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CHAIRMAN'S MESSAGE

FRANÇOIS VILLEROY DE GALHAU,
Governor of the Banque de France, Chairman of the ACPR

Our financial sector was once again put to the test in 2023 amid a series of bank failures in the United States and problems at Crédit Suisse, against a backdrop of severe geopolitical tensions. The French and European financial sectors weathered the storm, demonstrating remarkable resilience and underscoring the strengths of Europe's supervisory model, which celebrates its tenth anniversary this year. This resilience is also due to robust European and Basel regulations. In 2023, European co-legislators wound up their negotiations on the CRR3/CRD6 banking package, which transposes Basel III rules, and on the ambitious Solvency II review. Other major regulatory advances were achieved in anti-money laundering, new technologies and climate risk.

I would like to express my deep gratitude to all of the ACPR's teams, who, notably through their support for the Single Supervisory Mechanism (SSM), work tirelessly to identify, analyse and prevent risks and sources of vulnerability within the financial system to make our financial institutions even sounder.

1 • SOLVENCY, LIQUIDITY AND PROFITABILITY: THE "TRIANGLE OF REQUIREMENTS" TESTED BY INFLATION AND THE INCREASE IN INTEREST RATES

In 2023, income and profitability fell temporarily at French banks. The net banking income of France's major banks shrank by 3% at the end of 2023 on the back of an 8.6% reduction in net interest margin, as interest expense on their liabilities (regulated savings, term deposits, issued securities) rose faster and more sharply than interest income from their assets, which is subject to greater inertia, particularly due to the large share of fixed-rated loans. However, France's home lending model is a factor of resilience and profitability in the medium and long term, since by safeguarding household solvency, it limits the banking sector's cost of risk. The decline in net interest margin was also cushioned by income from fees and market activities, which is a strength of our universal model. The insurance sector's underwriting profitability was likewise hit by inflation (non-life segment) and by the increase in interest rates, which caused outflows to exceed inflows into life insurance contracts. Even so, life insurance continued to have appeal as a saving product, as reflected by the market's pickup in early 2024. This was achieved thanks to the reserves built up by insurers, which enabled them to significantly boost the return on euro funds.

French banks and insurers did however manage to preserve solid fundamentals. Whereas bank liquidity and interest rate risk were at the heart of the Silicon Valley Bank crisis in spring 2023, the liquidity of French banks and insurers continued to be highly satisfactory. Although some savings were switched into higher-earning products, the banking sector enjoyed significant stability in its total deposits. The sector's short- and medium-term liquidity ratios are well above regulatory requirements, which are set at 100%. The financial sector's solvency also improved slightly in 2023. The banking sector's CET1 ratio, which covers the highest-quality regulatory capital, climbed to 15.9% at end-2023 from 15.8% at end-2022, while insurers' SCR coverage ratio rose to 250% from 247% in 2022.

2 • STRONG REGULATION AND SUPERVISION SUPPORTING A SOLID AND COMPETITIVE FINANCIAL SECTOR

By improving the banking sector's resilience and shock-absorbing capacity, the reforms set in train after the Great Financial Crisis of 2008 have mitigated contagion risks in the financial sector. In particular, raising capital requirements considerably increased the resilience of banks subject to the standards. The problems that rocked US and Swiss banks in spring 2023 thus provided a further illustration of the benefits of broadly applied regulation coupled with strict supervision: Europe's decision to apply international standards to all banks, regardless of size, is an assurance of resilience for the financial system as a whole. In this regard, the transposition of Basel III in the EU through the banking package, due to begin on 1 January 2025, will usher in a period of regulatory stability. There is currently no reason for a Basel IV framework. And while competitiveness may not be part of the formal remit of regulators and supervisors, we will obviously pay attention to ensure that Basel III is fairly and faithfully applied in other jurisdictions. This transposition process is on track, with a particularly close watch being kept in this regard on the United States. A transition period coupled with targeted adjustments at the European level should make it possible to maintain strong European corporate and investment banks, which play such a vital role in financing the economy.

As the SSM celebrates ten years and enters a mature phase, we can be proud of what we have achieved together. The stress tests conducted in 2023 demonstrated the strength of the European sector. However, because the banking union remains unfinished, banks cannot yet access the full benefits. Intra-European cross-border activity needs to be developed and coupled with increased consolidation to boost the profitability and competitiveness of our continental banking sector.

