



## Press release

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Paris, 15 January 2024

### **The *Autorité de contrôle prudentiel et de résolution* announces its work programme for 2024**

**The 2024 work programme is based on the risk mapping of the French financial system established by the ACPR and the Banque de France. It incorporates the supervisory priorities of the Single Supervisory Mechanism (SSM), the Single Resolution Board (SRB), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Agency (EIOPA), to which staff from the ACPR contribute.**

*“In 2023, French banks and insurance companies proved resilient in the face of banking crises and various macroeconomic and geopolitical shocks. The aim of our work programme is to maintain this solid foundation by stepping up our vigilance over the whole range of risks weighing on the financial system. In addition to this more cyclical component, the priorities of our roadmap include dimensions linked to the structural transformations that the financial sector is undergoing, such as cyber and climate risk management. In this respect, integrating banks' transition plans into prudential regulation and supervision is one of our main concerns. The Authority will continue to play an active role in the discussions underway within the EBA's working groups to determine the content of these plans and how they will be integrated into the annual banking review and evaluation exercise (SREP)<sup>1</sup>. The publication, this year, of the results of the insurance climate stress tests led by the ACPR will provide a new measure of the impact of climate risk on insurers' ability to address it and to examine the issue of risk insurability and reinsurance.”, says Nathalie Aufauvre, Secretary General of the ACPR.*

Four main work streams have been identified and adopted by the Supervisory Board:

- **Maintaining and strengthening the security and soundness of the banking and insurance sectors faced with macroeconomic, financial and geopolitical risks.**

**Given the risks associated with interest rate levels and fluctuations, inflationary pressures and the volatility of property and financial asset prices**, the Authority will pay close attention to banking institutions' asset/liability management. It will monitor the effects of these risks on the specific features of the French model (regulated savings, fixed-rate mortgages) and will continue to monitor the application of HCSF standards on mortgage lending conditions.

In the context of TLTRO repayments<sup>2</sup>, the ACPR will focus on banks' liquidity and refinancing risk, as well as the diversification and stability of their deposits.

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<sup>1</sup> Supervisory Review and Evaluation Process

<sup>2</sup> *Targeted longer-term refinancing operations* launched by the Eurosystem, according to three series (2014, 2016 and 2019).

In the insurance sector, the management of interest rate risk and asset/liability duration gaps will remain closely monitored. In the life insurance sector, the Authority will study changes to remuneration paid for 2023, and in particular the gradual redistribution of the profit-sharing provision built up in recent years in order to maintain an attractive level of remuneration for savers. The ACPR will monitor the trend in life insurance surrenders, which remained contained in 2023, as well as its repercussions on the solvency and liquidity of insurers. In non-life insurance, the ACPR will be looking at how inflation is factored into the modelling of liabilities, as well as at the profitability of insurers.

Due to the decrease in value of certain property assets, the ACPR will also pay close attention to the risk of policyholders redeeming unit-linked contracts the underlying instruments of which are units in property funds.

The ability of VSEs and SMEs to find sources of financing will also be among the topics monitored in 2024.

**Faced with a deterioration of economic outlook and a rising number of business insolvencies**, the Authority will conduct an assessment of banks' asset quality, provisioning practices and credit risk. Exposure to sectors identified as vulnerable, in particular commercial property and leveraged finance, as well as players exposed to counterparty and margin call risks, such as those in the energy or commodities markets, will be carefully assessed.

In the insurance sector, attention will be focused on those organisations most exposed to the economic climate, particularly in the guarantee sector (credit insurance, completion guarantees) as well as the health and provident sectors, which could be adversely affected by a decline in contributions.

**In light of geopolitical risks**, the Authority will continue to assess the financial sector's exposure to the various areas of tension and to emerging countries.

- **Address structural vulnerabilities and be proactive in identifying, preventing and monitoring new and developing risks**

**As part of its commitment to tackling climate change**, the Authority will continue its efforts in support of the development of transition plans and their integration into prudential regulation through its involvement in EBA working groups. Against this background, the Authority will take part in the “Fit for 55” exercise<sup>3</sup>, which will mobilise the entire European financial system. The Authority's teams will continue to monitor the climate commitments disclosed by financial institutions under the Energy-Climate Act and the SFDR regulation (Sustainable Finance Disclosure Regulation). The year 2024 will be marked by the results of the 2<sup>nd</sup> climate stress-testing exercise dedicated to insurance organisations, and the publication of work on their governance of this risk. ACPR experts will also contribute to international work on climate change and biodiversity.

**The work programme retains the monitoring of risks associated with new technologies as a top priority.** Experts from the Authority will implement the DORA (Digital Operational Resilience Act) Regulation, which provides for the monitoring of external cloud computing and open banking service providers, which are deemed critical. They will study the costs and benefits of the digital transformation of information systems, as well as the operational risks associated with applications that rely on artificial

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<sup>3</sup> “Fit for 55” refers to the European Union’s action plan to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. As part of this plan, financial institutions will take part in an assessment exercise based on various scenarios, which will be conducted jointly by the European Supervisory Agencies, with the aim of measuring their ability to address the risks arising from those structural adjustments to the economy and society as a whole.

intelligence and on the blockchain. Cyber risk and the security of information systems will continue to be closely monitored against the backdrop of increasingly sophisticated attacks on the financial system.

