
Joint Committee – Annual Report 2023

In 2023, the Joint Committee (JC) under the chairmanship of the European Banking Authority (EBA) continued to play a coordinating role and facilitated discussions and exchange of information across the three European Supervisory Authorities (ESAs), the European Commission and the European Systemic Risk Board (ESRB). The JC focused on issues of cross-sectoral relevance, including joint risk assessments, sustainable finance, operational risk and digital resilience, consumer protection and financial innovation, securitisation, financial conglomerates, central clearing and the European Single Access Point (ESAP).

1. Joint risk assessments

The JC prepared two joint risk reports in Spring and Autumn respectively. The Spring report underlines that in spite of relative stable EU financial markets, supervisors, financial institutions and market participants should remain vigilant amid increased economic and geopolitical risks, a challenging market environment and market pressure in the banking sector. It notes the importance to remain prepared for a deterioration in asset quality, to account for the broader impact of policy rate increases and sudden rises in risk premia on financial institutions, and to closely monitor the impacts of inflation risks. Banks should pursue prudent capital distribution policies to ensure their long-term financial resilience in an uncertain outlook for profitability, while all financial institutions should allocate adequate resources and skills to ensure the security of their information and communication technology (ICT) infrastructure and adequate ICT risk management.

The Autumn joint risk report identified interest rate risk, liquidity risk, and credit risk to be of high importance across various sectors within the financial industry. It underlines that these risks pose challenges to banks, insurers, asset managers, and other financial institutions, and that their proper management is crucial for maintaining financial stability and adequately mitigating systemic risk. It also addresses the banking turmoil in the US and Switzerland, noting the importance of effective risk management and governance arrangements for financial institutions, in particular in relation to liquidity risk and interest rate risk. Banking turmoil and a series of further adverse events, including the Russian aggression against Ukraine, highlight the continued sensitivity of the European financial system to exogenous shocks and high market uncertainty. The report calls on financial institutions to remain resilient to the impact of future substantial interest rate changes.

2. Sustainable finance

Sustainable finance continued to be a central element of the work of the JC in 2023, which focused on the Sustainable Finance Disclosure Regulation (SFDR).

Following the 2022 mandate from the European Commission, the ESAs published the Final Report on draft Regulatory Technical Standards (RTS) on the review of Principal Adverse Impacts (PAI) and financial product disclosures in the SFDR Delegated Regulation on 4 December 2023. The draft RTS propose the following changes: i) Extension of the list of social indicators for PAI; ii) Refinement of the content of several of the other indicators for adverse impacts and their respective definitions, applicable methodologies, metrics, and presentation; iii) Amendments regarding decarbonisation targets. Further proposed changes cover the Do No Significant Harm ('DNSH') disclosure design options and the simplification of the templates, among other technical changes.

In the light of the European Commission's ongoing re-assessment of the SFDR framework, the ESAs are preparing a joint Opinion contributing to such assessment. By way of background, the European Commission launched a consultation in September 2023 on the implementation of SFDR to identify potential shortcomings in the current framework.

Further assistance to the European Commission in its next comprehensive assessment of the SFDR was provided by way of the ESAs second annual Report, published in September 2023, on the extent of voluntary disclosure of PAI under the Article 18 SFDR. As in 2022, this report presented the findings from a survey of national competent authorities (NCAs) with the aim to assess the state of entity-level and product-level voluntary PAI disclosures under the SFDR. The report also includes a preliminary, indicative, and non-exhaustive overview of good practices and areas offering room for improvement.

3. Digital operational resilience

The implementation of the new Digital Operational Resilience Act (DORA) was at the core of the JC work in 2023. DORA mandated the ESAs to develop several policy products, before its application date (17 January 2025), to supplement the legal framework. The newly established JC Sub Committee on Digital Operational Resilience (JC SC DOR) was assigned with this task, with participation from all the competent authorities across the three sub-sectors and relevant European authorities such as ENISA, ECB, ESRB and the SRB. This task covers the development of policy in the areas of ICT risk management, ICT-related incident reporting, digital operational resilience testing, ICT third-party risk management and oversight of critical ICT third-party providers.

Throughout 2023, the JC developed a response to the European Commission's call for advice on criteria for designation of critical ICT third-party providers and on oversight fees and published the first batch of DORA policy products (RTS on ICT Risk management (including simplified) framework, RTS on classification of major ICT-related incidents, RTS on policy on ICT services and implementing technical standard (ITS) on the registers of information), which were submitted to the European Commission (January 2024). The ESAs also published Consultation papers on the second batch of DORA draft policy products on 8 December 2023 (RTS on sub-contracting,

RTS on threat-led penetration testing, RTS and ITS on content and format of incident reporting, Guidelines on costs and losses from major incidents, RTS on oversight conduct and Guidelines on oversight cooperation between ESAs and CAs), which are due for submission to the European Commission by July 2024. Moreover, the JC developed two deliverables related to an ESRB Recommendation on the set-up of a pan-European systemic cyber incident coordination framework (EU-SCICF), including an interim Report on the gradual establishment of the framework and a Report on the points of contact.

