of completing Banking Union and CMU, but also in light of the new relationship between the UK and the EU-27. For firms this translates into more intrusive supervision from the relevant national authorities within the ESFS, as well as the ESAs where they have direct supervisory mandates.
2. Firms, to the extent they have not done so, should form an internal working group, supported by relevant advisors, to map how pending Guidelines from the ESAs are likely to impact a number of "run the compliance", "change the compliance" and "change the business" work, as part of the impact from the transition to CRR II/CRD V as well as IFR/ IFD, the new operating environment under the BMR.
3. Firms should consider the impact of how changes to supervision of branches as well as various approval processes impact their legal and regulated entity structuring, in addition to any BRRD-driven changes and/or national structural reform processes, including ring-fencing changes being advanced in certain EU jurisdictions.

[19] See here.

Part 3 – ESA European Commission priorities and DG-FISMA

European Commission's 2022 Work Programme

The European Commission (EC) generally publishes its legislative and policymaking Work Programme for each year, which delivers on the goals from the overall multi-annual legislative cycle set out in the "Political Guidelines". In addition, the EC's individual Directorate Generals, including the Directorate General for Financial Stability, Financial Services and Capital Markets Union (DG-FISMA), set out their annual "Management Plans", which define a further detailed direction for financial services regulatory and supervisory policymaking that sits alongside and at times are superordinate to those authorities discussed above.

The EC published its 2022 Work Programme[20] on 19 October 2021, with a title placing strong emphasis on unification and a hopefully brighter EU future to come. The document, "Making Europe stronger together" is accompanied by various annexes[21], as well as an overview of new policy objectives.[22] The Work Programme itself sets out the actions the EC will take in 2021 to turn the Political Guidelines of President von der Leyen (Political Guidelines for the next Commission (2019- 2024) "A Union that strives for more: My agenda for Europe)"[23] into tangible benefits for European citizens, businesses and society.

In terms of structure, the 2022 Work Programme has five annexes, which cover respectively:

i. new policy and legislative initiatives;
ii. REFIT initiatives to review existing legislation;
iii. prioritising pending legislative files where co-legislators are to take the swiftest action;
iv. actioning intended withdrawals of pending proposals; and
v. progressing the list of envisaged repeals which contains just one entry.

In 2022 there are in total 42 new policy objectives, 26 REFIT initiatives, 76 priority proposals 6withdrawals and one envisaged repeal.

In 2020 the document stated that, "the Work Programme and the first year of this mandate will set the vision, direction and pace for the next five years". The 2022 programme is true to this goal and states:

"This work programme sets out targeted action to continue delivery on the ambitions the Commission set at the start of the mandate and further steer the Union towards sustainable recovery. It also lists the key legislative proposals that should get priority in the legislative process to ensure swift implementation on the ground. The list will form the basis of our dialogue with the European Parliament and the Council with the aim to agree on a Joint Declaration on legislative priorities by the end of the year, in line with the Interinstitutional Agreement on Better Law-Making."

Similarly, as in 2021, the Work Programme is structured under just two headings:

i. In 2021 this was "Repairing the world of today by shaping the world of tomorrow", 2022 this became "Making Europe stronger together";
ii. Delivery of the six headline ambitions which were slightly altered in 2022 as indicated below.

Delivery on the six headline ambitions

The six headline ambitions of the European Commission's priorities for 2019-2024 remain broadly the same and include:

1. A European Green Deal with a focus on the following projects:

   a. Regulatory framework for the certification of carbon removals;
   b. Green bonds as part of the Sustainable Europe Investment Plan;
   c. Follow-up on the zero pollution action plan;
   d. Furthering the objectives of the circular economy;
   e. Publication of communication on solar energy;
   f. Working towards greener and more sustainable agriculture

In addition to the zero pollution package and the circular economy initiative, new initiatives also include: Climate measures package; Plastics package and Biodiversity and Farm to fork initiative.

[20] Available here.
[21] Available here.
[22] Available here.
[23] Available here.

