

2021

ANNUAL REPORT





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Chairman of the ACPR

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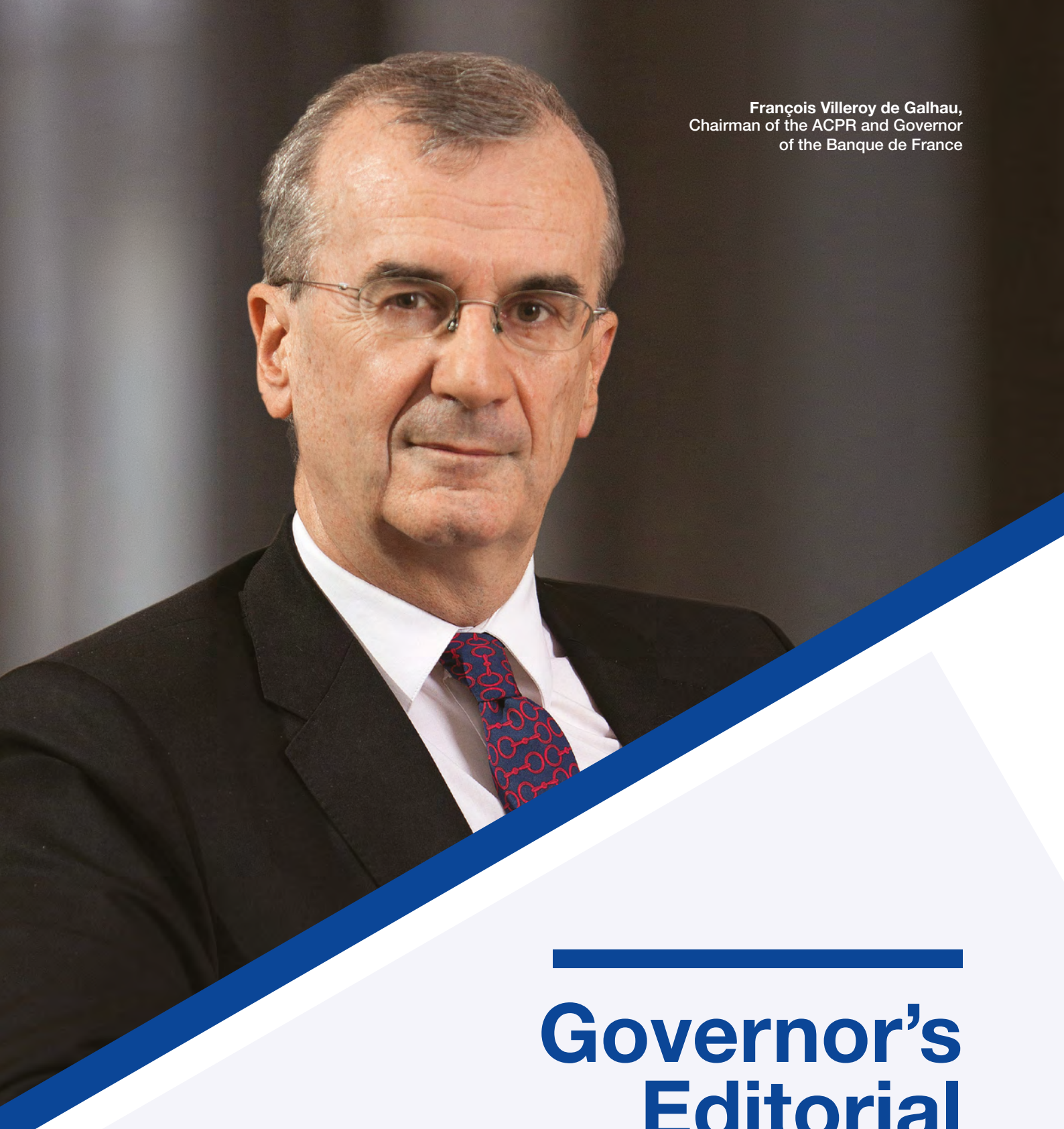
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This annual report presents an overview of the different activities of the *Autorité de contrôle prudentiel et de résolution* and its services. It will be supplemented in the third quarter of 2022 by a **statistical report on the French banking and insurance market**.

A portrait of François Villeroy de Galhau, a middle-aged man with short grey hair and glasses, wearing a dark suit, white shirt, and a red and blue patterned tie. He is looking directly at the camera with a neutral expression. The background is dark and out of focus. A blue diagonal line runs across the bottom right of the image.

François Villeroy de Galhau,
Chairman of the ACPR and Governor
of the Banque de France

Governor's Editorial

In 2021, we witnessed a vigorous economic recovery, which was strongly underpinned by the appropriate measures taken by public authorities and central banks beginning in 2020. France's financial sector performed extremely robustly in this setting, helping to finance the upturn. I would like to extend my warmest thanks to the 1,050 women and men who make up the staff of the ACPR. Their dedication and hard work played a huge part in establishing the conditions to ensure that the financial system was resilient and able to support our economy.

However, major new uncertainties surfaced in early 2022 as Russia invaded Ukraine. The ACPR is monitoring the geopolitical situation and its financial consequences closely at both micro and macroeconomic levels, while also keeping a watch on cyber risk developments. Meanwhile, the financial sector continues to face huge structural challenges, led by the digital and climate transitions.

1 | A robust financial sector providing support for the economy

In 2021, we saw evidence of the effectiveness of public measures introduced to support activity, while **the banking sector's role in financing the recovery was also apparent**. Most state-guaranteed loans have already been fully or partially repaid, and over 95% of companies are expected to abide by their repayment schedules. Helped by improved economic and financial conditions, non-performing loan volumes have stabilised. As a result, banks remain resilient, recording improved profitability amid a busy credit market. Also in 2021, restrictions on dividend payouts were lifted, and bank liquidity requirements were eased. Solvency ratios, which were already in excellent shape in late 2020, strengthened even further in 2021. The same was true for insurers, whose solvency improved further still in late 2021 on the back of strong earnings.

Despite its strengths, the French financial system continues to face significant risks against the backdrop of a major geopolitical crisis: these include falling valuations and volatile markets, the macroeconomic, financial and sector implications of the war in Ukraine, asset quality risks and the potential delayed impact of failures. Further, non-bank participants are playing an increased role in financing the economy, while the financial system is facing the challenges posed by the twin digital and climate transitions. In the coming months, we will also have to pay close attention to the upward trajectory of market interest rates and valuation levels on property markets. The profitability of financial institutions will need to be analysed in the light of monetary policy developments and their interest rate risk management.

These many challenges call once again for enhanced prudential oversight this year, which must seek to build on **the advances made in 2021**.

2 | Enhanced prudential and resolution oversight

Banking stress tests conducted jointly in 2021 by the EBA, the ECB and national competent authorities, including the ACPR for France, confirmed the resilience of the French and European banking systems. The insurance stress test conducted by EIOPA in 2021 also showed that French insurance groups enjoy solid positions, with comfortable levels of own funds and low liquidity risk.

The decision by the *Haut conseil de stabilité financière* (HCSF – High Council for Financial Stability) on credit standards for housing loans, which came into force on 1 January 2022, will help to curb household debt and debt-service-to-income ratios.

Regulatory work aimed at strengthening the financial sector continued through Basel III for banks and Solvency II for insurers. In banking, the European Commission's proposal on the new CRR3/CRD6 Banking Package looks to offer the best possible compromise between complying with the international agreement on Basel III and recognising specific European needs; accordingly, the new exemptions should be temporary. On the insurance side, the Solvency II review will help to take better account of the low interest rate environment and facilitate sustainable long-term investment, without pushing up overall capital requirements.

Steps to strengthen implementation of the Single Resolution Mechanism (SRM) were taken in 2021, with the ACPR lending significant support to work on planning and operational improvements to enhance the management of banking crises. The ACPR was also involved in developing the institutional and operational framework of the resolution regime for insurance undertakings. France was one of the first EU countries to introduce a recovery and resolution regime for the insurance sector.

3 | Work by the ACPR in the other areas under its jurisdiction

The financial system must continue to adapt to the **digital revolution**. In addition to raising challenges in terms of adjustments to business models and product ranges, this transformation could pose risks through the rise of decentralised finance and crypto-assets. Europe's draft Markets in Crypto-Assets (MiCA) Regulation represents a major step forward in this respect and is scheduled to be adopted this year. The provisions on crypto-assets included in the AML Package published by the European Commission in July 2021 will also help to clarify the obligations of participants involved in the fight against money laundering and terrorist financing and the application of international financial sanctions. In particular, the ACPR supports extending the travel rule (on transparency for international transfers) to include transfers of crypto-assets.

The ACPR bolstered its own **anti-money laundering and counter-terrorist financing (AML/CTF) organisation** by setting up a new directorate dedicated to this area. It also lent support to European negotiations on the AML Package and backed plans to set up a European anti-money laundering authority.

Cyber risk has been exacerbated by increased use of work-from-home practices and current geopolitical tensions. Accordingly, the ACPR is taking part in monitoring the European negotiations on cyber resilience (DORA).

Our **Fintech-Innovation Unit** interacts with innovators and developers of new technologies in the areas of crypto-asset markets and innovative solutions, and in 2021 organised a tech sprint event with a focus on artificial intelligence. Meanwhile our **suptech** approach is geared to improve our analytical capability so that we can do a better job of preventing and managing crises.

Climate risk is another major challenge facing the financial system. The first-of-its-kind pilot climate exercise conducted by the ACPR signalled the starting point for new work aimed at improving the methodology used for climate stress tests and played a major role in designing the exercise launched by the ECB in early 2022. As a member of the Network for Greening the Financial System (NGFS), the ACPR surveyed banks to assess recognition of climate risk in their practices. It also continued work on the recognition of environmental, social and governance (ESG) risks in regulation and supervision. At national level, this led to the second joint report by the ACPR and AMF and, internationally, to reports by the EBA and the Basel Committee. Finally, the ACPR and the AMF published their initial assessments of the climate commitments and fossil fuel exit strategies of financial centre participants.

In 2022, the ACPR will continue its efforts by contributing to climate stress tests coordinated by the SSM and by analysing the first set of publications by insurance undertakings under the Energy & Climate Act.

The ACPR continues to meet its commitment to **protect customers**, while promoting financial inclusion, particularly of the most vulnerable people. In 2022, the entry into force of the new law on broker associations will further increase its capacity to take action, in an area where expectations are high.

In an increasingly uncertain international and economic environment, financial stability is more important than ever. The ACPR remains totally committed to pursuing this goal in the coming year.



Interview with the Secretary General

Could you briefly describe your work in relation to the pandemic in 2021 and how you have managed the situation arising from the invasion of Ukraine at the start of 2022?

ACPR staff were extremely active as they assisted banks and insurers in managing the operational, economic and financial strains linked to the pandemic as well as the gradual phase-out of the specific schemes put in place. At the same time, we kept up our inspections and continued to work on issues with a strategic bearing on financial stability, such as cyber and climate risk management. The publication in May 2021 of the findings of a novel pilot stress test to evaluate climate change-related risks for financial institutions reflected our deep commitment to the issue, and the exercise was widely praised for the conceptual advance that it brought in this area.

In this early part of 2022, the invasion of Ukraine is having multiple consequences for the financial sector, as we have seen for example on commodity markets, and is stoking uncertainty about the outlook for activity. Working at the heart of these developments and in coordination with fellow supervisors and European institutions, the ACPR continues to discharge its tasks, which include performing enhanced monitoring of supervised institutions and analysing changes in their risk profiles.

What were the main focus areas of your work in the prudential oversight of banking and insurance in 2021?

In **banking**, in addition to the Supervisory Review and Evaluation Process (SREP) conducted annually under the Single Supervisory Mechanism (SSM), but also at the level of the ACPR for smaller institutions under its direct supervision, the European Banking Authority (EBA) organised a stress test to assess the capital losses generated by extremely adverse simulated macroeconomic and financial shocks. This exercise, which revealed strong resilience among French banking groups, also informed Pillar 2 capital guidance. For larger institutions, the Joint Supervisory Teams (JSTs) set up under the SSM additionally carried out thematic reviews (credit risk, capital strength, business model sustainability, governance) to capture short- and medium-term uncertainties linked to the pandemic. The ACPR was also fully engaged in transposing the final component of the Basel III reforms into the European framework.

In **insurance**, the ACPR was particularly attentive to the contrasting effects of the pandemic on different segments of activity and to the economic and financial environment, which was characterised by steadily rising interest rates and a pickup in inflation. It also took part in discussions on the review of the Solvency II Directive.

Staff were kept extremely busy on the resolution front, in both banking and insurance. The ACPR's work in this regard included providing input to European discussions on changes to the crisis management framework.

In terms of human resources, what challenges did you take on in 2021?

In 2021, as in 2020, our number-one challenge was to continue to work efficiently and collectively, despite the changes due to the health crisis. We onboarded 70 new employees in 2021, in a hybrid environment combining work-from-home arrangements and in-person activities in our offices. We managed to perform most of our on-site inspections, unlike in 2020, when our activity was far more disrupted.

Despite the constraints, including in staffing terms, we were still able to do new things, with two especially noteworthy initiatives:

- After Lille in 2019, **the ACPR opened new offices in Tours** in October 2021, with a view to increasing the number of assistants in one of our core businesses, namely bank supervision. Remote working tools, which were widely used during the lockdowns, are enabling geographically separated teams to collaborate effectively.
- **Another innovation was the launch of a staff exchange programme with the ECB as part of the SSM.** This ground-breaking initiative will allow the ACPR to reap the benefits of geographical, functional and international exchanges. We are therefore pleased to welcome six European colleagues to our ranks, while six of our own staff members will join the ECB for two years.

What were the main work areas in terms of authorisations?

As part of the recent reform to the organisation of the brokerage industry, which requires professional associations to be licensed, we did a considerable amount of preparatory and educational work with the financial community to ensure that the new arrangements worked effectively. We also worked on the new framework for financial holding companies, mixed financial holding companies and parent undertakings of financing companies.

The Financial Action Task Force assessed the ACPR's AML/CTF system: what were its main conclusions?

Last year ended on a positive note, with FATF assessors recognising the quality of France's AML/CTF system and describing the ACPR's supervision strategy as "robust". These findings testify to the hard work of our staff, who have now been combined in a single AML/CTF Directorate, in implementing a great many reforms, including the AML Package and the overhaul of the crowdfunding framework, and in inspecting supervised institutions, paying special attention to payment institutions, electronic money institutions and their agents, which are particularly exposed to AML/CTF.

How do new technologies feature in the ACPR's activity?

They are at the heart of what we do. The **Fintech-Innovation Unit**, which supports innovators, continued to dialogue with the "ecosystem" and took on numerous challenges, which included leading the ACPR's significant involvement in French Fintech Week in October 2021 and creating a charter to facilitate the licensing and registration journey for project contributors. As part of our supotech approach, two new digital tools designed to facilitate our inspections were brought onstream in 2021. Two others followed in early 2022 and we are currently analysing many others.

What were the priority areas in customer protection?

The ACPR carried out a series of surveys in areas that are important to banking and insurance customers, such as refunds for disputed bank card transactions, implementation of banking mobility arrangements and the treatment of life insurance surrenders. For the first time, we also conducted mystery shopping campaigns as part of a study carried out with the AMF on digital subscription practices. We will watch closely to ensure that the corrective measures requested following these investigations are carried out. Amid the upsurge in bank passbook and loan scams, we continued our preventive and information efforts, including in partnership with the Office of the Paris Public Prosecutor.

What are your work priorities for 2022?

The war in Ukraine has brought new work priorities and the need for increased vigilance. The ACPR is tasked with performing day-to-day supervision, which is stepped up during crises, while continuing in-depth work on structural and emerging risks. In parallel, the ACPR must meet the challenge of maintaining its level of commitment in support of the ECB, as regards work defined by the SSM for major institutions, while also supporting the Finance Ministry during France's presidency of the European Union in the first half of 2022.

Looking ahead to this busy agenda, I am confident that the ACPR's staff will perform outstandingly as they rise to the challenge of safeguarding financial stability, just as they did throughout 2021.



1

ABOUT THE ACPR

Key figures

2021

37

SUPERVISORY
COLLEGE
MEETINGS

664

BANKING SECTOR
INSTITUTIONS
SUPERVISED

5

RESOLUTION
COLLEGE
MEETINGS

668

INSURANCE
COMPANIES AND
MUTUAL INSURERS
SUPERVISED

10

SANCTIONS
COMMITTEE
MEETINGS

1,046

STAFF ON AVERAGE
OVER THE YEAR

1. Statutory objectives

The ACPR supervises the banking and insurance sectors. It is responsible for preserving the stability of the financial system, protecting customers and insurance policyholders, and supervising compliance with anti-money laundering and counter-terrorist financing (AML/CTF) rules.

In 2013, the ACPR was given powers to prevent and resolve banking crises. These powers were subsequently expanded to the insurance sector in 2017.

Since the European banking union was set up in 2014, the ACPR has discharged its banking-related prudential responsibilities within the framework of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM).

The Business Growth and Transformation Act of 22 May 2019 extended the ACPR's powers to include some digital asset services providers (digital asset custody, buying or selling digital assets in exchange for legal tender). The AMF is in charge of registering these providers, while the ACPR must give its assent to such registration and is responsible for ensuring that the firms comply with AML/CTF rules.

2. Organisation

2.1 Decision-making bodies

To discharge its statutory objectives, the ACPR relies on a number of decision-making bodies, including the Supervisory College and its various configurations (plenary and restricted sessions and sub-colleges for each sector), the Resolution College and the Sanctions Committee.

To provide it with further information on some of the topics it has to address, the ACPR's Supervisory College is supported by an Audit Committee, four consultative commissions covering prudential affairs, AML/CTF, business practices, and climate and sustainable finance respectively, and a Scientific Consultative Committee. These different bodies met 24 times in 2021.

For further information on the consultative commissions, go to: <https://acpr.banque-france.fr/lacpr/colleges-et-commissions/commissions-consultatives>



The Supervisory College (at 1 January 2022)



François VILLEROY de GALHAU
Governor of the Banque de France, Chairman of the ACPR



Denis BEAU
Deputy Governor of the Banque de France



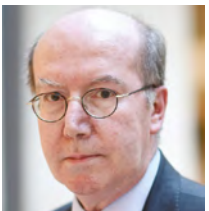
Jean-Paul FAUGÈRE,
Vice-Chairman of the ACPR



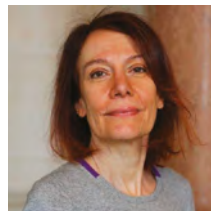
Robert OPÈLE
Chairman of the AMF



Patrick de CAMBOURG
Chairman of the ANC



Henri TOUTÉE
Honorary division president of the *Conseil d'État* appointed at the recommendation of the Vice-Chairman of the *Conseil d'État*



Valérie MICHEL-AMSELLEM
Counsellor at the *Cour de cassation* appointed at the recommendation of the Chairman of the *Cour de cassation*



Raoul BRIET
Honorary presiding judge at the *Cour des comptes* appointed at the recommendation of the Chairman of the *Cour des comptes*



Anne EPAULARD
Professor of Economics at Paris-Dauphine University, appointed by the President of the National Assembly



Anne LE LORIER
Honorary Deputy Governor of the Banque de France, appointed by the President of the Senate



Cécile GÉRARD



Jean-Luc GUILLOTIN



Anne LARPIN-POURDIEU



Olivier MESNARD

Appointed for their expertise in insurance, mutual insurance, provident institutions or reinsurance



Patricia CRIFO



David NOGUÉRO

Appointed for their expertise in customer protection, quantitative or actuarial techniques, or other areas that help the Authority fulfil its statutory objectives



Pascal DURAND



Christian LAJOIE



Isabelle LEFEBVRE



Catherine THERY

Appointed for their expertise in banking, electronic money issuance and management, payment services or investment services

Do not have a vote, but may request that matters be deliberated a second time:

Emmanuel MOULIN

The Director General of the Treasury, or his representative, sits on the College in all its configurations,

Franck Von LENNEP

The Director of the Social Security administration, or his representative, sits on the Insurance Sub-College or other configurations dealing with entities governed by the Mutual Insurance Code or the Social Security Code.

The Resolution College (at 1 January 2022)



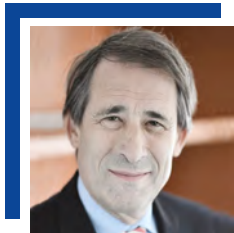
François VILLEROY de GALHAU
Governor of the Banque de France,
Chairman of the ACPR



Jean-Paul FAUGÈRE
Vice-Chairman of the ACPR



Gabriel CUMENGE
Deputy Director for Banking
and Public-Interest Financing,
representing **Emmanuel
MOULIN**, Director General of the
Treasury



Robert OPHÈLE
Chairman of the AMF



Denis BEAU
Deputy Governor
of the Banque de France



Agnès MOUILLARD
Presiding judge at the
Commercial, Financial and
Economic Chamber
of the *Cour de cassation*



Thierry DISSAUX
Chairman of the Executive
Board of the Deposit Insurance
and Resolution Fund

The Sanctions Committee (at 1 January 2022)



Appointed by the Vice-Chairman of the *Conseil*

Alain MÉNÉMÉNIS
Member of the *Conseil
d'État*, President



Martine JODEAU
Member of the *Conseil d'État*,
Alternate



Gaëlle DUMORTIER
Member of the *Conseil
d'État*, Full Member



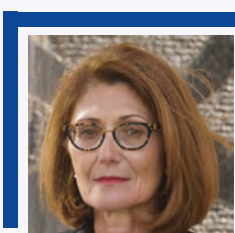
Matias de SAINTE LORETTE
Junior Member of the
Conseil d'État, Alternate



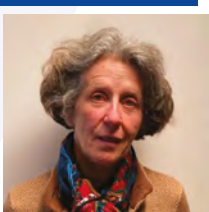
Appointed by the Chairman
of the *Cour de cassation*

Edith SUDRE
Counsellor at the *Cour de cassation*,
Alternate

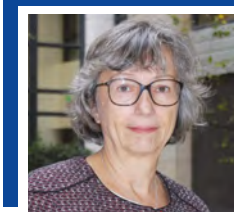
Appointed for their expertise in matters that are helpful for the ACPR to meet its statutory objectives



Claudie BOITEAU
Full Member



**Dorothée de
KERMADEC-COURSON**
Alternate



Elisabeth PAULY
Full Member



Philippe BRAGHINI
Alternate



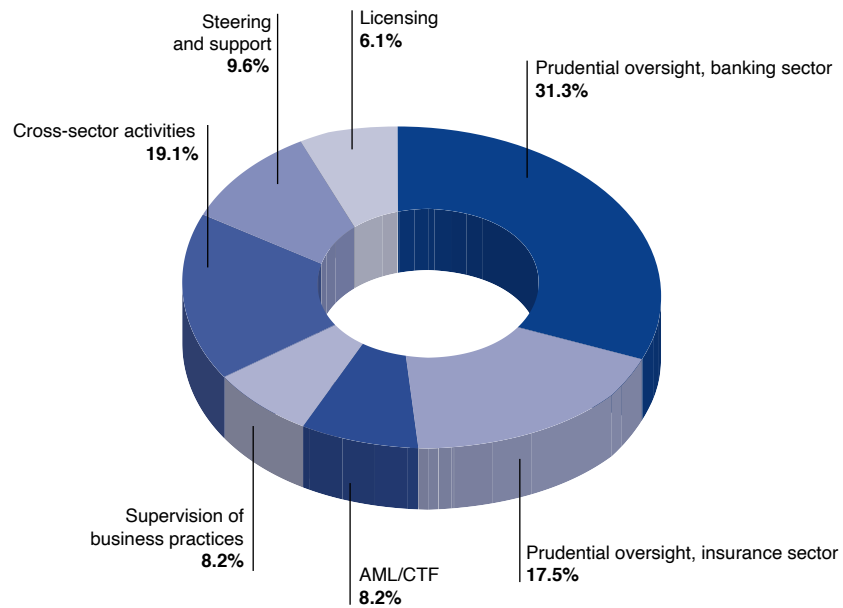
Thierry PHILIPPONNAT
Full Member



Philippe LAIGRE
Alternate

2.2 General Secretariat

The ACPR's departments are overseen by the General Secretariat. The average annual headcount in full-time equivalent (FTE) terms stood at 1,046, as compared with the cap of 1,050. At 31 December 2021, the staff comprised 1,062 employees (1,032 FTE), including 557 men and 505 women. These staff members, who have a wide range of backgrounds, are distributed as follows in the Authority's different areas of activity.¹



² Resolution employees are divided between banking and insurance sector prudential oversight. Their headcount stood at 27.5 on 31 December 2021.

ACPR General Secretariat (at 1 May 2022)



Deputy Secretaries General



From left to right
Bertrand PEYRET, Patrick MONTAGNER, Frédéric VISNOVSKY, Emmanuelle ASSOUAN

Directors



From left to right
Laurent Clerc, Jérôme Schmidt, Bruno Longet, Evelyne Massé, Grégoire Vuarlot, Geoffroy Goffinet, Violaine Clerc, Frédéric Hervo,
Barbara Souverain-Dez, Olivier Fliche, Emmanuel Rocher, Philippe Bertho, Anne-Sophie Borie-Tessier, Eric Molina

3. Supervisory priorities for 2022

At its meeting on 10 December 2021, the ACPR's Resolution College adopted the following priorities for prudential supervision in 2022:

1. Continue to monitor cyclical risks associated with the emergence from the Covid-19 crisis. Measures will include prudential oversight of the banking and insurance sectors, with special attention paid to ensuring the resilience of supervised entities as they exit the crisis. They will also cover the cross-sector task of customer protection, notably via active monitoring of online fraud. The regulatory and prudential challenges associated with the crisis will be closely watched, chiefly through continuous assessment of the temporary measures introduced during the crisis.
2. Maintain the ACPR's commitment in its support of the European Central Bank (ECB) with regard to work defined by the Single Supervisory Mechanism for large institutions. The priority areas for supervision identified for 2022 cover four main themes:
 - post-Covid monitoring;
 - analysis of banks' digital transition strategies;
 - examination of systems to identify and control emerging risks, especially counterparty, climate and cyber risks;
 - institutions' governance arrangements.
3. Closely monitor the risks linked to the low interest rate environment and elevated valuation levels on financial and property markets. Among other things, measures will cover monitoring compliance with the HCSF standard for home loans, analysing the profitability of financial institutions, the impact of monetary policy developments and interest rate risk management.
4. Continue work in response to structural or specific risks, including:
 - in the area of climate change-related risk, contribute to the SSM's climate change stress test and continue work following the pilot exercise conducted by the ACPR in 2021;
 - in the area of digitalisation-related risks, analyse institutions' information system strategies and resilience to cyber risk, and monitor the rise of new digital financial intermediaries in the banking and insurance sectors;
 - in the area of risks relating to regulatory adjustments and implementation, continue work on the final transposition of Basel III in the European Union, the Solvency II Review, efforts to strengthen the Capital Markets Union and the Banking Union, and the AML Package;²

- in the area of misconduct risks:
 - in customer protection, take part in European work on sustainability disclosures in the financial services sector, protect vulnerable people, and license the broker associations newly established by the Act of April 2021;
 - in anti-money laundering and counter-terrorist financing, follow up on the Financial Action Task Force (FATF) assessments, analyse the risk-based approaches implemented by supervised entities, and deepen the internal risk-based supervisory approach;
- in the area of emerging risks, monitor and anticipate risks linked to new participants and tech innovations (with a focus on advanced data analysis), blockchain technology, crypto-assets and cyber security.

