

Compliance Alert

2015 Work Program of the ESAs

The Joint Committee of the European Supervisory Authorities (EBA, ESMA and EIOPA) has published its working program for the upcoming year. Throughout 2015, the Joint Committee will continue to give high priority to consumer protection and cross-sectoral risk analysis. In particular, the ESAs will continue their joint regulatory work in key areas such as: packaged retail and insurance based investment products (PRIIPs); the operation of financial conglomerates; anti-money laundering (AML); benchmark setting processes; and credit rating agencies. Furthermore, the ESAs will continue to monitor legislative and regulatory developments closely, both in the European Union and on an international level, to provide appropriate follow-up as required.

Consumer Protection

The ESAs plan to develop draft Regulatory Technical Standards dealing with disclosures about PRIIPs: on the content and presentation of the key information documents (KIDs); on the revision and review of the KIDs; and on the timing of delivery of the KIDs. The ESAs, through the Joint Committee, are also mandated to provide technical input on the calculation of information about risk and reward profiles and costs. In undertaking this work, the Joint Committee will provide input to the European Commission's consumer testing exercise, which is expected to run from October 2014 until the end of summer 2015, and initiate a consultation on the draft RTSs around summer 2015.

The ESAs are also planning to develop guidelines on high-level principles regarding cross-selling practices, including possible practical examples illustrating a firm's obligation to act honestly, fairly and professionally in accordance with the best interest of its clients.

In addition, the Joint Committee in 2015 will assess related potential risks for consumers arising from automated financial advice as well as from the use of social media and other electronic channels for the promotion of financial services.

Risk Assessment

Cross-sectoral risk analysis and assessment will continue to be one of the main areas of focus for the Joint Committee in 2015. The ESAs, through the Joint Committee, will continue to report in the spring and autumn on risks and vulnerabilities through the Council's Economic and Financial Committee's Financial Stability Table as part of their joint biannual micro-prudential analysis of cross-sectoral developments. These reports will assess key trends and threats to financial stability. The ESAs will strengthen the interactive and cross-referential features of the sectoral-risk reports.

The ESAs will continue to develop suitable indicators for cross-sectoral financial risks and to enhance their analytical approaches. In particular, they will cooperate more closely in evaluating financial market developments of mutual concern and in making efficient contributions to relevant ESRB work-streams such as bank funding, credit derivatives, assets and encumbrances, financial innovation, financial market integration, yield-chasing, bank bail-ins (including possible spill-over effects on insurance and pension providers), as well as risks relating to the conduct of business and new technology, e.g., cyber risks. They also intend to continue to cooperate closely on shadow banking and risks related to systemically important financial institutions (SIFIs).

In addition, the ESAs wish to enhance their risk reporting through the ESAs' Risk Dashboards, whose presentational consistency, scope and analytical granularity will be further developed and harmonized. The ESAs will explore ways to coordinate more closely on risk and market intelligence.

Examples of Further Regulatory Efforts

Securitization

The Joint Committee will further examine overall developments in the securitization market in the EU and develop relevant transparency, due diligence and reporting requirements.

Anti-Money Laundering (AML)

The ESAs will continue the work they started in autumn 2013 regarding the planned 4th Money Laundering Directive, such as developing guidelines on risk factors to apply in cases of enhanced and simplified due diligence, guidelines on AML risk-based supervision, and draft Regulatory Technical Standards on central contact points of payment services providers and issuers of electronic money. Among the potential new projects in 2015 are guidelines on the

Funds Transfer Regulation, RTS on additional measures for nonequivalent countries and the Joint Opinion on money laundering/terrorist financing (ML/TF) risks affecting the EU financial sector.

Further, the Joint Committee will develop draft Regulatory Technical Standards specifying the cooperation framework and information exchange between the host competent authorities in connection with AML issues that may arise under the proposed new Payment Services Directive 2.

Credit Rating Agencies

The ESAs will also cooperate on harmonizing their approaches to the Regulation's latest provisions on credit rating agencies (CRA III, 462/2013). Moreover, the ESAs' task force on credit ratings will finalize its review and removal of references to credit ratings in various regulatory provisions, including the publication of a consultation paper in the first quarter of 2015 and the final report (including guidelines if needed) by the end of June 2015.

All of these efforts will require careful evaluation and comment.

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