In 2024, the ACPR will remain on its guard, monitoring the development of cyclical risks linked to the rise in corporate failures and the geopolitical environment. On a structural level, we will continue to track the risks associated with new technologies, with the forthcoming entry into force of the Digital Operational Resilience Act (DORA) Regulation and the entry into application of Europe's Markets in Crypto-Assets (MiCA) Regulation. Special attention will be paid to cyber risk in 2024, notably in connection with the Olympic Games. Climate risk also remains central to our concerns and activities, as illustrated by the launch in 2023 of a new climate risk stress test exercise focused on insurers. In 2024, the ACPR will participate actively, alongside European authorities, in implementing a new kind of active supervision tool in the shape of transition plans. Finally, adoption of the anti-money laundering legislative and regulatory package will pave the way to strengthen and harmonise anti-money laundering/counter-terrorist financing (AML/CTF) requirements in Europe, under the watchful eye of Europe's new Anti-Money Laundering Authority (AMLA).



INTERVIEW WITH...

NATHALIE AUFAUVRE
SECRETARY GENERAL
OF THE ACPR

—WHAT WERE SOME HIGHLIGHTS FOR THE ACPR IN 2023, WHICH WAS YOUR FIRST YEAR AS SECRETARY GENERAL?

— 2023 was another action-packed year, featuring many major events but also strains on financial stability. A string of failures at US regional banks and UBS's takeover of Crédit Suisse fuelled fears of a new crisis; tighter monetary policy and higher prices continued to take an economic and financial toll; and international geopolitical tensions ran high. Despite the adverse environment, French banks and insurers showed genuine resilience. I would like to hail the outstanding work and dedication of the ACPR's staff, who rose to the challenges of an eventful and busy year. I say this because the soundness of our system can be traced back to an effective regulatory framework built around Basel III, whose transposition was completed this year, and Solvency II whose review is progressing, coupled with close and continually evolving supervision. The risk landscape is changing, and supervision must adapt. In this regard, I would like to recognise the hard work done by the ACPR's teams in partnership with stakeholders to discuss, anticipate and innovate to adapt our tools and activities.

—COULD YOU TALK ABOUT SOME OF THE SALIENT FACTORS IN TERMS OF BANKING SUPERVISION?

— Against a backdrop of swiftly rising interest rates and monetary policy normalisation, our first priority was to concentrate our supervisory efforts on interest rate and liquidity risks, working either through the SSM or directly in the case of institutions monitored by the ACPR; we found that our banking sector was sound and that institutions had maintained high liquidity and solvency levels, far exceeding regulatory requirements. The ACPR also played an active part alongside the European Banking Authority (EBA) and the European Central Bank (ECB) in stress tests measuring the capacity of large European banking groups to respond in a crisis situation.

These tests also highlighted banks' resilience, even in the face of an extremely adverse scenario. Yet despite these results, we maintained a prudent approach. Our inspection teams were also kept busy supervising credit and balance sheet risks throughout the year. And we kept up our efforts to monitor risks linked to technological developments, especially cybersecurity risks at national and European level through the SSM.

—HOW HAS THE INSURANCE SECTOR REACTED TO THE NEW INTEREST RATE ENVIRONMENT?

— Insurance entities continue to maintain a solid balance sheet structure, which has contributed to their resilience in this new environment. This is illustrated by the average solvency ratio, which rose slightly in 2023. The inflationary setting does not affect all segments in the same way: property insurers, which in some cases have already been affected by increased loss experience, in particular connected with climate-related risks, are more exposed to inflation. We therefore carried out a survey on the inclusion of inflation in models of non-life insurers' commitments. It confirmed that the management of insurance undertakings and the process of calculating reserves should be based on a forward-looking view of sector risks, whether due to macroeconomic developments or increased costs of claims. Amid heightened competition between savings products, gross inflows to life insurance remain brisk, and while surrenders are on the rise, the increase remains contained.

—WHAT WERE THE MAIN ACCOMPLISHMENTS IN TERMS OF HUMAN RESOURCES?

— Around 200 amazing new employees joined the ACPR, lifting our annual headcount to an average of 1,065 and bringing us closer to our staffing cap. I am delighted that the careers we offer are appealing and I am determined to maintain a high-quality work environment where everyone gets the chance to grow their skills. The ACPR continues to pursue its commitment to gender equality. This year, the share of managerial positions held by women rose to 43%, from 40% in 2022. We also made headway in our supotech approach, which is intended to harness new technologies to boost the supervisory capabilities of our inspectors. Five new projects came onstream as part of this drive.