At its plenary meeting on 4 March 2022, the ACPR College added monitoring the risks associated with the war in Ukraine to its list of priorities for 2022.

More specifically, measures will include the prudential oversight of the banking and insurance sectors with regard to direct exposures, as well as exposures that could be impacted by second-round effects, notably in connection with rising energy and agricultural commodity prices. Exposures linked to leveraged funds are also subject to specific oversight given the effects of increased volatility on various financial asset segments. Cyber risk will be watched especially closely in this setting.

The ACPR is also very attentive to the implementation of sanctions by the financial institutions under its supervision.

Finally, the ACPR is participating actively in the related regulatory and prudential work, should issues arise in this regard in connection with this latest crisis.

In resolution, the Resolution College adopted the following priorities at its meeting on 22 November 2021:

- continue to pursue a strategy of exerting influence to improve recognition of recovery options when setting the minimum requirement for eligible liabilities (MREL) and avoid decisions that could increase fragmentation in Europe;
- finalise the first resolution plans in the insurance sector and participate actively in work on draft European legislation on resolution in the insurance sector.

² Work relating to negotiations on the Anti-Money Laundering Package presented by the Commission (two regulations and one directive that strengthen and harmonise European AML/CTF law and a regulation establishing a new European anti-money laundering authority) will continue in 2022.





2

PRUDENTIAL SUPERVISION

Key figures

2021

276

LICENSING
AND AUTHORISATION
DECISIONS

17

MEETINGS OF THE ECB'S
PRUDENTIAL
SUPERVISORY BOARD

72

ON-SITE INSPECTIONS
RELATING TO
PRUDENTIAL
SUPERVISION

12

*ANALYSES ET
SYNTHÈSES* REPORTS
PUBLISHED

25

MEETINGS ATTENDED
OF DECISION-MAKING
BODIES OF EUROPEAN
SUPERVISORY
AUTHORITIES

1

FORMAL NOTICE

1. Changes to the structure of the French financial system

Summary of ACPR licensing and authorisation decisions

	Total ACPR		
	Total	Insurance	Banking
Granting of licences, authorisations and registrations	28	8	20
Licence extensions	27	14	13
Waivers and exemptions from licensing and authorisation requirements	11	1	10
Amendments to licences and authorisations	8	5	3
Withdrawals of licences and authorisations	36	16	20
Risk transfer agreements	0	0	0
Administrative changes	16	5	11
Changes in ownership	75	15	60
Mergers, demergers and/or portfolio transfers – Insurance sector	41	41	0
Other	34	9	25
TOTAL	276	114	162

1.1 Insurance sector

The trend in 2021 echoed that of previous years, with a small decrease in the number of institutions licensed in the insurance sector, linked essentially to the ongoing decline in the number of mutual insurers, which was partly offset by the creation of eight new insurance undertakings. These included

- three non-life insurance undertakings:
 - Acheel SA, which plans to offer customers digitalised products covering the entire value chain of home, health and pet insurance;
 - Mila SA, which intends to market unpaid rent and landlord insurance products through property administrators;
 - SMACL Assurances SA, a joint subsidiary of SAM MAIF and SMACL, to which a portion of the SAM SMACL portfolio was transferred.
- two reinsurance captives: Groupe SEB Ré and Bonduelle Ré;
- two undertakings were licensed as supplementary occupational pension funds (FRPS), a regime established under Ordinance No. 2017-484 of 6 April 2017: APICIL Épargne Retraite and CPCEA Retraite supplémentaire (AGRICA group);
- 157 RE 22, a sub-fund of a securitisation fund (FCT) bearing insurance risks for CCR RE.

In addition, 41 mergers or portfolio transfers, which resulted in 16 licenses lapsing (one partially), were authorised. Most of these moves were due to mergers of mutual insurers or group reorganisations.

There were more authorisations for ownership changes than in 2020; one of them involved a large group, namely Aéma group's takeover of the French subsidiaries of UK group AVIVA.

The ACPR also took:

- 758 decisions concerning appointments of effective managers and key function holders in the insurance sector, compared with 614 in the previous year;
- 185 decisions on European passports enabling French institutions to do business in other European Economic Area countries, including 23 decisions on the freedom of establishment, of which three branch creations, 158 on the freedom to provide services and four cross-border transfers. By comparison, the ACPR took 144 decisions in 2020.

1.2 Banking sector³

The number of licensed institutions in the banking sector increased over the course of the year. In a continuation of the trend of recent years, this growth was essentially attributable to the payments and investment services sectors.

The most significant authorisations issued in 2021 included the following:

- Licenses were issued to nine investment firms, seven payment or electronic money institutions and two entities with dual financing company/payment institution status, including:
 - Société Générale Forge, which was licensed as an investment firm whose purpose is to contribute to growth of the market for blockchain-registered financial instruments in France and Europe by creating a global offering comprising structuring, custody and trading services for security tokens;⁴
 - FDJ Services, a subsidiary of La Française des Jeux SA, which was licensed as a payment institution. The payment services provided by FDJ Services are going to be based around an offering for payment services providers that do not have a physical network and that want to enable their customers to deposit funds on their accounts through a local network.

³ Credit institutions, financing companies, investment firms, payment institutions, electronic money institutions.

⁴ Security tokens are classified as financial instruments under the Monetary and Financial Code.

- Alma, which was given a dual license as a financing company and payment institution. The company offers a payment solution for online commerce that allows end customers to pay in instalments without fees.
- Ownership changes, including:
 - Euroclear's acquisition of MFEX France's distribution platform; the merger of the Cholet-Dupont and Oudart groups, both of which specialise in wealth advisory services;
 - BNP Paribas' acquisition of 100% of EXANE group, as part of steps to consolidate the group's positioning on the equity market.

The ACPR also took:

- 2,114 decisions concerning appointments/renewals of appointments of effective managers and members of supervisory bodies, of which 508 were the subject of an ECB decision following an ACPR review;
- 548 decisions on European passports enabling French institutions to do business in other European Economic Area countries; note that Brexit resulted in the closure of 51 branches across all categories;
- 3,261 decisions authorising the agents of payment services providers, 225 of which concerned agents in other European Economic Area countries.

LICENSING BROKER ASSOCIATIONS

The Brokerage Reform Act of 8 April 2021 made it mandatory for insurance and banking brokers to become members of an ACPR-licensed professional association entrusted with supporting members and monitoring their business. In this capacity, the associations were given duties in a range of areas including mediation, vocational training, verifying compliance with the requirements for admission to the profession, providing support to the market and monitoring activity within the industry. They also have disciplinary powers over members and may rescind membership if a broker no longer satisfies the requirements or fails to meet the requisite commitments.

The aim of this reform, which is modelled on the framework for financial investment advisers supervised by the AMF, is to ensure that the industry does a better job of meeting the new regulatory requirements.

The associations must publish an annual report on their activity and that of their members, in aggregate form.

On 29 September 2021, the ACPR held an information meeting for the future associations to explain the licensing process and field questions raised by the industry.

The implementing legislation was published on 1 December 2021.

CONTINUED EFFORTS TO BRING TELECOMMUNICATIONS COMPANIES INTO COMPLIANCE

A campaign to promote compliance by telecommunications companies providing payment services was launched in late 2019 with support from the *Autorité de régulation des communications électroniques, des postes et de la distribution de la presse* (ARCEP – Regulatory authority for electronic communication, postal services and print media distribution).

While companies that are in direct contact with subscribers may carry on their activity without a license under an exemption provided by the Second Payment Services Directive, intermediaries that are further downstream in the payments chain and entities holding funds on behalf of third parties must report this activity to the ACPR. Failure to do so amounts to providing unlicensed payment services, an offence punishable by three years in prison and a fine of EUR 375,000 (Article L. 572-5 of the Monetary and Financial Code).

In 2021, as it continued efforts under the compliance campaign, the ACPR received two applications to license a payment institution (Article L. 522-1 of the Monetary and Financial Code) and 40 applications to register the agents of payment services providers (Article L. 523-1 of the Monetary and Financial Code).

ASSESSING THE FITNESS AND PROPRIETY OF SENIOR EXECUTIVES

As part of ratifying the appointments or reappointments of effective managers, members of corporate bodies⁵ and key function holders⁶ at supervised entities in the banking and insurance sectors, in 2021 the ACPR received 2,872 applications, 59% of which concerned members of supervisory bodies, 27% of which concerned effective managers and 14% of which involved key function holders. A large share (around 54%) of these applications were submitted to the ACPR through the authorisations portal in the second quarter. This seasonality is built into the corporate calendar, as all supervised undertakings must submit the relevant notification in the 15 days following the appointment or reappointment, with the exception of payment and electronic money institutions, which are subject to a five-day deadline.

While the ACPR and the ECB⁷ approved the vast majority of the applications, they expressed reservations in around 26% of cases, with concerns mostly centred on the need for skill strengthening and reflected in training requirements. Other concerns were chiefly about insufficient availability of members of governance bodies to perform their executive or supervisory duties or issues relating to potential conflicts of interest.



ENTRY INTO APPLICATION OF THE NEW REGULATORY FRAMEWORK FOR FINANCIAL HOLDING COMPANIES, MIXED FINANCIAL HOLDING COMPANIES AND PARENTS OF FINANCING COMPANIES

Article 21a of Directive (EU) 2019/878 of 20 May 2019 (CRD V), transposed in France by Article L. 517-12 of the Monetary and Financial Code, requires the following financial institutions to be approved by the competent authority: financial holding companies, mixed financial holding companies and parent undertakings of financing companies, specifically (i) parents in a Member State or in the Union (within the meaning of Articles L. 517-1 par. 4 to 7 and L. 517-4-1 par. 4 and 5 of the Monetary and Financial Code) and (ii) companies and parents subject to supervision on a sub-consolidated basis (Art. L. 517-12 par. 2).

A new prudential oversight regime has been introduced for these financial institutions. According to Recital 3 of CRD V, “As the institution controlled by such holding companies is not always able to ensure compliance with the requirements on a consolidated basis throughout the group, it is necessary that certain financial holding companies and mixed financial holding companies be brought under the direct scope of supervisory powers pursuant to Directive 2013/36/EU and Regulation (EU) No 575/2013 to ensure compliance on a consolidated basis”.

Entities existing as at 27 June 2019 had until 28 June 2021 to file with the ACPR, as applicable, an approval application or an application for an approval exemption, based on whether they met the criteria set out in the versions of Articles L. 517-13 and L. 517-14 of the Monetary and Financial Code in force since 29 December 2020. Between October and December 2021, of the entities already supervised by the ACPR, 12 financial holding companies, one mixed financial holding company and five parent undertakings of financing companies were approved. One of them received an exemption.

⁵ Members of supervisory boards are ratified by the ACPR (or the ECB) only in the banking sector (with the exception of payment and electronic money institutions).

⁶ Key function holders are ratified by the ACPR only in the insurance sector.

⁷ The ECB is responsible for considering applications submitted by credit institutions on the list of significant credit institutions under its direct supervision.

Summary of institutions authorised to do business in France

Insurance sector	31/12/2020	31/12/2021	Change 2021/2020
Insurance undertakings			
Insurance companies	258	258	0
Supplementary occupational pension funds	6	8	2
Reinsurance companies	12	14	2
Non-EU country branches	4	4	0
Insurance Code	280	284	4
Provident institutions	33	33	0
Supplementary occupational pension institutions	1	1	0
Social Security Code	34	34	0
Mutual insurers governed by Book II and not backed by larger partners	279	265	-14
Supplementary occupational pension mutual insurers	1	1	0
Mutual reinsurers	2	2	0
Mutual insurers governed by Book II and backed by larger partners	87	82	-5
Mutual Insurance Code	369	350	-19
Total licensed undertakings and undertakings not requiring a licence	683	668	-15
Banking sector	31/12/2020	31/12/2021	Change 2021/2020
Credit institutions (licensed in France and Monaco)			
Credit institutions licensed in France	321	319	-2
Institutions licensed for all banking activities	249	249	0
Banks	153	153	0
<i>o/w branches of institutions having their registered offices in non-EU countries</i>	18	21	3
Mutual and cooperative banks	78	78	0
Municipal credit banks	18	18	0
Specialised credit institutions (formally financial companies or specialised financial institutions at end-2013)	72	70	-2
Credit institutions licensed in Monaco	20	19	-1
TOTAL CREDIT INSTITUTIONS (licensed in France and Monaco)	341	338	-3
TOTAL INVESTMENT FIRMS (licensed by the ACPR)	93	102	9
<i>o/w branches of institutions having their registered offices in non-EU countries</i>		2	2
FINANCING COMPANIES			
Financing companies	135	131	-4
<i>o/w mutual guarantee companies</i>	38	38	0
Dual status: financing companies and investment firms	4	3	-1
Dual status: financing companies and payment institutions	17	17	0
TOTAL FINANCING COMPANIES	156	151	-5
TOTAL PAYMENT INSTITUTIONS (licensed by the ACPR)	44	49	5
TOTAL ACCOUNT INFORMATION SERVICES PROVIDERS	8	8	0
TOTAL ELECTRONIC MONEY INSTITUTIONS (licensed by the ACPR)	15	16	1
Total licensed banking institutions	657	664	7
TOTAL THIRD-PARTY FINANCING COMPANIES	5	5	0
TOTAL MONEY CHANGERS	194	211	17
Total other institutions authorised by the ACPR	199	216	17
Branches of EEA institutions operating under the freedom of establishment			
Branches of insurance undertakings	67	57	-10
Branches of credit institutions	72	65	-7
Branches of investment firms	56	33	-23
Branches of payment institutions and electronic money institutions	21	15	-6
Total branches operating under the freedom of establishment	216	170	-46

2. Prudential oversight

2.1 Insurance sector

2.1.1 Exiting the Covid-19 crisis and the impact of the interest rate environment

In 2021, the ACPR continued to pay close attention to monitoring the effects of the Covid-19 crisis on the situation of insurance undertakings.

While the crisis had a limited direct impact on the market as a whole, particularly in terms of solvency, some segments were more vulnerable to the shock, making it necessary to maintain enhanced supervision. For this reason, special attention was paid to the health and death & disability sectors in an environment featuring low interest rates, a catch-up effect in health expenditures that were not executed in 2020 in particular because of lockdown measures, and the potential phase-out of the government's direct economic support measures.

In general, in 2021, insurance undertakings were more sensitive to economic and financial conditions, which were characterised by steadily rising interest rates coupled with vibrant equity markets. The impact of higher interest rates needs to be considered carefully, insofar as it depends on several factors, including duration gaps between insurers' assets and liabilities, the initial level of their unrealised capital losses or gains, and the response by asset markets (equities, property) to rising interest rates. Against this backdrop, the upturn in inflation also changes the environment for insurers.

All in all, this environment drove strong growth in inflows to life insurance, while underwriting results for non-life insurance got back to normal. Insurers' solvency improved, reverting to pre-crisis levels, which prompted some participants to resume strategies to optimise capital management, including share buybacks, early redemptions of subordinated debt and, for group subsidiaries, additional dividend payouts.

Some undertakings made far-reaching organisational changes amid the gradual exit from the health crisis and the low rate environment. The ACPR therefore kept a close watch on the risks linked to the creation of supplementary occupational pension funds, requests to approve specific parameters in non-life insurance, and revisions to contract clauses in business interruption and life insurance.

2.1.2 Cyber risk

Over recent years, in step with the rise of digitalisation, cyber risk has become a major and structural risk for insurance undertakings, given the data that they hold and because this risk could be a source of major business disruptions. The Covid-19 crisis, which sternly tested organisations and processes, illustrated the realistic nature of scenarios combining a pandemic, cyber attacks and information system (IS) production incidents, and underlined the need to protect against the risk associated with insufficient IS security.

In 2021, the ACPR's work on supervising the operational cyber risk to which insurance undertakings are exposed was organised around several areas:

- continued "on-site" inspections focused on cyber issues;
- post-mortem analyses of incidents and attacks in the insurance sector;
- at the end of the year, coordinated efforts to warn about a major IT vulnerability⁸ and gathering of market information revealing the absence of incidents to date;
- efforts to communicate about and clarify the ACPR notice on IT governance and security, which takes up guidance adopted in June 2021 by the European Insurance and Occupational Pensions Authority (EIOPA), through webinars organised with the main professional federations in the insurance sector.

Supervisory activities and attack analyses in 2021 once again found widely contrasting maturity levels in IS security among insurers. In 2020, the pandemic forced insurance undertakings to make emergency organisational adjustments, notably in relation to widespread work-from-home arrangements. But in 2021, insurers did not always act on the takeaways from this unprecedented and forced situation, even when they were mentioned in internal audit reports. Changes were expected in areas including business continuity plans, the development of more robust authentication systems, optimisation of authorisation management processes and deployment of vulnerability patches. But the commitment by decision-making bodies in support of cyber corrective measures involving all lines of defence alongside operational staff still seems too half-hearted and insufficiently structured.

In this respect, the ACPR notice on IT governance and security represents a minimum set of core principles on which to build a consistent risk management approach, at the level of governance (strategy, risk assessment and acceptance, outsourcing) and internal control (involvement of lines of defence, including the IS security function), and also at the operational management level (physical and logical security, change and projects, oversight and prevention systems). Implementation of this approach, in a manner proportionate to risk exposure and the complexity of the technological environment, forms the first building block in a system of operational resilience.

2.1.3 Strengthening reporting quality

Under data quality regulatory requirements, data should be appropriate (i.e. appropriate for their purpose), exhaustive (i.e. make it possible to understand all the main risk groups to which insurance undertakings are exposed), accurate (data are classified as accurate if there are no material errors or omissions) and traceable (insurance undertakings must document sources of internal and external data).

⁸ The vulnerability, linked to log4j, a product used in programmes employing Java, made it possible to gain fraudulent access to information systems.

As part of discharging its supervisory responsibilities, the ACPR pays close attention to data quality, which is an issue of strategic importance to insurance undertakings and a key element in steering their activities. The process of improving data quality and consistency is therefore assessed at several levels by ACPR staff:

- when prudential reports are submitted to the ACPR's information systems, which perform automated controls that integrate the European taxonomy;⁹
- as part of ongoing supervision, via special purpose analytical tools;
- and during on-site inspections, particularly through checks focused on the quality of data and information systems.

When it comes to filing prudential documents, although a lot of work has already been done on punctuality, completeness and compliance with taxonomy controls, reporting quality is still too low. Accordingly, in 2021, the ACPR stepped up and toughened up its checks. Punctuality-related breaches, in particular, are addressed through reminders at multiple levels, which can lead to injunctions combined with penalties for supervised undertakings.

At the same time, the ACPR is doing more to raise awareness and communicate with insurance undertakings. Information meetings are organised regularly with the financial community. Communications are also posted on the ACPR and e-Surfi assurance websites (regulatory developments and their impacts, publication of instructions, changes to filing requirements, etc.).

Finally, it is important to note that all the work done by the supervisor to check reporting quality forms part of a broader international drive. International financial regulators, such as the G20, the Financial Stability Board, the International Monetary Fund (IMF) and the ECB, have made data quality a focal point in their work. In the insurance sector specifically, EIOPA has published several sets of guidelines on data quality (cf. Guidelines 48 on data quality and 53 on data quality control procedures) and leads working groups of national supervisors on using reported data, with exchanges of best practices.

2.1.4 Quality of prudential calculations

The verification of insurers' prudential ratios and solvency assessments more generally rely on the quality of the upstream calculations, including:

- an accurate estimate of the insurer's commitments (the "best estimate" of technical provisions under Solvency II), a critical part of estimating own funds;
- an estimate of the various risks borne by the insurer, which is used to determine the solvency capital requirement.

Data quality is essential to the reliability of these prudential calculations. During on-site inspections, the ACPR checks data quality for each application for authorisation to use an internal model or specific parameters to calculate the solvency ratio. Before insurers submit an authorisation application, it is important that they reach out to the ACPR to assess the feasibility of the request, notably with regard to the quality of available data. In general, while an improvement in the recognition of data quality requirements has been observed since the Solvency II Directive entered into application, much progress still remains to be made, in terms of governance, mapping and identification of data criticality.

For prudential calculations to be reliable, appropriate methodologies and assumptions also need to be used. Although, on the whole, companies have adopted methods for calculating technical provisions and risks, these remain insufficiently documented, while assumptions are inadequately justified and too often based on expert judgements. Similarly, sensitivities to selected methods and parameters and measurement of the level of uncertainty pertaining to outcomes have yet to be introduced on a widespread basis.

Particular points for attention include the use of outsourcing for database population or management, the sub-contracting of some or all prudential calculations, and the insurer's ability to oversee the work done by the service provider. The insurer is responsible for the reliability of prudential calculations entrusted to a third party; it must supervise outsourced activities closely and validate the methodology and assumptions used. The ACPR communicated its expectations for outsourcing in a press release¹⁰ in July 2021.

Finally, and in all cases, proper governance of prudential calculations should involve executive bodies, which should be in charge, in particular, of validating key assumptions. However, these bodies do not always have the information needed to take informed decisions. The actuarial function should also play its role to the full by issuing an opinion to the entity's governance bodies on the appropriateness of the calculations.

The quality of prudential calculations is, moreover, a living concept, and standards are being adjusted as experience grows. To this end, the ACPR is working to update the Solvency II notices published on various aspects of prudential calculations, such as technical provisions, contract boundaries,¹¹ the solvency capital requirement and internal models. Work will continue in 2022 before a consultation phase. The ACPR is also involved in European work to update guidelines on the valuation of technical provisions and contract boundaries. The new EIOPA guidelines, which are intended to foster the convergence of supervisory practices on these issues at European level, were the subject of a consultation in 2021 and will be published by EIOPA in 2022.

⁹ The taxonomy refers here to a shared European classification methodology that is intended to measure the "green" share of a company's activities or of a financial product (portfolio or investment fund especially).

¹⁰ Press release on the ACPR website: [Outsourcing: the ACPR reminds stakeholders about the need to comply with their obligations](#)

¹¹ The contract boundary corresponds to the date on which the insurer can terminate the contract, reject premiums payable, or amend the premiums or the benefits payable under the contract.

CLIMATE RISK GOVERNANCE

In 2021, the ACPR began work on climate risk governance by (re)insurers, building on a previous report by the Authority (cf. *Analyses et synthèses* No. 102: French insurers facing climate change risk, April 2019). This report stressed the need for insurance and reinsurance undertakings to:

- define their climate risk management strategies more precisely;
- adapt their governance systems;
- establish metrics to understand climate change risk;
- step up transparency requirements.

The aim of the work was to identify the governance practices implemented in the intervening period by (re)insurers to cope with emerging climate risks. In particular, work was focused on the exposure of (re)insurers to physical, transition and responsibility risks arising from climate change. Similar work was done in 2020 with the banking sector (cf. “Governance and management of climate-related risks by French banking institutions: some good practices”, May 2020).

This work was conducted with a view to sharing best practices. It brought together 21 insurance and reinsurance groups as well as three professional federations¹² around four panel discussions, which took place between April and June 2021 and which broached various aspects of climate governance.

The report published on 17 February 2022 indicated that recognition of climate change is becoming a major component in the strategies of different undertakings and reflects the materiality of the impact on each institution’s investments, activity and business model. The risks associated with climate change and their long-term horizon are being gradually built into risk management policies and mechanisms. Governance bodies are giving this aspect a bigger place in business steering and decision-making mechanisms. Owing to their expertise and institutional investor status, (re)insurers play a major role in raising stakeholder awareness. The novel and evolving nature of issues relating to climate change underscores the need for continued dialogue with the financial community to promote the emergence of best practices.

REMUNERATION POLICIES AT INSURANCE UNDERTAKINGS

The ACPR General Secretariat did a stock-taking of remuneration policy practices among insurance undertakings in the French financial centre by carrying out a questionnaire-based survey of 55 significant market participants, including insurance groups, mutual insurance groups and provident institutions. The aim was to gain an overview of compliance with regulatory stipulations and guidelines issued by the authorities in this area. Analyses covered qualitative aspects relating to formal remuneration policies (“written policies”) set down by institutions and implementation of these policies.¹³

On the whole, written policies are insufficiently precise, and adjustments could be made to the processes used to draw up and update policies, the scope of entities concerned and the remuneration instruments used (fixed, variable, in-kind benefits, etc.), as well as share-based payments in the case of listed companies. A broad range of situations was observed as regards recognition of company strategy and risk management in remuneration and conflict of interest management. Shortcomings were noted in terms of deferral periods for variable portions and performance assessment criteria, while social and environmental responsibility and remuneration were almost never linked as at the date of the review.

The ACPR recommends continuing efforts regarding the content of written policies:

- the fixed and variable components of remuneration should be better balanced so that the fixed portion makes up a sufficiently large share of total remuneration;
- a significant share of variable remuneration – at least 40% or so – should be deferred;
- besides financial aspects, performance assessment criteria should explicitly address non-financial aspects;
- environmental, social and governance criteria should be taken into account in variable remuneration;
- it is recommended that a remuneration committee should be set up, notably by the largest institutions, and that this committee should play a role in examining and validating the written policy before its approval by the board of directors.

¹² Centre technique des institutions de prévoyance (CTIP), France Assureurs and Fédération nationale de la mutualité française (FNMF).

¹³ *Analyses et synthèses* No. 130, on the ACPR website: Summary of the 2021 survey of remuneration policies at insurance undertakings in 2019, December 2021.

EUROPEAN STRESS TEST FOR THE INSURANCE SECTOR

EIOPA launched a stress test in May 2021, with the participation of 44 European insurance groups, nine of which are headquartered in France. The scenario applied was designed using a common narrative for the insurance and banking sectors, based around a prolonged Covid-19 crisis in a “lower for longer” interest rate environment.

The test sought to assess the resilience of insurers at end-2020 via an estimate of post-stress capital positions (own funds and solvency capital requirement) similar to that conducted in 2018, and an analysis of liquidity flows in an adverse scenario (new exercise).

ACPR staff participated extensively in all stages of the exercise. EIOPA published the aggregate results and said that insurers had entered the stress test exercise with a strong level of capitalisation (217.9%). The post-stress ratio fell to 139.9%, with two participants (neither French) going below 100%. The stress test showed that liquidity risk is low in France and Europe. Even in an adverse scenario, no insurer would struggle to cover its commitments through large asset sales.

2.2 Banking sector

2.2.1 Assisting the ECB in the supervision of major banking groups

Within the framework of the Single Supervisory Mechanism (SSM), the ACPR provides significant support in the ongoing supervision of France’s 11¹⁴ major banking groups, or significant institutions (SIs), which are directly supervised by the ECB. This supervision is performed by Joint Supervisory Teams (JSTs) made up of staff supplied by the ECB, the ACPR and the other national authorities from countries where these banks do business. ACPR staff are also involved in the work of five other JSTs in charge of supervising European SIs operating in France through subsidiaries or branches.