2. A Europe fit for the digital age via:

a. Follow-up on the Commission's Digital Decade to deliver on the EU's digital transformation by 2030;
b. Create a single market emergency instrument to prevent future disruptions;
c. Adopting a European chips act to promote a European chip ecosystem;
d. Proposing a European cyber resilience act;
e. Building an EU space-based global secure communications system;
f. Proposing an action plan for an accelerated digital transformation of the sector;
g. Promoting digital skills in schools and higher education;
h. Proposing an initiative on multimodal digital mobility services;

Four of those initiatives are new for 2022 and other new initiatives include initiatives on Semi-conductors; Security and defence and Innovative and sustainable space.

3. An economy that works for people with a focus on the following measures:

a. Action Plan to implement the European Pillar of Social Rights;
b. Fair minimum wages for workers in the EU;
c. Proposal to improve the protection of workers from the risk related to exposure to asbestos at work;
d. Initiative on instant payments;
e. Taking action regarding insolvency proceedings;
f. Facilitating access to capital for small- and medium-sized enterprises;
g. Agreement on global tax reform;

Other new initiatives include Recommendation on minimum income and Renewed strategic partnership with the outermost regions. A stronger Europe in the world, namely by:

h. Global Gateway strategy to build connectivity partnerships that promote digital and green trusted connectivity with partners across the globe;
i. A new EU-NATO Joint Declaration and will seek to accelerate work on a genuine European Defence Union;
j. A defence package which will include a roadmap on security and defence technologies;
k. A reinforced blocking statute Regulation to better protect EU operators;
New strategy on international energy engagement;
l. Action plan on international ocean governance, based on an updated 2016 International Ocean Governance Agenda;
m. Strategic partnership with the Gulf;

Most of these initiatives are new for 2022.

4. Promoting our European way of life, which aims at:

a. Organising a Conference on the Future of Europe;
b. Reaching swift agreement on the remaining legislative proposals under the New Pact for Migration and Asylum;
c. Work on protecting citizens from organised crime, anti-trafficking;
d. Improving the secure exchange of key information with third countries;
e. Updating the rules for advance passenger information;
f. Presenting a strategy for universities and proposing ways for deeper and sustainable transnational cooperation in higher education;
g. New European care strategy to address both carers and care receivers;
h. New framework for a dynamic EU pharmaceutical sector
i. Revising the legislation on medicines for children and rare diseases;
j. Issuing a recommendation on cancer screening.
k. Half of those initiatives are new.

5. A new push for European democracy – here the European Commission will:

a. Table a European media freedom act;
b. Continue with the European citizens' initiative;
c. Continue working on a common legal framework for the efficient transfer of criminal proceedings between Member States;
d. Propose measures to improve the recognition of parenthood;
e. Present a Gender Equality Strategy;
f. Strengthen judicial cooperation on the protection of vulnerable adults;
g. Help ensure the equality of LGBTI people across the EU;
h. Propose measures to prevent and combat violence against women;
i. Progress the design on the new interinstitutional EU Ethics Body;
j. Table an initiative on brain drain and mitigating the challenges associated with population decline. ;

Four of those initiatives are new for this year.

A lot of these projects have already been tabled as of February 2022. In conclusion, and in the European Commission's own words, "this work programme sets out targeted action to continue delivery on the ambitions the Commission set at the start of the mandate and further steer the Union towards sustainable recovery. It also lists the key legislative proposals that should get priority in the legislative process to ensure swift implementation on the ground. The list will form the basis of the Commission's dialogue with the European Parliament and the Council with the aim to agree on a Joint Declaration on legislative priorities by the end of the year, in line with the Interinstitutional Agreement on Better Law-Making".

PwC Legal's financial services capabilities

PwC Legal's Financial Services capabilities focus on supporting clients across a wide spectrum of transactional, corporate, regulatory issues and complex financial markets related dispute resolution. We act for traditional financial services providers (active across all asset classes) as well as for FinTech, crypto-asset services providers and their respective counterparts and clients.

