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Sustainability and Transparency in Investments and Business Models (sustainability)

The central theme of the passage is the emphasis on sustainability-related disclosures in relation to investment and business models within an organization. This entails having an operational risk assessment that considers the impact of all undertakings within a group, particularly concentrating on the sustainability and continuity of the business model. There is an increasing demand for transparency and comparability in sustainability indicators, particularly in the context of Environmental, Social and Governance (ESG) investments. To address this, ESMA has contributed to the work on sustainability-related disclosures and supports the establishment of an international sustainability standards board. ESMA also focuses on the development of a regulatory and supervisory framework for sustainability-related disclosures. This is done by providing end investors with sustainability disclosures on the principal adverse impacts of investment decisions. In addition, efforts are aimed at supervising, supporting digitalisation, and contributing to the development of high-quality, sustainability reporting standards. The overall goal is to enhance investor protection, promote informed investment choices, and establish a single rulebook for sustainability disclosures.

Regulatory Requirements and Innovations in the European Digital Finance and Insurance Sectors (governance)

The European Union's focus remains on the governance, risk management, and data usage of financial and insurance institutions. Developments such as the Anti-Money Laundering Authority (AMLA)'s initiative to issue guidelines on outsourcing and governance arrangements are highlighted. The rapid growth of available data types including behavioral, IoT, and social media data is driven by open data principles. The operations of financial platforms by financial institutions need to follow the general governance and risk management requirements. The implication of alleged malpractices from Wirecard on supervisory systems, market integrity, and corporate governance is being assessed by the European Securities and Markets Authority (ESMA). The use of new datasets, particularly in conjunction with powerful AI and machine-learning algorithms, significantly increases the risks of unlawful discrimination, given the absence of a proper governance framework. Moreover, cross-mis-selling, the issue of the lack of transparency in product disclosures, poor product oversight, and governance are other potential risks. Regulating third-party reporting providers through strict requirements on governance and resources, and dealing with conflicts of interest is essential. Lastly, guidelines on cloud outsourcing confirm that insurance companies should keep records of their cloud outsourcing arrangements as part of their governance and risk management efforts.

Evolving Environmental and Digital Trends in Financial Markets (environment)

The U.S. Commodity Futures Trading Commission's (CFTC) Energy and Environmental Markets Advisory Committee (EEMAC) conducted a meeting in September which highlighted the increased interest in environmental product markets, particularly carbon allowances and offsets. The CFTC is recommended to form a subcommittee to design principles for derivatives and cash markets of such products. SparkChange, a company involved in this field, claims to

significantly impact the environment by controlling allowances of polluting firms.
Meanwhile, digital finance trends are evolving rapidly in Europe, as highlighted by numerous initiatives supporting the digital finance uptake. This evolution, driven by open data principles, is also leading to an increase in the use of non-financial data such as environmental, social and governance (ESG) data. Financial institutions are utilizing innovative technologies to improve their product offerings in the digital environment. However, concerns have been raised over consumer vulnerabilities and cross-mis-selling of digital products.
The stakeholders consider digital financial literacy as a critical factor in ensuring a secure digital environment within the financial sector. Therefore, continuous monitoring of providers' approach towards consumer understanding, consent and communication methods have been recommended. The supervising authorities are encouraged to adequately resourced to effectively engage with and assess emerging business models, processes, technologies and associated risks.

Digital Transformation and Its Implications in Financial Services Sector (business model)

The evolution of business models in financial services due to digitalization and adoption of innovative technologies poses potential risks to customers, particularly to those with lower financial or digital literacy. Current business models, like PP insurance, are relatively less penetrated in the market and are mostly governed by existing regulations, thus, not requiring immediate special regulatory changes. However, the European Insurance and Occupational Pensions Authority (EIOPA) constantly evaluates the market situation.
The digital transformation has led to an array of offerings like crypto assets, smart contracts, and electronic payment services among others. The acceleration of digitalization induced by COVID-19 has forced existing players to alter their business models to stay competitive and allowed new entrants, who rely extensively on digital platforms, to come into the picture. However, lack of understanding of platform-based business models and their progression is a challenge. Another issue is the emergence of new players forming partnerships with regulated entities outside the financial sector to provide fund distribution platform business models. The continuous changes pose unique challenges for supervisors and highlight the need for effective cooperation among national and non-EU authorities for supervising digitalized group business models.
The risks and opportunities of these trends vary depending on specific business models and partners involved, the parts of the value chain concerned, and risk management and governance. One significant risk identified by the European Supervisory Authorities (ESAs) is consumers' weak understanding of products due to insufficient information and disclosures, a situation exacerbated by digital platforms.