Reporting to the JST coordinator at the ECB and the local coordinator at the ACPR, the ACPR’s staff implemented the annual supervision programme, which was designed to reflect the size and risk profile of each banking group and SSM priorities for 2021.

After supervisory procedures were tailored to the unique environment of the health crisis in 2020 (i.e. refocused on certain risk categories), in 2021, supervisory work was once again fully organised around the Supervisory Review and Evaluation Process (SREP), which yields an overall score for each institution that provides the basis for any supplementary capital requirements, also known as Pillar 2 Requirements (P2R).

This annual evaluation exercise was rounded out in 2021 by a European stress test organised by the EBA. This was used to assess the capital losses that would be recorded by banks if the shocks identified in the most adverse scenario were to occur. The ECB considered the test results when setting Pillar 2 Guidance (P2G), which is in addition to P2R. By complying with the guidance, institutions should ensure that they have sufficient capital throughout the business cycle, including during periods of stress.

The JSTs also conducted cross-cutting thematic reviews that were determined and operationally implemented according to the SSM’s prudential priorities for 2021. These reviews, which sought to capture short- and medium-term uncertainties linked to the global consequences of the pandemic, covered:

- credit risk management;
- capital strength;
- business model sustainability;
- governance.

In connection with the management of credit risk and its capital impact, the teams paid attention to the practices employed by banks to detect, measure and mitigate the impact of credit risk, as well as to their operational capacity to manage the expected increase in the number of distressed borrowers. Provisioning and impairment policies were closely examined. With European banks facing a host of challenges, many of which were exacerbated by the pandemic (low interest rates, digitalisation, competition from new participants), JSTs continued to analyse the sustainability of banks’ business models.

In 2021 the first supervisory work on climate risk was also launched. In addition to their disclosure obligations, banks were contacted as part of a thematic review aimed at analysing the recognition of this new factor in their risk management practices and measures planned for the future. The JSTs analysed all of this information. They were also consulted as part of preparations for the first climate stress test planned for the first half of 2022 by the ECB.

2.2.2 Oversight of Less Significant Institutions (LSIs)

As with the large banking groups, 2021 was an opportunity to get back to a more typical approach to supervising the 101¹⁵ less significant institutions (LSIs) based in France, after 2020 was extremely focused on close monitoring of the impacts of the Covid-19 crisis on LSIs. Subject to indirect ECB supervision, they were again the subject in 2021 of several cross-cutting initiatives linked to the effects of the crisis (implementation of recommendations by European authorities on dividend payouts, assessment and management of credit risk), but “pragmatic” adjustments

14 BNP Paribas, BPCE, Bpifrance, Confédération Nationale du Crédit Mutuel, Crédit Agricole SA, CRH, HSBC Continental Europe, La Banque Postale, RCI Banque, SFIL and Société Générale. NB: in January 2022, the number of SIs was reduced to ten, as CRH was classified as an LSI.

15 This figure includes only institutions subject to indirect ECB supervision (LSIs), and not all institutions that are licensed and supervised exclusively by the ACPR, which include financing companies, investment firms and payment institutions.

In early 2022, it included two non-SSM EEA branches, 20 subsidiaries of French LSIs and 79 French lead companies or independent LSIs.

made in 2020 to the SREP were not repeated in 2021. After 18 months of crisis, it was important to conduct a full assessment, which included looking ahead to the lifting of easing measures introduced for banks in 2020 (notably for capital buffers and liquidity requirements). The 2021 assessment campaign revealed good overall resilience within the French LSI sector, which successfully adapted to the exceptional circumstances of 2020 and 2021 and supported the economic recovery. It again highlighted the major role of profitability-related, operational (IT and cyber risk) and governance (including risk management and internal control aspects) risks in the profiles of French LSIs.

At the same time, the ECB gradually resumed work on harmonising supervisory practices at the 19 national authorities responsible for the day-to-day supervision of LSIs in the SSM.¹⁶ Among the cross-cutting activities conducted in 2021, special attention was paid to credit and IT risks and to LSI governance. This is expected to lead in 2022 to a number of targeted adjustments to the SREP methodology for this population. The ECB and affected national authorities also completed two projects with a decisive bearing on supervisory work. The LSI classification methodology was revised in 2021 to recognise not just size but also the risk level of each institution. Several proportionality measures¹⁷ introduced by the CRD5/CRR2 reform for small and non-complex institutions (SNCLs) were also implemented.

At a more technical level, around 40 or so French LSIs were assessed in 2021 using the IMAS IT platform made available by the ECB to national authorities, which may choose to use it on a voluntary basis, in order to promote convergence in supervisory practices. The platform is scheduled to be deployed to cover the entire population of French LSIs over the course of 2022. This interface follows the SREP methodology exactly, consistent with the more in-depth approach applicable to large groups under direct ECB supervision, while taking into account the simpler and smaller-scale risk profile of LSIs. The new tool is very much in line with the analytical approach long practised by the ACPR. IMAS now accommodates a huge sample of SSM LSIs, making it possible to facilitate cross-cutting analytical work steered by the ECB, as well as information-sharing and cooperation between SSM stakeholders.

In 2021, France also introduced, for the first time, P2G for French LSIs, consistent with current practice for large groups. Determined on the basis of the results of stress tests designed and conducted by the ACPR¹⁸ following an adversarial process carried out in autumn 2021 with affected French LSIs, this guidance must be met using CET1 capital by the end of 2022. The guidance will be revised based on the next round of stress tests, which are scheduled for 2023 following the stress test led by the EBA every two years for large groups.

Finally, as in past years, the quality of European reports submitted by French LSIs (FINREP / COREP) was a major topic of supervision. These reports continue to suffer from deficiencies that create major difficulties when it comes to compiling reliable SSM-level statistics – and hence in making comparisons with other euro area LSIs – but also when it comes to assessing institutions' risk profiles and checking compliance with prudential standards.

2.2.3 Supervision of institutions not covered by the SSM

Besides large banking groups and LSIs, the ACPR also supervises a range of institutions with a variety of business activities and risk profiles, such as financing companies, non-EU country branches, investment firms, payment institutions, electronic money institutions and account information services providers. The ACPR is in charge of their supervision, which is covered by specific regulatory frameworks.

As the Covid-19 crisis continued, supervisory measures adopted in 2020 with regard to financing companies were renewed, even though the firms themselves maintained or even increased their earnings and solvency and liquidity ratios. In an environment still plagued by uncertainty, these measures were chiefly intended to further strengthen institutions' capitalisation levels: P2R were kept the same, the countercyclical buffer was held at 0%, and it was recommended to abstain from paying dividends until 1 October. Credit and counterparty risk were monitored especially closely. In general, measures to support corporate cash positions, such as the distribution of state-guaranteed loans and payment moratoria on existing loans, went a long way to limiting failures among the customers of financing companies. Situations varied depending on the vulnerability of customers' sectors of activity, which partly explains why the cost of risk ranged so widely across institutions. Among the operational risks to which they are exposed, cyber security threats and fraud, both internal and external, are on the rise. ACPR staff warned institutions and analysed the systems in place to manage these risks, notably through annual interviews.

Furthermore, the ACPR is responsible for supervising 25 branches of credit institutions whose registered offices are in third countries, i.e. outside the European Union. Based in France (or in Monaco in some cases), these "non-EU country" branches are subject by default to all of the European regulations applicable to banks. However, they may apply for a full or partial exemption, subject to certain equivalence and reciprocity conditions. To assess compliance with these conditions, the ACPR checks whether the rules applicable in the country where the branch's head office is located are at least equivalent to European regulations and also, in accordance with the principle of reciprocity, reviews the rules that the third country in question imposes on the branches of French banks based there. Following the entry into application in the European Union of standards relating to the net stable funding ratio (NSFR) and leverage ratio in June 2021, the ACPR received several new exemption applications from non-EU country branches. After reviewing each individual situation and assessing equivalence and reciprocity conditions in terms of the NSFR and leverage ratio, the ACPR's Supervisory College granted several exemptions in 2021 from compliance with the two standards on an individual basis to a number of these branches.

¹⁶ Plus the supervisory authorities of Bulgaria and Croatia, which began participating in European banking supervision in October 2020 following the establishment of close cooperation.

¹⁷ For liquidity requirements in particular, via the option of applying a simplified NSFR.

¹⁸ These tests were based on scenarios established by the European Systemic Risk Board (ESRB), which were also used in the EBA's stress tests, and cover the main risks of each institution (credit risk, change in net interest margin and market risk, if material). Cf. Box on this topic on page 28 of the [2020 Annual Report of the ACPR](#), on the ACPR website.

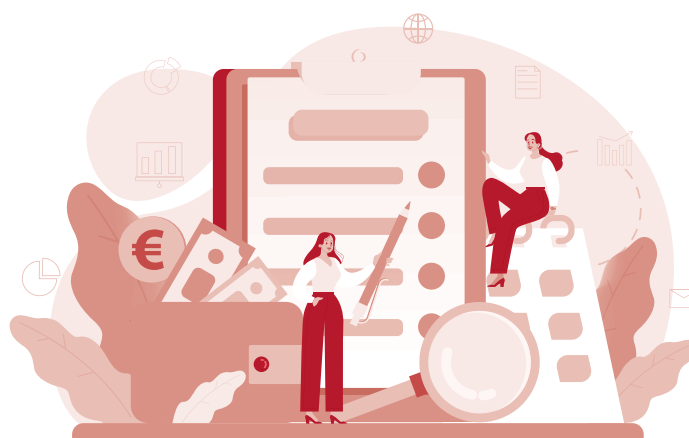
In the case of investment firms and parent undertakings classified as investment holding companies, the ACPR made sure that affected institutions had correctly introduced the new IFR/IFD regulatory framework and managed to apply it in accordance with a proportionate approach, despite the relatively short timelines.

Supervising this population kept ACPR staff extremely busy, with Brexit fuelling a steady stream of new, often pan-European, participants with innovative models: some of these firms struggled to launch their business activities and get on a sustainable path, resulting in financial problems and recapitalisation requirements. However, the post-Covid rebound and buoyant financial markets in 2021 enabled most investment firms to get back to satisfactory profit levels and consolidate their financial base. Many firms that set up in France after Brexit continued to relocate staff and managed to reach or even exceed their breakeven point, enabling them to grow their activities in continental Europe from Paris on a sustainable footing.

More and more payment institutions, electronic money issuers and account information services providers are emerging and adopting innovative and flexible models. ACPR inspection staff are particularly

attentive to these new participants and to the difficulties that some institutions may face in achieving adequate levels of profitability, which may undermine their financial base and hinder their capacity to establish appropriate internal control systems, at a time when outsourcing services is a widespread practice. To help institutions to better understand the expectations of supervisory authorities in terms of outsourcing, the ACPR issued a press release in July 2021 with a reminder about EBA guidelines (EBA/GL/2019/02). The ACPR also pays close attention to reporting quality, compliance with regulatory requirements, and the adequacy of systems to prevent money laundering and terrorist financing and to safeguard customer funds.

In 2021, the ACPR, which supervises the central counterparty based in France, LCH SA,¹⁹ in partnership with the Banque de France and the AMF, gave the green light for direct access to LCH SA to be set up for insurance companies and pension funds as clearing members. In the context of work by the EMIR Supervisory College, which includes European supervisory authorities, market surveillance authorities and central counterparties, the ACPR also contributed to the in-depth review of LCH SA's compliance with the requirements of EMIR, as recently revised and amended (EMIR 2.2).



EUROPEAN STRESS TESTS IN THE BANKING SECTOR

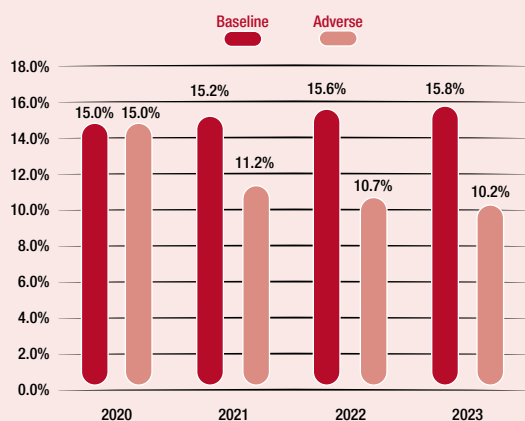
On 29 January 2021, the European Banking Authority (EBA) began a stress test that involved Europe’s 50 main banking groups, including seven French groups.²⁰ In parallel, the ECB launched its own test, which covered 51 other banks that it supervises directly, including four French banking groups.²¹ These tests were designed to assess the resilience of major European banks to highly adverse macroeconomic and financial shocks. The results of the exercises were published on 30 July 2021.²²

The baseline and adverse²³ scenarios project the main economic and financial variables, such as GDP growth, the unemployment rate, interest rates, property and equity prices, over a three-year horizon. The adverse scenario factors in a prolonged Covid-19 scenario in a “lower for longer” interest rate environment. The GDP trajectories assume a cumulative decline of 3.4% for France and 3.6% for the European Union between end-2020 and end-2023. This is a pessimistic projection applied to the already severely weakened 2020 macroeconomic environment.

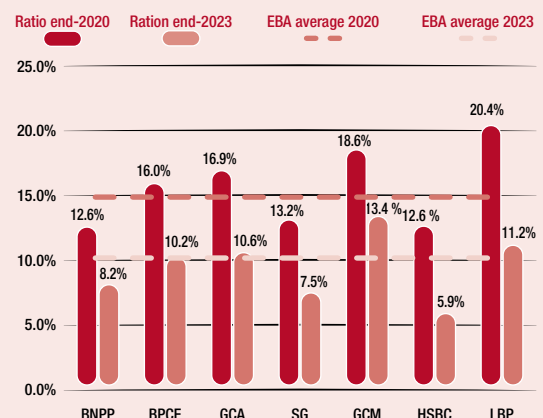
The ACPR contributed actively to designing the methodology and scenarios by seconding employees to the EBA and ECB and providing expertise on the specific features of the French banking system. Supplementing these efforts, the ACPR conducted its own ad hoc stress test of the main undertakings that provide guarantees for home loans.

The stress test results confirmed the resilience of France’s and Europe’s banking systems across the horizon covered by the exercise. Between end-2020 and end-2023, under the adverse scenario,²⁴ the aggregate CET1 solvency ratio falls from 15% to 10.2% for the 50 European banking groups, and from 15.3% to 9.7% for the seven French groups covered by the test.

Fully loaded²⁵ CET1 solvency ratio trajectories under baseline/adverse scenarios



Fully loaded²⁵ CET1 solvency ratios of French groups under an adverse scenario



²⁰ BNP Paribas, Groupe BPCE, Groupe Crédit Agricole, Groupe Crédit Mutuel, HSBC Continental Europe, La Banque Postale and Société Générale.

²¹ Bpifrance, Caisse de Refinancement de l’Habitat, RCI Banque and SFIL.

²² The results of the 2021 stress tests are available on the EBA and ECB websites.

²³ Macro-financial scenario for the 2021 EU-wide banking sector stress test on the EBA website.

²⁴ The overall ratio for banks subject to direct supervision by the ECB and subject to European stress tests falls from 15.1% to 9.9%.

²⁵ Including regulatory changes that have already been officially decided (including Basel III), i.e. disregarding the transitional measures currently in force.

IMPLEMENTING THE NEW PRUDENTIAL REGIME APPLICABLE TO INVESTMENT FIRMS

In late June 2021, the new prudential regime for investment firms (IFs), as defined by the provisions of the Investment Firms Directive (IFD) and its associated Investment Firms Regulation (IFR), came into effect. The ACPR and financial centre participants alike were kept busy with preparations for and operational implementation of the new regulatory framework, which sets out prudential requirements that are tailored and proportionate to the size, nature and complexity of the activities of IFs.

While making a substantial contribution to EBA-supervised work on drafting 30 or so level 2 standards to support the IFR/IFD Package, including regulatory technical standards and guidelines, ACPR staff also had the task of classifying institutions precisely according to the various categories introduced by the new regime, namely: Class 1 systemically important IFs, which are reclassified as credit institutions, and Class 2 and Class 3 IFs, which comprise, respectively, mid-size firms and small and non-interconnected IFs.

Building on this work to identify and categorise the IF population, the ACPR Supervisory College also registered about 20 investment holding companies (IHCs), a new category of financial institution introduced by the IFR/IFD regime for the parent undertakings of investment firms that are not themselves either investment firms or credit institutions.

At the same time, ACPR staff worked hard to enable all IFs subject to the new rules to file their regulatory reports under the IFR format starting with the September 2021 filing dates (first filing deadline for Class 2 IFs) and December 2021 (first filing deadline for Class 3 IFs). This entailed working to tight deadlines to undertake significant technical developments while remaining in constant contact with affected entities. It also involved helping those same entities to prepare their first round of IFR reports by assisting them to implement the new provisions, particularly those dealing with K-factors. These are metrics that capture the different types of risks used to calibrate capital requirements and were the main technical innovation introduced by the new IFR/IFD regime.

At the same time, the ACPR had to rule on several applications from investment firms for exemptions provided under the IFR/IFD Package, including the option for “simple” IF groups to be exempted from the requirement to meet their prudential requirements on a consolidated basis, or the option for Class 3 IFs and Class 2 IFs that are subsidiaries of a banking group to be exempted from liquidity requirements.

These various efforts, combined with the dedication shown by the ACPR and by stakeholders throughout the Paris financial community, ensured that the new regime came into application without major mishaps and on schedule, notwithstanding the disruption caused by the health crisis and the sharp increase over the recent period in the number of IFs licensed in France, notably owing to Brexit.

Although well underway, implementation of the new IFR/IFD regime is not yet completely finished. In 2022, the 12 or so systemically important Class 1 IFs required to be authorised as credit institutions under the new legislation will be licensed as “*établissement de crédit et d’investissement*”²⁶, with virtually all of them coming under direct ECB supervision. At the same time, ACPR inspection staff will use implementing legislation that is currently being finalised by the EBA (SREP guidelines and standard on setting Pillar 2 requirements) to update their analysis of IF risk profiles and identify firms that might need to be subject to additional capital requirements.

²⁶ Very large investment firms (with a balance sheet of more than EUR 30 billion) which carry out activities that expose their balance sheet to risks similar to those of banks are reclassified as banks under the name of “credit and investment institutions” (CI).

IMPLEMENTING THE PROPORTIONALITY PRINCIPLE FOR SMALL AND NON-COMPLEX INSTITUTIONS (SNCIS)

Proportionality, which is a general principle of European Union law, saw a major advance in 2021 in banking supervision with the entry into application of a new classification of institutions that was explicitly introduced by European legislation. Under CRD V²⁷, the population of supervised entities now comprises two classes at either end of the size spectrum, namely large institutions and small and non-complex institutions (SNCIs). Institutions between these two groups are defined as medium-sized institutions.

Over 2021, the ACPR conducted a large-scale data collection campaign across all the entities under its supervision in order to classify them according to the new typology. SNCI status was assigned to 96 institutions, including 44 financing companies. Note that, to ensure consistency with credit institutions, an executive order made financing companies subject at national level to a broad swathe of European prudential standards, including SNCI classification and the associated streamlining measures. SNCI (or non-SNCI) classification is intended to be reviewed regularly by the ACPR, to take account of changes in the situation of each institution.

Having SNCI status entitles institutions to opt for a simplified, but more conservative, method of calculating their net stable funding ratio (NSFR), if they are required to do so. However, not all eligible entities took this option. SNCIs also benefit from streamlined Pillar 3 disclosure requirements (transparency and public disclosure). SNCI classification reflects the fact that the supervisory authority considers the institution to be of modest size and to have a simple, low-risk profile. In this case, the intensity of day-to-day supervision is also tailored by being refocused on core concerns. Thus, while the options for exemptions linked to SNCI status are limited for now, the introduction of this new concept represents a noteworthy step forward in implementing the proportionality principle in the banking sector.

2.2.4 Le contrôle sur place des établissements de crédit

The Delegation responsible for the on-site inspection of credit institutions and investment firms (DCP) handles the ACPR's on-site prudential inspections in the banking sector. In all, the DCP took part in 57 inspections in this area in 2021:

- these included 51 inspections that it led itself, of which 27 on behalf of the ECB at major banking groups under the ECB's direct supervision;
- plus six cross-border inspections in which it participated on behalf of the ECB and that were led by another European supervisor.

In the case of the 27 inspections conducted on behalf of the ECB,

- 11 involved reviewing internal models used to calculate Pillar 1 capital requirements;
- 16 general inspections covered themes such as cyber security, credit and counterparty risk, market risk and governance. Credit risk-focused thematic inspections, in particular, assessed the impact of the Covid-19 crisis on the robustness of banking assets in vulnerable sectors and, as part of SSM inspection campaigns, on targeted portfolios, such as leveraged finance or commercial property.

During the pandemic, some inspections were carried out remotely, but the ACPR strove to ensure that inspections were conducted on site when the health situation allowed.

3. Active involvement in efforts to adapt the regulatory framework

3.1 Insurance sector

In 2021, the ACPR was heavily involved in the ongoing review of the Solvency II Directive. It also took part in the revision by the European Insurance and Occupational Pensions Authority (EIOPA) of supervisory reporting and public disclosure obligations, which was aimed particularly at ensuring that reporting is better tailored to supervisory needs.

During the Covid-19 crisis and following recommendations by EIOPA and the European Systemic Risk Board (ESRB), the ACPR recommended that undertakings suspend dividend payouts in 2020 and 2021 to preserve their capital resources, before lifting this recommendation in September 2021.

To encourage institutions to strengthen their cyber risk management, the ACPR published a notice in July calling on institutions to set up a proper cyber risk strategy, thereby complying with EIOPA guidelines on information and communication technology security and governance, which seek to foster harmonisation of supervisory practices in the European Union. The ACPR was also involved in work on the management of risks linked to outsourcing to cloud services providers, which was covered by specific EIOPA guidelines.

²⁷ Directive on capital requirements in the banking sector.

Finally, at European level, but also internationally within the Sustainable Insurance Forum, significant headway was made in the recognition of risks linked to climate change. After EIOPA released technical advice in 2019, which the ACPR was closely involved in preparing, amendments to the Solvency II framework were published in April 2021. These will come into application in August 2022 and

aim to ensure that sustainability risks are integrated in the governance and risk management of undertakings. Disclosure obligations in this area were also strengthened for insurers, banks and other financial institutions, with the entry into application of the Sustainable Finance Disclosure Regulation (SFDR) and work on its implementing legislation, which kept ACPR teams extremely busy.

UPDATE ON THE SOLVENCY II REVIEW

Three years after Solvency II came into force, in 2019 the European Commission began a review covering all aspects of the directive, but leaving the core principles unchanged (three pillars, prudential balance sheet measured at market value, capital requirement to cope with a 1-in-200 risk). Its proposed amendments were published in September 2020 based on prior technical advice provided by EIOPA. The Commission will submit its proposals to the Parliament and Council of the European Union at the end of the third quarter of 2022, with entry into force probably taking place in 2025 or 2026.

The revision should help to make the insurance and reinsurance sector stronger in the current low rate environment, while also establishing better supervision of cross-border activities with, among other things, improved cooperation among supervisory authorities. Long-term investment in the economy should also be promoted to support the economic recovery in the European Union in the aftermath of the Covid-19 crisis. Steps to strengthen proportionality measures, with the application of simplified rules for insurance undertakings considered to be least at risk, are another key aspect of the current revision. Finally, work on integrating climate change-related risks in financial regulation is continuing, as it is in the banking sector (cf. Box on page 44 – New CRR3/CRD6 Banking Package).

3.2 Banking sector

Within the Basel Committee, the ACPR played an active role in various work streams, including the assessment of post-crisis reforms, operational resilience principles, climate risks and the public consultation on the prudential treatment of crypto-assets.

In Europe, following the Basel III international agreement on finalising the reform of bank capital rules, the European Commission published a legislative proposal, referred to as CRR3/CRD6, on 27 October 2021. This major reform entails an extensive revision of the measurement of risk-weighted assets, which, among other things, caps the prudential benefits that banks can generate from using internal models, by applying an output floor at the highest level of consolidation within the EU.

Supporting the Treasury, the ACPR also took part in monitoring negotiations on current European legislative initiatives relating to regulations on cyber resilience (DORA) and markets in crypto-assets (MiCA).

Within the EBA, the ACPR helped to draft technical standards and guidelines, notably for credit risk, major risk exposures, prudential consolidation and the fundamental review of the trading book (FRTB). The ACPR also provided input to work on intermediate EU parent undertakings (IPUs).²⁸ The ACPR notice on prudential ratios was

amended to reflect the entry into application of the new regulation, known as CRR2, in June 2021. The ACPR was also actively involved in drafting EBA legislation to support the entry into application in June 2021 of the new regulatory framework for investment firms (IFR/IFD) by clarifying the capital requirements and classification, governance, remuneration and supervisory rules that apply to these firms. As part of work by European and international supervisors aimed at ensuring consistent application of IFRS 9 (on financial instruments) by banks, which has direct consequences for the calculation of prudential ratios, the ACPR took part in EBA-led activities and more specifically in the comparative assessment of accounting impairment models launched in 2019, which aims to identify sources of inconsistency in the calculation of provisions. An initial monitoring report on this work, including implications during the Covid-19 period, was published by the EBA in November 2021.²⁹ The ACPR contributed to EBA responses to calls for advice (CfA)³⁰ on the Digital Finance Package, as well as to CfAs and the public consultation on securitisation.

The ACPR also tailored the exceptional measures taken to respond to the challenges posed by the Covid-19 pandemic, consistent with the decisions by European authorities, specifically: the extension in June 2021 of the authorisation to exclude certain exposures to Eurosystem central banks from leverage ratios³¹ and the expiry in September 2021 of the recommendation that banks should not pay out dividends or buy back shares.

²⁸ In accordance with Article 21b of the CRD, institutions belonging to third-country groups with a total value of assets in the Union equal to or greater than EUR 40 billion shall have an intermediate EU parent undertaking.

²⁹ EBA IFRS 9 Implementation Report on the EBA website.

³⁰ Procedure whereby the European Commission requests technical advice from the EBA.

³¹ This measure ended on 31 March 2022, cf. [Decision_2021-c-22.pdf](#) on the ACPR website.

PROPOSAL FOR A NEW CRR3/CRD6 BANKING PACKAGE: TRANSPOSITION IN THE EU OF AGREEMENTS FINALISING BASEL III

On 27 October 2021, the European Commission submitted to the European co-legislators (European Parliament and Council of the European Union) a legislative proposal to introduce a new CRR3/CRD6 Banking Package. The main goal of the proposal is to implement in the European Union the final portion of the Basel III reforms, which began with the adoption of the Basel Committee Agreement on 7 December 2017. This agreement completes efforts to enhance the prudential regime for the banking sector by revising the measurement of risk-weighted assets (credit risk, market risk and operational risk) and establishing an output floor for institutions using internal models to calculate risks, set at 72.5% of capital requirements measured under standardised approaches. The Commission's stated goal is to have the new requirements come into application on 1 January 2025.

