

Deloitte Banking Alert

October 2023

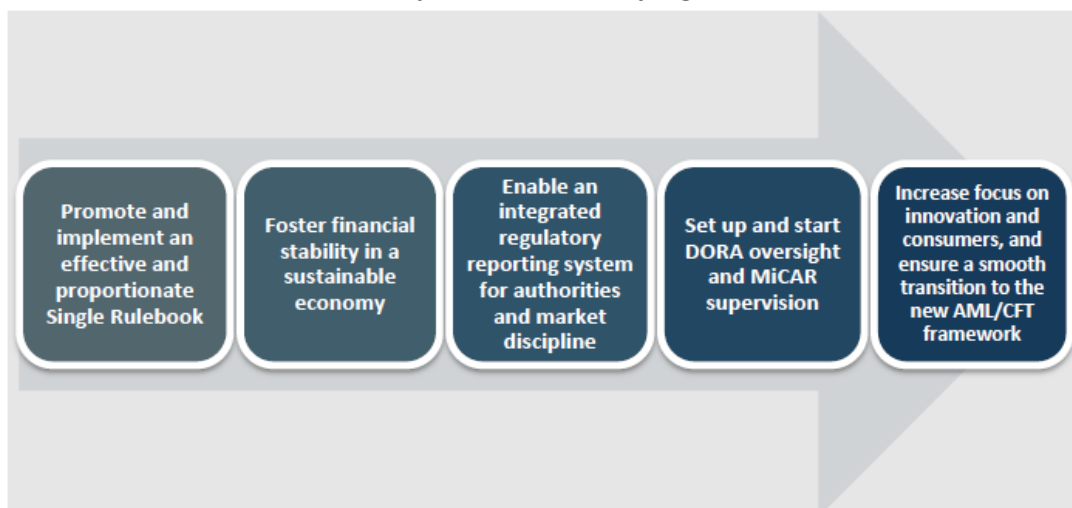
EBA: Strategic Focus for 2024

October 2023 marks the publication of the **European Banking Authority's 2024 Work Programme**, where strategic prowess and key priorities pave the way for an exciting year ahead. These **priorities** are thoughtfully crafted to be in alignment with the **EU legislation** and encompass a spectrum of critical areas, including the development and maintenance of the **EU Single Rulebook**, vigilant financial risk identification, robust data management practices, the oversight of third-party service providers and the regulation of crypto-asset services.

The development process of this **work program** is characterized by meticulous planning and a commitment to adaptability. Commencing as a draft approved by the **EBA's Board of Supervisors** in January 2023, it has undergone iterative refinement in response to dynamic developments observed in the first half of 2023. Furthermore, the guidance and insights gleaned from the Advisory Committee on Proportionality in July 2023. The report covers the key elements in the **EBA's 2024 work program**, setting the stage for a focused and efficient approach to address the challenges and priorities in the financial sector for the year ahead.

EBA Priorities

EBA's Strategic Priorities for 2024-2026: The EBA's work program for 2024-2026 is based on its mandates and the outlook for the financial services sector. In January 2023, the EBA published its **strategic objectives, areas of work, actions to achieve those objectives, and how progress will be monitored.**



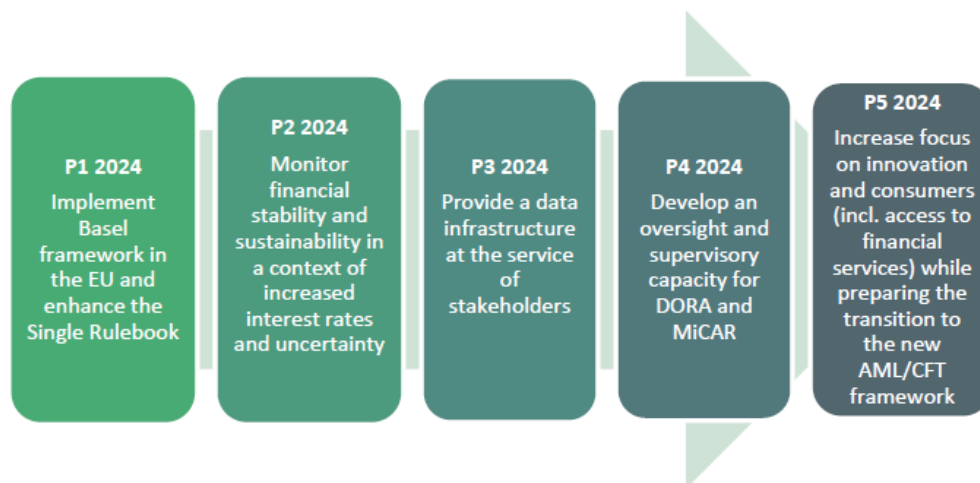
Source: <https://www.eba.europa.eu/eba-publishes-its-work-programme-2024>