Digital Finance Strategy and ESG Considerations in EU (esg)

The European Union (EU) is grappling with the integration of technology in the finance sector. This affects a range of regulations and directives such as the Digital Markets Act (DMA), the Distance Marketing of Consumer Financial Services Directive (DMFSD), and the Digital Operational Resilience Act (DORA). The availability of new data types, including behavioral and Internet of Things (IoT) data, social media, and Environmental, Social, and Governance (ESG) data, is increasing due to open data principles development. Existing systems are adapting to utilize biometrics, digital ID/e-signature, and big data for client onboarding and authentication.
In line with its strategy, the European Securities and Markets Authority (ESMA) focused on sustainable finance, incorporating ESG factors into its activities. Recognizing the finance sector's

vital role in supporting a climate-neutral economy, ESMA looks to involve these factors across its investment understanding activities. A sustainable finance rulebook is under development to regulate these considerations. Attention is also being given to credit ratings, focusing on business continuity, governance, ESG disclosures, IT, and information security.
The discussion about the finance industry's move towards an environmentally conscious approach also includes ESG ratings as well as the market trend and risks for such ratings. ESMA is monitoring credit ratings markets to address new risks posed by industry and capital market developments, such as the Covid-19 crisis and new technological developments. Finally, in this complex landscape, proposals for regulation and relief are being considered, financial management adapting to emerging ESG factors, and attention to digital resilience within the broader finance industry remains critical.

Technological Advancements in the Financial Sector (technology)

Nasdaq Oslo employs real-time surveillance technology, Nasdaq Market Surveillance, for monitoring all trading activities. Nasdaq's move towards coping with the growing ICT risks and increasing reliance on tech companies reflects a broader digital transformation trend in the financial sector. This move has been accelerated by the Covid-19 pandemic. The financial sector is witnessing increased use of advanced tech solutions like cloud computing and data analytics tools, with technology providers playing an integral role. To govern these technological transformations, regulatory frameworks like the Digital Operational Resilience Act (DORA) have been proposed. DORA aims to regulate the involvement of third-party tech providers. Concurrently, a proposal for a DLT pilot regime is aimed at promoting the use of this technology in securities markets for increased efficiency and reliability. The regulation proposal on markets in crypto-assets also indicates the evolving landscape of digital financial services. continued focus remains on maintaining a technology-neutral approach, meaning similar standards apply regardless of the technology used. The financial sector's reliance on third-party tech providers and emerging RegTech solutions has sparked robust discussion among industry participants - underlying the significant doiminance of technology companies in the financial sector. However, these advancements pose risks, such as a high concentration of cloud technology infrastructure. Yet, the introduction of solutions like Open Finance and Distributed Ledger Technology (DLT) are seen as potential measures to facilitate innovation and increase competition and fragmentation.

Ethical Governance and Anti-Fraud Measures in European Insurance with Emphasis on AI and Digital Ethics (ethics)

The focus of interest lies within areas of verifying processes, internal control activities, ethical considerations, and anti-fraud measures in the digital landscape and Artificial Intelligence (AI) in the European Insurance sector. ESMA aids executives in assessing future intended activities post-leaving ESMA to ensure no conflicts of interest concerns arise. To bolster understanding of conflicts of interest and ethics, ESMA initiates induction sessions. Intricacies such as staff dealing with financial instruments and professional secrecy rules, along with changing roles, were examined. ESMA’s administration has become wholly digitized to streamline processes from HR management to finance and procurement. A particular emphasis on resource allocation towards sustainable and digital finance, as well as efficient management of conflicts of interest, was listed in ESMA's discharge report key points. An audit performed by the IAS lauded ESMA's HR management and ethical promotion. Lastly, ESMA acknowledges potential conflicts via a screening process and implements measures to prevent these conflicts if identified. The process involves assessments from both the member of staff and the ESMA's ethics officer.

