

30 MAR 2023

The SAFE Regulatory Radar in March

Revised guidelines on deposit guarantee schemes, provisional agreement on European green bonds, and revised framework for long-term investment funds



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.*

DGSD: Revised methods for calculating contributions to deposit guarantee schemes

The contributions of a credit institution to the deposit guarantee schemes (DGSs) will be linked more closely to its riskiness. The revised Guidelines, finalized by the European Banking Authority (EBA) on 21 February 2023, improve the method to calculate contributions in a risk-sensitive way, which helps to meet the target level of the DGS fund under the Deposit Guarantee Schemes Directive.

EBA reviewed the application of the existing Guidelines from 2015 to 2021 and decided on the following most substantial amendments:

- Readjusting elements of the formulas to calculate the contributions intending to address technical issues identified in the course of the review;
- Specifying how to account for specific types of deposits where the DGS coverage is subject to uncertainty, including in relation to client funds;
- Requiring DGSs to regularly review the calibration of the calculation method against prudential benchmarks;
- Providing guidance on how to apply a stock-based approach to calculating contributions;
- Refining the current requirement on the forward-looking approach to raising contributions.

The revised Guidelines on methods for calculating contributions to DGSs shall apply from 3 July 2024.

In light of the recent bank runs, a SAFE research team sees the need for further amendments of DGSs, suggesting a minimum and a maximum for a bank's loss absorption capacity. Their findings are published in SAFE Policy Letter No.98.

EuGB: Provisional agreement on the creation of European green bonds

Issuers of bonds obtain a first indication of a common framework to use the designation "European green bonds". On 28 February 2023, the Council of the European Union and the European Parliament announced that they reached a provisional agreement on the creation of European green bonds (EuGB).

As part of the European Green Deal, the EuGB Regulation intends to simplify the identification of environmentally sustainable investments, promoting further development of the European market for green bonds and reducing the risk of "greenwashing" by setting high standards for the issuance of green bonds.

All proceeds of [EuGBs](#) will need to be invested in economic activities that are aligned with the EU Taxonomy. However, to ensure the usability of the European green bond standard, up to 15 percent of the proceeds can be invested in sectors and certain very specific economic activities not yet covered by the EU Taxonomy. The use and need for this “flexibility pocket” will be re-evaluated in light of Europe’s progress in the transition toward climate neutrality. Issuers are also obliged to show how these investments feed into the transition plans of the company as a whole.

Furthermore, by means of a registration system and supervisory framework for external reviewers it should be assessed independently whether a bond is green.

The agreement is provisional as it still needs to be confirmed and adopted by the Council and the European Parliament. The [EuGB](#) Regulation shall start applying 12 months after it enters into force.

In a [study requested by the European Parliament's Committee on Economic and Monetary Affairs](#), SAFE researcher Nikolai Badenhoop analyzes the Commission’s proposal on European green bonds and its potential to prevent “greenwashing”. He concludes that additional mandatory minimum disclosure requirements for all bonds labeled green would create a more effective regulatory tool than a mere voluntary standard as proposed in the [EuGB](#) Regulation.

ELTIF: Revised framework for long-term investment funds

The EU is making further progress on the capital markets union (CMU), a plan to improve the flow of money – investments and savings – across the EU for the benefit of consumers, investors, and companies. On 7 March 2023, the Council of the European Union adopted a [revised framework for European long-term investment funds \(ELTIFs\)](#) with the objective to make these types of investments more attractive.

The [initial ELTIF Regulation](#) entered into force on 19 May 2015 and aimed at channeling long-term investments, thereby supporting the Union’s path towards smart, sustainable, and inclusive growth. However, the regulation did not scale up as expected, which resulted in a review, and finally, a revised framework, including the following changes:

- A wider scope of eligible assets and investments
 - A simplified definition of “real assets” and abolishment of the minimum investment threshold of 10 million euros;
 - An extension of eligible investments to simple, transparent, and standardized securitizations, FinTech, and green bonds and an increased market capitalization threshold;
- Disapplying portfolio decomposition and diversification rules and a rise in the leverage limit for [ELTIFs](#) that are only marketed to professional investors;
- Safer conditions and improved access for retail investors, including the removal of the minimum initial investment requirement of 10,000 euros and the alignment of the [ELTIF](#) suitability test with MiFID II;
- An introduction of master-feeder structures, a flexible legal framework for fund-of-fund structures, and an optional liquidity window mechanism.

The formal adoption of the revised framework for [ELTIFs](#) in the Council is the final step of the legislative process.

Public consultations

- **European Banking Authority (EBA):** [public consultation](#) on draft Implementing Technical Standards (ITS) amending the ITS on specific reporting requirements on market risks (Fundamental Review of the Trading Book reporting). The deadline is 21 June 2023.
- **European Insurance and Occupational Pensions Authority (EIOPA):** [public consultation](#) on draft technical advice for the review of the IORP II Directive. The deadline is 25 May 2023.

Angelina Hackmann is Co-Head of the SAFE Policy Center.



BACK

NEWS & LATEST

All News

SAFE Finance Blog

Events

Videos

SAFE in the media

Newsletter

Research Magazine Points

Distribution List

In this Section:

FOLLOW US



CONTACT

Leibniz Institute for
Financial Research SAFE

Theodor-W.-Adorno-Platz 3
60323 Frankfurt am Main

Phone: +49 69 798 30080

Fax: +49 69 798 30077

Email: info@safe-frankfurt.de

SAFE

[About SAFE](#)

[Job Offers](#)

[How to find us](#)

POLICY CENTER

[SAFE Senior Fellows](#)

[Policy Publications](#)

[SAFE Finance Blog](#)

[Policy Center Team](#)

RESEARCH

[Research Departments](#)

[Researchers](#)

[Data Center](#)

NEWS & EVENTS

[All News](#)

[Press](#)

[Expert List](#)