

Financial Regulation Advisory

Financial Services Regulation and Compliance - Banking and Payments August 2024

Domestically, the CBI publishes an announcement on the countercyclical capital buffer rate. At European level, the EBA publishes a joint report on payment fraud with the ECB.

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Domestic

CBI countercyclical capital buffer rate announcement

On 2 August 2024, the Central Bank of Ireland (**CBI**) published an announcement that the countercyclical capital buffer rate on Irish exposures would be maintained at 1.5%.

The announcement notes the moderate growth in domestic economic activity in the first half of 2024 which is projected to continue and the relative stability of bank credit growth. It also notes the possibility of negative shocks arising from political tensions and the impact of the higher rate environment on the real estate sector including the double-digit rates of decrease in commercial real estate and price growth acceleration in residential real estate.

Balancing these considerations, the CBI has decided to maintain its countercyclical capital buffer rate at 1.5%.

Public consultation on the implementation of the Capital Requirements Regulation III

On 20 August 2024, the Minister for Finance Jack Chambers announced a public consultation on the implementation of the Capital Requirements Regulation III (**CRR 3**). CRR 3 amends the existing Capital Requirements Regulation and must be implemented by January 2025.

CRR3 has direct effect, however there are a small number of Member State discretions in relation to its implementation. The public consultation seeks public feedback on the discretions contained in CRR3 which will inform the Minister's decision in the context of implementing measures.

The consultation will run from 20 August to 17 September and CRR3 will apply from 1 January 2025. A further consultation regarding the transposition of the Capital Requirements Directive VI (**CRD 6**) is expected to be held at a later date. The transposition deadline for CRD 6 is January 2026.

Survey of credit institutions (CRS2) - summary notes on compilation

On 22 August 2024, the CBI published summary notes on compilation in relation to the survey of credit institutions return (**CRS2**). All Irish credit institutions are expected to submit the CRS2 return to the CBI on a quarterly basis. The summary notes serve as guidance for completing the CRS2 and they address definitions for the asset/liability and sector categories in the return as well as details of reporting deadlines and valuation methods.

European

ECB and EBA publish joint report on payment fraud

On 1 August 2024, the European Central Bank (**ECB**) and European Banking Authority (**EBA**) published a joint report on payment fraud (the **report**). The report addresses payment fraud data reported by payment service providers. The report found that fraud across the main payment instruments amounted to €4.3bn in 2022 and €2.0bn in the first half of 2023.

The report highlighted the positive impact made by the strong customer authentication (**SCA**) requirements contained in the Payment Services Directive (**PSD2**). The findings showed that SCA-authenticated transactions have lower fraud rates. The report also highlighted that fraud rates for card payments with a counterparty outside the EEA were ten times higher compared to card payments with counterparties located in the EEA.

Losses from payment fraud were addressed with the report stating that distribution among liability bearers differed based on the instrument or country. In total, 71% of card fraud, 43% of credit transfer and 47% of direct debit frauds involved cross border transactions.

Eurosystem considers offering “verification of payee service” for instant payments

On 2 August 2024, the ECB shared in a press release that the Eurosystem is considering offering a “verification of payee service” for instant payments. This service would enable customers of payment service providers to verify a payee before initiating an instant payment. The Instant Payments Regulation requires service providers to offer a verification of payee (**VoP**) service for euro credit transfers by informing payers of discrepancies between the payment account number and the intended payee’s name. Payment service providers will be required to provide a VoP service to their customers from October 2025. The Eurosystem intends to support payment service providers in offering a VoP service to enhance the security of payments and limit payment fraud.