Ensuring Confidentiality and Cyber Security in EU Entity and Financial Institutions (confidentiality)

The paragraph discusses the importance of information exchange and cyber security in competent authorities, including provisions for confidentiality and data protection as dictated by relevant Union legislative acts. Significant clauses involve the allowance for market participants to delay public disclosure of inside information if it prejudices their interest, ensuring confidentiality and non-misleading of public. The presence of 'ICT risk', potentially causing loss due to confidentiality breach and system failures is highlighted.
The directive emphasizes on competent authorities' assessment of investment firms to safeguard their network and information system security. Provisions to delay public disclosure of inside information under specified conditions are presented, which include the issuer's financial stability risk, public interest, and information confidentiality assurance.
Finally, the paragraph explores professional secrecy obligations and the need to maintain confidentiality of considerably sensitive information like recovery and resolution plans and the results of its associated assessments. These requirements are ultimately extended to the members of the EU entity staff and trainees.

The Efforts and Innovations in European Digital Finance and Regulations (innovation)

The European Supervisory Authorities (ESAs) emphasize the significance of enhancing digital financial literacy and fostering regulatory innovation in financial services, such as FinTech. The European Insurance and Occupational Pensions Authority (EIOPA) supports the exchange of innovative insurance business models and effective practices in the European Forum on Innovation Facilitators (EFIF). They also examined authorising and licencing requirements and how the principle of proportionality is being adopted in financial innovation. Additionally, the European Commission's digital finance strategy identifies key priorities like removing digital market fragmentation and promoting data-driven innovation. Recent EU policies support data exchange and open application programming interfaces (APIs), which improve business agility and foster industry-wide innovation. However, collaboration with partners outside the financial sector regulation is increasing, posing potential challenges.

Fintech's Transformational Role in the Financial Services Industry (fintech)

People are showing interest in the growing integration of fintech (Financial Technology) and bigtech into mainstream financial processes. This is visible by traditional financial institutions either partnering with, or acquiring fintechs, to harness their digital knowledge and skills. The EU regulatory framework aims to facilitate this digital innovation and promote a data-driven approach. This partnership amongst fintechs and financial institutions adopts a diverse variety of models including joint ventures, outsourcing, and mergers. Licensed in some EU areas, fintechs and bigtechs are competing with incumbent institutions in providing regulated financial services such as payments, e-money, banking, and insurance intermediation. Interestingly, these firms show a trend towards various platform development approaches, which include in-house development, consortia partnerships, and third-party outsourcing. However, certain factors are limiting the presence of bigtechs in the EU financial sector, such as stringent regulatory requirements, low profitability ratios, socio-demographic differences, and a distinct trust in incumbent institutions. An emerging 'Fintech gender gap' also presents challenges due to females being less likely to utilize fintech products. Also, 'fintech' enhancements constantly streamline internal processes, enhance fraud detection, and manage risks to promote overall financial inclusivity.

Emerging Cybersecurity Threats and Anti-Fraud Measures in Financial and Digital Sector (fraud)

As the use of digital platforms and services in the finance sector increases, new risks such as cybersecurity threats, scams, fraud, misuse of personal financial data and overindebtedness are rising. Particularly, social media has become a common platform for fraudulent activities. With more data being shared for financial services, the risk of data breaches and misuse, including sensitive data like health, location, and financial status of consumers, also escalates.
In addition to these challenges, the use of artificial intelligence and machine learning with large datasets presents an increased risk of financial crimes. Regulatory technology (RegTech) solutions are emerging to help providers streamline internal processes and strengthen fraud detection. Moreover, the European Securities and Markets Authority (ESMA) has adopted an anti-fraud strategy, focusing on enhancing anti-fraud culture, strengthening fraud detection measures, and maintaining efficient reporting systems across organizations.
To mitigate these threats, organizations are being urged to focus on several vital areas, such as finance and verification processes, internal control self-assessment activities, audit coordination and security. The future work involves organizing high-level conferences and publishing thematic reports on financial education and digitalization, with a special emphasis on cybersecurity, scams, and fraud.