—HOW IS THE ACPR RESPONDING TO THE CLIMATE TRANSITION CHALLENGE?

— Managing climate risk as effectively as possible is a central concern for us. We want transition plans to be embedded in the analyses performed by supervisors and we are working to achieve this in European working groups, including those set up by the EBA. We launched a second climate stress test, focused on insurers, which will make it possible to measure the impact of climate risk on their activities more accurately from a forward-looking perspective, but also in near-term scenarios.

Internally, staff were extremely busy on this issue, and set up a discussion group (CAP) with the goal of instilling a climate and environmental risk culture within the ACPR.

We also took part in a climate hackathon organised by the Banque de France, the Banca d'Italia, the ECB and the European Commission.

—CYBER RISK: WHAT ARE THE SUPERVISORY CHALLENGES?

— In the face of mounting cyberattacks, digitalisation of the financial sector and the sector's growing use of outsourcing, it is vital to step up the supervision and prevention of cyber risk. The ACPR helped to develop Europe's new regulation on digital operational resilience, which will entrust the ACPR with new responsibilities. The ACPR was also a major player in initiatives by the Financial Stability Board (FSB) to harmonise incident reporting.

—WHAT DID THE ACPR DO TO SUPPORT THE DEVELOPMENT OF THE INNOVATION ECOSYSTEM IN 2023?

— In a tough environment for fintechs in 2023, as investments in the sector decreased, the Fintech-Innovation Unit was in contact with 89 innovators. Ahead of the entry into application of the Markets in Crypto-Assets (MiCA) Regulation, which will regulate stablecoin issues, among other things, the ACPR teamed up with the EBA to provide input to several pieces of implementing legislation.

In addition, the ACPR organised a consultation on decentralised finance to identify tangible ways forward for regulation.

The findings were distilled and will inform the ACPR's contributions to follow-up work on the MiCA Regulation.

As part of these efforts, a taskforce on mandatory certification for smart contracts was set up and is being steered jointly with the AMF.

—WHAT WERE THE MAIN ACHIEVEMENTS FROM AN AML/CTF PERSPECTIVE?

— We updated our sector analysis of ML/CTF risks to reflect changes in market practices, new participants and the new categories introduced by European and French legislation, such as digital asset service providers (DASPs) and European crowdfunding service providers (CSPs). We focused our inspections on sectors identified as being the most sensitive, namely money remittance and crypto-assets (14 DASPs inspected). ACPR staff are also getting ready for the establishment of the new European Anti-Money Laundering Authority (AMLA), which will be responsible for the direct supervision of the most at-risk European institutions.

—WHAT WERE THE MAIN ADVANCES IN 2023 IN CUSTOMER PROTECTION?

— We continued to perform inspections in areas where we identified the most significant issues in terms of customer interests, namely distribution of health insurance, credit protection insurance, loan consolidation and handling of payment disputes. In response to the surge in repayment incidents, we conducted a survey on management of delinquencies and consumer loan collection.

We conducted a mystery shopping campaign to check application of a recommendation on funeral insurance.

We also participated in European work to define greenwashing in the insurance and banking sectors and in 2023 conducted our first survey on this topic among insurance undertakings, in conjunction with EIOPA.

In July, we issued a recommendation that clarifies our expectations for insurance product governance, to ensure that the industry does a better job of serving customer interests.

—WHAT ARE THE PRIORITY WORK AREAS FOR 2024?

— We will be extremely attentive to banks' asset-liability management and to insurers' management of interest rate risk. The integration of bank transition plans in prudential regulation and supervision is another of our main focus areas. The ACPR will continue to participate actively in ongoing discussions within EBA working groups to determine the content of these plans and how they will be integrated in the annual Supervisory Review and Evaluation Process for banks.



ACPR AT A GLANCE



→ PRUDENTIAL SUPERVISION

- Prudential oversight of the banking and insurance sectors in France
- Authorisation of new participants and new activities

→ CUSTOMER PROTECTION

- Supervision of business practices relating to the sale of banking and insurance products

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

- Supervision of the compliance and effectiveness of AML/CTF systems at financial institutions, including digital asset service providers (DASPs) since 2020

→ CRISIS PREVENTION AND RESOLUTION IN THE BANKING AND INSURANCE SECTORS

→ CONTRIBUTION TO FINANCIAL STABILITY

- Macroprudential analyses of financial sectors
- Contributions to rulemaking in the financial sector

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)¹.