The EBA amends technical standards specifying the data collection for the 2025 benchmarking exercise

On 9 August 2024, the EBA published its final draft final draft implementing technical standards (**ITS**), amending the Implementing Regulation on the benchmarking of credit risk, market risk and IFRS9 models for the 2025 benchmarking exercise. The annual benchmarking exercise is conducted by competent authorities who use the ITS to assess internal approaches for the calculation of own funds requirements. In relation to the market risk framework, the EBA has proposed expanding the alternative standardised approach (**ASA**) validation portfolios to all asset classes. In the area of market risk, the

exercise will be the same as in 2024 and in the area of credit risk, only minor changes have been suggested which clarify the mandatory nature of the exercise and the use of internal model IDs used by the competent authorities.

The EBA responds to the European Commission's Delegated Act postponing the application of the market risk framework in the EU

On 12 August 2024, the EBA published an opinion and a 'no action letter' in response to the delegated act adopted by the European Commission on 24 July 2024 which defers the application of fundamental review of the trading book (**FRTB**) standards for the calculation of own funds requirements for market risk for one year. The opinion addresses the issues arising in the application of the CRR while the FRTB is postponed and advises on the expectations for compliance with the CRR in light of the deferred provisions. The 'no action letter' advises competent authorities not to prioritise enforcement action regarding the provisions on the boundary between the non-trading and the trading book, until the FRTB standards for the calculation of own funds requirements for market risk come into effect. The Commission delegated act defers the application of the FRTB requirements until 1 January 2026.

The EBA publishes final draft technical standards on market risk as part of its roadmap for the implementation of the Banking Package in the EU

On 13 August 2024, the EBA published a final draft of its regulatory technical standards (**RTS**) on the FRTB. The CRR3 introduced a number of changes to the FRTB necessitating changes to the existing RTS. The draft RTS includes changes to the profit and loss attribution test, the risk factors' modellability assessment and the treatment of foreign exchange and commodity risk in the non-trading book. The changes align the RTS with CRR3 and form part of the roadmap on the banking package.

Collateral management in Eurosystem credit operations - Information for Eurosystem counterparties

On 14 August 2024, the ECB published harmonised rules and arrangements for collateral management in Eurosystem credit operations. The new rules address the accounts requirements for assets mobilised as collateral, new market standards for collateral management, updates to securities settlement systems eligibility criteria, alignment of domestic and cross-border handling procedures, pooling as a single operational method for maintaining collateral and a harmonised approach for recovering costs. The rules and arrangements also amend the general documentation on the implementation of the Eurosystem monetary policy framework. The new rules will take effect with the launch of the Eurosystem collateral management system (**ECMS**), which is scheduled for 18 November 2024.

Key impacts of the Instant Payments Regulation on the 2023 SCT Inst scheme rulebook and upcoming changes

On 20 August 2024, the European Payments Council (**EPC**) published an analysis of the key impacts of the Instant Payments Regulation (**IPR**) on the current 2023 SEPA Instant Credit Transfer (**SCT Inst**) scheme rulebook. The EPC concluded that the SCT Inst meets the IPR requirements effective from 9 January 2024 meaning that scheme participants do not need to undertake further action to ensure compliance. In relation to the IPR obligations effective from 9 October 2025, the EPC noted that the 2025

SCT Inst scheme rulebook will reflect the necessary changes to ensure compliance. The 2025 SCT Inst scheme rulebook will come into effect on Sunday 5 October 2025.

The EBA updates data used for the identification of global systemically important institutions (G-SIIs) – 27 August 2024

On the 27 August 2024, the EBA published updates to the data used to identify global systemically important institutions (**G-SIIs**). The competent national authorities of member states are responsible for the identification of G-SIIs. Identification is based on the disclosure by banks of global denominators and G-SIB exercise results, which are published by the Basel Committee on Banking Supervision (**BCBS**) and the Financial Stability Board (**FSB**) each year. The EBA guidelines on disclosure of G-SIIs, define the requirements for disclosing the values used during the identification and scoring process of G-SIIs. Identification as a G-SIII leads to higher capital buffer requirements which apply after one year from the publication by competent authorities of their findings.

For more information on these topics please contact any member of A&L Goodbody's [Financial Regulation Advisory](#) team.

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