

SAFE Finance Blog

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The SAFE Regulatory Radar in March

New rules for investment firms, guidelines for disclosures under Taxonomy and Prospectus Regulations, and updated Basel III monitoring exercise



A t the end of each month, the SAFE Regulatory Radar highlights a selection of important news and developments on financial regulation at the national and EU level.

Supervisory reporting: EBA presents a new regulatory framework for investment firms

On 5 March 2021, the European Banking Authority (EBA) presented a final draft [Implementing Technical Standards \(ITS\)](#) on the supervisory reporting and disclosures of investment firms under the [Investment Firm Regulation \(IFR\)](#). The ITS strive to guarantee a consistent prudential system for investment firms by integrating supervisory reporting and disclosure requirements as much as possible, considering different types of activity, size, and complexity of investment firms.

In particular, the [ITS](#) cover rules regarding the calculation of own funds, liquidity requirements, concentration risk, levels of minimum capital, as well as activity thresholds in respect of small and non-interconnected investment firms. To enhance consistency between reporting and disclosures requirements, the standards include a broad set of uniform templates and instructions for different types of institutions in accordance with the [Capital Requirements Regulation \(CRR\)](#).

After the formal adoption by the European Commission, the standards will be directly applicable from 26 June 2021 in all member states. The first reporting dates foreseen in the [ITS](#) are September 2021 for quarterly reports and December 2021 for annual reports.

Sustainable finance: ESMA sets out new rules for non-financial disclosures and the EU prospectus regime

On 1 March 2021, the European Securities and Markets Authority (ESMA) issued its [Final Report](#) containing advice on environmentally sustainable disclosures under the [Taxonomy Regulation](#) requested by the European Commission. This report clarifies the content and presentation of information to be disclosed by non-financial undertakings and asset managers to comply with their obligations under the [Non-Financial Reporting Directive \(NFRD\)](#).

In detail, the report specifies Key Performance Indicators (KPIs), and the underlying calculation methodology, on turnover, capital, and operational expenditures related to environmentally sustainable activities. Regarding the disclosure requirements for asset managers, the recommendations define relevant [KPIs](#) and propose the use of standardized tables for disclosures. The European Commission will use this non-binding report as a basis for a delegated act to supplement the Taxonomy Regulation.

On 4 March 2021, [ESMA](#) also updated its [guidelines](#) on disclosure requirements under the EU [Prospectus Regulation](#). The guidelines advise issuers to involve financial reporting experts when issuing a prospectus. National competent authorities (NCAs) are recommended to comply with the guidelines to establish efficient supervisory practices across the EU.

Banking supervision: Basel III monitoring exercise becomes mandatory

On 16 March 2021, [EBA](#) adopted a [decision](#) that makes [Basel III monitoring exercise](#) mandatory. As of 31 December 2021, the affected credit institutions are obliged to submit the necessary data to the NCAs, including the information regarding credit, operational, and market risks.

Assessing the impact of the Basel III framework, the [EBA](#) indicated a need to expand the current regime to more credit institutions and jurisdictions to establish a sound legal framework in the EU. The decision has also changed the frequency of reporting from a semi-annual to an annual basis. Aiming to avoid undue burdens to credit institutions, the decision set up a clear selection criterion for participating banks. Accordingly, only Global and other Systemically Important Institutions (G-SIIs and O-SIIs) and some categories of O-SIIs with risk-weighted coverage under 80 percent fall within the scope of the now mandatory exercise.

Current Public consultations:

- **European Commission:** public [consultation](#) on the rules for central securities depositories (CSDs). The deadline is Monday, 5 April 2021.
- **European Commission:** public consultations on a draft Regulation supplementing the EMIR by specifying terms for clearing services for over-the-counter (OTC) derivatives are considered to be fair, reasonable, non-discriminatory and transparent (FRANDT) and on an [EU-wide instant payments scheme](#). The deadline is Wednesday, 7 April 2021.
- **European Commission:** public [consultation](#) on the potential for a referral scheme to help small and medium sized enterprises (SMEs). The deadline is Friday, 9 April 2021.
- **European Commission:** public [consultation](#) on the temporary exemption from the central clearing obligation for pension scheme arrangements (PSAs). The deadline is Tuesday, 13 April 2021.
- **European Commission:** public [consultation](#) crisis management and deposit insurance framework. The deadline is Thursday, 20 May 2021.
- **European Commission:** public [consultation](#) on EU supervisory convergence and the single rulebook. The deadline is Friday, 21 May 2021.
- **EBA:** public [consultations](#) on cooperation and information exchange between competent authorities involved in the prudential supervision of investment firms. The deadline is Friday, 23 April 2021.
- **EBA:** public [consultation](#) on draft [ITS](#) on Pillar 3 disclosures on environmental, social and governance (ESG) risks. The deadline is Tuesday, 1 June 2021.
- **EBA:** public [consultation](#) on a common assessment methodology for granting authorization as a credit institution. The deadline is Thursday, 10 June 2021.
- **EBA:** public consultations on an [integrated reporting system](#) and on [guidelines on the stress tests](#) under the Deposit Guarantee Schemes Directive (DGSD). The deadline is Friday, 11 June 2021.
- **EBA:** public [consultations](#) on residual risk add-on and gross jump-to-default. The deadline is Saturday, 12 June 2021.
- **EBA:** public [consultation](#) on guidelines on risk-based supervision of credit and financial institutions' compliance. The deadline is Thursday, 17 June 2021.
- **ESMA:** public [consultation](#) on guidelines detailing the obligations to administrators under the Benchmarks Regulation (BMR). The deadline is Friday, 30 April 2021.
- **ESMA:** public [consultation](#) on draft technical standards under the European crowdfunding service providers regulation (ECSPR). The deadline is Friday, 28 May 2021.
- **Financial Action Task Force (FATF):** public [consultation](#) on risks associated with the proliferation financing. The deadline is Friday, 9 April 2021.

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