In the following section we provide an overview of our German capabilities in our:

- **Financial Services Regulatory practice group –** in both our Financial Institutions Regulatory Europe (Team) and our PwC Legal's Frankfurt based EU Regulatory Compliance Operations, Risk and Engagement (EU RegCORE) centre
- **Banking, Finance and Capital Markets practice group**
- **Crypto and DLT Practice Group**

We bring an exceptional track record and creativity to all our engagements. This extends to our delivery of traditional legal and tax advisory services, managed legal solutions as well as through the wider breadth of coverage, including beyond law, that we can offer from working in tandem with Strategy& and PwC teams and their multidisciplinary expertise.

PwC Legal's Financial Institutions Regulatory Europe (FIRE) team

Financial institutions operate in an increasingly complex regulatory environment. PwC's FIRE Team, in addition to PwC's EU RegCORE, assists financial institutions in successfully navigating this ocean of regulations. With many years of experience in the financial services sector, our advice is based not only on our legal and regulatory know-how, but also on a profound understanding of our clients' business models. A special focus of our practice is advising on new technologies, such as crypto-assets and digital operating models for financial services as well as ESG and climate finance.

Our clients include banks, investment firms, asset managers, payments services providers, (re-)insurers, exchanges and clearing houses along with FinTechs and crypto-asset service providers as well as these firms' non-financial corporates as their counterparts and clients. We also advise financial services regulatory policymakers, supervisory authorities and industry associations.

Our global reach puts us in a unique position to advise clients in complex multi-jurisdictional financial markets transactions, regulatory change projects as well as responding to supervisory engagement. As our client, we regularly invite you to free seminars and inform you about regulatory developments and supervisory priorities. We also offer a range of off-the-shelf and bespoke technical and soft skill training sessions.

Further information about our capabilities and offering is available here: https://www.pwclegal.de/en/services/financial-services/pwc-legals-financial-institutions-regulatory-europe-team/

Our FIRE Team offers comprehensive legal advice, especially in the following areas:

- Regulatory change projects
- Digital financial services (such as online distribution of insurance and digital asset management)
- FinTechs and new technologies (e.g. crowdfunding, crypto-assets)
- CRR-related advice, including the issuance of own funds, optimisation of regulatory ratios and exposure limits working closely with PwC's Global Basel IV Leadership Team
- Solvency II and insurance regulation generally
- Regulatory structuring of capital markets transactions
- Setting up and structuring alternative investment funds
- Regulatory advice for (re-)insurers
- Multi-jurisdictional regulatory monitoring projects
- Outsourcing agreements for financial institutions
- Forensic services and internal investigations, including communication with regulators
- Regulatory compliance (e.g. internal governance, remuneration, distribution requirements, selling restrictions)
- Bank recovery and resolution, including global risk management and default management
- M&A transactions in the financial sector
- Setting-up financial institutions, obtaining licenses and supporting across multi-jurisdictional "build the business" as well as "run the business" workstreams, including new product approval processes
- Trainings for members of the management and the supervisory board, the risk and compliance departments, traders and marketing departments on regulatory matters

PwC Legal’s EU RegCORE Center of Excellence

Banking Union, Capital Markets Union and Eurosystem monetary policy as well as regulatory divergence between the EU and non-EU jurisdictions all continue to change the way business is structured, booked, executed, custodied, reported, provisioned and supervised across the EU-27 and the Eurozone-19 (soon to be 21). In addition to new requirements, the dynamic of rulemaking and also who sets the tone of supervisory engagement across the EU’s Single Market for financial services, which is being driven increasingly at the EU and Eurozone level, rather than by national authorities, has reshaped regulatory rulemaking and supervisory priorities. This applies to EU firms but also the supervision of third-country headquartered financial institutions.

In response to this “Europeanisation” of rulemaking and supervision PwC Legal’s Frankfurt based EU Regulatory Compliance Operations, Risk and Engagement (EU RegCORE) centre – provides clients with dedicated support for the EU’s Single Rulebook and European System of Financial Supervision (ESFS). We help clients in navigating challenges and seizing opportunities in this new dynamic of rulemaking, supervision and monetary policy and its impact on market, transaction-type and institutional-based compliance and legal documentation.