¹ See chapter 2 – 1.2 on how roles are shared with the SSM and chapter 5 on the SRM.

2023 REVIEW

RESILIENCE OF THE FINANCIAL SECTOR THANKS TO STRONG SUPERVISION

___ In 2023, a string of failures at US regional banks and UBS's takeover of Crédit Suisse fuelled fears of a new banking crisis in the spring. These fears turned out to be unfounded, as European and French financial institutions proved resilient to the turmoil, underlining the importance of the enhanced prudential rules introduced in the wake of the 2008-2009 financial crisis and of effective, proactive, risk-based supervision as practised in France and by the Single Supervisory Mechanism (SSM) to safeguard the stability of – and confidence in – our financial system. In 2023, in a macroeconomic environment presenting new risks (international tensions, high level of inflation and interest rates) and faced with structural challenges connected with the management of climate and cyber risks, what actions did the ACPR take? •

BANKING SUPERVISION

- Kept close watch on interest rate and liquidity risks. SSM Joint Supervisory Teams (JSTs) conducted targeted reviews on these two themes; financing plans were monitored and interest rate risk was analysed at institutions under the ACPR's direct supervision.
- Supervised credit risk, particularly in connection with leveraged finance.
- Participated in banking stress tests by the European Banking Authority (EBA) and the European Central Bank (ECB).
- Finalised² transposition of Basel III and contributed to the CRR3/CRD6 banking package (technical standards, guidance).
- Took part in initiatives by the Financial Stability Board (FSB) to harmonise cyberincident reporting, with three reports published.
- Participated in cybercrisis simulation exercises by France's Marketwide Robustness Group, which coordinates crisis management for the Paris financial community (June), and by the SSM (November). Worked on the operational procedures of the ACPR's cybercrisis management protocol for insurance undertakings and banks under direct ACPR supervision, notably around incident identification and reporting.
- For banks supervised directly by the ACPR, followed up on the thematic review on IT and cyber risk management; in the case of significant groups, pursued work initiated by the ECB, including monitoring implementation of action plans.

INSURANCE SUPERVISION

- Monitored activities with the greatest exposure to economic conditions:
 - surety insurance (increased business failures),
 - non-life insurers offering long-term guarantees³ (increased cost of claims),
 - cross-cutting survey on the inclusion of inflation in models of non-life insurers' commitments.
- Reviewed the models used to calculate insurers' commitments in an environment of rapidly rising interest rates and inflation.
- Took part in work to revise Solvency II, whose adoption is scheduled for 2024.
- Conducted a survey of critical or important activities outsourced by insurers.

CYBER RISK

- Worked with the BDF to implement a Threat Intelligence-based Ethical Red-Teaming (TIBER-FR) framework, which allows financial institutions to test their cyber resilience on a voluntary basis, supplementing DORA requirements, which will impose these tests on "critical entities"⁴ from 2025.
- Participated actively in drafting the new DORA Regulation and getting ready for its implementation.
- Monitored outsourcing, particularly of information systems, amid growing use of cloud solutions.

CLIMATE RISK

- Participated actively in European discussions on transition plans (definition of plan content, supervisory mechanism, etc.).
- Conducted first ever thematic review of less significant and specialised banks to assess their compliance with supervisors' expectations on climate risk management. In the case of significant groups, the SSM monitored proper execution of the roadmaps drawn up in 2022 on this topic; a thematic analysis of transition risk was also conducted.
- Launched a new climate stress test focused on insurers.
- Supervised insurers' reports on their recognition of environmental, social and governance criteria (application of Art. 29 of the Energy and Climate Act of 8 November 2019).
- ACPR staff set up an environmental discussion group (CAP) aimed at quickly and broadly instilling a climate and environmental risk culture within the ACPR.
- Took part in the climate hackathon⁵ organised by the Banque de France, the Banca d'Italia, the European Central Bank (ECB) and the European Commission (Nov.).

PROTECTION OF BANKING AND INSURANCE CUSTOMERS

- Published a recommendation on product governance and preventing conflicts of interest in insurance.
- Held discussions with insurers on better value for money for unit-linked life insurance contracts.
- Noteworthy inspections were conducted in several areas of insurance (life, credit protection, unforeseen events, funeral and affinity⁶), as well as loan consolidation.
- In partnership with EIOPA, conducted the first-ever survey on greenwashing at a sample of insurance undertakings.
- Opened Instagram and Facebook accounts to provide more information on social media about the ACPR's customer protection tasks. Created a video on financial scams with Brut, a media firm (Sept. 2023).
- Worked on preventing financial scams: 1,261 names included on the savings/loan blacklist.