The Commission's balanced and pragmatic proposal takes account of Europe's specificities while enabling the rules to be applied consistently with those set out under the Basel agreement. Regarding the output floor, the Commission's proposal is for the floor to be applied only at the highest level of consolidation and includes transitional provisions for residential property and unlisted companies in order to smooth the floor's effects through to 2033. The Commission also proposes to ensure harmonised and consistent implementation at international level of the new requirements applicable to market activities.

Besides transposing the agreements finalising Basel III, the Banking Package proposes several major changes aimed at enhancing the measurement and management of environmental, social and governance risks by banks and improving the European supervisory framework, in particular by harmonising the prudential treatment of non-EU country branches.

The ACPR contributed actively to the preparatory work that led to publication of the European Commission's proposal. It will continue to provide its expertise during the negotiations currently underway and notably during France's presidency of the Council of the European Union during the first half of 2022.

4. Supervision of climate risk

4.1 Joint report with the AMF and work by the consultative commission on climate and sustainable finance

On 18 December 2020, the ACPR and the AMF published a first monitoring report on the climate commitments by members of the Paris financial centre, including banks, insurers and management companies.³² The report also contained a detailed analysis of the coal exit strategies prepared and implemented by financial participants, following the marketwide statement in July 2019, which called on French financial institutions to adapt a coal strategy and an overall timetable for withdrawal.

The 2021 report continued these analyses and supplemented them by publishing the first assessments of commitments by members of the financial centre in respect of other fossil fuels (oil and gas), with a focus on unconventional fossil fuels. It also contained estimates of members' exposures to these fossil fuels. This information was covered in a pre-report published on 26 October 2021 during the Climate Finance Day event organised by Paris Europlace, which is the organisation responsible for promoting and developing the Paris financial centre. The final report published in December 2021 provides an analysis of customer support and shareholder engagement policies. It also follows up on implementation of the recommendations made after the 2020 report, while adding new recommendations deemed necessary by the two authorities based on the 2021 findings.

The main findings of the 2021 exercise were as follows:

- Financial institutions continued to issue more climate-related public statements under individual and collective commitments. Collective commitments, notably those stemming from international initiatives, occupy a growing place. However, it is difficult to identify, compare and assess these commitments, which vary in scope and which institutions may implement more or less ambitiously.
- In terms of fossil fuel financing, institutions updated and supplemented their coal policies in 2020, in some cases applying stricter criteria and/or exclusion thresholds. Conversely, the recommendations made in 2020 by the authorities are not widely applied; thus, more than two years after the marketwide commitment of July 2019 on coal, collective efforts are being made, but the approaches and levels of ambition vary from participant to participant. Furthermore, policies on oil and gas financing, which are still at a fairly early stage among non-bank participants, are mainly focused on certain specific unconventional fuels; in many cases they remain vague and cover varying scopes. Overall, French banks and insurers are not heavily exposed to the coal sector, which accounts for less than 1% of their total assets. Exposures to oil and gas appear to be slightly more significant, while remaining contained and close, based on institutions' disclosures, to EUR 155 billion for the banking sector and EUR 30 billion for insurance.

³² ACPR-AMF Joint Report – Climate-related commitments of French financial institutions on the ACPR website.

- The exposure of financial institutions to fossil fuel-related companies varies considerably depending on the type of energy financed: while exposure to the coal sector remains low, exposure to other types of energy is, unsurprisingly, far larger. However, deep methodological differences between participants, but also the lack of official definitions for certain concepts, such as “unconventional fuels”, mean that great care must be taken when considering the reported results of exposure calculations. Accordingly, financial institutions need to step up work to recognise their fossil fuel exposures in a more robust, transparent and uniform manner. These efforts should focus first on recognising the entire value chain as well as the broadest possible scope of business.

Besides supervising this report, in 2021, the consultative commission on climate and sustainable finance tackled questions relating to the development of the regulatory and accounting framework for the recognition of climate risk, sustainable finance and work on environmental, social and governance (ESG) criteria. Discussions underway internationally (Basel Committee, COP 26) and within Europe (European Commission, European Financial Reporting Advisory Group, EBA) were also on its agenda. The commission was kept regularly informed of preparations for the implementing decree of Article 29 of France’s Energy and Climate Act³³ and transposition of the SFDR and the European Corporate Sustainability Reporting Directive (CSRD). Against this backdrop, the commission discussed work conducted by the ACPR through cross-market working groups on the measurement of exposures and recognition of biodiversity risk.

4.2 Pilot scheme to assess sensitivity to climate risk

The pilot climate exercise³⁴ conducted by the ACPR from July 2020 to April 2021 was a first-of-its-kind exercise aimed at assessing climate change-related risks for financial institutions. It involved nine banking groups and 15 insurance groups (85% of total banking sector assets and 75% of the total assets of insurers licensed in France) and illustrated the driving role played by the French authorities and by the Paris financial centre in the fight against climate change, since adoption of the 2015 Energy Transition and Green Growth Act and the signature of the Paris Agreement in the same year. The results of the exercise were published on 4 May 2021.³⁵

Three scenarios were developed to measure transition risk: a baseline scenario assuming an orderly transition and two adverse scenarios, including one “delayed transition” scenario and one “sudden transition” scenario. For the exercise, the ACPR introduced novel methodological assumptions, including a hybrid projection approach for 2025 to 2050, with a static balance sheet in the short/medium-term and a dynamic long-term balance sheet, giving financial institutions the opportunity to take management decisions and reallocate portfolios from 2025.

First of all, based on the selected scenarios and assumptions, the pilot exercise found that overall exposure and vulnerabilities to transition risk were moderate, as already shown by earlier work by the ACPR.³⁶ France, which accounts for approximately 50% of the exposures of French financial institutions but contributes less than 2% of worldwide greenhouse gas emissions, is relatively less impacted than other geographical regions. Conversely, exposures to regions such as the United States, which accounts for about 9% of exposures, are more sensitive to transition risk, according to the projections by the Network for Greening the Financial System (NGFS) used in the exercise. The exposure of French institutions to the sectors most affected by transition risk, as identified by this exercise (mining, coking and refining, petroleum, agriculture, etc.), is relatively low. However, based on current balance sheet structures, considerable efforts are still needed to help to significantly reduce greenhouse gas emissions by 2050 and thus contain the temperature trajectory between now and the end of the century.

Physical risk, meanwhile, was assessed based on the RCP 8.5 scenario of the Intergovernmental Panel on Climate Change (IPCC), which predicts that temperatures will increase by between 1.4°C and 2.6°C in 2050. This was the most pessimistic scenario selected by the IPCC in 2014. The physical risk studied as part of the exercise factored in an assumption that the frequency and cost of extreme events due to global warming would increase, notably for the risks of drought, flooding and coastal flooding, as well as hurricanes for French overseas territories. It also considered the impact of global warming on the spread of vector-borne diseases and an increase in respiratory pathologies caused by the rise in heatwaves and increased air pollution.

The pilot exercise shows that the vulnerabilities associated with physical risk are far from insignificant. Based on information provided by insurers, the cost of claims could increase by between five and six times in some French *départements* between 2020 and 2050. The main risk factors contributing to the increase in loss experience are linked to the risks of drought and flooding, and to the increased risk of hurricanes in overseas territories.

The ACPR’s pilot climate exercise signalled the starting point for new work aimed at improving the methodology used for climate stress tests, and its findings helped to inform preparations for the Europe-wide exercise conducted by the ECB in 2022. Work with the financial sector is continuing within working groups to get ready for the next assessment of the financial risks due to climate change, which is scheduled for 2023/2024.



³³ Act 2019-1147 of 8 November 2019.

³⁴ Microprudential stress tests conducted by the institutions themselves using a shared scenario and methodology drawn up by the supervisor.

³⁵ *Analyses et synthèses* No. 122, on the ACPR website: [Main results of the 2020 pilot climate exercise](#), May 2021.

³⁶ See ACPR *Analyses et synthèses* published in 2019: [French banking groups facing climate change-related risks](#) and [French insurers facing climate change-related risks](#), on the ACPR website.

4.3 ACPR involvement in international work (NGFS, Basel Committee, EIOPA, EBA)

In the insurance sector, amendments to the Solvency II framework will come into application in August 2022 to ensure that sustainability risks are integrated into the governance and risk management of insurance undertakings (cf. p. 41). These risks must be taken into account when calculating the overall solvency requirement intended to cover the risks to which the insurer is exposed in the medium term. However, they must also be considered in insurers' investment management and written risk management and remuneration policies.

In the banking sector, the ACPR took part in work by the NGFS on its progress report on implementation of its recommendations for the supervision of climate and environmental risks. Work notably concentrated on creating a chapter on supervisor expectations in relation to climate and environmental disclosures.

In addition, the ACPR took part in work by the Basel Committee and the EBA on integrating environmental, social and governance (ESG) risks in regulation and supervision. In June 2021, the EBA published a report on incorporating ESG risks into institutions' governance and in the supervisory framework (Pillar 2). The ACPR also contributed to the EBA's work on integrating ESG risks in banks' Pillar 3 disclosure requirements, which were the subject of a consultation that ran from March to June 2021 and which should be finalised in the first quarter of 2022 with a view to entry into force in June 2022. In April 2021,

the Basel Committee published two reports, one on the channels for the transmission of climate-related risks to the banking sector, and another on measurement methodologies for climate-related risks. At the end of the year, the Basel Committee also launched a consultation on the treatment of climate-related risks under Pillar 2 of the prudential framework for the banking sector.

The ACPR was also involved in drawing up an inventory of the challenges encountered by French financial institutions in implementing the provisions of Article 8 of the European Regulation establishing a taxonomy for sustainable activities (Regulation No. 2021-2178). This inventory was submitted to the European authorities (EBA, EIOPA) to contribute to the set of [frequently asked questions published on 21 December 2021](#) by the European Commission. The disclosure obligations arising from the Taxonomy Regulation partly took effect on 1 January 2022.

In addition, work was done to assist in preparing delegated acts for the Sustainable Finance Disclosure Regulation, covering the content of the future investment portfolio impact report that insurers, asset managers and banks managing assets for third parties will be required to publish starting in 2023.

Finally, the ACPR issued a joint response with the Banque de France to the consultation by the European Commission's Platform on Sustainable Finance on extending the taxonomy to include activities with a neutral or harmful environmental impact.

ESTABLISHMENT OF A REGULATORY FRAMEWORK FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) DISCLOSURES³⁷ OR SUSTAINABILITY REPORTING

Efforts to establish a European regulatory framework for ESG disclosures progressed in 2021, with the adoption of several pieces of European legislation.

- The European taxonomy of sustainable activities: on 10 December 2021, the European Union adopted Implementing Regulation 2021-2178 on the disclosure obligations of commercial companies. This article requires commercial companies, including financial institutions, to provide information in their management reports about the level of alignment of their activities with the taxonomy of sustainable activities.
- The Sustainable Finance Disclosure Regulation (2019/2088) applies to asset managers and investment advisers and concerns the asset management activities of banks and insurers. It makes them subject to disclosure obligations on the adverse environmental, social and governance impacts of their investment policies and the ESG characteristics of the investment products that they market. The regulation came into application on 10 March 2021.
- The European Commission published its draft Corporate Sustainability Reporting Directive on 21 April 2021. It seeks to strengthen ESG disclosure obligations for companies. The draft expands the scope of the obligation to include all large companies, which are required to perform an audit of ESG information, meet more detailed disclosure obligations and use an electronic disclosure format aimed at facilitating the introduction of a European Single Access Point (ESAP). Under the proposal, the first round of corporate disclosures are scheduled to be made in 2024.

In addition, the EBA continued its work on integrating ESG risks in banks' CRR Pillar 3 disclosure requirements. The proposals were the subject of a public consultation running from March to June 2021 and are expected to be adopted by the Commission in the second quarter of 2022 before coming into force in June 2022. The finalised draft of the regulatory technical standards includes qualitative and quantitative tables. As supervisor for the banking sector, the ACPR checks the quality of disclosures by reporting entities under CRR Pillar 3.

Internationally, in November 2021, within the framework of the COP26 negotiations, the IFRS Foundation announced the creation, under the umbrella of the IFRS, of a new International Sustainability Standards Board (ISSB) focused on standardising ESG information. The Foundation also published two prototype standards on general disclosures and on climate change-related disclosures. The ACPR and the Banque de France support this international initiative, provided that it can be integrated as part of a co-construction process with work already done by the European Financial Reporting Advisory Group (EFRAG) at European level.



³⁷ ESG criteria are used to assess the recognition of sustainability and long-term challenges in the strategies of economic participants, such as businesses and local authorities.



3

**CUSTOMER
PROTECTION**

Key figures

2021

109

ON-SITE
INSPECTIONS

2,368

ADVERTISEMENTS
ANALYSED

7

QUESTIONNAIRE-
BASED SURVEYS

5

FORMAL NOTICES

The ACPR supervises business practices in a market comprising several hundred undertakings, along with some 70,000 intermediaries registered in the single register kept by ORIAS of insurance, banking and finance intermediaries doing business in the banking and insurance sectors. To guide its supervisory activities effectively in order to zero in on priority topics and improve practices in the areas of greatest risk, the Authority has introduced a wide variety of innovative monitoring tools, including analysing letters from customers and advertisements, monitoring innovation and harnessing information from the customer protection questionnaire that it sends to supervised institutions each year. It cooperates with the AMF through the ACPR/AMF Joint Unit, as well as with European partners, consumer associations, industry organisations and ombudsmen. It informs and warns customers regularly about improper practices detected through market monitoring and on-site inspections. Under its customer protection mandate, the ACPR also conducts numerous initiatives to watch for and prevent financial scams.

1. Product marketing: inspection findings

1.1 Product oversight and governance

Following the entry into force in France of provisions transposing the Insurance Distribution Directive (IDD), firms were required to integrate a number of new obligations, including product oversight and governance rules, that were key components of the European legislation. The ACPR conducted an assessment of the first years of application for these rules, which in some instances set out principles that needed to be translated into operational procedures. The ACPR thus launched a marketwide survey of practices to identify and remove any potential uncertainties in understanding certain obligations.

Alongside the survey, inspections were conducted and will continue to be conducted on product design and oversight processes, at insurers as well as their distributors. These inspections will make it possible to check the procedures used to apply product oversight and governance principles. Ultimately, the ACPR may, after consulting with the financial community, identify good or bad practices or clarify certain aspects of the regulations.

The ACPR pays extremely close attention to product governance. The rules in force require product marketing to be performed in a manner that takes the customer's interests into account, from design to purchase, and that involves all of the undertaking's functions, from product sponsorship to risk management. In the end, responding to customer needs and safeguarding their interests should be what guides product design and the definition of the distribution strategy. The corollary to this is the need to supervise the entire distribution chain: product oversight must entail checking that the assumptions underlying the design were correct, that planned protective measures are applied and that any deviations from the defined distribution strategies give rise to swift corrections or, if necessary, product revisions.

1.2 Inspections of vocational training in the insurance sector

In 2021, the ACPR conducted over 50 inspections of insurance intermediaries on compliance in FY2020 with their vocational training obligations. These revealed that intermediaries had taken on board the new requirements stemming from the IDD. It was additionally found that some companies provided their personnel with further training during the lockdowns. However, not all companies complied with the minimum annual requirement of 15 hours of training. At some firms, the shortfall was due in particular to organisational difficulties linked to the health situation or to the lack of a register of completed training courses, which prevented proper operational monitoring. In addition, companies sometimes provided incomplete or vague supporting documentation, making it impossible to check training quality on key aspects such as the length of training or the training body.

1.3 Funeral insurance: recommended best practices

Building on inspections conducted by the Authority and to support firms in changes to their practices, the ACPR expanded its recommendation on marketing funeral insurance contracts.³⁸ A number of updated best practices seek to improve the quality of information (including advertising information) and advice provided to customers.

Customers should be able to fully understand the contract's core characteristics, how it works and how much it costs. To this end, firms should provide better information to customers about the impact of contribution arrangements on the total cost of the contract and ensure that differences between "savings" and "death & disability" options are properly understood. They must also gather adequate information about the customer's personal situation and goals and provide precise evidence to show how the recommended solution is consistent with the customer's needs, notably with regard to the nature of the contract and waiting periods. Firms must also ensure that advertising is clear and balanced.

In 2022, the ACPR will continue to pay attention to implementation of this recommendation, which came into application in August 2021.

³⁸ ACPR Recommendation [2021-R-01 of 18 February 2021](#) on the marketing of life insurance contracts linked to funeral payment plans.

2. Supervision of specific procedures

2.1 Disputed payment transactions: initial findings

In 2021, the ACPR conducted several initiatives to assess compliance by the main payment services providers (PSPs) with the provisions of the second European Payment Services Directive (PSD2) of November 2015. Recent years have seen the emergence of new ways of using payment services and a growing role for online payments, in connection with the boom in e-commerce. For this reason, compliance by PSPs with their obligations in terms of dealing with unauthorised transactions has a decisive bearing on consumer confidence in payment systems and participants.

The ACPR conducted a questionnaire-based survey of service providers that are representative of the market on procedures for dealing with disputed bank card payment transactions. The survey findings led to several on-site inspections that were given a broader remit, because in addition to bank card transactions, they covered all payment instruments offered to the general public.

The survey and inspections revealed a number of practices that are detrimental to customers, including refund refusals that were not supported by the legislation, inadequate information (on the procedures for disputing transactions and submitting complaints but also on the reasons for refusing refunds) and excessive processing time for applications. In view of these findings, the ACPR will continue its efforts in 2022.

2.2 Payment of life insurance benefits

The ACPR continues to monitor the calculation of life insurance benefits, including for supplementary pension contracts. Inspections showed that insurers do not always meet their contractual commitments, especially concerning mortality tables and guaranteed technical rates, procedures for calculating and allocating profit sharing, and compliance with regulatory and contractual ring-fencing. This finding frequently occurred with older contracts, whose clauses may be extremely diverse and complex. Accordingly, insurance undertakings must have a complete and detailed mapping of their portfolios and an effective internal control system that allows them to identify contracts containing such clauses and ensure that they are properly applied. Failure to comply with contractual clauses can have severe consequences for policyholders in terms of the value of their savings, especially for long-term contracts, such as pension contracts, particularly if the errors are repeated over time.

In this regard, the ACPR reiterates that any contractual amendment must be covered by a rider signed by all parties to the contract, in accordance with the provisions of Article L. 112-3 of the Insurance Code.

INCREASED USE OF QUESTIONNAIRE-BASED SURVEYS TO TAKE STOCK OF MARKET PRACTICES

As part of its customer protection remit, in 2021 the ACPR launched seven questionnaire-based surveys, which differ from those introduced by the European Supervisory Authorities to better identify differences in practices between domestic markets. Covering a range of themes, these surveys are intended to enable the ACPR to take stock of practices within a representative sample of market professionals and thus supplement the on-site inspections that it traditionally carries out. They enable the ACPR to promote good practices after sharing them with undertakings and their professional federations, but may also give rise to compliance requests. For example, in April 2021, the ACPR, working in conjunction with the Banque de France, called on payment services providers to improve their refund practices for bank card transactions disputed by customers.³⁹ In July and November 2021, it also shared the lessons learned from analysing the responses to three questionnaires covering, respectively, investment vehicles with extra-financial characteristics marketed in insurance products,⁴⁰ implementation of banking mobility arrangements and the treatment of life insurance surrender requests. In 2022, the ACPR will continue to hold discussions with the industry on the takeaways from its questionnaire-based surveys.



³⁹ Press release of 26 April 2021 on the ACPR website: [Refunding disputed bank card transactions: payment services providers need to improve their practices.](#)

⁴⁰ ACPR Review – July 2021 on the ACPR website.

PASSBOOKS AND LOANS: RAISING AWARENESS AND PROVIDING THE EARLIEST POSSIBLE WARNINGS AMID RISING NUMBERS OF SCAMS

During the health crisis, starting in March 2020, the ACPR stepped up its monitoring and prevention work in response to rising numbers of financial scams. Regrettably, the need for greater awareness among financial sector customers did not lessen in 2021. The Authority added over 1,200 websites to its blacklist of entities that are not authorised to offer loans, savings passbooks, payment transactions or insurance in France. The average loss reported to the ACPR by victims of fake savings passbooks was EUR 72,000, and EUR 12,000 for fraudulent loan offers.

In the face of this major customer risk, prevention remains the most effective weapon. Working with the AMF, the ACPR created and posted a new four-part series of preventive videos on the Assurance Banque Épargne Info Service (ABEIS)⁴¹ YouTube channel. The new campaign, entitled “*Ne faites pas par Internet ou par téléphone ce que vous ne feriez pas dans la vraie vie*” (Don’t do online or over the phone what you wouldn’t do in real life), was viewed by over 1.5 million people. The ABEIS radio campaign “*Mon argent au quotidien: la minute info*” (Everyday money: quick tips), attracted over three million listeners and provided a way to share the authorities’ advice to consumers about protecting themselves against scams.

In December 2021, during a joint press conference with the Paris Prosecutor’s Office, the AMF and the DGCCRF,⁴² the ACPR reiterated its calls for vigilance against the ID theft of authorised professionals and fraud techniques involving the collection of personal data through online contact forms, which scammers then use to support their pitch over the phone.

EUROPEAN DEVELOPMENTS AND CHALLENGES IN THE AREA OF CUSTOMER PROTECTION

In Europe, a number of new regulations entered into application in 2021, including:

- SFDR Regulation 2019/2088,⁴³ which harmonises transparency obligations on sustainability. Presented in the ACPR Review of April 2021, the SFDR comes with implementing technical standards that are currently being adopted;
- Regulation 2020/1503,⁴⁴ which provides a single framework for platforms facilitating crowdfunding for business projects through the subscription of securities or the granting of loans across the entire European territory. The new framework is notably intended to apply to existing crowdfunding advisers (CAs) and crowdfunding intermediaries (CIs), who have until 10 November 2022 to obtain a license from the AMF.

Also in 2021, the European Commission launched revisions of several pieces of legislation on the marketing of financial products. In the banking sector, these included the directives on consumer credit, home loans and payment services.⁴⁵ In insurance, the Commission’s retail investment strategy is expected to lead to an examination of the rules for precontractual information, conflicts of interest, remuneration and financial advice, and should result in a partial revision of the European Insurance Distribution Directive (IDD), alongside those of the PRIIPs Regulation and MiFID II.⁴⁶

⁴¹ ABEIS YouTube channel.

⁴² Press release of 13 December 2021 on the ACPR website: [Financial scams: Paris Public Prosecutor’s Office, the AMF, the ACPR and the DGCCRF are actively working together to fight this scourge responsible for heavy losses for retail investors.](#)

⁴³ Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation).

⁴⁴ Regulation (EU) 2020/1503 of 7 October 2020 on European crowdfunding services providers for business.

⁴⁵ Directive 2008/48/EC on credit agreements for consumers, Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property and Directive (EU) 2015/2366 on payment services.

⁴⁶ Directive (EU) 2016/97 on insurance distribution, Regulation (EU) 1286/2014 on key information documents for packaged retail and insurance-based investment products and Directive (EU) 2014/65 on markets in financial instruments.





4

ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING (AML/CTF)

Key figures

2021

38

ON-SITE INSPECTIONS

40

ACTION LETTERS

2

DISCIPLINARY
PROCEEDINGS
OPENED

37

AML/CTF COLLEGES
ORGANISED⁴⁷

9

FORMAL NOTICES

⁴⁷ The ACPR set up 37 colleges as lead supervisor. Nine of these gave rise to meetings in 2021, while the others were based on exchanges of data on a secure platform.

The ACPR makes sure that the entities under its supervision, including significant institutions supervised directly by the ECB as regards prudential aspects, comply with their anti-money laundering and counter-terrorist financing (AML/CTF) obligations. Through its ongoing supervision and on-site inspections, the ACPR checks the compliance of the preventive arrangements put in place as well as the effective implementation of AML/CTF due diligence measures. It also monitors the effectiveness of systems to detect people or entities subject to restrictions or asset freeze measures, as well as flows of money organised on behalf of such persons.

1. Individual oversight

1.1 Setting up the AML/CTF Directorate

In April 2021, the ACPR combined the AML/CTF-related supervisory activities that used to be divided among several directorates within a single directorate. Comprising an Ongoing Supervision Division, an On-site Inspection Division and a Coordination Unit, the AML/CTF Directorate is now the primary talking partner on AML/CTF-related issues for partners in France (government and financial sector entities), Europe (sister national authorities, European Supervisory Authorities) and internationally (FATF, other national authorities).

The directorate conducts ongoing supervision of about 28,000 entities from the banking and insurance sectors according to a risk-based approach. This supervision is conducted by means of questionnaires, interviews and exchanges with practitioners on a regular basis and during on-site inspections and visits conducted by the directorate and by the delegation responsible for on-site inspections.

1.2 Risk-based approach

Ongoing supervision is primarily based on the responses provided by financial institutions to the annual AML/CTF questionnaire sent out to the banking and insurance sectors. This work is then enriched through the analysis of business models and money laundering and terrorist financing (ML/TF) risk exposures, interviews with institutions and other information that they are asked to provide (annual AML/CTF report, internal audit reports, etc.), the findings of on-site inspections ordered by the ACPR and information exchanges with Tracfin. This yields an assessment of the ML/TF risk profile of each undertaking, which is then used to determine appropriate documentary and on-site supervisory measures.

Despite the health situation, 38 AML/CTF on-site inspections were carried out in 2021. The ACPR continued to place special emphasis on supervising payment institutions and electronic money institutions, in particular those using many agents or distributors. The results of the inspections showed that new entrants (including new agents) and, more broadly, new products are exposed to particularly high ML/TF risks and could be targets for fraudsters. Accordingly, even before products are launched, entities should have an appropriate and adequately staffed due diligence system in place. They should also take special care to verify customer identities and detect any discrepancies between transactions and customer profiles. The entity should have an even more thorough knowledge of a customer's profile if that customer is contemplating risky transactions. It is also vital that payment services providers have their risks under full control and closely supervise proper execution of the tasks that they entrust to agents or distributors.

After conclusive tests in 2020, the ACPR made more extensive use of a new artificial intelligence (AI) tool for its on-site inspections in 2021. The tool is designed to help the Authority to select samples of files to examine out of millions of customer files, as part of a risk-based approach, with a view to making on-site inspections more effective. Following on-site inspections, the ACPR notifies Tracfin of any failures to report suspicious transactions and informs the tax authorities in the event of suspected tax fraud. Depending on the seriousness of the breaches found, on-site inspections give rise to an action letter from the ACPR's Secretary General, a formal notice, or, in the most serious cases, the initiation of disciplinary proceedings by the Supervisory College. In 2021, the ACPR's Sanctions Committee imposed seven disciplinary sanctions relating to AML/CTF and asset freeze measures, which included fines totalling EUR 13,120,000. The ACPR also issued nine formal notices and 40 action letters.

DIGITAL ASSET SERVICES PROVIDERS (DASPS)

The ACPR gave its assent in 2021 to the registration by the AMF of 21 new DASPs, bringing to 28 the number of DASPs registered with the AMF at 31 December 2021; it also agreed to extensions to the services offered by five DASPs that were already registered. An initial report on DASP registrations was published in July 2021 in the ACPR Review⁴⁸ to share a number of observations with the industry.