**The ACPR will keep following up on the ongoing regulatory work at international level:** on the banking side, the transposition of Basel III, and on the insurance side, the implementing provisions pertaining to the review of the Solvency II Directive and to the directive on the recovery and resolution of insurance and reinsurance undertakings. A number of cross-functional issues will mobilise ACPR teams, such as negotiations on proposals for DSP3<sup>4</sup> and Open finance draft Directives<sup>5</sup>, the implementation of the MiCA<sup>6</sup> and DORA Regulations jointly with the AMF, the ongoing transposition of the new directive on credit servicers<sup>7</sup> and the EMIR III Regulation<sup>8</sup>.

- **Identify and address misconduct risks and maintain high-quality AML-CFT mechanisms**

In the area of customer protection, the Authority will continue to work with the AMF and public authorities on the prevention of financial scams and on improving the handling of disputed payment transactions.

As part of the fight against greenwashing, the ACPR's teams will monitor the integration of ESG (environmental, social and governance) preferences into the sale of financial products and the use of sustainability considerations in advertising.

The ACPR will ensure that the design and marketing of banking and insurance products take account of customers' interests. In life and non-life insurance, close attention will be paid to the economic value of products for customers (Value for Money) and to the level of charges applied. Work will also be carried out in 2024 to implement the regulations on dormant accounts and safe-deposit boxes.

**In preparation for the establishment of the forthcoming European Anti-Money Laundering Authority (AMLA)**, the ACPR will work on finalising the new European AML/CFT regulations and will carry on collaborating with the other European supervision authorities.

**The Authority will provide support concerning changes to AML-CFT mechanisms, including through the rollout of new monitoring tools.** The ACPR will conduct an inspection campaign dedicated to the digital asset service provider (DASP) sector, while continuing its work on automated transaction monitoring systems (including for new players in disintermediated finance or DeFi<sup>9</sup>), and strengthening its risk-based supervisory approach. It will also conduct an in-depth analysis of the practice known as "virtual (French) IBANs" used by a number of payment service providers operating in France under the European passport.

- **Furthering the modernisation of the ACPR and increasing its efficiency, contributing to the strategic plan of the Banque de France**

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<sup>4</sup> [Proposal of the European Commission for a revision of the payment services directive and a new regulation on payment services put forward on 26 June 2023.](#)

<sup>5</sup> [Proposal of the European Commission to establish a framework for financial data access \(\*Framework for financial data access, FIDA\*\) and Open Finance, also put forward on 26 June 2023.](#)

<sup>6</sup> [European Regulation on Markets in Crypto-Assets \(MiCa\) which entered into force on 29 June 2023.](#)

<sup>7</sup> [Directive of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers](#) transposed into French law by [Order 2023-1139 of 6 December 2023 on credit servicers and credit purchasers.](#)

<sup>8</sup> [Proposal of the European Commission for a revision of the European Market Infrastructure Regulation \(EMIR\), put forward on 7 December 2022.](#)

<sup>9</sup> ["Decentralised" or "disintermediated" finance \(DeFi\): what regulatory response? Summary of responses to the public consultation – September 2023.](#)

The ACPR will continue to apply innovation to its supervisory tools in order to increase the efficiency of its controls and prepare for the supervisory methods of tomorrow. Improving the quality of data and enhancing their use by our teams will continue to be key concerns. Another major challenge in 2024 will be to maintain the attractiveness of the ACPR by recruiting talent in a number of areas: climate risk, customer protection, cyber security, data science, market and counterparty risk.

#### **The Resolution College has identified and adopted three main priorities:**

- **Priority 1: Taking an active role in the 2028 strategic plan of the Single Resolution Board (SRB)**

The ACPR will contribute to the SRB's priorities for 2024, which will include exercises aimed at testing banks' capacity to deliver high-quality valuation data in due time, liquidity exercises involving the submission of the joint SRB/ECB liquidity template, tests of bail-in capacities (including coordinated bail-in in the case of mutualist groups), and work on separability.

At the same time, the ACPR will be gearing up for the implementation of the 2028 strategy that the SRB is scheduled to disclose on 13 February 2024, notably through its participation in the development and strengthening of separability analysis tools, in deep dive analyses, dry runs and on-site inspections.

- **Priority 2: Enhancing expertise in insurance resolution**

As part of its remit in the area of insurance resolution, the ACPR will update the first preventive resolution plans adopted at the end of 2022 and beginning of 2023.

The ACPR will continue to build on its methods for implementing resolution tools by looking more closely at the issues of public interest testing and the choice of entry point(s) for the resolution strategy.

To further this work, the ACPR will conduct horizontal analyses of the preventive recovery plans submitted by insurance groups, on the sections relating to critical functions, their separability and their various interconnections, in order to identify best practices that can be shared with insurance groups.

- **Priority 3: A continued influence strategy**

The ACPR will further and step up its analyses of and interactions with banks by publishing discussion papers and conducting horizontal analyses to provide banks with comparative statements on their level of preparedness in the context of resolution. This will include analyses of the post-resolution business reorganisation plans drawn up by banks as well as analyses of ongoing work on separability.

The ACPR will strive to remain a leading authority in the resolution of clearing houses and insurance companies, through an active involvement in international work and by fostering bilateral exchanges with the most involved authorities to share experiences of setting up resolution regimes in these two sectors.

#### **About the ACPR**

The Autorité de contrôle prudentiel et de résolution, which is backed by the Banque de France, is the administrative authority responsible for supervising the banking and insurance sectors and safeguarding financial stability. The ACPR is also responsible for protecting the customers of supervised institutions and tasked with combating money laundering and the financing of terrorism. It also holds resolution powers. The ACPR's operational departments are grouped within its General Secretariat.

Visit our websites at <https://acpr.banque-france.fr/> and <https://www.abe-infoservice.fr/>

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