AML/CTF

- Performed a cross-cutting analysis of asset freeze measures (sanctions imposed on Russia) by the main banking and insurance institutions.
- Strengthened the AML/CTF framework applicable to crypto-assets. Managed DASP registration.
- Conducted a thematic review of politically exposed persons (PEPs).
- Participated in discussions on Europe's new AML legislative package.
- Took part in work to prepare for Europe's new Anti-Money Laundering Authority (AMLA).

INNOVATION AND FINTECH

- Held a consultation to explore new regulatory avenues for decentralised finance (summary in September 2023).
- Got ready for the entry into application in 2024 of the European Markets in Crypto-Assets (MiCA) Regulation.
- Working closely with the AMF, reviewed around 60 applications to register new DASPs.
- Monitored the activities of institutions on blockchain-based infrastructures.

- Continued the supervisory technology (suptech) approach: developed innovative tools (including artificial intelligence) for inspectors, in conjunction with the SSM.

CRISIS PREVENTION AND RESOLUTION

- Participated in European work on operational planning for the management of banking crises.
- Worked with the Single Resolution Board (SRB) on the methodology for assessing resolvability.
- Took part in negotiations to review the Crisis Management and Deposit Insurance (CMDI) framework.
- Took part in European negotiations on the adoption of a European Insurance Recovery and Resolution Directive (IRRD).

² Subject to a confirmation vote by the European Parliament in April 2024.

³ Such as construction, medical liability and non-life annuities under liability insurance.

⁴ Including credit institutions, payment institutions, investment firms, insurance or reinsurance undertakings, and third-party ICT service providers. The full list is given in Article 2 of [Regulation \(EU\) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on the digital operational resilience of the financial sector](#), on the EUR-lex website.

⁵ A limited-time innovation competition on a specific topic.

⁶ Affinity insurance is a product offered in connection with the purchase of a good, such as a phone, high-tech equipment or a household appliance, or service, such as travel or an event, by distributors that are not insurance professionals.

OUR KEY FIGURES 2023

657

banks

660

insurers and reinsurers

65,000

including

intermediaries subject to inspections of business practices

26,000

intermediaries covered by AML/CTF inspections⁷

223

licensing and authorisation decisions

97

on-site inspections relating to prudential supervision

95

on-site inspections relating to business practices

43

on-site inspections relating to AML/CTF

6

sanctions imposed by the Sanctions Committee

1,257

meetings with innovators

48

resolution plans adopted

⁷ Intermediaries subject to AML/CTF supervision, in accordance with Art. L. 561-2 of the Monetary and Financial Code, include:

- intermediaries in banking transactions and payment services mentioned in Article L. 519-1 where they are acting under a mandate from a customer and are entrusted with funds as the parties' agent;
- insurance intermediaries defined in Article L. 511-1 of the Insurance Code, except those acting under the entire responsibility of the undertaking or the insurance broker.

Banks and insurers are also subject to AML/CTF supervision.

OUR WORK PROGRAMME

The ACPR's 2024 work programme, approved by the plenary College, has four main focus areas:

1 MAINTAIN AND STRENGTHEN THE SECURITY AND SOUNDNESS OF THE BANKING AND INSURANCE SECTORS IN THE FACE OF MACROECONOMIC, FINANCIAL AND GEOPOLITICAL RISKS

- Focus on risks linked to the level of and changes in interest rates, inflationary pressures and the volatility of property and financial asset prices, with special attention paid to asset-liability matching and liquidity issues;
 - Monitor the consequences for financial institutions of a deterioration in the activity outlook and an increase in the number of failures;
 - Monitor geopolitical tensions.
-

2 ADDRESS STRUCTURAL VULNERABILITIES AND BE PROACTIVE IN IDENTIFYING, PREVENTING AND SUPERVISING NEW AND EMERGING RISKS

- Financial risks linked to climate change and ESG risks more broadly;
 - Monitor risks associated with new technologies: digital transformation and artificial intelligence;
 - Keep up efforts to coordinate and contribute to European and international regulatory work.
-

3 ENSURE THE COMPLIANCE AND EFFECTIVENESS OF COMPANY AML/CTF SYSTEMS AND BUSINESS PRACTICES AND IDENTIFY ANY SHORTCOMINGS AND ASSOCIATED RISKS, IN PARTICULAR THROUGH