In September 2021, the ACPR conducted a non-face-to-face survey of the 19 DASPs active in 2020 and registered as at the survey date. These providers reported having 165 employees assigned to their activities in digital assets. Many participants are recent arrivals and therefore have small business volumes and few staff members. They had 46,000 "active" French customers, i.e. who carried out at least one transaction in 2020. These same DASPs processed digital asset-related transactions worth EUR 204 million and at end-2020 held digital assets worth EUR 198 million. These figures seem modest in the light of the likely penetration rate of digital assets in France. This is due to the fact that a number of major international firms serve French customers without canvassing actively in the country. However, most of these participants have begun the process of registering with the AMF.

From 2022, DASPs will be required to complete an annual AML/CTF questionnaire similar to that sent out to other financial institutions.

1.3 AML/CTF Colleges

EBA guidelines on cooperation and information exchange in the area of AML/CTF supervision, which were published in early 2020, provide for the establishment of colleges comprising the AML/CTF supervisors of any group based in at least three European Economic Area (EEA) countries. By end-2021, the ACPR had set up 37 colleges as lead supervisor (generally for groups whose lead company is based in France or French entities with bases in other Member States). Nine of these gave rise to meetings in 2021, while the others

were based on exchanges of data on a secure platform. Meanwhile, the ACPR took part in the meetings of 41 colleges organised by other European supervisors.

The colleges were used to share individual AML/CTF assessments (inherent risk, AML/CTF system, overall risk profile) between member authorities. The ACPR was thus able to take account of this information in the consolidated assessment of groups for which it is the lead supervisor. The colleges also provide a forum for discussing potential weaknesses and remediation plans, as well as supervisory priorities and planned actions more generally.

FATF EVALUATION

France was the subject of an evaluation by the Financial Action Task Force (FATF) as part of the fourth round of evaluations conducted by the FATF, which is an intergovernmental body that sets AML/CTF standards. France's last evaluation was in 2011.

The evaluation involved all French government agencies with a role in AML/CTF, including those working on the preventive side, such as the ACPR, but also those from enforcement, including police and justice agencies, along with numerous representatives from industries subject to AML/CTF obligations. Evaluators checked that the national system complied with FATF standards and measured its effectiveness at preventing threats to the integrity of the financial system, notably during an on-site visit in July 2021.

Once the evaluation was complete, in March 2022 evaluators and the FATF recognised France's high-quality system by placing France under "regular follow-up monitoring", which is the best possible situation following an FATF mutual evaluation. The final report stressed that France has a "solid and sophisticated" legal framework, that financial sector institutions have a good understanding of the risks, and that the ACPR has a "robust" supervisory strategy.

⁴⁸ [First report on DASP registrations](#), on the ACPR website.

2. Regulatory developments

2.1 Strengthening the risk-based approach, notably through more effective risk assessment

The ACPR participated actively in working groups aimed at providing financial institutions with enhanced tools to allow them to assess the ML/TF risks relating to their business more effectively. In particular, it contributed to the revision of EBA guidelines on risk factors. The guidelines describe risk factors that could be taken into account by financial institutions and measures intended to manage these risks. Specific guidelines are provided for individual sectors. The new version integrates changes introduced following the Fifth Anti-Laundering Directive, notably regarding entry into a business relationship over the internet, which presents potentially higher risk, as well as additional developments covering riskier sectors, such as money changing.

The ACPR also provided input to the update of the EBA's advice on ML/TF risk in the European financial sector, which was published in March 2021. This advice, which is aimed at financial institutions and supervisory authorities, seeks to identify, understand and assess the ML/TF risks to which financial sector entities are exposed.

2.2 Promoting more effective due diligence

Working closely with affected professionals, the ACPR updated its guidelines on customer identification and KYC aspects in order to accommodate recent regulatory developments. The document provides additional clarification on customer ID verification, a critical component in an effective AML/CTF system, as well as on the implementation of obligations relating to beneficial owners, in order to ensure greater transparency for legal entities and complex legal structures. These guidelines are supplemented by an annex that clarifies how they are to be implemented within the framework of market transactions.

The ACPR also provided its expertise to the Treasury to assist in drafting the Ordinance of 22 December 2021 modernising the crowdfunding

framework, following adoption of the European regulation creating the new legal status of European crowdfunding services provider. The ordinance clarifies the AML/CTF requirements applicable to French intermediaries that provide crowdfunding services through donations or interest-free loans, since this business carries specific ML/TF risks.

2.3 Strengthening internal control

Working alongside the Treasury, the ACPR contributed actively to drafting the executive order on AML/CTF internal control.⁴⁹ The order, which came into force on 1 March 2021, aims to strengthen and harmonise the framework applicable to AML/CTF procedures and internal control at institutions supervised by the ACPR, in both the banking and insurance sectors. Furthermore, it clarifies the rules on AML/CTF steering at group level and contains provisions to enhance the compliance of the French legal framework with FATF recommendations.

At European level, the ACPR took part in preparing draft EBA guidelines designed to clarify the AML/CTF roles and responsibilities of management bodies and the compliance function within individual financial institutions and at group level.

2.4 Strengthening the European regulatory framework

The ACPR provided its expertise as European negotiations got underway on the AML Package presented by the European Commission in July 2021. Besides a regulation establishing a new European authority, the package includes three draft pieces of legislation designed to strengthen and harmonise AML/CTF regulations in Europe. One regulation with direct application sets out the obligations applicable to supervised entities and includes some provisions that are currently in the Anti-Laundering Directive. The package also proposes to amend the regulation on the transparency of fund transfers by expanding the scope of application to include transfers of digital assets.

EUROPE'S FUTURE ANTI-MONEY LAUNDERING AUTHORITY (AMLA)

The AML Package presented in July 2021 by the European Commission contains three pieces of legislation aimed at harmonising AML/CTF law and a draft regulation creating a European anti-money laundering authority. The future AMLA is intended to become the hub for an integrated system of national AML/CTF supervisory authorities and a support for national financial intelligence units. It will have direct supervisory powers over certain financial sector entities, based on their risks, and indirect supervisory powers over the rest of the financial sector and affected non-financial industries, such as the accounting and legal industries, and the gambling, art and property sectors. Accordingly, the AMLA will work extremely closely with national authorities, including the ACPR, to perform harmonised, high-quality supervision throughout the European Union. As it stands, the draft provides for the AMLA to be established in 2023 in order to start operating in 2024 and begin exercising direct supervision from 2026.

⁴⁹ Executive Order of 6 January 2021 on AML/CTF arrangements and internal control, asset freeze measures and the ban on using or making available funds or economic resources.





5

**INNOVATION
AND NEW
TECHNOLOGIES**

Key figures

2021

216

MEETINGS
WITH INNOVATORS

500

PARTICIPANTS AT
THE FINTECH FORUM

For some years, the ACPR has been closely monitoring developments in the financial sector resulting from the dissemination and adoption of new technologies. In 2016, the ACPR set up a dedicated structure, the Fintech-Innovation Unit, and a space for dialogue with the innovation ecosystem, the ACPR-AMF Fintech Forum. The Authority's goals are to promote the adoption of new technologies within a controlled framework and to support the transformations taking place in the sector.

1. Dialogue with the fintech⁵⁰ community

With the Fintech-Innovation Unit, the ACPR acts as a gateway for contributors with innovative projects, whether they are individuals or come from start-ups or established firms. The aim is to help these innovators to better understand the applicable regulations and to guide them towards the right classification for their project. In 2021, 158 bilateral contacts with new talking partners were established; many of these involved projects in the payments area.

Exchanges are deliberately informal and dialogue is very open in order to encourage a responsive and effective approach. In 2021, measures were taken to further improve these initial contacts with the Authority and the journey of project contributors during the licensing and registration process more generally (see Box on the Fintech Charter).

Beyond licensing and authorisation, the Fintech-Innovation Unit also maintains numerous contacts with innovators, such as technological services providers, for example.

In addition to fostering bilateral contacts, the Fintech-Innovation Unit helps to nurture the French fintech ecosystem. In 2021, while adjusting to the organisational constraints due to the health crisis,

the unit continued to make presentations to industry associations, incubators, accelerators and universities. The ACPR also organised the second annual ACPR-AMF Fintech Forum, which was held on 11 October at the Banque de France. Over 500 people attended the panel discussions and teaching workshops put on at the event, which covered major regulatory issues connected with financial innovation and the effective implementation of these regulations.

The event was part of French Fintech Week, a series of gatherings co-organised by the ACPR, the AMF, Le Swave⁵¹ and France Fintech to promote shared perspectives and bring stakeholders together. The 16 events held between 7 and 15 October gave a measure of the vibrant growth of fintechs in France and provided opportunities to discuss future challenges.

The Fintech-Innovation Unit also contributes actively to dialogue between supervisory authorities, at home (ANSSI, ARCEP, Competition Authority) and at European level. In addition to participating in work by the ECB, the EBA and EIOPA, the unit is also a member of the European Forum for Innovation Facilitators (EFIF), which is coordinated by the European authorities.

FINTECH CHARTER AND JOURNEY AT THE ACPR

To deal more effectively with fintech authorisation requests, a taskforce comprising fintech representatives and ACPR employees, under the supervision of the ACPR-AMF Fintech Forum, drafted a charter in 2021 to explain and facilitate the journey taken by applicants for ACPR authorisations. The charter explains the journey taken by a start-up, from its initial contact with the ACPR through to being licensed or registered. It sets out specific commitments by the ACPR, covering:

- clarity of the process: appointment of a dedicated analyst, guidance on supplementary information to provide, licensing certificate to facilitate the process of approaching investors;
- timelines, with a substantive response provided in less than two weeks at the different stages of the process.

The charter also specifies ACPR's expectations for license applicants, to ensure that applications are optimally prepared. This approach, which is designed to promote transparency, should enable project contributors to assimilate the regulations more effectively and provide practical support to facilitate their journey. Application of the charter will be monitored and assessed in 2022.

To help entrepreneurs to better understand the regulations, a set of guides and FAQs was prepared in partnership with ecosystem representatives to supplement the charter and is available on the ACPR website and at the following website: www.mon-parcours-fintech.fr. The charter, which was published on the ACPR's website along with informational materials, is based around the typical journey taken by a fintech.

⁵⁰ The term "fintech" refers to any technological innovation in financial services that could result in new business models, applications, processes or products with a significant impact on financial services. By extension, the term refers to new financial participants, especially in lending, payments, financial product distribution and savings management, whose business models are derived from these technological innovations and that address changing customer needs and behaviours.

⁵¹ Le Swave is a platform launched in 2017 by Paris&Co, the economic development and innovation agency for Paris and the wider region, to accelerate innovation in the financial sector.

2. Observing the development of innovative technologies

Through its many interactions with market participants, the Fintech-Innovation Unit acts as an innovation observatory for the ACPR. By contributing to international work and publishing its own research, it reports on current developments in the financial sector.

2.1 Research on the transformation of the banking and insurance sectors in France

The spread of new technologies and the arrival of innovative new participants have impacted the entire financial sector. To gain a better understanding of the factors at work, the ACPR conducted two studies in 2021 to explore the digital transformations taking place in the banking and insurance sectors. Four years after its first survey on this topic, it therefore contacted 12 insurance institutions and eight banks to measure the transformations undertaken by these entities.

The two studies⁵² drew on responses to a questionnaire comprising 50 open questions, which were supplemented by interviews. The studies were used to gain a more accurate picture of the strategies of current participants, their perception of the competitive environment and the actual pace of their transformation.

In both the banking and insurance sectors, artificial intelligence (AI) was identified as a driving factor in the digital transformation, with the potential to impact the entire value chains of both sectors. Respondents said they were already adopting AI-based tools, with applications in areas such as customer relations (chatbots, documentation screening, automated advice), compliance (prevention of laundering, fraud and terrorist financing) and risk analysis.

The studies also characterised the way in which participants see their relations with the innovation ecosystem. As the competitive landscape shifts and in order to maintain customer relationships, banking institutions are being pushed to step up their use of new technologies and to adopt new business models that include working with innovative participants via partnerships or acquisitions. In the

insurance sector, “insurtechs” seem for now to be mainly seen as partners or niche competitors.

Finally, the studies highlighted a need to upgrade information systems to make them both more secure and more modular as the digital transition increases participants’ exposure to cyber risk and the threat of fraud. In this environment, a key priority among respondents is to make their information systems more resilient, while also enhancing their modularity – as evidenced by the growing number of application programming interfaces (APIs) and use of cloud services – and interoperability, to support the development of new technologies.

2.2 Involvement in European and international discussions

The ACPR is participating in working groups set up by European and international bodies to observe the use of new technologies in the financial sector, identify emerging risks linked to their development and define appropriate regulatory changes.

In 2021, work was done on fintech regulation, crypto-assets, regtech and suptech, financial sector platformisation and supervision of major tech groups operating in the financial sector (bigtech). Some work led to publications, including EBA reports on the use of regtech and on digital platforms, and a European Commission report on algorithmic discrimination.

At European level, following the release of its action plan for digital finance in September 2020, the European Commission issued a call for advice to the European Supervisory Agencies. The aim of the call is to define priority regulatory work areas in order to regulate and supervise fragmented value chains, enhance the framework for platforms offering financial services, improve the supervision of groups combining different activities, improve the framework for non-bank lending and make adjustments to Europe’s deposit guarantee scheme.

3. Supporting and anticipating technological developments; preparing the supervisory methods of the future

3.1 Exploring new technologies

The ACPR continued its exploratory work on artificial intelligence through a series of seminars on AI and finance that was co-organised with Télécom Paris and that kicked off in 2020 with a seminar on AI explainability. This was followed by seminars on equity and algorithmic bias, then on data sharing and pooling, and finally on AI regulation in finance, which considered the issues from Asian and European perspectives. The ACPR also organised a first seminar on natural language processing (NLP) – a particularly innovative and promising area of AI – in the financial sector. The topic of the “explainability” of algorithms also underwent a more practical examination at the tech sprint organised by the ACPR in 2021.

Distributed ledgers and blockchains were considered in a series of webinars organised in partnership with Paris 1 Panthéon Sorbonne University, which tackled themes related to risks (protocols, governance and regulation of blockchain technology and crypto-assets) and provided an introduction to decentralised finance.

At end-2021, the ACPR teamed up with the Louis Bachelier Institute to co-organise two webinars as part of the Finance and Insurance Reloaded (FaIR) programme, one on deep learning in finance and another on cyber risks and their insurability.

3.2 The ACPR’s suptech approach

First introduced in 2019, the suptech approach is intended to boost the ACPR’s analytical capabilities in order to prevent and manage crises more effectively, and to improve its ability to audit and supervise innovative tools used by institutions under its supervision.

In 2021, the first projects conducted under the intrapreneurship approach were completed, as tools for inspectors came onstream. Meanwhile, a new exercise was conducted to identify the needs of ACPR teams. On this basis, a supotech roadmap for the next three years was drafted and included in the strategic plan. About a dozen priority projects were selected, based on the prospects that they open up for innovation and efficiency gains. These projects will be trialled beginning in 2022. If they prove conclusive, they will be developed as supotech tools.

3.3 The ECB's supotech approach

The ACPR is participating actively in the supotech initiative launched by the ECB's Single Supervisory Mechanism (SSM). In addition to implementing a training programme on digital technology, the approach seeks to share knowledge and innovation experiences in the field of supervision and to develop effective tools for SSM supervisors. Work in 2021 was essentially focused on finalising the first minimum viable products from the SSM digital blueprint created in 2020.

TECH SPRINT ON THE EXPLAINABILITY OF ALGORITHMS

The ACPR's first tech sprint (or regulatory hackathon) took place in June and July 2021. The challenge was to explain the behaviour of AI-based credit risk predictive models, which were provided only as black boxes. The Fintech-Innovation Unit designed and organised the tech sprint in partnership with four credit institutions that volunteered to take part. The event took the form of two sessions open to teams of professionals and students.

The goal was to clarify the regulatory challenges linked to AI (management of associated risks, consumer protection, governance of business processes). More specifically, and building on previous work, the ACPR chose to organise the event around a key principle of AI governance, namely explainability. The aim was therefore to explore explanatory techniques, but also to promote information sharing and collaboration among sector participants.

The event showed the value of an interdisciplinary AI auditing approach that is as agile as possible in terms of the tools and methods used. It was also an opportunity to showcase France's AI expertise and know-how.

Two principles emerged on producing algorithmic explanations and reporting them in an appropriate manner to the recipient, e.g. technical or business expert, auditor or consumer: first, limit the associated cognitive load to make explanations as intelligible as possible; second, design user interfaces to support interaction with recipients.

A summary report⁵³ on the event described the main takeaways and discussed future work by the ACPR in AI, including interactions between human operators and AI algorithms and auditing algorithms more generally.



⁵³ Summary report: Tech Sprint on the explainability of artificial intelligence on the ACPR website.



A top-down view of a desk with a white keyboard, a green succulent, a green mouse, a green notebook, and a green pen. A large teal graphic overlay covers the right side of the image, containing a large white number '6' with a teal outline, a white horizontal line, and the word 'RESOLUTION' in white capital letters.

6

RESOLUTION

Key figures

2021

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RESOLUTION PLANS
ADOPTED

5

SRB MEETINGS
ATTENDED

1. Strengthening the institutional and operational framework of the bank resolution regime

Implementation of the Single Resolution Mechanism (SRM) continued in 2021, with major support provided by the ACPR in planning efforts and work on establishing an operational definition for the management of banking crises. As part of this, the preventive resolution plans of French credit institutions were updated by Internal Resolution Teams (IRTs), which are made up of staff from the Single Resolution Board (SRB) and National Resolution Authorities (NRAs). The ACPR was involved in the work to update and deepen the plans by the IRTs for French banks and foreign banks with a subsidiary in France.

Resolution plans are drawn up as part of the European mechanism for managing banking crises, which gives supervisory and resolution authorities the means to take action to prevent and manage crises. This mechanism is intended to cover the five objectives of resolution, namely to ensure the continuity of critical functions, avoid significant adverse effects on financial stability, protect public funds, protect covered depositors and protect client funds and assets. The authorities draw up a resolution plan for each banking group, including a preferred resolution strategy.

Following the review of the European legislative framework for resolution, which came into force in December 2020, the ACPR was involved in drafting the regulatory technical standards (RTS) that clarify the amendments to the Bank Recovery and Resolution Directive (BRRD). In this regard, the ACPR integrated developments relating to the Minimum Requirement for own funds and Eligible Liabilities (MREL) in the update of its 2021 notice on the calculation of prudential ratios.⁵⁴ In October 2021, the Commission also published its 2021 Banking Package, which, among other things, integrates the regime for the deduction of own funds and eligible liabilities issued indirectly by subsidiaries to parent undertakings to ensure compliance with MREL.

The Resolution Directorate took part in preparatory work for the European Commission's review of the Crisis Management and Deposit Insurance (CMDI) framework. Through a public consultation in early 2021, the Commission launched preliminary work on the review of the directives covering resolution and the deposit guarantee scheme (BRRD and DGSD2), with a view to drafting a legislative proposal. The ACPR and the French Treasury prepared a joint response, which they submitted to the Commission in April 2021.

The ACPR also continued work in conjunction with the SRB on resolvability assessment methodology and the identification of substantial obstacles to the resolvability⁵⁵ of banking groups through a resolvability heatmap. This work led to the creation by the SRB of a tool that was made available to IRTs and intended to track progress in work by banks in the area of resolvability. IRTs identify and assess the progress made on various criteria, based on documentation provided by each bank over the course of the year. Following the assessment, the tool generates a classification of the bank's potential resolvability obstacles. In addition, the ACPR continued work on developing resolution tools, with a focus on operationalisation of the bail-in tool at mutual entities⁵⁶ and improved measurement of interconnections within conglomerates.

The Minimum Requirement for own funds and Eligible Liabilities (MREL), which corresponds to the loss-absorbing and recapitalisation capacity of institutions in the event of failure, supplements the abovementioned resolution plans. In 2021, the ACPR made sure that MREL targets, calculated in accordance with BRRD2 provisions, took proper account of a number of potential adjustments included in the SRB's MREL policy. The ACPR also conducted "public interest assessments" for all significant group subsidiaries and had liquidation strategies adopted for some of these subsidiaries, including cross-border entities, whose internal MREL target will therefore be capped at the level of the capital requirement.

The ACPR is also responsible for drafting preventive resolution plans for the 118 institutions under its direct or exclusive supervision. This responsibility extends to less significant institutions, investment firms subject to the resolution framework as well as institutions in overseas territories outside the EU and those based in Monaco. The plans for these institutions are updated only every two years. This year, the ACPR Resolution College adopted 42 draft resolution plans as part of the 2021 resolution cycle, covering 39 credit institutions in mainland France, two overseas institutions and one financing company. Resolution plans for investment firms were initially scheduled to be updated in 2021 but the work had to be postponed because the prudential regulations applicable to investment firms were not finalised.

To cover the costs of crises at banking institutions, a Single Resolution Fund (SRF) for credit institutions within the Banking Union and a National Resolution Fund (NRF) for institutions that remain under the ACPR's exclusive responsibility were set up in 2016. These funds, whose target level of 1% of covered deposits is expected to be reached by 31/12/2023 for the SRF and 31/12/2024 for the NRF, continued to be financed in 2021 by contributions from institutions.

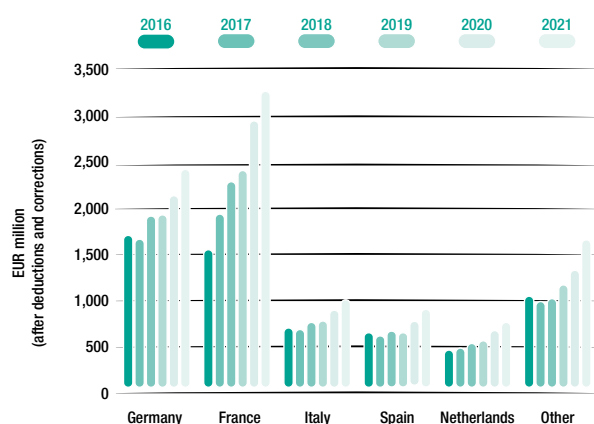
⁵⁴ 2021 Notice – [Procedures for calculating and disclosing prudential ratios under CRDIV and the MREL](#) on the ACPR website.

⁵⁵ The idea is to assess an entity's eligibility for resolution mechanisms as an alternative to liquidation.

⁵⁶ [How to resolve a cooperative group? The French case](#) on the ACPR website.

In 2021, French institutions contributed over EUR 3.4 billion to the SRF. Contributions to the NRF totalled EUR 12 million in 2021 and included contributions from some institutions licensed in France, notably in overseas territories outside the EU and Monaco. France and Germany are the Banking Union's two largest national contributors to the SRF (see chart).

SRF contributions by licensed institutions in Banking Union member countries



Source: <https://www.srb.europa.eu/system/files/media/document/2021%20ex-ante%20contribution%20period.pdf>

National contributions vary according to the size of the domestic banking sector, the size of individual institutions and risk indicators, which, among other things, explains the relative size of the French and German contributions. The ACPR also calculated and notified institutions of their contributions to the guarantee schemes for deposits, securities and bank guarantees managed by the *Fonds de garantie des dépôts et de résolution* (FGDR – Deposit Insurance and Resolution Fund). Approximately EUR 750 million was raised in 2021 for the largest of these mechanisms, namely the deposit guarantee scheme.

2. Strengthening the institutional and operational framework of the insurance resolution regime

France was one of the first EU countries to introduce a recovery and resolution regime for the insurance sector. The Ordinance of November 2017 handed new powers to the ACPR, which was appointed the resolution authority for insurers.

The regime, which is modelled on the existing regime for credit institutions and investment firms, applies to all institutions subject to the Solvency II prudential regime. It allows the ACPR's Resolution College to obtain enhanced powers over struggling insurers and to take resolution measures to maintain the functions of the institution that are considered to be critical⁵⁷ to the real economy or to financial stability.

The preventive component of the regime, which applies only to the largest institutions,⁵⁸ includes an obligation for these institutions to prepare preventive recovery plans. The Resolution College then prepares preventive resolution plans.

In 2021, as part of in-depth preparations for insurance resolution planning, the Resolution College confirmed its analysis of the following as “inherently critical functions”:⁵⁹ non-unit-linked and unit-linked savings, auto insurance including third party liability, medical liability insurance, construction insurance, farm insurance and credit & surety. The ACPR also published a methodological memo on resolution instruments (portfolio transfers, bridge institutions, trusts) and their implementation.⁶⁰

⁵⁷ [Identification of the critical functions of insurance undertakings](#) on the ACPR website.

⁵⁸ Institutions whose total assets have exceeded EUR 50 billion at least once in the past three financial years or that perform a critical function.

⁵⁹ [Identification of the critical functions of insurance undertakings](#) on the ACPR website.

⁶⁰ [Implementation of resolution instruments applicable to insurance institutions and resolution strategies](#) on the ACPR website.

CRITICAL FUNCTIONS OF INSURANCE INSTITUTIONS

In the framework of a resolution procedure, the continuity of critical functions performed by the insurance undertaking in question is one of the goals of insurance resolution stated in Article L. 311-22 of the Insurance Code. These critical functions mean activities, services or operations provided by an entity and having the following characteristic:

- they are provided by said entity to unrelated third parties;
- the inability of said entity to perform them would be likely to have a significant impact on financial stability or on the real economy;
- said entity's contribution cannot be replaced at a reasonable cost and within a reasonable time.

To establish a preventive resolution plan and determine a resolution strategy, the Resolution College must first map any critical functions carried out by the group in question. To identify these critical functions, the ACPR proposed a two-part methodology: define a list of functions deemed to be inherently critical and then set a criticality threshold to identify, for each of these activities, the most significant insurance undertakings and groups.⁶¹

Moreover, as critical functions are those that must be maintained in the context of crisis management, they need to be identified not only in preventive resolution plans but also in the preventive recovery plans drawn up by groups. Therefore, insurance groups must take identified critical functions into account in their preventive recovery plans.

At European level, the ACPR took part, with support from the Treasury, in negotiations on the Commission's proposal for a directive on the recovery and resolution of insurance and reinsurance undertakings published in September 2021. The proposal is to create resolution

authorities with tools and powers to intervene in the event of the failure of an undertaking, in order to protect policyholders or beneficiaries, mitigate the impact of such a failure on the real economy and on financial stability and limit consequences for the public finances.

3. The central counterparty resolution regime

Central counterparties (CCPs) remain under the direct responsibility of national authorities in Europe.

In 2021, the ACPR continued its work in this area, notably by organising the sixth meeting of the authorities in the crisis management group for the French CCP, LCH SA. At the meeting, in accordance with the international standards in this regard (cf. FSB Guidance on CCP Resolution, 2017), the ACPR presented the impact of various resolution scenarios on the CCP, along with advances in the strategic analysis of the business lines and critical functions of LCH SA. An initial resolution plan for LCH SA was presented to the College this year but cannot be adopted until the CCP resolution framework comes into force in 2022.

