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# 2020 Work Programme of the Joint Committee of the European Supervisory Authorities

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1. The Joint Committee of the European Supervisory Authorities (the “ESAs”) is the forum in which the three ESAs, namely the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA), liaise very closely and on a regular basis with the aim to strengthening cooperation among each other. The European Commission and the European Systemic Risk Board (ESRB) also participate in the Joint Committee.
2. The ESAs cooperate closely to ensure cross-sectoral consistency as well as supervisory convergence in line with their institutional role. Through the Joint Committee, the three ESAs regularly coordinate their supervisory activities within the scope of their respective responsibilities and ensure consistency in their practices. The Joint Committee works in particular in the areas of risks and vulnerabilities for financial stability and micro-prudential analysis of cross-sectoral developments, retail investment products, supervision of financial conglomerates, accounting and auditing, and measures combating money laundering. The ESAs, via the Joint Committee, jointly explore and monitor potential emerging risks for financial markets participants and the financial system as a whole.
3. After the Council and the EU Parliament reached a deal on the set of proposals to review the functioning of the current European system of financial supervision (ESFS), the European Parliament endorsed this agreement on 18 April 2019, which will become applicable as of 1st January 2020. This review of tasks, powers and governance of the European Supervisory Authorities also triggers changes to the Joint Committee.
4. As of 2020, the Joint Committee will have an amended scope. The work on cybersecurity and retail financial services and depositor, consumer and investor protection issues are now being emphasised. In addition to that, the Joint Committee’s competence for anti-money laundering matters will be transferred to a permanent internal committee of the EBA, where ESMA and EIOPA will continue to contribute to the EBA’s new centralised competence.

5. In 2020, the Joint Committee will continue to focus its work on consumer protection issues, such as finalising proposals to amend the PRIIPs KID RTS, as well as continuing to provide guidance for the PRIIPs Regulation where necessary. The Joint Committee will also continue its work in developing technical standards for sustainability related disclosures, as well as monitoring and analyzing financial technology innovations. For the European Forum for Innovation Facilitators (EFIF), the Joint Committee will further promote coordination and cooperation among national innovation facilitators to foster the scaling up of innovation in the financial sector in line with the FinTech Action Plan. The EFIF Work Programme is also annexed to the Joint Committee Work Programme. The Joint Committee will continue to be an important forum for discussing key cross-sectoral trends and vulnerabilities to financial stability, with the publication of bi-annual cross-sectoral Risk Reports and its submission to the EFC-FST. In the area of Financial Conglomerates, the Joint Committee will further develop and finalise its work on specific reporting formats for financial conglomerates.
6. In addition, the Joint Committee will continue to serve as important body for addressing other cross-sectoral matters such as the cross-sectoral mandates and questions (Q&As) stemming from the Securitisation Regulation, and the work to make the Joint Committee the coordination platform of data collected.

## Consumer Protection and Financial Innovation

7. The Joint Committee enhances confidence and strengthens the protection of European consumers in relation to banking, insurance and securities products. This will continue to be an area of priority for the Joint Committee in 2020.

Topic/Activity	PRIIPs Regulation review
<b>Description</b>	The ESAs are undertaking a review of Commission Delegated Regulation 2017/653 and intend to propose amendments by February 2020 as requested by the European Commission in order to allow these amendments to be scrutinised before expiry of the transitional exemption in Article 32 of the PRIIPs Regulation (No 1286/2014). The review will focus on the presentation and contents of the Key Information Document (KID) and the methodologies underpinning the information on risks and reward in costs.
<b>Expected Output</b>	Regulatory Technical Standard
Topic/Activity	PRIIPs Level 3 work
<b>Description</b>	Work will continue on the development of Q&As or other Level 3 tools to promote supervisory convergence and to give competent authorities and market participant's further guidance on the implementation of the new PRIIPs rules.
<b>Expected Output</b>	Q&As and other Level 3 tools