We are fully familiar with the financial supervisory culture and expectations at every level across the Eurozone-19/21 and EU-27 along with the requisite differences to other key financial centres. Many of our RegCORE lawyers have spent time in-house at EU and/or German supervisory authorities and have privileged relationships.

Table of Abbreviations

AIFMD	EU's Alternative Investment Fund Managers Directive
AIFMD/R	EU's AIFMD and supporting Commission Delegated Regulation
Brexit	Withdrawal of the UK from the EU
BMR	EU's Benchmark Regulation
BUSI	Banking Union Supervised Institution
CCPs	Central clearing counterparties
CJEU or ECJ	Court of Justice of the European Union
CRD IV Directive	EU's fourth Capital Requirements
CRR	EU's Capital Requirements Regulation
CMU	Capital Markets Union
CSDR	EU's Central Securities Depositories Regulation
DGS	Deposit Guarantee Scheme
DGSD 3 Directive	EU's third Deposit Guarantee Scheme
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ECB-SSM	ECB in its role as the head of the Single Supervisory Mechanism – as 'Pillar I' of the Eurozone's Banking Union
EDIS	Proposed European Deposit Insurance Scheme, which would operate as a common Deposit Guarantee Scheme – as potential 'Pillar III' of the Eurozone's Banking Union
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority ELTIF Regulation EU's European Long Term Investment Fund Regulation EMIR EU's European Market Infrastructure Regulation
ESAs	European Supervisory Authorities (EBA + ESMA + EIOPA) often acting as well as through its coordinating Joint Committee
ESFS	European System of Financial Supervision (ESAs + ESRB + NCAs – and, to a lesser degree, in Banking Union – SSM as well as SRM)
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union
EU-27	EU excluding the United Kingdom
EUSEF Regulation	EU's European Social Entrepreneurship Fund Regulation
EUVECA Regulation	European Venture Capital Fund Regulation
FSB	Financial Stability Board
IFRS	International Financial Reporting Standards
ITS	Implementing Technical Standards
LSIs	BUSIs that are categorised as Less Significant Institutions and thus subject to direct NCA and indirect ECB supervision
MAR	EU's Market Abuse Regulation
MiFID II	EU's Markets in Financial Instruments Directive II
MiFIR	EU's Markets in Financial Instruments Regulation
MMF Regulation	EU's Money Markets Fund Regulation
NCAs	National Competent Authorities of EU Member States which may include NRAs or NSAs
NRAs	National Resolution Authorities
NSAs	National Supervisory Authorities
RTS	Regulatory Technical Standards
SCIs	BUSIs that are categorised as Significant Credit Institutions and thus subject to direct ECB and indirect NCA supervision
SMEs	Small and medium-sized enterprises
SRB	Banking Union's Single Resolution Board at the head of the SRM – as 'Pillar II' of the Eurozone's Banking Union
SRF	SRB administered Single Resolution Fund
SRM	Banking Union's Single Resolution Mechanism – as 'Pillar II' of the Eurozone's Banking Union
SSM	Banking Union's Single Supervisory Mechanism – as 'Pillar I' of the Eurozone's Banking Union
TRV	ESMA's Trends, Risks and Vulnerabilities in EU Securities Markets Report
UCITS	Undertakings for Collective Investment in Transferable Securities

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About us

In today's rapidly evolving marketplace, our clients are increasingly concerned with business collaborations, restructuring, mergers and acquisitions, financing and questions of social responsibility. They need legal security when dealing with such complex issues. That is why we work closely with PwC's tax, human resources and finance experts and draw on the resources of our legal network in more than 100 countries to deliver comprehensive advice. Whether a global player, a public body or a wealthy individual, each client can rely on a personal account manager to address his or her specific legal needs. This dedication helps us ensure our clients' long-term business success.

PwC Legal. More than 220 lawyers at 18 locations. Integrated legal advice for the real world.