The above work was done as part of the application of the European regulation on CCP recovery and resolution. The regulation's entry into

application is being phased in, with recovery provisions applicable from 12 February 2022 and resolution provisions taking effect on 12 August 2022. The ACPR is currently involved in work begun by the European Securities and Markets Authority (ESMA) on the 19 technical standards and guidelines contained in the new regulation. Of these, 14 have been finalised or are in the process of being finalised.

At international level, the ACPR participated in work by a specialised group of the Financial Stability Board, which focused on the resolvability assessment process and on deepening work on the adequacy of financial resources for CCP resolution (assessment focused particularly on needs and the different types of resources that could potentially be considered).



⁶¹ Institutions whose total assets have exceeded EUR 50 billion at least once in the past three financial years or that perform a critical function.



7

ACTIVITY OF THE SANCTIONS COMMITTEE

Key figures

2021

5

NEW CASES

9

RULINGS HANDED DOWN

11.5

MONTHS TAKEN
TO HANDLE
AN AVERAGE CASE

1. Overview

Five new sets of disciplinary proceedings were referred to the Committee in 2021. This constituted a sharp slowdown, as the total number of cases referred had ranged between seven and eleven annually since 2012. The shift may be at least partly due to the health crisis, which led to a decrease in on-site inspections, whose effects were reflected, with a lag, in the instigation of new disciplinary proceedings by the College.

The Committee handed down nine decisions.⁶² This was significantly up on 2020, when constraints linked to health measures adopted during the Covid-19 pandemic affected the Committee's activity and organisation. The number of decisions handed down in 2021 marked a return to the average number of Sanctions Committee decisions since 2013.

2. Main lessons from the rulings handed down

2.1 Customer protection

In BNP PARIBAS RÉUNION Ruling No. 2020-07 of 5 November 2021 (reprimand / fine of EUR 3 million / decision published on a non-anonymous basis for five years), the Commission ruled on banking fees, which, under the Monetary and Financial Code (MFC), may not "exceed an amount established by decree" (MFC, Article L. 131-73 for rejected cheques) or shall be capped "under conditions set by decree, based on the nature and the amount of the non-payment, and shall not in any event exceed this amount" (MFC, Article L. 133-26 for other payment incidents).

The Committee recalled that the ceilings for rejection fees provided for by these legislative provisions include "all sums charged [...] irrespective of the terms used or justification for these sums" (MFC Articles D. 131-25 and D. 133-6 for cheque-related incidents and other payment incidents respectively): these sums therefore include any handling fees. The fact that these fees, which are intended to remunerate a service provided by the institution, are subject, pursuant to MFC Articles L. 312-1-3 and R. 312-4-1, to a specific capping regime is irrelevant in this regard: in the absence of any contrary provision and provided that there is no obstacle to this, credit institutions are bound to comply with the rules on capping fees and on capping handling fees. An institution that charges fees when a cheque is rejected or in connection with another payment incident may not therefore charge handling fees for a service provided in connection with the payment incident unless the total amounts charged do not exceed the cap provided for by MFC Articles D. 131-25 and D. 133-6.

Furthermore, the Committee dismissed the argument that the generally accepted legal principle of *non bis in idem* and the presumption of innocence were breached by the publication of a press release by the chair of the Observatory for Banking Inclusion (OBI), a body which is chaired, like the ACPR, by the Governor of the Banque de France, criticising the pricing practices of two banking group subsidiaries, including BNPP Réunion. In ruling out any breach of the *non bis in idem* principle, the Committee considered that, while publication of the press release, which was done by the OBI under its statutory task of disseminating information, might, if individual examples were given, constitute a complaint against the named institutions, it could not be regarded as characterising punishment for breaches of obligations

The Committee's work was once again mainly centred on AML/CTF issues, with seven of the nine decisions punishing breaches in this area, while the other two concerned customer protection and governance.

The Committee issued eight reprimands and a warning, plus eight fines ranging from EUR 120,000 to EUR 4 million. Total fines came to EUR 16.24 million. It also decided to name the entities concerned by its decisions.

The average time between when a case was brought before the Committee and when notification of the sanction ruling was provided was just under one year, or one month less than in 2020.

to which these institutions are subject and thus did not constitute a sanction. Furthermore, in ruling out any breach of the presumption of innocence, the Committee pointed out that its organic and functional independence with respect to the College is guaranteed by law, that it has sole competence to review and, where applicable, issue punishments in relation to complaints made against institutions, and that in any case statements by the Governor could be considered neither as representing positions taken by a person involved in the judgement function nor as likely to influence the conditions under which this function is performed.

2.2 Governance and internal control

In Caisse de Crédit Municipal de Bordeaux (CCMB) Ruling No. 2020-04 of 3 June 2021 (reprimand / fine of EUR 120,000 / decision published on a non-anonymous basis for three years), the Committee punished a publicly-owned municipal credit and social assistance institution whose businesses included personal loans for non-specified purposes and a long-standing official pawnbroking business, but that had recently begun diversifying into products without a social component, including high-value added pawnbroking and asset-backed loans carrying far higher risks than its usual products owing to the amount of certain individual commitments, the nature of the collateral received, the target customers and the business introducers involved.

The Committee considered that this diversification drive was conducted during a period when the CCMB's steering and supervisory board was insufficiently involved in analysing the strategy, reviewing the risks and supervising the entity's management, owing, in particular, to significant absenteeism among the members elected to the board by the local council.

It noted that the risks related to the new products, particularly in connection with compliance, were neither approved nor assessed⁶³ prior to the marketing stage, that loan application files were not the subject of an independent and formal risk analysis and that the CCMB failed to gather all the information needed to assess the credit risk associated with the loans being applied for.

The Committee also found that the CCMB's internal control system had too many shortcomings, notably because it was under-resourced.

⁶² The Committee's rulings, which are published in the ACPR's official register, may also be consulted in the [compendium of previous decisions](#) posted on the Authority's website.

⁶³ [The Order of 3 November 2014](#) on the internal control of institutions from the banking sector requires an adequate procedure to be implemented for the approval of new products: the person in charge of checking compliance, or a person duly authorised by that person, must always give a written opinion before transactions relating to these products are executed.

In sum, the Committee therefore considered that the CCMB had undertaken a diversification drive that exposed it to significant risks, whereas its governance, procedures and internal control systems suffered from serious deficiencies.

In determining the sanctions, the Committee did however take account of the fact that the CCMB had undertaken an ambitious remediation plan, that it had refocused on businesses that its dual status as a credit and social assistance institution entitled it to exercise and that it had overhauled its governance and organisation. Furthermore, the Committee was particularly mindful of the sharp deterioration in the company's earnings, given that CCMB is, under MFC Article L. 514-4, a major player in social assistance, helping to finance a local welfare centre, and given that social assistance needs have increased significantly in Bordeaux since the outbreak of the health crisis.

2.3 Compliance with obligations in relation to anti-money laundering and counter-terrorist financing and asset freeze measures

– In Cotizup Ruling No. 2019-08 of 27 January 2021 (warning / decision published on a non-anonymous basis for three years), the main question to be settled was whether, as claimed by the plaintiff authority, the company was a crowdfunding intermediary (CI) and, as such, subject to AML/CTF obligations.

MFC Article L. 548-1 defines crowdfunding intermediation as consisting, under certain conditions, in connecting project creators with financial backers. A project is defined, in the version of this article derived from Ordinance No. 2019-486 of 22 May 2019, as “*a predefined operation or [...] a predefined set of operations in terms of the goal, amount, timetable, financial projection and expected result*”. In the previous version of the same article derived from Ordinance No. 2014-559 of 30 May 2014, the concept was defined as follows: “*a project consists of a purchase or a set of purchases of goods or services for the purpose of carrying out an operation with a predefined goal, amount and timetable*”. Pursuant to Article L. 548-2 of the code, “*crowdfunding intermediaries are persons that routinely exercise intermediation, as defined by Article L. 548-1 [...]*”.

The Committee found that Cotizup exclusively sought to raise donations and said that, when such a financing approach is taken, assessing whether the company's business constitutes crowdfunding intermediation or merely a savings pool business can be challenging, since being registered as a CI with ORIAS, France's national insurance, banking and finance intermediary register, is not a decisive criterion in this regard.

It considered that since Cotizup's business consisted in collecting donations to finance events such as weddings, birthdays and leaving parties, to contribute to educational or humanitarian projects, or to support various causes, it could not be considered to be targeting the financing of projects as defined by MFC Article L. 548-1, insofar as, in particular, those proposing projects, to which backers were only asked to contribute funds, could adjust execution after the fact depending on the amount of donations obtained. Accordingly, the business could not be analysed as crowdfunding intermediation that was distinct from a simple online savings pool business.

However, the Committee ruled that a number of operations financed via Cotizup, sometimes involving large amounts and through fairly open calls, displayed the characteristics of project crowdfunding as defined by the abovementioned provisions and that, during the period under review, the company ought to be considered to be routinely exercising a crowdfunding intermediation business. Under MFC Article L. 548-2, therefore, Cotizup should be considered during that period to be a CI subject to ACPR supervision under MFC Article L. 612-2(II 4°) and to AML/CTF obligations.

Regarding the other points, the Committee ruled that the breaches mentioned by the plaintiff authority were established.

It therefore issued a warning and decided to publish its decision on a non-anonymous basis. Given the uncertainty over the notion of what constitutes a CI when only donations are concerned and taking account of the fact that, for a company such as Cotizup, whose core business is based around a simple “savings pool” rationale, it might be tricky to determine what exactly was entailed under the applicable AML/CTF obligations and the related implementation procedures, the Committee felt that it was not appropriate to add a fine to these two sanctions.

– In ING BANK France Ruling No. 2020-02 of 24 February 2021 (reprimand / fine of EUR 3 million / decision published on a non-anonymous basis for five years), the Committee punished the French branch of Dutch group ING Bank NV, which offers online banking services to individual customers who are tax residents in France as well as diversified services to a customer base mainly made up of large companies.

The Committee ruled that ING France's risk classification was incomplete and ineffective and that its system for monitoring business relationships and related transactions had serious deficiencies, as did the organisation and procedures for fund transfers. In addition, the update of KYC information, the identification of politically exposed persons (PEPs) and the introduction of appropriate due diligence measures for this customer category were all deemed to be insufficient. Finally, the implementation of due diligence obligations, including the obligation to send Tracfin suspicious transactions report (STRs), exhibited numerous shortcomings: these breaches constituted significant deficiencies and showed that ING France's AML/CTF system was inadequate overall. Furthermore, the identification of people subject to asset freeze measures was not fully effective.

This ruling provided an opportunity for the Committee to reiterate that the *non bis in idem* principle does not preclude several distinct breaches arising from the same acts in the context of a single set of proceedings leading to a single sanction ruling. However, when this is the case, it should be taken into account in determining the sanction, in accordance with the proportionality principle.

– In its Cardif Assurance Vie Ruling No. 2020-03 of 29 April 2021 (reprimand / fine of EUR 2.5 million / decision published on a non-anonymous basis for five years), the Committee noted serious breaches of the AML/CTF system of this institution, which markets savings, retirement and death & disability products. Furthermore, the Committee considered that, regarding asset freeze measures, the company's system suffered from deficiencies due to insufficiently frequent scanning of the customer database, the exact match requirement applied to part of the database and the lack of transaction filtering.

This decision was an opportunity for the Committee to reiterate that while, under a risk-based approach, supervised institutions have a degree of discretion when implementing their legal obligations in terms of AML/CTF, in order to take account of the specific characteristics of their business and their customers and the risks that they present, the ACPR is required to check that their AML/CTF systems and the due diligence done on each individual file are consistent with its analysis of the risks presented by the products, customers and transactions in question. Institutions cannot claim to have open-ended freedom of discretion: they may be considered to have met their obligations only if the systems and procedures put in place comply with the requirements underlying the obligations to which they are subject.

The Committee also specified, with regard to the *non bis idem* principle, that a Cour de cassation decision holding that “acts arising inseparably from a single action characterised by a single culpable intent cannot give rise to two criminal convictions against the same accused party, even if they are concurrent” (Crim. 26 Oct. 2016, No. 15-84.552), could not be transposed by analogy to proceedings brought before the Committee, insofar as intent was not an essential element of the disciplinary breaches and the power to sanction several acts originating from a single action by means of the same decision did not depend on an assessment of the singularity of the intent from which these acts arose.

– In its Carrefour Banque SA (CBSA) Ruling No. 2020-05 of 7 May 2021 (reprimand / fine of EUR 1.5 million / decision published on a non-anonymous basis for five years), the Committee punished numerous shortcomings in the institution’s AML/CTF system, including failures in the internal control organisation and breaches of due diligence obligations, as well as deficiencies in the asset freeze system.

The company, which admitted to almost all the breaches attributed to it, said that they were due for the most part to the marketing of a product that had resulted in a sharp increase in alerts which it had been unable to handle immediately and which had had a subsequent impact on compliance with its other due diligence and Tracfin reporting obligations. It argued, furthermore, that it could not be punished for several breaches with the same origin without infringing the non bis in idem principle.

On the first point, the Committee said that, whatever the case might be, the company was responsible for anticipating the consequences for its AML/CTF system – notably in terms of handling warnings and sending STRs to Tracfin – of marketing a product that it could not and should not have failed to realise presented significantly higher AML/CTF risks than its traditional activities.

On the second point, after recalling the exact scope of the *non bis in idem* principle (cf. above), the Committee pointed out that in this instance, the plaintiff authority’s complaint against the company did not concern the same acts under several designations but rather the consequences of one act – namely the failure to anticipate the ML/TF risks resulting from marketing its new product – for the company’s handling of warnings, first, and compliance with reporting obligations, second. Accordingly, there was nothing preventing all the breaches on these points from being punished.

– In its American Express Carte France (AECF) Ruling No. 2020-06 of 12 July 2021 (reprimand / fine of EUR 2 million / decision published on a non-anonymous basis for five years), the Committee punished a payment institution after ruling, in particular, that the risk classification, procedures used to establish the risk profiles of business relationships and the transactions oversight system had many deficiencies, that some of the institution’s internal control tasks were improperly outsourced, and that due diligence obligations were improperly executed as regards customer identification and ID verification, KYC aspects, application of supplementary due diligence measures to customers resident in high-risk third countries and identification of PEPs and the execution of supplementary due diligence measures for PEPs. The Committee also considered that the company had failed on numerous occasions to meet its Tracfin reporting obligations.

On the last point, the company claimed that, since the offence that it was supposed to have suspected of taking place and that should have led it, pursuant to the provisions of MFC Article L. 561-15, to file a report with Tracfin, was not specified, the plaintiff authority had violated the presumption of innocence principle and the principle that offences and penalties must be defined by law, and made it impossible for the company to present a proper defence. The company argued that it was not enough to assess transactions as being atypical, without showing how the transaction might constitute an offence punishable by a prison sentence of over one year or be linked to terrorist financing. According to the company, by failing to provide such a demonstration, the plaintiff

authority accused it only of failing to report atypical transactions to Tracfin – a reporting requirement imposed on no supervised entity – and placed upon it an impossible burden of proof by requiring the company to show that transactions had no atypical characteristics.

The Committee specified that, in order to characterise a breach of the obligation provided for by the abovementioned provisions of MFC Article L. 561-15, the plaintiff authority needed to show, in a sufficiently clear and detailed manner, that a transaction presented characteristics warranting suspicions of a breach. Conversely, neither the exact nature of the breach, nor, still less, whether the breach had actually been committed, needed to be proven by an administrative authority and, moreover, could not be in any case.

– In its Rakuten Europe Bank SA (REB) Ruling No. 2020-08 of 14 October 2021 (reprimand / fine of EUR 120,000 / decision published on a non-anonymous basis for three years), the Committee punished a Luxembourg credit institution that issues and distributes electronic money in France through Rakuten France for deficiencies in its AML/CTF system, which affected several essential aspects (internal procedures, staff training, customer ID verification, and, in the case of legal entities, ID verification for beneficiary owners, identification of politically exposed persons, transaction surveillance, Tracfin reporting obligations), and for failures in its asset freeze system.

This case raised a first difficulty. While, pursuant to MFC Articles L. 561-5 and L. 561-5-1, supervised institutions, including electronic money issuers, are obliged to identify and to verify the identity of their customers and to gather information on the purpose and nature of the business relationship and, while they may, in certain situations, under Articles L. 561-9 and R. 561-15 of the code, implement these obligations through simplified due diligence measures, MFC Article R. 561-16-1 provides, for electronic money issuers only, an outright exemption from due diligence obligations, if several conditions are met, particularly for small transactions.

Therefore, after finding, as the plaintiff did, that the company was not entitled to claim to be covered by any of the scenarios provided for by MFC Articles L. 561-9 and R. 561-15, in order to argue that it only needed to perform simplified due diligence, the Committee had to verify whether and to what extent the company could, as an electronic money issuer, claim, for some or all of its customers, the exemption provided, for this category of supervised institutions alone, by the provisions of MFC Article R. 561-16-1 implementing Article L. 561-9-1 of the code.

The Committee pointed out that the provisions of MFC Article L. 562-4 impose on all supervised institutions an obligation to freeze the funds and resources of persons subject to restrictive measures and that compliance with this obligation requires the detection system in place to be exhaustive.

The company argued, however, that for smaller transactions, the exemption provided for by the abovementioned MFC Article R. 561-16-1, and notably the exemption from knowing the identity of the customer, necessarily implied an exemption from having to perform the customer database filtering activities required to comply with asset freeze obligations. The Committee pointed out that the provisions of MFC Article L. 562-4 on asset freeze measures provided for no exemption based, for example, on the amounts of the transactions in question. However, it noted that the joint Treasury/ACPR guidelines on implementing asset freeze measures published in June 2016 and updated in June 2019 and again in June 2021 stated that “institutions that issue and manage electronic money are required to implement national and European asset freeze measures, except in the cases mentioned in Article R. 561-16-1”. It considered that these guidelines could, owing to their general wording, be legitimately regarded as a formal position whereby the ACPR accepted that an electronic money issuer might exclude customers covered by the provisions of MFC Article R. 561-16-1 from the scope of its asset freeze obligations. It therefore concluded that, on this point, there was no breach to punish.

- In its MMA IARD Ruling No. 2020-09 of 30 November 2021 (reprimand / fine of EUR 4 million / decision published on a non-anonymous basis for five years), the Committee was, for the first time, asked to consider breaches relating to the asset freeze arrangements of an undertaking doing business on property & casualty insurance markets.

The Committee ruled that the undertaking's arrangements were structurally flawed, notably due to the use of overly strict "exact match" search criteria when filtering customer databases, the lack of information in these databases, insufficiently frequent updates of lists used to perform filtering, and procedural gaps.

While the company argued that the lack of a statutory time limit for disciplinary proceedings was "highly contestable" with regard to the stipulations of Article 6 of the European Convention for the Protection of Human Rights and Fundamental Freedoms and, furthermore, that since the breaches were corrected before the inspection began, they could not be punished in any case, the Committee pointed out that, as the *Conseil d'État* ruled in *Vaillance Courtage Ruling No. 393509* of 7 June 2017, the disciplinary authority, acting under the supervision of a judge, is merely tasked with making sure, on a case by case basis, that the time elapsed since the acts under consideration should not cause the effective exercise of the respondent undertaking's

guaranteed rights to be infringed, in order to ensure that the rights of the defence and the principle of legal certainty are upheld. The disciplinary authority must also take into account the time between the offence and the sentence in determining the sanction, to uphold the principle of proportional punishment.

In addition, the Committee considered that the breaches of which the undertaking was accused were especially serious, "given the overriding general interest of preserving law and order and public safety addressed by legislation governing asset freeze arrangements in the context of AML/CTF" (*Conseil d'État, La Banque Postale Ruling No. 428292* of 15 November 2019, Point 15). It pointed out that, in the area of asset freeze measures, supervised undertakings are bound by a performance obligation: their system must enable them to immediately and exhaustively detect customers or beneficiaries of transactions that are subject to restrictive measures, and to take prompt action to inform the Treasury and block transactions for the designated persons and undertakings.

Finally, the Committee specified that an insurance contract is an "economic resource" within the meaning of the asset freeze legislation and that the signature or renewal of such a contract is understood to constitute making an economic resource available.

3. Appeals against Sanctions Committee rulings

1. None of the decisions handed down by the Sanctions Committee in 2021 was appealed before the *Conseil d'État*.

In late February 2022, one ruling by the Committee was under appeal before the *Conseil d'État*, namely the *BD Multimédia Ruling No. 2019-07* of 23 December 2020. The appeal is solely against the publication of the decision on a non-anonymous basis for three years.⁶⁴

2. In 2021, the *Conseil d'État* considered an appeal against the decision handed down by the Committee on 10 December 2019 (Procedure No. 2019-02) with regard to *Tutélaire* (reprimand and fine of EUR 500,000 for deficiencies in the settlement of life insurance contracts).

Tutélaire argued, in particular, that since the *TUT'LR* contract was a "mixed" contract including "life" and "non-life" coverage, it was not subject to obligations to identify deceased policyholders and find beneficiaries arising from Article L. 223-10-2 and the last paragraph of Article L. 223-10 of the Mutual Insurance Code.

In its *Tutélaire Ruling No. 438374* of 7 October 2021, the *Conseil d'État* ruled that under the provisions of Article L. 223-10-2 and the last paragraph of Article L. 223-10 of the Mutual Insurance Code, a mutual insurer must implement the required obligations for any insurance contract containing commitments whose execution depends on the length of human life, including contracts comprising other coverage, notably relating to death & disability, regardless of the respective importance of the various types of coverage offered by the same contract. This was the case for the *TUT'LR* contract, which contained death cover allowing eligible parties, in the event of the death of the policyholder during the life of the contract, to receive a lump sum – which constitutes a commitment whose execution depends on the length of human life, as defined by Article L. 111-1(1^b) of the Mutual Insurance Code – even though the contract did not have a savings objective, the person who took out the contract was entitled to terminate it at each annual maturity date, and the invested funds would be lost if the insured risk did not arise.

Having dismissed all the other arguments, in which *Tutélaire* challenged the merits of the complaints, the proportionality of the fine and publication of the decision on a non-anonymous basis for five years, the *Conseil d'État* rejected the appeal.

⁶⁴ *BD Multimédia* also submitted an application in which it called for non-anonymous publication of the ruling to be suspended.

In Ordinance No. 449168 of 15 February 2021, the urgent applications judge of the *Conseil d'État* rejected this application. In the ruling in question, the Committee had issued a reprimand and a fine of EUR 20,000.

8

BUDGET AND ACTIVITY MONITORING

Key figures

2021

207.1

INCOME

210.8

EXPENSES

-3.8

BALANCE

EUR MILLION

1. Budget of the ACPR

In accordance with Monetary and Financial Code (MFC) Article L. 612-18, the ACPR is financially independent within the limits of the contributions paid by undertakings under its supervision. The ACPR's budget consists of all of its receipts and expenses, and is an annex to the budget of the Banque de France.

Pursuant to MFC Article L. 612-19, the ACPR relies on support functions provided by the Banque de France in order to benefit from the pooling of certain services (property management, IT, personnel management, etc.) whose costs are measured on the basis of the

Banque de France's cost accounting model. Capital expenditure is incurred by the Banque de France, with the ACPR budget recording the associated depreciation and amortisation expenses.

The report on the ACPR budget outturn for 2021 was submitted to the Audit Committee on 21 February 2022 and approved by the College at its plenary meeting of 4 March 2022. The Authority ended 2021 with a deficit of EUR 3.8 million. After taking into account this deficit, the balance of contributions carried forward totalled EUR 48.5 million.

Table 1: Summary of 2020 and 2021 expenses and income

Expenses and income in EUR millions	2020	2021	2021 / 2020	
			Amount	%
Contributions from supervised institutions	195.0	195.0	0	0%
Caisse des Dépôts et Consignations (CDC)	10.0	10.0	0	0%
Other income	3.2	2.1	-1.1	-34%
Income (A)	208.2	207.1	-1.1	-1%
Personnel costs	121.0	120.8	-0.2	0%
IT	26.3	36.1	9.9	38%
Property	21.6	21.6	0	0%
Other expenses	23.3	25.3	2.0	9%
Amortisation and depreciation	2.3	7.0	4.7	NS
Expenses for the year (B)	194.5	210.8	16.3	8%
Budget balance (A)-(B)	13.7	-3.8	-17.8	NS

1.1 Income

The Authority's receipts essentially comprise contributions for the cost of supervision provided for in MFC Article L. 612-20 and payable by entities supervised by the ACPR.⁶⁵

Contributions in respect of 2021 were down 1% at EUR 207.1 million and were recorded in the amount of the tax allocation cap set by the 2021 Budget Act (EUR 195 million). The amount exceeding the cap and received over the year, which was smaller than it was in 2020 (EUR 11.5 million versus EUR 14.3 million), was paid back to the general State budget.

The decrease in contributions was essentially due to insurance undertakings and notably to changes in their contribution bases (life and non-life premiums and contributions earned in 2020). The health crisis had an especially pronounced impact on business in this sector, with the result that the amount of contributions was down 12.1% compared with the amount collected in 2020.

At the end of the period, the overall collection rate for contributions was 99.3%, on a par with 2020 (99.1%), despite challenges linked to the health crisis over the last two years.

The amount paid by Caisse des Dépôts et Consignations (CDC), which does not come under MFC Article L. 612-20, is included under other income received by the ACPR. It was set at EUR 10 million per year over the 2022-2025 period by an order from the Minister for the Economy based on an opinion by the CDC oversight board published on 12 June 2020.

Other income also includes services provided by the employees of the General Secretariat of the ACPR to the Banque de France in connection with the supervisory tasks assigned to the Bank and work on behalf of the *Comité consultatif de la législation et de la réglementation financières* (CCLRF – Advisory Committee on Financial Legislation and Regulation), as well as services provided to the AMF in connection with work done on its behalf. There was a sharp reduction in these services and assignments in 2021, which explains the change in income between 2020 and 2021.

⁶⁵ Procedures for calculating contributions for the cost of supervision per category of contributing entity in force in 2021: for the banking sector, the rate applied to banks' capital requirements or minimum capital requirements was set at 0.66%, with a minimum contribution of EUR 500; for the insurance sector, the rate applied to written premiums and contributions was set at 0.23%, with a minimum contribution of EUR 500; flat-rate contributions were set at EUR 1,000 for money changers, EUR 500 for mutual insurers and unions referred to in Book I of the Mutual Insurance Code that manage mutual insurance payments and contracts on behalf of mutual insurance companies and unions referred to in Book II, and EUR 150 for insurance and reinsurance brokers and for intermediaries in banking transactions and payment services; the flat-rate contribution for crowdfunding intermediaries and non-profit associations was EUR 100. Finally, the flat-rate contribution for mixed financial holding companies and mixed parent undertakings of financing companies was set at EUR 5,000.

1.2 Expenses

RELOCATION TO TOURS

The ACPR's decentralisation efforts began successfully when operations relating to fitness & propriety assessments for senior executives of supervised institutions were relocated to Lille in 2019. Seven members of personnel were involved. In 2021, the ACPR continued this drive by opening a second regional office.