<b>Topic/Activity</b>	<b>Sustainability-related disclosures in the financial services sector (SFDR)</b>
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<b>Description</b>	The SFDR mandates the ESAs to deliver through the JC six mandatory Regulatory Technical Standards, relating to
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- Public due diligence statements (websites) on the consideration of principal adverse impacts of investment decisions on sustainability factors, (2 RTSs),
- Pre-contractual disclosures showing how products meet environmental or social characteristics or sustainable investment objectives, including disclosures relating to designated reference indices (2 RTSs),
- Public disclosure (websites) of how relevant products meet environmental or social characteristics or sustainable investment objectives,
- Periodic reporting requirements on how financial products meet their environmental or social characteristics and the overall sustainability-related impact of products with sustainable investment objectives, including those with an index designated as a reference benchmark

In addition to that, the SFDR mandates the ESAs to work on one optional Implementing Technical Standard (ITS).

<b>Expected Output</b>	Regulatory and Implementing Technical Standards on ESG disclosures (five of the six RTS must be delivered within 12 months of entry into force and one within 24 months of entry into force of the SFDR)
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<b>Topic/Activity</b>	<b>Follow up on Complaints Handling Guidelines</b>
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<b>Description</b>	As a follow-up to the EBA/ESMA Guidelines for complaints handling for the securities and banking sectors and the EIOPA Guidelines for complaints handling for insurance undertakings, the three ESAs started to assess the way financial institutions have implemented the Guidelines. In 2020, the ESAs will continue this work with the overall aim to achieve a consistent standard of application across the EU.
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<b>Expected Output</b>	Joint Report
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<b>Topic/Activity</b>	<b>Artificial Intelligence</b>
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<b>Description</b>	The three ESAs will assess the phenomenon, focusing on potential consumer protection concerns and benefits associated to it.
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<b>Expected Output</b>	Assessment of the Fintech phenomenon chosen; assessment of its benefits and risks; and, potentially, identification of any regulatory and/or supervisory measures which may need to be taken, taking into account the on-going sectorial work that the ESAs are doing in this field.
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<b>Topic/Activity</b>	<b>Use of behavioural finance findings for supervisory purposes</b>
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<b>Description</b>	In light of potential consumer protection concerns and benefits, the three ESAs will assess the use of insights from behavioural finance when dealing with existing and potential clients, especially when providing or collecting
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information. The three ESAs will further consider how behavioural finance findings can be used by NCAs and incorporated in their supervisory practices in order to strengthen financial consumer protection.

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**Expected Output** Joint Report

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## Risk Assessment

8. Cross-sectoral risk analysis and assessment will continue to be one of the main areas of focus for the Joint Committee in 2020. The analysis will highlight the assessments by the ESAs of key trends and vulnerabilities to financial stability and continue to include appropriate cross-referencing in the sectoral risk reports. The Joint Committee's Risk Sub-Committee will continue to be an important forum for discussion of cross-sectoral risks.

<b>Topic/Activity</b>	<b>Cross-sectoral risk analysis</b>
<b>Description</b>	The ESAs will analyse the key trends and vulnerabilities to financial stability by using a comprehensive and cross-sectoral approach , which will be submitted to the to the Council's Economic and Financial Committee's Financial Stability Table for the spring and autumn meeting, and published.

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**Expected Output** Semi-annual Joint Report on Risks and Vulnerabilities.

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## Financial Conglomerates

9. The Joint Committee stands ready to bring forward the effective supplementary supervision of financial conglomerates and to discuss appropriate regulatory and supervisory actions.

<b>Topic/Activity</b>	<b>Annual list of financial conglomerates</b>
<b>Description</b>	The ESAs will continue to review and update its list of identified financial conglomerates.

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**Expected Output** 2020 List of identified financial conglomerates.

