

## SAFE Finance Blog

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### The SAFE Regulatory Radar in April

New standards for sustainability-related disclosures, European actions to support the digital transformation of the financial sector, and updated requirements for securitizations



**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.*

#### Sustainable Finance: New disclosure rules on investments

On 6 April 2022, the European Commission adopted a [Delegated Regulation](#) that lays down regulatory technical standards (RTS) on the content, methodology, and presentation of disclosures of sustainability-related information under the [Sustainable Finance Disclosures Regulation](#) (SFDR).

The standards aim to improve sustainability-related disclosures, prevent greenwashing, and support the EU transition towards a sustainable economy.

The [RTS](#) cover different types of disclosures. For entity-level disclosures, the standards specify the content, methodology, and presentation of the information required by the [SFDR](#) for the sustainability indicators on adverse impacts on climate and other environment-related adverse impacts as well as in the field of social and employee matters. For pre-contractual product disclosures, the [RTS](#) clarify which information the sectoral documentation must contain, including the explanation of how the sustainable investment attains the desired environmental or social characteristic. The standards require sustainable investments to comply with the 'do no significant harm' (DNSH) principle. DNSH is the main principle of the EU Taxonomy which means that no measure may cause a significant negative impact on any of the six environmental objectives of the [Taxonomy Regulation](#). The annexes to the delegated regulation contain all necessary reporting templates. Additionally, the standards lay down detailed rules on how financial market participants must publicly disclose information on their websites.

The delegated regulation was submitted to the European Parliament and the Council for formal adoption. New rules will apply from 1 January 2023.

#### Digital Finance: European developments to transform the financial sector

The EU takes further regulatory and non-legislative actions to create a competitive EU innovative financial sector. On 8 April 2022, the Commission launched an EU Digital Finance Platform to bring together industry and European public authorities and develop further the European single market in digital finance. As part of the project, the Platform provides an interactive map showing all fintechs registered in the EU, a description of their businesses, and a forum that helps connect entrepreneurs with the relevant national authorities.

The European Parliament's Committee on Economic and Monetary Affairs (ECON) published a [report](#) proposing amendments to the draft regulation on information accompanying transfers of funds and certain crypto-assets. Published on 1 April 2022, the report identifies a legislative loophole that enables the use of crypto-assets to facilitate and fund criminal activities. Until now, crypto-assets have remained outside the scope of the [Transfer of Funds Regulation](#), which only applies to conventional funds.

The [ECQF](#) Committee suggests that the information obligation to verify customers should apply to crypto-assets transfers, regardless of the transfer's value. Second, crypto-asset service providers have to obtain information on the source and destination of crypto-assets involved in a transfer, as well as develop effective procedures to detect suspicious crypto-asset activity. Third, they should carry out counterparty due diligence. Forth, it proposes to launch a public register of non-compliant crypto-asset service providers. Fifth, [ECQF](#) Committee notes that the current proposal should be linked to the existing anti-money laundering ([AML](#)) framework.

In terms of the next steps, the Council, Parliament, and Commission will hold trialogue meetings to agree on final texts for a regulation. Once formally adopted and endorsed by the Parliament and Council, it will be published in the Official Journal.

## Securitization regulation: revised rules on the risk retention

On 12 April 2022, the European Banking Authority (EBA) published its [final draft regulatory technical standards](#) (RTS) on the risk retention requirements for securitizations.

The minimum retention requirement of five percent of the material net economic interest under the European Securitization Regulation addresses possible misalignment of interest between the originators, sponsors and original lenders, and investors. The Securitization Regulation mandated [EBA](#) to develop the [RTS](#) specifying how to comply with the risk.

In detail, the [RTS](#) clarify the requirements on the modalities of retaining risk, the measurement of the level of retention, and the prohibition of hedging or selling the retained interest. They also contain the conditions for retention on a consolidated basis.

The standards also cover the modalities of retaining risk in case of traditional securitizations of non-performing exposures, and the impact of fees paid to the retainer on the effective material net economic interest. Additionally, the [RTS](#) provide explanations of how a synthetic or contingent form of retention complies with Securitization Regulation and in which cases it is equivalent to a net economic interest in the securitization.

The new [RTS](#) will replace the existing [2014 Commission Delegated Regulation](#). The regulation will be binding and enter into force on the twentieth day after its official publication.

### Current public consultations:

- **European Commission:** public [consultation](#) intended to evaluate the Regulation on money market funds (MMF Regulation). The deadline is Friday, 13 May 2022.
- **European Commission:** public [consultation](#) on the functioning of environmental, social and governance (ESG) ratings and sustainability factors in credit ratings. The deadline is Monday, 6 June 2022.
- **European Commission:** public [consultation](#) on a prospective establishment and regulation of essential aspects of a digital euro as a new form of central bank money. The deadline is Tuesday, 14 June 2022.
- **European Banking Authority (EBA):** public [consultation](#) for banks on their experiences with the application of the so-called infrastructure supporting factor in accordance with the Capital Requirements Regulation (CRR 2). The deadline is Friday, 27 May 2022.
- **The International Organisation of Securities Commissions (IOSCO):** public [consultation](#) on market liquidity issues affecting corporate bond markets under stress and good practices concerning ETFs. The deadline is Wednesday, 6 July 2022.
- **The International Sustainability Standards Board (ISSB):** public [consultation](#) on general sustainability-related disclosures. The deadline is Friday, 29 July 2022.
- **ISSB:** public [consultation](#) on climate-related disclosures. The deadline is Friday, 29 July 2022.

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