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NEWSLETTER

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1. Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks

This Act amends Directive 2013/36/EU, also known as the Capital Requirements Directive (CRD IV), which governs access to deposit taking by banks and investment firms, with a focus on improving the banking supervisory framework in the EU. The amendments aim to ensure that supervisory practices are harmonized across Member States, reduce compliance costs for smaller institutions, and address environmental, social, and governance (ESG) risks. The measures specifically aim at:

- Supervisory independence - the Directive requires banking supervisors to remain independent and free from political and economic influences. This includes implementing measures to prevent conflicts of interest, such as cooling-off periods and restrictions on staff trading in the supervised entities.
- Third-country branches - this introduces stricter rules for branches of non-EU banks that operate in the EU. These branches will have to establish a physical presence in the EU and comply with EU laws unless they operate under specific exemptions.
- Transparency and ethics - supervisors must maintain high ethical standards, including annual declarations of interest, to manage potential conflicts.
- Authorization and supervision - the Directive strengthens the power of supervisors, particularly in relation to mergers, acquisitions, and significant operations. This also

ensures that banking groups, including holding companies, are adequately supervised on a consolidated basis.

- Financial stability - the Directive aims to mitigate risks to financial stability by harmonizing the prudential framework for third-country branches, ensuring consistent supervision, and addressing the current fragmented regulatory landscape.
- Sustainability - enhancing the focus on environmental, social, and governance risks in the prudential framework, and integrating these risks into the EU's banking supervisory.

2. Regulation (EU) 2024/1623 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor

Regulation (EU) 2024/1623, adopted by the European Parliament and Council on May 31, 2024, introduces amendments to Regulation (EU) No. 575/2013 regarding requirements for credit risk, credit valuation adjustment risk, operational risk, market risk, and the output floor. This is also known as CRR III. This amendment is part of the broader Basel III reform initiated after the 2008-2009 financial crisis to strengthen the resilience of the EU banking sector. Despite improvements, some issues remain, and the final implementation of the Basel III framework, agreed in 2017, will be necessary, including the introduction of an output floor, which limits the reduction in capital that banks can achieve through internal models and ensures that capital requirements are not excessively low compared to standardized approaches. The output floor is set at 72.5% of the standardized requirement and aims to improve the comparability of capital ratios and restore the credibility of the internal models.

CRR III also addresses several credit risk issues, including recalibrating risk weights for rated and unrated exposures to institutions, adjusting risk weights for subordinated debt and equity exposures, and introducing more granular risk assessments for corporate exposure and real estate loans. It also provides transitional arrangements for certain types of exposures, such as unrated corporations and low-risk residential mortgages, to mitigate the impact of the new rules.

3. Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on the mechanisms to be put in place by Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Directive(EU) 2019/1937, and amending and repealing Directive (EU) 2015/849

This Directive focuses primarily on improving the European Union's legal framework to prevent the use of the financial system for money laundering and terrorist financing. The Directive amends and repeals previous Directives, including Directive (EU) 2015/849, and aligns with international standards such as those set by the Financial Action Task Force (FATF). Key elements include:

- An enhanced legal framework - the Directive aims to strengthen the existing legal framework by filling gaps and ensuring that Member States adopt more robust mechanisms to prevent financial crime. It mandates clear and consistent requirements across the EU to mitigate risks associated with money laundering and terrorist financing.
- Cross-border cooperation - the Directive emphasizes the need for effective cross-border cooperation between EU Member States, given the international nature of financial crime. It seeks to harmonize practices and enhance the exchange of information to improve the detection and prevention of illicit financial activities.
- Risk assessment - Member States are required to conduct regular risk assessments at both the national and EU levels to identify and mitigate emerging risks. The Directive emphasizes the importance of understanding the risks associated with legal entities and arrangements, both within the EU and foreign entities accessing the EU financial system.
- Regulation of specific sectors - the Directive includes provisions for the regulation of sectors susceptible to money laundering risks, such as bureaux de change, gambling services, and trust or company service providers. It also addresses the risks posed by investor residency programs and requires rigorous checks on applicants' financial backgrounds.

4. Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

This Act focuses on the prevention of money laundering and terrorist financing. It updates and strengthens the existing legal framework, previously established under Directive (EU) 2015/849 and Directive (EU) 2018/843, aimed at preventing misuse of the financial system for criminal activities. The need for this regulation arose because of inconsistencies in the application of the rules across EU Member States and the evolving nature of financial crises, which include expanding the scope of entities subject to anti-money laundering (AML) and counter-terrorism financing (CFT) requirements, such as crypto-asset service providers and crowdfunding platforms, to address new risks associated with technological advances.

The Regulation also highlights the need to align EU measures with international standards, in particular those of the Financial Action Task Force (FATF), to ensure effective global coordination in the fight against financial crime. In addition, the Regulation introduces specific provisions for different types of entities, including insurance intermediaries and legal professionals, to ensure that AML/CFT obligations are appropriately tailored to their role. For example, legal professionals are exempted from certain reporting requirements in order to preserve attorney-client privilege, unless they are knowingly involved in money laundering or terrorist financing, and the regulation emphasizes the importance of a coherent approach within the EU, integrating AML/CFT measures into the broader criminal law framework to effectively combat money laundering and related predicate offenses, such as corruption and financial fraud. The Regulation also anticipates the need for future legislative updates to address emerging threats, particularly in relation to crypto-assets and innovative financial technologies.

5. Council Regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027

Council Regulation (EU, Euratom) 2024/765 of February 29, 2024, amends Regulation (EU, Euratom) 2020/2093, which established the Multiannual Financial Framework (MFF) for the period 2021-2027. The amendment addresses several key areas for refining and updating the financial framework, the main objective of which is to adapt the MFF to evolving priorities and emerging needs, ensuring that the EU's budgetary structure remains relevant and effective. This involves recalibrating financial allocations to better match current policy objectives, in particular in response to unforeseen challenges and changing geopolitical contexts. The main changes introduced by Regulation 2024/765 include adjustments to the financial ceilings for various budget headings. This realignment allows for increased funding in critical areas, such as climate action, digital transformation, and research and innovation. It also provides additional resources to respond to crises, support recovery efforts and strengthen resilience in all Member States. The amendment also changes the distribution of funds across programs and initiatives to ensure a more strategic allocation that reflects both short-term needs and long-term goals. This reallocation is intended to strengthen the EU's ability to address pressing issues such as economic instability, environmental sustainability and social cohesion. In addition, Regulation 2024/765 contains provisions to improve the flexibility and efficiency of the budgetary management process. These include mechanisms for reprogramming funds and adjusting financial commitments to dynamically respond to changing circumstances and emerging priorities.