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<b>Topic/Activity</b>	<b>Specific reporting formats for conglomerates</b>
<b>Description</b>	The ESAs will continue to develop technical standards for conglomerates reporting templates (e.g. for intra-group, risk concentration and capital adequacy)

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**Expected Output** Draft ITS/ RTS

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## Securitisation

10. The Joint Committee will work on providing a consistent approach/common understanding to cross-sectoral questions stemming from the Securitisation Regulation. Among others, identified cross-sectoral issues are the jurisdictional scope of application, due diligence requirements of EU institutional investors, the definition of 'sponsor' for investment firms as well as credit granting criteria. The Joint Committee will also work on practical and operational issues in relation to the supervision of the Securitisation Regulation.

<b>Topic/Activity</b>	<b>Joint Q&amp;As on the STS Securitisation Regulation (2017/2402)</b>
<b>Description</b>	The ESAs will answer incoming questions submitted on the Securitisation Regulation.
<b>Expected Output</b>	Joint Q&As

## Other work

<b>Topic/Activity</b>	<b>Expected work 2020</b>
<b>Joint Consumer Protection Day 2020</b>	In 2020, the ESAs will organise the 8th Joint Consumer Protection Day. Since its inception, the Consumer Protection Day has become an important milestone for stakeholders across the EU that have an interest in the topic of consumer protection.
<b>Cybersecurity / Technology area (includes cloud computing) / Joint work following FinTech Action Plan responses</b>	The ESAs will continue to work together particularly on the areas identified in the ESAs joint advices on legislative improvements relating to ICT risk management requirements in the EU financial sector (available here) and on cost benefit analysis of threat led penetration testing frameworks (available here), along with the Commission, to ensure alignment and a coordinated approach for cross-sector issues.
<b>Performance of retail investment products</b>	After the initial report on cost and performance, the ESAs will continue to discuss progress on the work regarding fees and the long-term performance of retail investment products at Joint Committee level.
<b>Brexit</b>	Continued discussion and coordination on any cross-sectoral issue coming as repercussion of the UK decision leaving the EU.

## Annex: Work Programme of the EFIF

# European Forum for Innovation Facilitators (EFIF)

## 2019/2020 Work Programme

- (i) The European Forum for Innovation Facilitators has been established to promote coordination and cooperation among national innovation facilitators<sup>1</sup> to foster the scaling up of innovation in the EU financial sector and to promote a common response to new technologies.<sup>2</sup>
- (ii) Specifically the EFIF is intended to provide a platform for participating authorities to share experiences from engagement with firms through innovation facilitators, to share technological expertise, and to reach common views on the regulatory and supervisory treatment of innovative products, services and business models, overall boosting bilateral and multilateral coordination.
- (iii) The EFIF provides a platform for supervisors to collaborate in responding to firm/group-specific issues, for example questions about innovations and licencing. The EFIF also provides a platform for those competent authorities with regulatory sandboxes to agree, where appropriate and on a voluntary basis, joint testing arrangements.
- (iv) The tasks and organisation of the EFIF are prescribed in the Terms of Reference, which came into effect on 25 May 2019.
- (v) In 2019 the EFIF will be used to monitor developments in:
  - a. the design and operation of innovation facilitators taking account of the best practices set out in the January 2019 joint report of the ESAs on regulatory sandboxes and innovation hubs;<sup>3</sup>
  - b. the innovative products, identified in the context of innovation facilitator activities, and related regulatory and supervisory issues arising.
- (vi) Additionally, the EFIF will focus on the following thematic priorities:
  - a. artificial intelligence (AI), Big Data analytics and machine learning;
  - b. tokenisation and distributed ledger technologies;
  - c. Open Banking/application program interfaces (APIs);
  - d. platforms facilitating the re-aggregation of financial services (retail and institutional).<sup>4</sup>