In October 2021, the ACPR opened new offices in Tours, with a view to increasing the number of assistants in one of its core businesses, namely bank supervision. As with the Lille office, remote working tools are enabling these geographically separated teams to collaborate effectively. In addition, proximity to the Paris offices facilitates regular meetings.

The permanent office in Tours, which had a headcount of five when it opened, will be expanded to include several additional staff members in 2022.

THE ACPR STRENGTHENED ITS OUTREACH POLICY BY SETTING UP A STAFF EXCHANGE PROGRAMME WITH THE ECB

The ACPR launched a pilot initiative with the ECB to set up a staff exchange programme. These exchanges, which are organised on a loan basis,⁶⁶ are intended to promote career paths within the SSM and to foster a shared supervisory culture. Six staff members from each of the two institutions were selected to take part in the programme. Loans are for a maximum of two years.

The ACPR also renewed its policy of exchanging a staff member with the Prudential Regulation Authority (PRA).

This ground-breaking initiative will allow the ACPR to reap the benefits of geographical, functional and international exchanges and cement the ability of teams to work together remotely. The programme also gives employees an opportunity to diversify their careers and expand their professional and cultural horizons.

Expenses in FY2021 came to EUR 210.8 million, an increase of 8%. They went up due to growth in overheads and IT-related amortisation and depreciation expenses. This reflected steps by the ACPR to upgrade its information system, which included overhauling the system for collecting and processing data submitted by supervised entities, switching to paperless exchanges with entities in response to lockdowns and widespread work-from-home arrangements, and launching several intrapreneurship projects that came out of the innovation programme.

Personnel costs were more or less stable relative to 2020 and amounted to EUR 120.8 million. To ensure strict compliance with the staffing cap set by Parliament at 1,050 FTE on an average annual basis, the ACPR had to scale back hiring significantly in the second half of the year. Accordingly, the headcount stood at 1,032 FTE at the end of the year and 1,046 FTE on an average annual basis, compared with 1,059 FTE and 1,037 FTE respectively in 2020. The volume effect linked to the increase in average headcount was offset by a negative price effect due to the downward adjustment to the reserve for paid leave owing to the sharp reduction in outstanding leave entitlements.

1.3 Three-year forecasts

Note that the three-year forecasts set out in this report were initially prepared based on an assumption of inflation at 2%. However, due to the Ukrainian crisis, the Banque de France published new macroeconomic forecasts in March 2022 in which inflation excluding food and energy was expected in one scenario to be close to 2% in 2024 after peaking at 3.7% in 2022; in an adverse scenario, however, inflation could hit 4.4% in 2022 and 3.3% in 2023. The 2022 budget will be updated in September 2022 to reflect the economic situation. To capture sensitivity to potential inflation, it was estimated that the higher inflation rate in an adverse scenario would result in a budget increase chiefly for overheads, which would go up by EUR 1.3 million in 2022, EUR 1.4 million in 2023 and EUR 1.5 million in 2024.

⁶⁶ Personnel loan: this consists in loaning an employee to another company for a specified period, during which the work contract linking the employee to the lending company is neither broken nor suspended.

Table 2: Forecast income (in EUR thousands)

Income	2021 Actual	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Contributions from supervised entities	207,101	218,570	223,110	227,749	227,749
Tax allocation cap	195,000	195,000	NA	NA	NA
Amount exceeding the cap	-12,101	-23,570			
Caisse des Dépôts et Consignations	10,000	10,000	10,000	10,000	10,000
Other income	2,070	2,820	2,876	2,934	2,993
Income	207,070	207,820			

Table 3: Breakdown of contributions per category of supervised entities (in EUR thousands)

Contributions in EUR thousands	2021 Actual	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Credit institutions and investment firms, MFHC-MPUFCs*	143,446	147,095	150,035	153,034	153,034
Insurance undertakings (insurers, mutual insurers and provident institutions)	56,296	64,100	65,700	67,340	67,340
Intermediaries in banking transactions and payment services	3,452	3,461	3,461	3,461	3,461
Insurance and reinsurance brokers, microcredit associations and Cls**	3,722	3,729	3,729	3,729	3,729
Money changers	185	185	185	185	185
Total	207,101	218,570	223,110	227,749	227,749

* Mixed financial holding companies, mixed parent undertakings of financing companies.

** Crowdfunding intermediaries.

For FY2022, total contributions are up on 2021 and could reach EUR 218.6 million.

In the insurance sector, gross life and non-life premiums earned in 2021, which form the base for insurer contributions due in respect of year 2022, increased sharply. Life insurance contributions earned in 2021 alone totalled EUR 151.1 billion, exceeding the EUR 150 billion mark for the first time. Accordingly, the contribution amount for 2022 is estimated to show a sharp increase.

In the banking sector, contributions are up 2.5% owing to the change in the contribution base (value of risk-weighted assets at end-2021).

For insurance and reinsurance brokers and intermediaries in banking transactions and payment services, the same contribution amount as in 2021 was kept for 2022 and reflects the number of these intermediaries registered at 1 April 2021 by ORIAS. At this stage, the health crisis has not had the negative effects that might have been feared for the continued survival of these entities, as their numbers actually increased in 2021, by 4% for brokers and 8.6% for intermediaries.

For FY2023 to FY2025, previous developments are taken into account and adjusted based on the outlook and currently available data, giving a 2% increase through to 2024 for the banking sector and a 2.5% increase for the insurance sector, with the 2024 amount carried over to 2025.

These estimates obviously remain uncertain, particularly when set against the effects of the Ukrainian crisis and future developments in the health situation.

For intermediaries, the contribution amount is hard to assess because most of the entities that make up the group are small. The decision has been taken to keep the 2022 population and amount for the entire three-year period.

Other income corresponds mainly to services charged out to the Banque de France in proportion to supervisory work performed on its behalf by ACPR staff. These receipts are calculated on the basis of a flat-rate amount that is set for the year and based on actual costs observed in previous years. The estimated amount for 2022 is then adjusted upwards annually by 2%.

The contribution from the CDC was recorded at EUR 10 million for the 2022 to 2025 period, in accordance with the order published in June 2020.

The estimated amount of receipts from contributions could come to EUR 218.6 million in total. Taking into account the tax allocation cap set for 2022 at EUR 195 million and other income, the ACPR's total receipts for 2022 are expected to be EUR 207.8 million.

For the following years, the amount of contributions under MFC Article L. 612-20, excluding the cap, is estimated at EUR 223.1 million for 2023 and EUR 227.7 million for 2024 and for 2025. Adding the contribution from the CDC and other income from services charged to the Banque de France, total income is estimated at EUR 235.9 million for 2023 and EUR 240.7 million for 2024 and 2025.

The ACPR's expenses were estimated based on the following assumptions:

Table 4: Forecast expenses (in EUR thousands)

Expenses	2021 Actual	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Personnel costs	120,795	127,484	129,036	131,544	132,859
Overheads	83,029	85,503	88,518	91,090	92,362
Amortisation and depreciation	7,007	8,574	9,693	11,049	11,283
Expenses for the year	210,831	221,561	227,247	233,683	236,505

In terms of headcount and personnel costs, the ACPR College considered several scenarios covering staffing and the activities of General Secretariat departments, with the aim of providing the Authority with sufficient resources to fulfil its tasks and maintain its influence in the French and European institutional landscape. Based on this information, the General Secretariat was able to have its staffing cap raised to 1,080 FTE on an average annual basis for 2022.

To reach the new cap of 1,080 FTE by the end of 2022, the ACPR engaged in a sustained recruitment drive aimed at hiring over 100 people. Several steps were taken to make the ACPR more attractive and raise its profile: these included organising a job-dating event in April 2022,

stepping up participation in job fairs at leading business schools and putting out more videos and messages on social media. An upturn in departures, which will have to be offset, is moreover expected owing to improvements noted on the job market since last summer. However, these forecasts are dependent on developments on the job market and significant uncertainties linked to the health situation.

In **2023**, the aim is to consolidate progress towards the 1,080 FTE target by the end of the year (1,075 FTE on an average annual basis). In **2024** and **2025**, the goal is to have 1,080 FTE staff on an average annual basis.

Table 5: Personnel by major function (average FTE)

Average FTE	2021	2022	2023-2025
Prudential oversight, banking sector	371	380	390
o/w SSM – prudential oversight	226	230	237
Prudential oversight, insurance sector	203	200	201
Supervision of business practices	86	88	91
AML/CTF	86	88	90
Steering and support	100	102	102
Cross-cutting risk analysis and inspection support	200	202	206
Total	1,046	1,060	1,080

The additional staff will be focused on the ACPR's priority work areas. First, monitoring the cyclical risks associated with emergence from the Covid-19 crisis, joined now by the risks linked to the impacts of the war in Ukraine, will remain a major work area. This work will include prudential oversight of the insurance and banking sectors, with special attention paid to checking the resilience of supervised entities as they emerge from the health crisis. In terms of customer protection, the ACPR will continue to conduct active monitoring for online fraud.

The ACPR will maintain its commitment in support of the SSM for the supervision of major institutions. For the most part, the resources allocated to this area comprise banking supervision employees working in the JSTs and on-site inspection teams. In 2022, the ACPR will take on the responsibility of leading a new joint cross-cutting team made up of staff from the ECB and national authorities that choose to take part. The team will supervise securitisation transactions initiated or sponsored by significant institutions within the SSM.

In addition, the ACPR plans to devote significant resources to the risks linked to the low interest rate environment and elevated valuation levels on financial and property markets. These risks were identified in previous years but are raising new questions about (i) private and public debt growth trajectories, (ii) pressure on the profitability of supervised financial institutions and the long-term viability of their business models, and (iii) impacts on the financial system of less accommodative monetary policy, a pickup in inflation and higher long-term interest rates.

Measures will also be taken and are set to last over several years to respond to structural challenges and other risks, including:

- **climate change-related risk**, with the ACPR heavily involved in work by different European and international bodies (follow-up on the climate stress tests implemented by the SSM, continued work with the Paris financial community in the wake of the ACPR pilot exercise, recognition of ESG⁶⁷ risks in banking and insurance regulations);
- **risks linked to digitalisation** (cyber threat and risk of IT dependency);
- **regulatory work areas** (final transposition of Basel III in the European Union, Solvency II Review, creation of the European Anti-Money Laundering Authority);

- **anticipation of emerging risks** (contact with innovators, studies, working groups on regulatory questions, trials).

In addition, the ACPR will begin work to ensure that its framework is adequate, particularly by increasing the resources allocated to oversight of the CDC and by integrating follow-up measures from the current evaluations of the AML/CTF system (FATF, Council of Europe, *Cour des comptes*). Furthermore, it continues and will continue to be heavily involved in the Banque de France's strategic plan for 2021-2024.

For **FY2022**, based on an average annual forecast headcount of 1,060 FTE, **personnel costs** are expected to be around **EUR 123.5 million**. Factoring in wage increase mechanisms,⁶⁸ potential changes in staffing levels that cancel each other out, and possible inflation rate changes, personnel costs could be **EUR 129 million in 2023, EUR 131.5 million in 2024 and EUR 132.9 million in 2025**.

Overheads include expenses that are directly incurred by the ACPR and services provided by the Banque de France to the ACPR, which are either billed at their actual cost or charged out based on the Banque de France's cost accounting model.

Table 6: Forecast overhead expenses (in EUR thousands)

Expenses	2021 Actual	2022 Budget	2023 Budget	2024 Budget	2025 Budget
Property (rents, rental expenses)	21,587	21,834	22,279	22,688	23,107
IT	36,114	33,821	35,706	37,348	37,758
Reallocations and charging out of pooled BDF services (including FIBEN) excluding IT and Property	17,673	18,194	18,637	19,054	19,397
Overheads managed by the ACPR (excluding IT project management)	7,654	11,654	11,895	12,000	12,100
Overheads	83,029	85,503	88,518	91,090	92,362

Services provided by the Bank include:

- rents and rental expenses for buildings occupied by the ACPR and certain IT expenses (external project management services involved in the development and maintenance of applications used by the ACPR and projects that are necessary to respond to regulatory developments), which are billed at their actual cost;
- pooled support functions (IT package, training and other support functions), which are charged out at full cost based on the Banque de France's cost accounting model.

Overheads that are directly managed by the ACPR, excluding IT, concern contributions to the operation of the two European sector authorities (EIOPA and EBA), as well as inspection expenses, documentation-related spending, postal and telecommunication expenses and other miscellaneous expenses. These totalled EUR 7.7 million in 2021 and are expected to be around EUR 12 million in 2022 and beyond, as inspections resume.

Current operating expenditures and expenses (excluding personnel costs) are primarily made up of IT and property costs.

For some years, the ACPR has been engaged in a process aimed at controlling its current operating expenses.

Property expenses (rents and rental expenses) have declined significantly in recent years after the ACPR's entire workforce moved to new buildings in mid-2018. They factor in over the three-year period the increase in rents based on the ILAT index (index of rents for service-based activities: average rate of 2.96% applied based on developments on the professional property market). The ACPR will seek to pursue its efforts to rationalise property expenses over the coming years, notably in the light of developments in work-from-home arrangements.

IT expenses include costs relating to projects and the maintenance of IT applications, the costs of services carried out by the Banque de France for the ACPR in the context of the pooled support resources covered by the provisions of MFC Article L. 612-19, and charges by the European Central Bank (ECB) relating to IT resources provided to national supervisory authorities within the framework of the SSM. Overall, these IT costs amounted to EUR 36.1 million in 2021.

⁶⁷ ESG criteria are used to assess the recognition of sustainability and long-term challenges in the strategies of economic participants, such as businesses and local authorities.

⁶⁸ Age and job skill coefficient.

After several years of stability, the significant increase in IT costs from 2021 onwards stems from the need for the ACPR to upgrade its information system. As part of this, the Authority is engaged in setting up a platform developed by the Banque de France that will enable cross-disciplinary data to be harnessed effectively. After the preparatory work was spread over several years, the first batch of the new platform was deployed in 2021. Meanwhile, the pace was stepped up in IT dematerialisation/digitalisation projects, which were made even more necessary by the crisis, and new projects resulting from the innovation programme were also launched, with two going live in 2021. The related amounts are based on actual costs in 2020 and factor in the ACPR's needs in terms of the technical infrastructure required for project development. For 2022 to 2025, the cost of IT services charged out by the Banque de France is also expected to rise in connection with the change in the ACPR's headcount.

The ACPR will pursue efforts to control expenditures over the **2023-2025** period and will continue to pay close attention to inspection-related expenses and to the environmental footprint of staff travel. Inspection-related expenses are however estimated to go up owing to the planned resumption of business travel and the increase in headcount from 2022. That being said, it is likely that travel will be adjusted in the future to reflect approaches adopted during the pandemic (videoconferencing) and consider the associated environmental footprint. At this stage, it is hard to estimate how these factors may be reflected in budgetary terms.

The ACPR does not have control over all its expenses, and its contributions to the operation of the two sector authorities (EBA and EIOPA) increased by EUR 0.95 million (32%) between 2017 and 2020 and by EUR 0.7 million between 2020 and 2021 alone. Contributions were raised because UK financing was stopped due to Brexit but also because of the impact of the health crisis, which, among other things, prompted the European agencies to invest heavily in digitalising their information systems. These expenses are thus expected to increase over the entire three-year period based on a review of the initial budget documents submitted by the abovementioned institutions.

The capital expenditure needed to enable the ACPR to carry out its tasks is made on the ACPR's behalf by the Banque de France, with only **amortisation and depreciation expenses** included in the ACPR's budget. While until FY2020 these were essentially linked to property-related expenses, financial years from 2021 onwards are set to record a sharp increase in amortisation and depreciation expenses relating to major IT projects, some of which came onstream in 2021. Overall, while total amortisation and depreciation expenses came to EUR 7 million in 2021, they are estimated at EUR 8.6 million in 2022, EUR 9.7 million in 2023, and EUR 11.1 million and EUR 11.3 million respectively in 2024 and 2025.

Overall, the initial estimated expenses for **FY2022** point to a general increase in operating expenses attributable to three main spending items: personnel costs, overheads and amortisation and depreciation expenses. Given the tax allocation cap of EUR 195 million and including the contribution from the CDC and "other income", the balance in 2022 is expected to show a EUR 13.7 million deficit.

Overall, **estimated expenses for 2023 to 2025** show a further increase in personnel costs, overheads and amortisation and depreciation expenses.

Even taking this increase into account, the receipts provided for by law, including the contribution from the CDC and "other income", would be enough by themselves to cover expenses. However, maintaining the cap at EUR 195 million would result in a prolonged structural deficit, because the shortfall would be EUR 19.3 million in 2023, EUR 25.7 million in 2024 and EUR 28.5 million in 2025. Although these deficits could be absorbed initially by the reserves that have been built up (ACPR contributions carried forward), this cannot be a permanent solution.

A Parliamentary decision to raise the cap to EUR 200 million or EUR 210 million would not be enough to reach a balanced budget over the long run. A cap of at least EUR 225 million would be needed to restore balance, other things being equal.

Table 7: Summary of budget balance assumptions

Budget balance assumptions (EUR thousands)	2023	2024	2025
Budget balance assuming no funding cap for FYs 2023 to 2024	8,739	7,000	4,236
Budget balance assuming the funding cap is kept at EUR 195 million for FYs 2023 to 2025	-19,370	-25,749	-28,513
Budget balance assuming the funding cap is set at EUR 200 million for FYs 2023 to 2025	-14,370	-20,749	-23,513
Budget balance assuming the funding cap is set at EUR 210 million for FYs 2023 to 2025	-4,370	-10,749	-13,513

After recognising a provisional deficit of EUR 13.7 million for 2022, the following table shows the change in the

balance of contributions carried forward based on different budget assumptions.

Table 8: Balance of contributions carried forward

Assumptions for the balance of contributions carried forward (EUR thousands)	2023	2024	2025
Balance of contributions carried forward, no funding cap for FYs 2023 to 2024	43,460	50,460	54,696
Balance of contributions carried forward with cap set at EUR 195 million for FYs 2023 to 2025	15,351	-10,398	-38,911
Balance of contributions carried forward assuming the funding cap is set at EUR 200 million for FYs 2023 to 2025	20,351	-398	-23,911
Balance of contributions carried forward assuming the funding cap is set at EUR 210 million for FYs 2023 to 2025	30,351	19,602	6,089

Discussions were held within the ACPR's Audit Committee on the financing framework of the ACPR, which is an administrative authority that discharges its duties independently while being operationally attached to the Banque de France. Under this framework, receipts are capped, even if the ACPR records deficits. Although in the short term these deficits may be absorbed by the reserves that have been built up, there are questions over the longer-term sustainability of the system.

Furthermore, the existence of an annual staffing cap has counterproductive effects for staffing planning and introduces rigidities during a period of major change, when agility is actually needed. Members of the Audit Committee are working closely with the General Secretariat and the Treasury on different options for potentially revising the framework, in the light of the ACPR's special status.

2. Activity and performance indicators

The ACPR has drawn up a series of indicators to assess the Authority's effectiveness in carrying out its tasks.

These activity and performance indicators are grouped here according to the ACPR's broad tasks, namely: conduct risk-adjusted prudential supervision, oversee proper application by the financial sector of AML/CTF measures, protect customers, resolve and prevent crises, participate in European and international supervisory harmonisation and contribute to the response to new challenges.

The activity indicators cover the organisation of supervisory college meetings, relations with financial centre participants, preventive activities, and the ACPR's involvement in the main European and international bodies.

The performance indicators measure, among other things, progress in executing the on-site inspection programme.

2.1 Execution of the inspection programme – summary table

Indicator 1 – Performance – Execution of the inspection programme – summary

	2021				2022	2023	2024	2025
	Initial programme	Additional programme	Cancelled	Begun	Initial programme	Projection	Projection	Projection
Number of inspections	271	31	54	248	272	279	279	279
Prudential, banking sector	69	8	20	57	67	72	72	72
Prudential, insurance sector	54	4	10	48	43	45	45	45
AML/CTF	43	4	13	34	52	52	52	52
Business practices	105	15	11	109	110	110	110	110

Clarification

- The inspection programme comprises, for the current year, the initial programme, additional inspections, cancelled inspections (e.g. replaced by an additional inspection or cancelled due to circumstances, such as Covid-19) and inspections that have begun, which include closed inspections.
- The forecast targets for 2023 to 2025 are projections that could be realised assuming a return to normal health conditions and target staffing levels for the different areas (cf. section on three-year forecasts).

Source: Data from ACPR indicators, extracted from the application used to track execution of inspection programmes.

This indicator is covered by detailed comments in the following sections for each supervisory area.

2.2 Conduct risk-adjusted prudential supervision

Indicator 2 – Performance – Execution of the prudential supervision inspection programme

	2021				2022	2023	2024	2025
	Initial programme	Additional Programme	Cancelled	Begun	Initial programme	Projection	Projection	Projection
Number of inspections	123	12	30	105	110	117	117	117
Prudential, banking sector	69	8	20	57	67	72	72	72
SSM-SI	45	4	16	33	50	48	48	48
SSM-LSI / Non-SSM	24	4	4	24	17	24	24	24
Prudential, insurance sector	54	4	10	48	43	45	45	45

Clarification

- Cf. indicator 1

In 2021, the ACPR General Secretariat had initially planned to conduct a total of 69 prudential inspections in the banking sector, including 45 for the ECB. The initial programme for the SSM included several potential inspections that, in the end, were not prioritised or entrusted to the ACPR by the ECB. Other inspections were cancelled for various reasons: some were merged with others; some were requested by institutions for their internal models but, because they were not ready, the inspections had to be cancelled. In the non-SSM portion, the overall level of commitment in the inspection programme was maintained.

In terms of prudential inspections in the insurance sector, the initial goal of 54 inspections, which was extremely ambitious, had to be adjusted to reflect new priorities that emerged over the year, available resources and the health situation, which impacted the inspection programme in the first half. The early months of 2021 were partly devoted to finalising the inspections that started in 2020 before being suspended because of lockdowns and restrictions on on-site inspections.

The 2022 inspection programme was prepared as for a standard year and does not take into account developments in the health and geopolitical situation. It notably factors in the increase in the staffing cap to 1,080 FTE employees, although this target is not expected to be reached until 2023.

In the following years (2023-2025), the ACPR plans to maintain a significant supervisory effort commensurate with its headcount and the needs resulting from regulatory changes, national and European financial developments and contribution requests from the ECB.

Indicator 3 – Activity – Number of meetings of prudential supervisory colleges

		2021	2022
	Total	11	11
Banking	Organised by the ACPR (Home college)	2	2
	Organised by other supervisory authorities (Host college)	9	9
	Total	39	38
Insurance	Organised by the ACPR (Home college)	24	24
	Organised by other supervisory authorities (Host college)	15	14

Clarification

The supervisory colleges are standing bodies for cooperation and coordination among the supervisory authorities of the main entities that make up a banking or insurance group, with a view to facilitating supervision on a consolidated basis.

A college is required to be set up for groups with at least one subsidiary in a Member State other than that where the parent company has its headquarters:

- Home college: the parent company is headquartered in France. The ACPR coordinates the college as the supervisory authority for the group's lead entity. The ECB leads the colleges for large French institutions. Accordingly, they are not shown in this table.
- Host college: the parent company is headquartered in the EU outside France and has at least one subsidiary in France. The ACPR sits on the college as the supervisory authority for an EU subsidiary. The colleges led by the ECB for non-French SIs are counted under host colleges.

Source: Data taken from ACPR indicators and gathered from supervisory directorates.

In 2021, there were 50 meetings of prudential supervisory colleges. Each college meeting, whether a home or host gathering, entails a considerable amount of work and exchanges for the ACPR in the lead-up period, and several preparatory meetings have to be organised,

representing a significant workload for staff of the affected supervisory departments. In addition, the ACPR belongs to several supervisory colleges for central counterparties, alongside the Banque de France and the AMF (notably those responsible for Eurex and LCH).

Indicator 4 – Activity – Relations with financial centre participants on prudential topics

	2021	2022
Meetings of the consultative commission on prudential affairs	4	4
Conferences and seminars	12	12
Supervisory conferences	1	1
Publications	15	15
<i>Analyses et synthèses,</i> <i>Débats économiques et financiers</i>	Banking Insurance	5 7
Other publications on the ACPR website	Banking Insurance	2 1
Research papers published other than in ACPR and BDF collections	0	

Source: Data taken from ACPR indicators.

The ACPR uses various media to communicate with the financial community about prudential topics. It communicates regularly about its activities via the publication of thematic analyses and studies. In 2021, analyses published by the ACPR covered the following themes, among others: remuneration policies at insurance undertakings in 2019; management of data used in the prudential calculations of insurance undertakings; the situation of insurers subject to Solvency II in France at end-2020 and in the first half of 2021; home financing in 2020; financing of property professionals by French banks in 2020; the situation of major French banking groups at end-2020; the main findings of the 2020 pilot climate exercise; the life insurance market during the health crisis; 2020 revaluation of life insurance and guaranteed investment policies (focus on commitments relating to savings and individual retirement products, and also on commitments relating to group retirement products). In early 2022, the ACPR published two analyses on the digital transformation of the French insurance and banking sectors respectively.

In addition to publishing studies and statistics, the ACPR organises academic conferences and research seminars to present the work of invited researchers or ACPR members. It also finances the ACPR Chair, a research initiative on regulation and systemic risk whose main tasks are to organise research activities, facilitate contacts between the academic world and the ACPR and develop an internationally-open centre for discussion and ideas focused on the management of systemic risk. In 2021, the Chair's monthly meetings were held by videoconference.

The ACPR also organises two one-day conferences every year. The events are broadcast live on the Authority's website to allow as many people as possible to attend, in addition to the 600 or so in-person participants. These one-day conferences may tackle any topical issue of interest to the ACPR. Owing to the health crisis, just one conference was organised in 2021, in November.

To inform the College's decisions on regulatory or policy developments, the ACPR relies on its consultative commissions, including the consultative commission on prudential affairs, which typically gathers several times a year and which met four times in 2021.

2.3 Oversee proper application by the financial sector of AML/CTF measures

Indicator 5 – Performance – Execution of the AML/CTF inspection programme

	2021				2022	2023	2024	2025
	Planned under the programme	Additional programme	Cancelled	Begun	Planned under the programme	Projection	Projection	Projection
Number of inspections	43	4	13	34	52	52	52	52
AML/CTF, banking sector	23	3	5	21	40	NA	NA	NA
AML/CTF, insurance sector	20	1	8	13	12	NA	NA	NA

Clarification

- Cf. indicator 1.

The ACPR had initially planned to carry out 43 inspections in 2021. In all, 34 were begun, plus four that were performed in conjunction with banking-sector prudential inspections and recorded under prudential inspections for the banking sector.

As in other areas, the health crisis severely impacted execution of the on-site inspection programme, which had to be adjusted.

In AML/CTF for the banking sector, the reassignment of banking supervision staff to domestic AML/CTF and prudential inspections made it possible to execute the updated programme in full, with just three inspections fewer than planned under the initial programme.

In AML/CTF for the insurance sector, the updated programme was drastically reduced compared with the initial programme owing to other work that needed to be performed during the crisis, including enhanced supervision of undertakings' situations.