The JC SC DOR work was complemented by a joint-ESAs report on the landscape of ICT third-party providers in the EU finance sector, which was developed to inform preparations for the application of the DORA.

Lastly, in terms of stakeholder engagement, the ESAs organised a joint event in February 2023 providing a general introduction to DORA and key policy mandates.

4. European Forum for Innovation Facilitators (EFIF)

EFIF is a key forum set up to facilitate information exchange and supervisory convergence in innovation in the FinTech sector in the EU. In 2023, the EBA chaired the EFIF as it produced a number of deliverables including the joint ESAs Report on an update on the functioning of innovation facilitators. The report identifies a number of benefits and challenges relating to the operation and design of innovation facilitators and presents recommendations and considerations towards NCAs, the ESAs and the Commission to further enhance the role and efficiency of innovation facilitators in the financial sector across the EEA. The list of innovation hubs and regulatory sandboxes in the EU was subsequently updated based on the report.

In addition to this, EFIF also drafted a joint ESAs Report on the 2023 stocktaking of BigTechs' direct financial services provision in the EU. It highlights inherent opportunities, risks, regulatory and supervisory challenges, and recommends that the ESAs continue to strengthen the monitoring of the relevance of BigTech in the EU financial services sector, including via the establishment of a new monitoring data matrix.

Finally, EFIF developed a new Taxonomy of Financial Innovation. It includes a matrix that helps classify financial innovations and an updated glossary for financial innovation. The taxonomy is aimed at helping NCAs and ESAs categorise financial innovations for consistent innovation monitoring and policy work, while being non-exhaustive, future proof and non-binding.

5. Consumer protection and financial innovation

Consumer protection remained at the heart of cross-sectoral work in 2023. The ESAs published a thematic report on the implementation across the EU of national financial education initiatives on digitalisation, with a focus on cybersecurity, scams and fraud. The report provides insights for NCAs and other public entities on good practices when designing and implementing financial education initiatives, that can help increase the reach and effectiveness of their financial education initiatives and thereby help improve consumers' digital financial literacy.

The ESAs published additional Q&As concerning the requirements in the Packaged retail and

insurance-based investment products (PRIIPs) Regulation and Delegated Regulation. They also collected information from NCAs on administrative sanctions and measures imposed. In 2023, a total of 15 administrative sanctions or measures under the PRIIPs Regulation were reported to the ESAs by the competent authorities in five Member States (Austria, Belgium, Denmark, Hungary and Romania). These measures were administrative fines¹, a public warning, and other types of sanctions or measures², such as different types of orders.

As part of its efforts to coordinate education initiatives of national authorities, the JC developed two sets of interactive factsheets addressed to consumers, one on the impact of inflation and rising interest rates, which was accompanied with an interactive video summarising the key points of the factsheet, and another one on sustainable finance published together with an animation made available on social media. The factsheets were translated in all official EU languages, published on the ESAs websites and reproduced by EU NCAs to better reach consumers at national level. In addition, the ESAs organised a workshop to allow NCAs to exchange good practices and share experiences on financial education initiatives on sustainable finance.

The ESAs also organised their annual Joint Consumer Protection Day in Madrid. The hybrid event focused on consumer protection topics including greenwashing, the regulation of crypto assets in the EU and cross-selling.

6. Securitisation

The ESAs continued their cross-sectoral work on securitisation throughout 2023. The ESAs published the JC final report containing the draft RTS on the ESG impact disclosure for Simple, Transparent and Standardised (STS) securitisations under the Securitisation Regulation (SECR). These RTS aim to help market participants make informed decisions about the sustainability impact of their investments. The key proposals included in the RTS specify ESG disclosures which would apply to STS securitisations where the underlying exposures are residential loans, auto loans and leases. They aim to ensure consistency with those developed under the Sustainable Finance Disclosure Regulation (SFDR) which distinguishes between the publication of available information on mandatory indicators (e.g., energy efficiency) and on additional indicators (e.g., emissions).

The ESAs also produced in February 2023 a new set of 11 joint Q&As which cover a wide range of issues including the application of EMIR to securitisation transactions, securitisation exposures backed by several collaterals, and the use of estimated Energy Performance Certificate values amongst others.

The JC also initiated the preparatory work for the drafting of the JC report on the functioning of the Securitisation Regulation, launching a targeted consultation among market participants and competent authorities in December 2023.