Evaluation and Regulation in the European Emission Trading System (internal controls)

This report highlights the role of the European Emission Trading System (ETS) in climate change policy by regulating greenhouse gas emissions. A rising interest in carbon allowances and offset markets has also been noted at the federal US level.
Since the establishment of the EU ETS, cap and trade systems designed to decrease regional greenhouse gas emissions have been adopted in various jurisdictions globally; however, their scope and design differ from EU ETS. The trading mostly occurs via derivative contracts with investment firms to compensate for any disparity between the allowances they might receive free-of-charge and their anticipated greenhouse gas emissions.
There has been a decrease in the number of freely allocated allowances due to structural changes within the cap-and-trade system, as well as certain market stability reserve interventions. The EU's Fit-for-55 package, aiming for stringent greenhouse gas emissions reduction, is a notable factor in market dynamics.
The ESMA proposes position management controls for risk mitigation of disorderly trading practices, particularly, for trading venues that trade derivatives on emission allowances. The proposal, if approved, will require trading venues to implement advanced market surveillance tools and accountability limits.

Climate Change Risks and the Importance of Accurate Reporting in the European Financial System (climate change)

The European Union relies heavily on the European Emission Trading System (ETS) for its climate change policy. Both the climate-change-induced risks and the non-financial reporting related to them have been focused upon within the year. Specific emphasis was given to climate change adaptation and mitigation.
ESMA advocated for consistency in financial statements concerning forecasts and insecurities in relation to climate change-related risks and the management report's climate-related disclosures. It was noted that the EU has the European Green Deal, aimed at making the financial and economic system more sustainable. Over the coming years, detailed reporting requirements pertaining to climate change under the Corporate Sustainability Reporting Directive will be implemented.
ESMA has particularly urged companies to improve the specificity in explaining how climate change impacts, risks, and opportunities have been determined for their organization. 2021 marked a significant milestone where non-financial organizations are mandated to not only disclose the eligibility by the taxonomy but also its alignment with specific climate change objectives.
ESMA reminded issuers of the compulsory use of templates in Annex II of the Article Disclosure Delegated Act and highlighted the need for consistencies in disclosures across all non-financial reporting. Furthermore, the text underscores the importance of disclosing information that demonstrates how climate-related risks and opportunities could affect their enterprise value, their management approach, and their adaptability in the face of these conditions.

Digitalization and Cybersecurity: Policies, Innovation, and Risks in the EU Financial Market (cybersecurity)

The DORA proposal seeks to standardize cybersecurity rules across the EU's financial sector while promoting digital financial literacy. RegTech solutions are facilitating regulatory reporting and managing frauds and cybersecurity risks. Insurers are collaborating with cloud providers to develop digital healthcare platforms and cybersecurity initiatives, focusing on small and medium-sized businesses' cyber-resilience. A concerted effort from ESAs is expected to publish a thematic report on financial education and digitalization, especially on cybersecurity, scams and fraud. The DORA proposal also mandates the establishment of an 'oversight forum' related to critical ICT third-party providers involving ESAs, relevant NCAs, and other primary European organizations like the European Commission and European Union Agency for Cybersecurity. As digitalization accelerates, cybersecurity concerns have heightened. ESMA has pursued efforts to provide technical input and preparation for possible mandates arising from the Digital Operational Resilience Act and new regulations in crypto-asset markets. There are persistent threats in cybersecurity response capacities, and the most significant risks identified include limited capacity in managing legislative agendas, recruiting competent talents, securing ESMA's IT systems from cybersecurity risks, handling volatile markets and diminished investor protection due to Covid-19. The independent responsibility of management and supervisory bodies is highlighted to ensure the overall internal consistency of the annual financial report, including preventing and mitigating cybersecurity risks.

Review of the European Union's Financial Regulatory Framework and Best Practices (interviews)

There are concerns that the EU's legal framework might be outdated concerning disclosure requirements. Several good practices in the supervisory approach of National Competent Authorities (NCAs) include conducting interviews based on the risk classification of the applicant firm and on-site pre-approval visits. Some NCAs (Cyprus [CY] and Ireland [IE]) also held interviews depending on the risk classification of the applicant firm and potential issues identified. One NCA in France (FR) implemented a two-step approach on fit and proper checks, reviewing CVs at the authorization stage and conducting licensing interviews six months after operation starts. ESMA, has thus recommended delayed disclosure of insider information so as not to mislead the public based on the market's expectations from previous signals sent by the issuer.