The EBA has identified **five** medium-term strategic objectives:

- **Promote and Implement an Effective Single Rulebook:** Increase the strength of the regulatory framework to ensure financial stability and risk management.
- **Foster Financial Stability in a Sustainable Economy:** Monitoring financial stability, particularly in the face of rising interest rates, inflation, and geopolitical risks.
- **Enable an Integrated Regulatory Reporting System:** Developing a comprehensive system for regulatory reporting that benefits authorities and enhances market discipline.
- **Set Up and Start DORA Oversight and MiCAR Supervision:** Preparing for oversight of critical third-party IT service providers (DORA) and supervision of crypto asset issuers (MiCAR).
- **Increase Focus on Innovation and Consumers, Transition to New AML/CFT Framework:** Prioritizing innovation, consumer protection, and facilitating the transition to a new Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) framework.

Medium-term objectives play a crucial role in structuring the activities of the authority and maintaining a consistent **internal focus**. They serve as a guide for resource allocation and determining the order in which tasks are tackled. While the EBA remains committed to fulfilling all its mandates, it's **essential** to differentiate the approach for each. The absence of a specific mission in these priorities doesn't diminish its significance but suggests a reduced emphasis. Furthermore, these priorities may require adjustments as the year progresses, given the uncertain economic outlook, persistent inflation, market volatility, and geopolitical tensions. Similarly, the EBA's work program may need to be modified in response to the 2024 European Elections and the priorities set by the incoming European Commission. These **objectives** also facilitate effective communication with external stakeholders throughout these processes.

Adapted Priorities for 2024 Work Program: In response to financial market turmoil, geopolitical risks, inflation, and interest rate changes, the EBA has adjusted its priorities for the 2024 work program. **Key focus areas** include:



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- **Monitoring Financial Stability and Sustainability:** Addressing the impact of rising interest rates, inflation, and potential credit crunch on the banking sector.
- **Implementing Basel Framework and Enhancing the Single Rulebook:** Ensuring the timely implementation of Basel III reforms in the EU and strengthening the Single Rulebook.
- **Providing Data Infrastructure:** Implementing the EBA's Data Strategy to improve data acquisition, compilation, and dissemination, enhancing analytical capabilities, and meeting reporting requirements.
- **Developing Oversight and Supervisory Capacity for DORA and MiCAR:** Preparing for the oversight of critical third-party IT providers and supervision of crypto asset issuers.
- **Increasing Focus on Innovation and Consumers:** Supervising financial institutions, tackling financial crime risks, and monitoring financial innovation, including crypto-assets, digital finance, and AI/ML applications.
- **Supporting the Transition to the New AML/CFT Framework:** Preparing for the establishment of the new EU AML/CFT Authority (AMLA) and fostering robust approaches to tackling money laundering, terrorism financing, and other financial crimes.

Recent financial market turbulence, including the collapse of US and Swiss banks in March 2023, has raised concerns about global financial stability and contagion risks for European banks. Geopolitical tensions, inflation, and interest rate increases require increased financial stability efforts by the EBA. In 2024, priorities include Basel implementation, improving the Single Rulebook, ESG sustainability, and preparing for the 2025 stress test. The EBA will also oversee ICT third-party service providers, crypto asset issuers, and transfer AML-CFT powers to AMLA while focusing on innovation and consumer access.

Agenda for 2024:

The **EBA outlines its plans and achievements for the year 2024**, with the intention of fulfilling the previously mentioned goals. These plans are presented through a **more efficient approach**, designed to enhance goal attainment and promote collaboration among different teams. The EBA's work is structured around its mandates, with priorities aligned to strategic objectives and input from various committees. These priorities guide resource allocation and task sequencing, ensuring the EBA fulfills all mandates, even if some missions are not explicitly mentioned, like convergence work or advising the Commission, considered well-established. The work program emphasizes transparency and accountability to stakeholders.

Conclusion

The **EBA's 2024 work program** provides a comprehensive overview of the organization's strategic approach and priorities for the year ahead. The program reflects the EBA's commitment to fulfilling its mission and

mandates efficiently, in alignment with EU legislation and EU priorities. It acknowledges the **challenges** and mandates it faces in 2024, including the implementation of important regulatory reforms and the need for increased oversight in critical areas such as third-party IT services and crypto assets. Despite resource constraints, the EBA emphasizes the importance of flexibility and adaptability in responding to evolving circumstances. The outlined priorities and activities for 2024 **focus on ensuring financial stability, sustainability, and innovation in the European financial sector**, all while prioritizing consumer protection and regulatory excellence. With a clear agenda and a commitment to collaboration, the EBA aims to navigate the complex financial landscape of 2024 successfully.

For further questions regarding the aspects mentioned in this alert, please don't hesitate to contact us.



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