¹ The Central Bank of Hungary reported four fines totalling 2 960 000 Ft (7 732 EUR), the Romanian Financial Supervisory Authority reported one fine of 5000 Lei (1 008 EUR) and the Austrian Financial Markets Authority reported one fine of 50 000 EUR.

² In accordance with Article 24(3) of the PRIIPs Regulation.

7. Financial conglomerates

The JC published its 2023 annual list of identified financial conglomerates, which includes 63 financial conglomerates with the head of group located in the European Union or in the European Economic Area.

Following the adoption and publication by the European Commission of the draft ITS on reporting templates for conglomerates on intra-group transactions and risk concentration (entered into force on 31st December 2023), the JC worked on several joint Q&As that will be finalised and published beginning of 2024.

8. European Single Access Point (ESAP)

In 2023, the ESAs closely cooperated on the ESAP project. The legislative package made up of the ESAP Regulation accompanied by an Omnibus Directive and an Omnibus Regulation was published in the EU Official Journal on 20 December 2023. Its purpose is to facilitate access to publicly available information of relevance to financial services, capital markets and sustainability.

The ESAP Regulation mandates the JC to develop several ITSs to set up the ESAP system, most notably specifying certain functionalities and tasks of collection bodies. In addition, the Omnibus Directive and Regulation empower EBA, ESMA and EIOPA (jointly or separately, depending on the legislative framework) to develop sectoral ITS to further specify the structuring, format or metadata of the information to be submitted to the ESAP.

With the objective to support the fulfilment of the mandates under the ESAP Regulation in a timely manner and to ensure cooperation for the development of the sectoral ITS by the individual ESAs, an ESAs Coordination Group for ESAP was created in June 2023. The Coordination Group discussed progress on IT implementation and provided a forum to discuss the preparation of the ITS by the individual ESAs and by the JC. Additionally, a Joint Consultative Meeting, composed of competent authorities from the three ESAs, was also set up to discuss specific topics and seek views regarding the main deliverables of the ESAs Coordination Group.

Throughout 2023, the ESAs worked on a Joint ESAs Consultation Paper on draft ITS specifying certain tasks of collection bodies and certain functionalities of the ESAP on the basis of the empowerments contained in Article 5 and Article 7 of the ESAP Regulation. The Consultation Paper was published in January 2024³ for a two-months consultation period.

9. Other relevant cross-sectoral JC work

On central clearing, the ESAs published in December 2023 a joint draft RTS under the European Market Infrastructure Regulation (EMIR) where they proposed a two-year extension to the equity option exemption from bilateral margining, as well as issue a no-action opinion. The draft RTS sought to provide clarity to market participants on how to handle equity options as of January 2024, the date on which the current temporary exemption is set to expire. In addition to this, the ESAs issued a no-action Opinion which includes clarifications on the supervisory expectations.

³ [JC 2023 78 CP on ITS on ESAP tasks of collection bodies and ESAP functionalities.pdf \(europa.eu\)](#)

As part of their new task to foster and monitor supervisory independence, the ESAs also published their joint criteria on the independence of supervisory authorities which are organised around four principles. These principles are operational independence, personal independence, financial independence, as well as accountability and transparency. The joint criteria can be used by supervisory authorities as a tool to enhance their independence and, at a later stage, by the ESAs to assess supervisory independence in the EU.

Another area of joint work has been the development of two amended Joint ITS on the mapping of ECAI's (External Credit Assessment Institution) credit assessments to risk weights under CRR and Solvency II (ECAIs). The amendments reflect the outcome of a monitoring exercise on the adequacy of existing mappings, and the deregistration of three credit rating agencies (CRAs).

Finally, the JC launched a second consultation related to the joint Guidelines on the system for the exchange of information relevant to fit and proper assessments. The consultation covered specifically amendments extending the scope of the joint Guidelines to legal persons, thus ensuring the complete coverage of data subjects. This followed a first consultation earlier in 2023 on the joint Guidelines, which did not lead to drafting changes. Work also continued on the related IT solution consisting of a cross-sectoral NCAs' contact list and searchable shared database of holders of qualifying holdings, directors and key function holders assessed for fitness and propriety.

10. ESAs' Joint Board of Appeal

The Board of Appeal is a joint independent body of the ESAs, introduced to effectively protect the rights of parties affected by decisions adopted by the Authorities and is responsible for deciding on appeals against certain decisions by the ESAs.

In 2023, four appeals were lodged against the ESAs, three against EIOPA and one against ESMA. In the course of that year, the Board of Appeal dismissed one of the appeals against EIOPA, deciding that it was inadmissible. It also dismissed the appeal against ESMA (in January 2024), after it had provisionally suspended the operation of ESMA's contested decision in October 2023.