Strengthening Accountability and Oversight in Financial Trading (accountability)

ESMA proposes that trading venues set accountability levels for physically settled commodity derivatives to prevent disorderly trading practices. This would act as a warning system when large positions are being accumulated. ESMA also recommends extending position management controls to venues trading derivatives on emission allowances, necessitating additional market surveillance tools. Provisions should be established to ensure that delegating financial market participants possess adequate knowledge and accountability. Meanwhile, ESMA also demands robust information technology systems, oversight functions and accountability frameworks in order to maintain the reliability, accuracy, and consistency of financial service provisions. Lastly, internal control and accountability frameworks should be designed to accurately monitor activities and manage risks. ESMA works closely with EU institutions to ensure its accountability.

Streamlining International Standards and Regulations for Improved Compliance and Risk Management (international standards)

There is extensive consideration for the adoption of approaches from other jurisdictions and dialogue focused on international standardsetters to mitigate forum shopping risks and support an internationally consistent methodology. This is aimed at ensuring the EU CCP recovery and resolution regimes consistency at the EU level in line with the highest international standards. This includes updating ESMA's standards, internal control framework, and risk management to align with international benchmarks set by COSO internal control integrated framework. The proposed guidelines seek to enact international standards where suitable and reflect best practices for operational continuity, access to FMIS, funding and liquidity, bail-in execution, and business reorganisation. These standards also emphasize corporate reporting on ESG aspects and aim to promote interoperability with current and evolving international standards. Additionally, the differences with existing standards are categorized and could potentially provide inputs for the development of future international standards. It's emphasized that while international standards are beneficial, difficulties may arise for national competent authorities to enforce disclosure requirements due to lack of corresponding legislation in their jurisdiction.

Core Taxonomy Essentials for Financial Reporting and Entity Disclosures (going concern)

The document primarily focuses on details and explanations that need to be made by entities in financial reporting for fiscal years from January onwards. It refers to identification information such as name, legal status, address of registered office etc.
It also emphasizes the need for disclosure of various factors which could impact the entity's functionality, such as any changes in the name, entity domicile, the nature of the operation, details of a parent group, etc. Another key focus is the principles to be followed when preparing

financial statements, including fair presentation, consistency, offsetting, materiality, and comparative information.
Issues surrounding the entity's ongoing viability are also highlighted, particularly in situations where the entity might not be deemed as a going concern, as well as uncertainties that could cast doubt on its ability to continue operations.
Additionally, the document highlights the importance of clear and detailed disclosures to ensure investors obtain relevant and timely information amid potential impacts from macroeconomic environment and other uncertainties. The potential impact of the Covid-19 pandemic on economic activity and market confidence is also mentioned.

Accelerated Adoption and Utilization of Advanced Data Analytics in the Financial and Insurance Sectors (data analytics)

The rapid adoption of cloud computing and big data analytics tools has transformed the financial and insurance sectors prior and during the COVID-19 pandemic, enhancing agility and enabling advanced data analytics. These technologies facilitate the storage and analysis of vast amounts of data, transforming areas such as pricing, underwriting, and claims handling. Incorporation of newer technologies including AI and APIs further enhance internal processes. The services offered have expanded from simple intermediary roles to include trade execution, custody, corporate action processing, compliance, and value-added services like data analytics. Advanced data analytics allows financial institutions to better understand customer needs and preferences, leading to personalized service provision. Insurance firms benefit from granular risk assessments, improving financial inclusivity for high-risk clients. Certain service providers that offer technology and other services like data analytics at a large scale may become systemically important to the financial sector, although they may potentially fall outside standard financial regulations. Future developments influencing financial education initiatives include behavioral economics, sustainable finance, and big data analytics.