The inspection programme may also be amended by adding or cancelling inspections in response to information provided by Tracfin.

For FYs 2023 to 2025, the ACPR plans to pursue its supervisory efforts by harnessing the synergies created by combining all AML/CTF staff within a single directorate, which has been up and running since April 2021. As a result, the initial programme for on-site inspections in 2022 comprises around 50 inspections.

Indicator 6 – Activity – Number of AML/CTF supervisory college meetings

		2021	2022
	Total	49	49
Banking	Organised by the ACPR (Home college)	8	8
	Organised by other supervisory authorities (Host college)	41	41
	Total	1	1
Insurance	Organised by the ACPR (Home college)	1	1
	Organised by other supervisory authorities (Host college)	0	0

Clarification

- Cf. indicator 3
- The ACPR set up 37 colleges in total as lead supervisor. Nine of these gave rise to meetings in 2021 (eight in banking, one in insurance), while the others were based on exchanges of data on a secure platform.

AML/CTF supervisory colleges strengthen the supervision of cross-border groups by enabling deeper information exchanges between competent authorities. European AML/CTF supervisors may also decide, within this framework, to implement coordinated measures, such as joint on-site inspections.

In early 2020, in accordance with EBA guidelines, the ACPR began the work needed to set up the AML/CTF colleges for which the ACPR would act as lead supervisor. In 2021, these colleges were organised on a systematic basis as eight AML/CTF supervisory colleges were

established for the banking sector. The ACPR also participated in 41 colleges organised by other authorities.

Since the insurance sector has fewer cross-border groups, just one AML/CTF supervisory college was organised in 2021.

Each college meeting that the ACPR organises as home supervisor or takes part in as a host supervisor entails a considerable amount of work, exchanges and preparatory meetings in the lead-up period, representing a significant workload for AML/CTF supervisory teams.

Indicator 7 – Performance – Questionnaire response and processing rates

	2021	
	Response rate	Processing rate
Multi-year target: 100%	98%	86%

Clarification

- Under AML/CTF rules, each year reporting entities must submit ten computerised tables with information on the previous financial year by 28 February. These tables make up the AML/CTF questionnaire. The questionnaire responses are analysed to ensure that the AML/CTF system deployed by the financial institution is compliant with the rules and seems, based on the responses provided by the institution, suited to the risks associated with the entity's business, customers, products, distribution channels and bases. To analyse the responses, the supervisory departments must draw on their knowledge of all the data or information collected on the institution in question.
- Ratios are calculated as follows:
 - Questionnaire response rate = number of questionnaires received / number expected
 - Questionnaire processing rate = number of questionnaires processed / number received

Source: Data taken from ACPR indicators.

Virtually all the expected questionnaires were received (98%). In 2021, 86% of the 1,192 questionnaires received were analysed, owing to prioritisation measures by the AML/CTF Directorate, including implementation of a risk-based approach during the year, which

entailed adjusting the cycle for updating the ML/TF risk profiles of certain institutions and thus reducing the number of questionnaires processed annually.

Indicator 8 – Activity – Relations with financial centre participants on AML/CTF topics

	2021
Meetings of the AML/CTF consultative commission	3
Publications on the website on AML/CTF topics	1
Guidelines	1
Sector enforcement principles	0

Clarification

- *Guidelines and sector enforcement principles are explanatory documents designed to clarify the expectations of the authorities regarding the implementation by financial institutions under ACPR supervision of obligations relating to the topic addressed in the document. They may be drafted in partnership with another authority, institution or entity, such as the Treasury or Tracfin.*

Source: Data taken from ACPR indicators.

The AML/CTF consultative commission meets to consider draft ACPR instructions relating to AML/CTF, draft guidelines or sector enforcement principles that aim to facilitate the implementation of regulations by financial institutions, share risk analyses with industry and the main competent authorities (ACPR, AMF, Tracfin, Treasury) and discuss topical national, European and international regulatory developments.

In 2021, the AML/CTF consultative commission's meetings were an opportunity to update guidelines on customer identification, ID verification and KYC aspects and to draft joint Treasury/ACPR guidelines on implementing asset freeze measures.

They were also used for the initial discussions on a revision of the sector analysis of ML/TF risks, which are set to continue in 2022, as well as ongoing discussions on EBA draft guidelines.

2.4 Protect customers

Indicator 9 – Performance – Execution of the business practices inspection programme

	2021				2022	2023	2024	2025
	Planned under the programme	Additional programme	Cancelled	Begun	Planned under the programme	Projection	Projection	Projection
Number of inspections	105	15	11	109	110	110	110	110

Clarification

- *Cf. indicator 1.*

The number of inspections actually carried out over 2021 was adjusted on an ongoing basis to reflect the active population and the nature of the inspections planned in each of the three rounds of inspections organised in 2021.

The 2022 inspection programme was prepared as for a standard year and does not take account of developments in the health and geopolitical situation. The number of inspections planned is roughly the same as in 2021, when 109 inspections were begun.

For the 2023-2025 period, besides the set inspection programme, teams from the ACPR's Supervision of Business Practices Directorate will be tasked with inspecting participants that have newly become subject to supervision (crowdfunding / brokerage association).

Indicator 10 – Activity – Supporting developments in the financial centre

	2021
Meetings of the consultative commission on business practices	4
Publications on the ACPR website	2

Indicator 11 – Activity – Informing the general public

	2021
Warnings and press releases on the ABEIS website	23
Number of blacklisted websites or entities	2,669
Recommendations on the ACPR website	1
Number of advertisements checked – Banking	1,378
Number of advertisements checked – Insurance	990

Source: Data taken from ACPR indicators.

The “scams” taskforce set up in 2020 was very active again in 2021, as the need to raise awareness among financial sector customers unfortunately did not lessen. The work of the taskforce resulted in the addition to the ACPR’s blacklist of websites without authorisation to offer loans, savings passbooks, payment services or insurance policies: in 2021, over 1,200 web addresses (1,080 in 2020) were identified, bringing the number of unauthorised sites to 2,669.

Since the outbreak of the health crisis, the ACPR has significantly stepped up its efforts to monitor and prevent the upsurge in financial scams, which regrettably continued in 2021. Joint communication initiatives were conducted with the AMF, which included the creation and dissemination of four preventively themed videos on the Assurance Banque Épargne Info Service (ABEIS) YouTube channel. Finally, in a joint press release by the ACPR, the Paris Prosecutor’s Office, the AMF and the DGCCRF, published on 13 December 2021, the authorities once again called for vigilance against the ID theft of authorised professionals and fraud techniques.

The recommendation issued by the ACPR in 2021, which actually came into application on 4 August 2021, concerned the marketing of life insurance contracts linked to funeral payment plans.

2.5 Resolve and prevent crises

In banking, the ACPR was active in European bodies, where work is continuing to strengthen the system for managing banking crises. It also continued work aimed at strengthening the resolvability⁶⁹ of banking groups.

In insurance, France was one of the first countries in Europe to set up a recovery and resolution regime. The European Commission has begun work to harmonise this type of regime at European level. (Cf. Chapter 6).

Indicator 12 – Activity – Number of resolution plans adopted

	Banque SI		Banque LSI		Insurance	
	2021	2022	2021	2022	2021	2022
Planned number of resolution plans	17	16	63	40	14	14
Number of resolution plans adopted	17		42		0	

Source: Data taken from ACPR indicators and gathered from the Resolution Directorate.

In the banking sector, all the resolution plans for significant institutions were adopted. In the case of less significant institutions, the difference between the number of plans adopted in 2021 (42) and the number that was initially planned (63) was chiefly down to the College’s decision to delay the adoption of the plans for investment firms until the final quarter of 2022, pending the entry into force of the new prudential regime, scheduled for late 2021. Fewer resolution plans are planned for 2022 as some institutions have their plans updated only every two or four years.

In insurance, work done in 2021 made it possible to enhance the methodology for analysing critical functions and resolution tools and to conduct initial discussions with institutions, which will pave the way to draft the first round of resolution plans in 2022.

Indicator 13 – Activity – Relations with financial centre participants on resolution topics

	2021
Number of publications	3
Number of meetings, Banking sector	126
Number of meetings, Insurance sector	27

Source: Data taken from ACPR indicators.

⁶⁹ The idea is to assess an entity’s eligibility for resolution mechanisms as an alternative to liquidation and, where applicable, ensure the entity’s capacity to be subject to resolution measures.

In 2021, the ACPR published on its website three publications on resolution. Two of these covered the insurance sector: “Identification of the critical functions of insurance institutions”, and “Implementation of resolution instruments applicable to insurance institutions and resolution strategies”. The third concerned the banking sector and was entitled “How to resolve a cooperative group? The French case”.

In the banking sector, meetings organised in 2021 included workshops, senior management meetings (SMMs) and high-level meetings (HLMs), and were attended by participants from the Single Resolution Board (SRB), the banking industry and the ACPR.

In the insurance sector, meetings were held between the insurance group and the ACPR.

2.6 Participate in European and international supervisory harmonisation

The ACPR continues to devote significant resources in order to be a decisive force of influence and action at the regulatory level. It has worked in recent years to develop initiatives designed to promote a proactive stance in international and European negotiations (meetings with European Commission and European Parliament services as well as bilateral meetings with major sister authorities). It has also played a part in strengthening the fit between its own analytical work and the work programmes of international and European bodies and working groups. In addition, the staffing increase in 2021 enabled the ACPR to step up its involvement in European and international working groups.

Indicator 14 – Activity – ACPR involvement in European and international working groups and committees

Number of working groups and committees in which the ACPR participates	2020	2021
International bodies (BCBS, BIS, Fed, FSB, IAIS)	79	84
European agencies (EBA, EC, ECB, EIOPA, SRB, ECB-SSM)	198	221

Clarification

- This indicator measures the ACPR’s capacity to play an active role in international and European institutions.

Source: Data taken from ACPR indicators, extracted from monitoring of involvement in working groups by the International Affairs Directorate.

Since 2020, the ACPR Secretary General has sat on the Management Board of the EBA, as well as the Board of Supervisors.

The international work programme for 2021 was largely focused on continuing European regulatory projects, with active involvement in work related to preparations for CRR3 and CRD6 in the banking sector (implementation in the EU of the Basel III Agreement of December 2017) and, on the insurance side, involvement in the ongoing review of the Solvency II Directive.

The ACPR was also heavily involved in work done within the EBA on drafting technical standards and guidelines for CRR2, drafting the texts accompanying the entry into application of the new prudential framework for investment firms (IFR/IFD) and assessing application of IFRS9 on financial instruments by banks. It also took part in EIOPA’s revision of supervisory reporting and public disclosure obligations.

In 2022, the ACPR continues to be busy with the main regulatory initiatives. In the banking sector, work is ongoing to prepare Europe’s CRR3 regulation, which will enable the Basel III Agreement to be implemented in the European Union. In the insurance sector, European negotiations on the Solvency II review entered a new stage with the publication of the European Commission’s proposals in September 2021. The resulting round of negotiations presents an opportunity for the ACPR to provide its expertise to the government. Likewise, questions relating to strengthening the Capital Markets Union and Banking Union, the assessment of reforms determined by international regulators, and negotiations on the AML Package will continue to be focus areas for work in 2022.

Indicator 15 – Activity – Number of ACPR employees holding positions at European or international institutions

	2021	2022
International bodies (BIS, BCBS and IAIS)	5	5
Number of seconded employees	4	4
Holding key positions	3	3
Number of non-seconded employees holding key positions	1	1
European agencies (EBA, EIOPA, ESMA)	38	38
Number of seconded employees	36	36
Holding key positions	4	4
Number of non-seconded employees holding key positions	2	2
European Banking Union (ECB-SSM, SRM)	84	84
Number of seconded employees	84	84
Holding key positions	8	8
Number of non-seconded employees holding key positions	--	--

Clarification

- In the case of seconded employees, key positions mean management positions (at least deputy head of division at the ECB, deputy head of unit in other institutions), while for ACPR employees they mean a seat on a management board or executive committee.

Source: Data taken from ACPR indicators and gathered from the Human Resources Directorate.

Besides staff who are seconded to international and European institutions, the ACPR also loans out ten or so employees, who remain on its payroll. In some cases, these arrangements are part of two-way personnel exchanges with the host institution. This is for example the case with the UK’s Prudential Regulation Authority (PRA) and the ECB (cf. Box on page 88). This policy is primarily designed to foster a shared supervisory culture, share best practices, and encourage international career paths. The ACPR also engages in one-way personnel loans as a means to have a direct influence on ongoing work and projects. The ACPR loaned five employees to the ECB between 2021 and early 2022 to take part in work in innovation and climate stress testing and to be part of the team running the Integrated Reporting Framework (IReF) project, whose goal is to overhaul the organisation of the European statistics process.

2.7 Contribute to the response to new challenges

Indicator 16 – Activity – Relations with financial centre participants on emerging topics

FINTECH	2021
Meetings of the Fintech Forum and its working groups	14
Industry gatherings/events attended, including webinars	39
Number of publications relating to financial innovation	4
Number of meetings with innovators	216

Source: Data taken from ACPR indicators.

Indicator 17 – Activity – Implement a suptech strategy for augmented supervision

SUPTECH	2021
Number of projects brought onstream	2
Number of products currently at the incubation / construction stage	15

Source: Data taken from ACPR indicators.

En 2021, the Fintech-Innovation Unit continued to help to nurture the French fintech ecosystem, notably by organising the second annual ACPR-AMF Fintech Forum and by publishing the Fintech Charter and Journey (cf. Chapter 5-1). The ACPR also organised its first tech sprint, on “the explainability of algorithms” (cf. Chapter 5-3.3).

Analyses published by the Fintech Unit addressed themes including digital transformation in the banking sector, digital transformation in the insurance sector, and the report by the working group on the access of digital asset services providers to bank accounts.

Another highlight in 2021 was that the first projects resulting from the intrapreneurship approach launched by the ACPR in 2019 came onstream. The tools in question are intended for inspectors.

Projects at the incubation or construction stage include three intrapreneurship projects and 12 priority projects identified as part of the suptech needs analysis launched by the ACPR in connection with the strategic focus areas established by the Banque de France for the 2021-2024 period.

The 12 projects will be trialled beginning in 2022. If they prove conclusive, they will be used to develop suptech tools.

The Fintech-Innovation Unit also contributes actively to dialogue between supervisory authorities, at home (ANSSI, ARCEP, Competition Authority) and at European level. In addition to participating in work by the ECB, the EBA and EIOPA, the unit is also a member of the European Forum for Innovation Facilitators (EFIF), which is coordinated by the European authorities.

Indicator 18 – Activity – Relations with financial centre participants on sustainable

Climate and sustainable finance	2021
Meetings by consultative commissions	5
Other collective or bilateral meetings	629
Number of publications	4
Research papers published other than in ACPR and BDF collections	2

Source: Data taken from ACPR indicators.

In partnership with the AMF, the ACPR is contributing to work on monitoring and assessing the climate and sustainable finance commitments made by members of the financial centre. In particular, it is helping to define methods for measuring and disclosing commitments, to promote comparability and monitoring over time. An initial report on the climate commitments by the Paris financial centre was released on 18 December 2020. It was supplemented by a second report published in December 2021 and presenting the initial assessments of the commitments of financial centre participants with respect to other fossil fuels (oil and gas). A pre-report was published to coincide with Climate Finance Day organised in late October 2021 by Paris Europlace, which is the organisation responsible for promoting and developing the Paris financial centre (cf. Chapter 2-4.1).

Over the course of 2021, the consultative commission on climate and sustainable finance, which was set up in late 2019, tackled various issues, including: i) developments in the regulatory and accounting framework for the recognition of climate risk; ii) sustainable finance and work on environmental, social and governance (ESG) criteria; and iii) ongoing discussions at international level (Basel Committee, COP 26) and within Europe (European Commission, EFRAG, EBA). The commission also discussed work led by the ACPR within cross-market taskforces on measuring exposures and recognising biodiversity risk.

The pilot climate stress test conducted by the ACPR from July 2020 to April 2021 involved nine banking groups and 15 insurance groups. The exercise illustrated the driving role played by the French authorities and the Paris financial centre in the fight against climate change since adoption of the 2015 Energy Transition and Green Growth Act and the signature of the Paris Agreement in the same year. The test’s results were published on 4 May 2021 (cf. Chapter 2-4.2).

Following the pilot climate exercise, new work was begun aimed at improving the methodology used for climate stress tests. The exercise’s findings were also used to inform preparations for the European exercise conducted by the ECB in 2022. Work with the financial sector is continuing within taskforces with a view to getting ready for the next exercise to assess climate change-related financial risks, which is scheduled for 2023/2024.

Indicator 19 – Activity – Relations with financial centre participants on cyber risk issues

Cyber risk	2021
Publication	1

Source: Data taken from ACPR indicators.

The ACPR also monitors **cyber risk**,⁷⁰ which has become a major risk for the financial system, notably by making sure that institutions are resilient to this risk. In the insurance sector, the ACPR maintained its on-site inspections, while conducting communication activities in connection with the notice published by the ACPR on IT governance and security, and performing ex post analyses of cyber attacks or incidents suffered by insurance undertakings. In the banking sector, the ACPR carried out several

general inspections on the theme of cyber risk and took part in monitoring negotiations on European legislative initiatives currently underway involving cyber resilience regulations (Digital Operational Resilience Act, DORA).

Besides performing inspections on this theme, the ACPR spoke on the topic of cyber security in the financial sector at a number of events, including during webinars organised with the main insurance industry federations to talk about and explain the published notice but also during the meeting on 14 December of the Group of Bank Supervisors from French-Speaking Countries (GSBF), which includes bank supervisors from French-speaking countries that are members and non-members of the Basel Committee.

As a member of France's marketwide robustness group, the ACPR took part in the 12th crisis management exercise led by the Banque de France, which focused on cyber crises in 2021. The exercise was also an opportunity for the ACPR to test work currently being done on the definition of an internal crisis management process: incident classification, crisis scenarios, criteria for activating internal crisis management units, and crisis communication were all given a thorough examination during the day.



⁷⁰ A cyber attack is a malicious attack on an IT system or systems. It may target various kinds of IT hardware, such as computers or servers, either individually or in networks, online or offline, but also peripherals such as printers, or connected devices such as smartphones and tablets. There are four types of cyber risk – cyber crime, reputational damage, espionage and sabotage – which have varying effects and may directly or indirectly impact individuals, government and businesses.



ACRONYMS USED

ABEIS	<i>Assurance Banque Épargne Info Service</i>
ACPR	<i>Autorité de contrôle prudentiel et de résolution</i> (Prudential Supervision and Resolution Authority)
AMF	<i>Autorité des marchés financiers</i> (Financial Markets Authority)
AMLA	Anti-Money Laundering Authority
AML/CTF	Anti-money laundering/counter-terrorist financing
ANSSI	<i>Agence nationale de la sécurité des systèmes d'information</i> (National Cybersecurity Agency)
API	Application programming interface
ARCEP	<i>Autorité de régulation des communications électroniques, des postes et de la distribution de la presse</i> (Regulatory Authority for Electronic Communication, Postal Services and Print Media Distribution)
ASF	<i>Association française des sociétés financières</i> (French Association of Financial Companies)
CCP	Central CounterParty
CfA	Call for advice
COREP	COmmon solvency ratio REPorting
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DASP	Digital asset services provider
DGCCRF	<i>Direction générale de la concurrence, de la consommation et de la répression des fraudes</i> (Directorate General for Competition Policy, Consumer Affairs and Fraud Control)
EBA	European Banking Authority
ECB	European Central Bank
EEA	European Economic Area
EFRAG	European Financial Reporting Advisory Group
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	European Market Infrastructure Regulation
ESRB	European Systemic Risk Board
FBF	<i>Fédération bancaire française</i> (French Banking Federation)
FCT	Securitisation fund
FINREP	FINancial REPorting
Fintech	Financial technology
FSB	Financial Stability Board
FATF	Financial Action Task Force
IPCC	Intergovernmental Panel on Climate Change
HCSF	<i>Haut Conseil de stabilité financière</i> (High Council for Financial Stability)
IFRS	International Financial Reporting Standards
JST	Joint Supervisory Team
LCR	Liquidity Coverage Ratio
LSI	Less Significant Institution
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NGFS	Network for Greening the Financial System
NRA	National Resolution Authority
ORIAS	<i>Organisme pour le registre unique des intermédiaires en assurance, banque et finance</i> (France's national insurance, banking and finance intermediary register)
PACTE	<i>Plan d'action pour la croissance et la transformation des entreprises</i> (Action Plan for Business Growth and Transformation)
SFDR	Sustainable Finance Disclosure Regulation
SI	Significant Institution
SNCI	Small and Non Complex Institution
SRB	Single Resolution Board
SSM	Single Supervisory Mechanism

ANNEXES

Annex 1

Decisions taken by the Supervisory College concerning individual entities in 2021⁷¹

	TOTAL	<i>of which</i>	BANKING SECTOR	INSURANCE SECTOR
Supervision (monitoring of prudential ratios, exemptions)	109		94	15
Administrative enforcement measures	18		7	11
Warning	1		0	1
Formal notice (issued by the Chairman acting under delegated authority)	15		5	10
Request for recovery programme	0		0	0
Placement under special supervision	0		0	0
Limitation of activity	1		1	0
Placement under provisional administration	0		0	0
Reappointment of a provisional administrator	0		0	0
Other	1		1	0
Other binding measures	58		48	10
Appointment of a liquidator	0		0	0
Reappointment of a liquidator	1		1	0
Capital requirement injunction	45		45	0
Request for short-term funding plans	0		0	0
Injunction with coercive fines	4		0	4
Other	8		2	6
Initiation of disciplinary proceedings	5		3	2
Other measures concerning individual entities (including decisions on financial companies, initiation of joint decision-making processes, opening of inter partes proceedings, lifting of enforcement measures, etc.)	129		103	26
Total decisions concerning individual entities	319		255	64
Number of appeals referred to the <i>Conseil d'État</i> against Supervisory College decisions	5		3	2

⁷¹ Excluding licences and authorisations.

Annex 2

List of decisions on general issues published in 2021 in the ACPR's official register or on its website

INSTRUCTIONS

Instruction 2021-I-01	on the form for appointing or reappointing an effective manager and the form for appointing or reappointing a member of a corporate body
Instruction 2021-I-02	on the supervision of risks to home loans in France
Instruction 2021-I-03	on setting up the unified reporting system for banks and equivalents
Instruction 2021-I-04	amending Instruction 2016-I-16 of 27 June 2016 on annual prudential reports to be submitted by institutions under the ACPR's supervision and covered by the "Solvency II" regime
Instruction 2021-I-05	repealing and replacing Instruction 2018-I-16 of 11 July 2018 on the annual prudential documents to be provided by institutions that are subject to ACPR supervision, that fall outside the scope of the "Solvency II" regime and that are not supplementary occupational pension funds, amended by Instruction 2021-I-12 of 15 October 2021
Instruction 2021-I-06	amending Instruction 2018-I-11 of 11 July 2018 on the national prudential documents to be provided annually by supplementary occupational pension institutions
Instruction 2021-I-07	amending Instruction 2016-I-16 of 27 June 2016 on the annual prudential documents to be provided by institutions under the ACPR's supervision and covered by the "Solvency II" regime
Instruction 2021-I-08	amending Instruction 2014-I-05 of 2 June 2014 on the information to be provided pursuant to Article 47 of the Order of 2 May 2013 on the prudential regulation of electronic money institutions
Instruction 2021-I-09	amending Instruction 2019-I-22 of 23 April 2019 on the forms to apply for licences and simplified licences for payment institutions, to apply for registration as an account information services provider, to report a payment services provider agent and to request a licence exemption under the terms set down in Articles L. 521-3-1 and L. 525-6-1 of the Monetary and Financial Code
Instruction 2021-I-10	amending Instruction 2013-I-09 of 12 July 2013 on the forms to apply for licences, to report agents, to provide notification under the freedom of establishment and the freedom to provide services, and to provide notification of use of an agent or distributor in another Member State of the European Union or in another State party to the European Economic Area Agreement, for electronic money institutions, amended by Instructions 2018-I-01, 2018-I-02, 2019-I-16 and 2020-I-12
Instruction 2021-I-11	amending Instruction 2016-I-16 of 27 June 2016 on the prudential documents to be provided by institutions under the ACPR's supervision and covered by the "Solvency II" regime
Instruction 2021-I-12	amending Instruction 2021-I-05 of 18 June 2021 on the annual prudential documents to be provided by institutions that are subject to ACPR supervision, that fall outside the scope of the "Solvency II" regime and that are not supplementary occupational pension funds
Instruction 2021-I-13	amending Instruction 2018-I-11 of 11 July 2018 on the national prudential documents to be provided annually by supplementary occupational pension institutions
Instruction 2021-I-14	repealing Instruction 2017-I-09 of 15 June 2017 on the procedure for approving appraisers for appraisals of the realisable value of property and units or shares of unlisted property companies
Instruction 2021-I-15	on the submission of information needed to calculate contributions to guarantee schemes for deposits, securities and bank guarantees
Instruction 2021-I-16	on monitoring the threshold to establish an intermediate parent undertaking for non EU-country groups in the Union
Instruction 2021-I-17	amending Instruction 2021-I-03 of 11 March 2021 on setting up the unified reporting system for banks and equivalents
Instruction 2021-I-18	on applications to take control of or acquire a qualifying holding in a credit institution
Instruction 2021-I-19	on applications to take control of or acquire a qualifying holding in an investment firm
Instruction 2021-I-20	on information to be submitted to the ACPR in connection with the acquisition or extension of an ownership interest in a financing company, an electronic money institution or a payment institution
Instruction 2021-I-21	amending Instruction 2013-I-16 of 12 December 2013 on the communication by certain reporting institutions of their international Legal Entity Identifier to the ACPR
Instruction 2021-I-22	amending Instructions 2009-03 of 19 June 2009, 2014-I-10 of 22 August 2014, 2014-I-11 of 22 August 2014 and 2014-I-12 of 22 August 2014
Instruction 2021-I-23	amending Instruction 2015-I-12 of 21 April 2015 on the communication by insurance undertakings of their international Legal Entity Identifier to the ACPR

Instruction 2021-I-24	amending Instruction 2016-I-04 of 14 January 2016 on disclosures for the purposes of financial stability (insurance sector)
Instruction 2021-I-25	amending Instruction 2020-I-05 of 9 April 2020 on the European prudential documents to be provided annually and quarterly by supplementary occupational pension institutions, amended by Instruction 2020-I-14 of 16 December 2020
Instruction 2021-I-26	amending Instruction 2018-I-11 of 11 July 2018 on the national prudential documents to be provided annually by supplementary occupational pension institutions

RECOMMANDATIONS

Recommendation 2021-R-01 of 18 February 2021 on the marketing of life insurance contracts linked to funeral payment plans.

GUIDELINES

Annex to KYC guidelines, covering market transactions

Amendment to joint guidelines by the Treasury and the ACPR on implementing asset freeze measures

Update of KYC guidelines (AML/CTF)

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Autorité de contrôle prudentiel et de résolution

4 Place de Budapest
CS 92459
75436 Paris Cedex 09
<https://acpr.banque-france.fr>