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<sup>1</sup> Innovation facilitators typically take the form of 'innovation hubs' and 'regulatory sandboxes'. Innovation hubs provide a dedicated point of contact for firms to raise enquiries with competent authorities on FinTech-related issues and to seek non-binding guidance on regulatory and supervisory expectations, including licensing requirements. Regulatory sandboxes, on the other hand, are schemes to enable firms to test, pursuant to a specific testing plan agreed and monitored by a dedicated function of the competent authority, innovative financial products, financial services or business models. Source – ESA's Joint Report – *Fintech: Regulatory Sandboxes and Innovation hubs*, January 2019, p.3:  
<https://eba.europa.eu/documents/10180/2545547/JC+2018+74+Joint+Report+on+Regulatory+Sandboxes+and+Innovation+Hubs.pdf>.

<sup>2</sup> The organisation of the EFIF rests with the Joint Committee of the European Supervisory Authorities.

<sup>3</sup> <https://eba.europa.eu/documents/10180/2545547/JC+2018+74+Joint+Report+on+Regulatory+Sandboxes+and+Innovation+Hubs.pdf>

<sup>4</sup> These priorities were identified at the inaugural event of the EFIF (2 April 2019, Brussels).

## General tasks

<b>Topic/Activity</b>	Monitoring the design and operation of innovation facilitators established by competent authorities in the EU
<b>Description</b>	<p>Identification of:</p> <ul style="list-style-type: none"> <li>• any innovation facilitators established post-January 2019 (the date of the joint ESA report on regulatory sandboxes and innovation hubs);</li> <li>• any substantive changes to the design or operation of innovation facilitators established pre-January 2019;</li> <li>• experience acquired in the operation of innovation facilitators and best practices for the design and operation of innovation facilitators (set out in the joint ESA report on regulatory sandboxes and innovation hubs).</li> </ul>
<b>Expected output</b>	<p>As appropriate:</p> <ul style="list-style-type: none"> <li>• update of the list of innovation facilitators established in the EU;<sup>5</sup></li> <li>• specification* of any areas of the best practices that may warrant an update in order to promote consistency and convergence in the design and operation of innovation facilitators;</li> <li>• specification* of any areas in which ESA guidance on the design and operation of innovation facilitators may be appropriate.</li> </ul> <p>*For inclusion in the annual report of the EFIF.</p>

<b>Topic/Activity</b>	Monitoring innovations identified in innovation facilitators
<b>Description</b>	Identification of the innovative products, services and business models identified in the context of innovation facilitator activities (including main outcomes from sandboxes tests), regulatory and supervisory issues arising and experience acquired by the competent authorities, with a view to promoting a common response to new technologies.
<b>Expected output</b>	<p>Specification* of:</p> <ul style="list-style-type: none"> <li>• identified innovations, supported by statistics where available;</li> <li>• major regulatory and supervisory issues, including any areas in which: <ul style="list-style-type: none"> <li>○ common views on the appropriate regulatory and supervisory response are reached;</li> <li>○ recurrent regulatory obstacles or gaps impeding the scaling up of financial innovation are observed that may warrant attention by the ESAs and/or European Commission;</li> <li>○ policy action may be needed to address any risks to consumers, market integrity or for financial stability.</li> </ul> </li> </ul> <p>Development, as appropriate, of:</p> <ul style="list-style-type: none"> <li>• a library of identified innovations;</li> <li>• supervisory training on identified innovations.</li> </ul> <p>*For inclusion in the annual report of the EFIF.</p>

<sup>5</sup> EIOPA to maintain list on EFIF webpage.