Assessing the Legal Framework, Sustainability, and Human Rights in Market Abuse Investigations (human rights)

The primary aim is a thorough evaluation of the present and proposed legal structures, aligned with the standards outlined by the European Convention on Human Rights. Concerns have risen about the efficacy of market abuse investigations, instigating inquiries into potential solutions. There is an emphasis on understanding the ISSB's perspective on sustainability, considering various factors like biodiversity, pollution, human rights, governance, and more. Identifying the principal adverse impacts associated with sustainable investments, particularly in relation to environmental and social issues, human rights, and crime, provides insights into the state of affairs. The alignment of these investments with guidelines from international advisory bodies like the OECD and the UN were also reviewed. Lastly, the necessity of providing consumers with comprehensive and meaningful information, including environmental and social considerations, was underscored.

Accounting Estimates and Disclosures (accounting estimates)

People are interested in understanding and discussing the concepts and regulations around Accounting Estimates and Disclosure Policies. Topics of interest include the presentation and writing of a Cashflow Statement, Disclosure of changes in Accounting, Accounting Estimates and Errors, and Accounting Policies. Importance is also given to the IFRS standard dimensions and definitions for Accounting Estimates and Accounting Profit. Significant attention and mention is given to IAS documentation and its role in defining these concepts. People are also following and curious about the adoption of certain roles and labels under various accounting standards such as IAS, IFRIC and IFRS. Lastly, the impact of change in accounting estimates on future periods is another topic of debate and interest. Participants evaluate the nature of these changes and their possible future effects. The topic of Description and Disclosure of such changes in accounting estimates is a subject of major interest. Important discussion is also steered towards the Statement of Cashflows and the role of accounting estimates and disclosures in its preparation and presentation.

GDPR Compliance and Data Management in Fintech and Financial Services (gdpr)

The text deals with the complex coexistence of General Data Protection Regulation (GDPR), anti-money laundering (AML), and counter-terrorist financing (CFT) provisions in the fintech and financial services sector in the EU. The main focus is on balancing data protection requirements with regulatory obligations. Challenges are highlighted, such as ensuring GDPR compliance in the context of the transmission and storage of data on digital platforms used for marketing or distributing financial services. Additionally, there is a call to further explore the costs and potential benefits of open data, given third-party fintech firms could potentially use publicly disclosed information to better compare financial service offerings and innovate in areas like robo-advice. The importance of understanding GDPR's application in AML/CFT contexts is stressed, along with ensuring all authorities' institutional mandates are in compliance with GDPR and other data-sharing plans. The role of expert advice on data protection issues and handling complaints against GDPR violations is also mentioned. Lastly, it is noted that any legal obligations of investment firms under the GDPR should not be impacted by profiling software used for appropriate assessment obligations.

Emissions Trading Systems and Their Impact on Greenhouse Gas Reduction (greenhouse gas emissions)

Emissions trading systems (ETS) aim to alleviate greenhouse gas emissions by setting regulatory allowances on emissions for firms. The maturity of these ETS markets varies significantly across countries due to different factors such as political climate and emission reduction goals. The EU established their ETS in 2005, with other jurisdictions following suit, each with their own distinct design. Firms under the EU ETS have to surrender a certain amount of emission allowances yearly, reflecting their prior year's emissions. Reduction in freely allocated allowances, market stability reserves, and increased carbon trading are some reasons for the EU's successful carbon reduction. However, most trading occurs through derivative contracts, reflecting the EU ETS cycle and companies' strategic positions. Achieving reduction targets or the goals of the Paris Agreement is identified using specific temperature scenarios, methodologies, and providers. Lastly, firms' principal adverse impact indicators include both scope 1 and scope 2 emissions.

Review of Remuneration Policies & Conflict of Interest in Investment Firms (objectivity)

Authorities need to assess the remuneration policies of investment firms for consistency with business and risk strategies, corporate culture, and the long-term interests of the firm. They should ensure that remuneration does not incentivize excessive risk-taking and is overseen by

management. Key considerations include evaluating the identification of significant personnel impacting risk profile, the impact of variable remuneration, and the role of the remuneration committee.
The paragraph also discusses managing conflicts of interest, which could potentially compromise impartiality or objectivity in an individual's duties. Good practice involves procedures for disclosure and abstain from voting where necessary. Transactions with related parties should adhere to the conflict of interest policy. It notes discussions of noncompliance, gift acceptance rules, and the valuation of public financial data for transparency and objectivity, while considering potential limitations due to outdated public data.