## Areas of thematic focus

<b>Topic/Activity</b>	Artificial intelligence (AI), Big Data analytics and machine learning: Experience from innovation facilitator activities
<b>Description</b>	Identification of applications and use cases in the EU financial sector, regulatory and supervisory issues arising and experience acquired by the competent authorities, with a view to promoting a common response to these new technologies.
<b>Expected output</b>	Specification of: <ul style="list-style-type: none"> <li>• observed cases/trends in the use of AI, Big Data and machine learning in retail and wholesale financial services;</li> <li>• major regulatory and supervisory issues, including any areas in which: <ul style="list-style-type: none"> <li>○ common views on the appropriate regulatory and supervisory response are reached;</li> <li>○ recurrent regulatory obstacles or gaps impeding the scaling up of financial innovation are observed that may warrant attention by the ESAs and/or European Commission;</li> <li>○ policy action may be needed to address any risks to consumers, market integrity or for financial stability.</li> </ul> </li> </ul>

<b>Topic/Activity</b>	Tokenisation and distributed ledger technologies: Experience from innovation facilitator activities
<b>Description</b>	Identification of applications and use cases in the EU financial sector, regulatory and supervisory issues arising and experience acquired by the competent authorities, with a view to promoting a common response to these new technologies.
<b>Expected output</b>	Specification of: <ul style="list-style-type: none"> <li>• trends in tokenisation and the use of DLT-based applications (which may or may not entail crypto-assets);</li> <li>• major regulatory and supervisory themes, including any areas in which: <ul style="list-style-type: none"> <li>○ common views on the appropriate regulatory and supervisory response are reached;</li> <li>○ recurrent regulatory obstacles or gaps impeding the scaling up of financial innovation are observed that may warrant attention by the ESAs and/or European Commission;</li> <li>○ policy action may be needed to address any risks to consumers, market integrity or for financial stability.</li> </ul> </li> </ul>

<b>Topic/Activity</b>	Open Banking/ application programme interfaces (APIs): Experience from innovation facilitator activities
<b>Description</b>	Identification of APIs and use cases and experience acquired by the competent authorities, with a view to promoting convergence of practices.
<b>Expected output</b>	Specification of: <ul style="list-style-type: none"> <li>• trends in the design of APIs and areas where standardisation is observed or where there may be benefits to further standardisation;</li> </ul>



	<ul style="list-style-type: none"> <li>• major regulatory and supervisory themes, including any areas in which: <ul style="list-style-type: none"> <li>○ common views on the appropriate regulatory and supervisory response are reached;</li> <li>○ recurrent regulatory obstacles or gaps impeding the scaling up of financial innovation are observed that may warrant attention by the ESAs and/or European Commission;</li> <li>○ policy action may be needed to address any risks to consumers, market integrity or for financial stability.</li> </ul> </li> </ul>
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<b>Topic/Activity</b>	Platforms facilitating the re-aggregation of financial services (retail and institutional): Experience from innovation facilitator activities
<b>Description</b>	Identification of applications and use cases in the EU financial sector, regulatory and supervisory issues arising and experience acquired by the competent authorities, with a view to promoting a common response to these new models of providing financial services.
<b>Expected output</b>	Specification of: <ul style="list-style-type: none"> <li>• trends in the design of platforms, including structure and financial services/other services available on the platforms;</li> <li>• major regulatory and supervisory themes, including any areas in which: <ul style="list-style-type: none"> <li>○ common views on the appropriate regulatory and supervisory response are reached;</li> <li>○ recurrent regulatory obstacles or gaps impeding the scaling up of financial innovation are observed that may warrant attention by the ESAs and/or European Commission;</li> <li>○ policy action may be needed to address any risks to consumers, market integrity or for financial stability.</li> </ul> </li> </ul>

### **Firm/Group-specific tasks**

<b>Topic/Activity</b>	Responding to firm/group-specific issues arising in the context of innovation facilitators.
<b>Description</b>	Identification of issues on which supervisory collaboration is desirable in order to promote a common response to firm/group-specific issues (e.g. questions received via innovation facilitators about licencing).
<b>Expected output</b>	Specification of: <ul style="list-style-type: none"> <li>• issues raised;</li> <li>• major regulatory and supervisory themes, including any areas in which common views on the appropriate regulatory and supervisory response are reached and transmitted to the firm/group concerned.</li> </ul>