- Due diligence to safeguard the interests of customers and insured parties during the marketing of financial products and prevention of scams;
 - Anti-greenwashing;
 - Due diligence to ensure that greenwashing risks linked to the rapid growth of certain activities and innovative products, such as crypto-assets and payment services, are taken into account;
 - Involvement in setting up the new European Anti-Money Laundering Authority.
-

4 CONTINUE MODERNISING THE ACPR TO BOOST ITS EFFECTIVENESS AND CONTRIBUTE TO THE BANQUE DE FRANCE'S STRATEGIC PLAN

- Through targeted recruitment initiatives;
 - By harnessing data and innovative solutions (suptech tools);
 - Through the involvement of all directorates in the Banque de France's strategic plan, which aims to support the economy, serve society and Europe, and secure the future.
-

The Resolution College set three further priorities:

- 1 BE PART OF THE SINGLE RESOLUTION BOARD'S 2028 STRATEGY;
- 2 BOLSTER EXPERTISE IN INSURANCE RESOLUTION;
- 3 PURSUE A STRATEGY AIMED AT EXERTING INFLUENCE.



Votre

ak = 5%

Type 2
cap

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FINANCIAL SECTOR DEVELOPMENTS

223

LICENSING AND
AUTHORISATION
DECISIONS

657

BANKS

660

INSURERS AND REINSURERS

157

MEETINGS WITH INNOVATORS

1. NEW AUTHORISATIONS AND CHANGES TO THE OVERALL STRUCTURE OF THE POPULATION SUPERVISED BY THE ACPR

1.1 INSURANCE SECTOR

In 2023, five new reinsurance captives were created, out of the 11 new undertakings licensed over the course of the year⁸.

Regardless of this trend, which is set to continue in 2024⁸, 2023 continued the pattern of previous years, as the number of mutual insurers fell slightly once again.

Licences issued in 2023 also included those for:

- one supplementary occupational retirement fund (FRPS, regime governed by Ordinance No. 2017-484 of 6 April 2017), for provident institution CARCO;
- AXA Réassurance Vie France, the reinsurance subsidiary of AXA France Vie;
- BNP Paribas Cardif, which was licensed as a reinsurance company for the purpose of supplying internal reinsurance solutions within the corresponding insurance sub-group;
- MNCAP SA, which was licensed as an insurance company after the activities of MNCAP Group (UMG Cap Mutualité) were restructured;
- two securitisation fund (FCT) sub-funds bearing insurance risks, namely "157 RE EOLE" and "157 RE 24", for CCR RE;
- 26 mergers or portfolio transfers, which resulted in ten licences lapsing fully, in the mutual insurance and insurance company sectors.

Authorisations for significant ownership changes included the sale of AGEAS France and AGEAS Retraite by AGEAS Group to savings, retirement and providential mutual insurer CARAC, as well as the takeover of CCR RE by the SMABTP/MACSF Assurances consortium, following CCR's sale of the majority of its shares.

The ACPR also took:

- 713 decisions in 2023 concerning new appointments and reappointments of effective managers and key function holders in the insurance sector;
- 64 decisions on European passports enabling French institutions to do business in other European Economic Area (EEA) countries via branches or under the freedom to provide services. The ACPR also received 45 notifications enabling EEA institutions to do business in France.

1.2 BANKING SECTOR⁹

The number of licensed institutions in the banking sector fell slightly in 2023, despite the new licences issued in the payments and investment services sector. The decrease was primarily due to the integration of the Crédit du Nord sub-group within Société Générale, which happened on 1 January 2023.

Decisions in 2023 included:

- issuance of licences to three credit institutions, two financing companies, six investment firms¹⁰, ten payment or electronic money institutions and one account information service provider:
 - the licence for Crédit Agricole Financement de l'Habitat SFH, a specialised credit institution under the direct supervision of the ECB. Part of the Crédit Agricole group, it is intended to refinance housing loans. Its license was issued by the ECB, based on a proposal by the ACPR following a joint review;
 - the licence for electronic money institution SALVUS, which plans to issue a euro-backed stablecoin on blockchains and which will be subject to the provisions of the MiCA Regulation¹¹ from 1 July 2024;
 - the licence for electronic money institution DEBLOCK, which is also registered with the AMF as a digital asset service provider (DASP). This dual status may open the way for new configurations for payment firms ahead of MiCA implementation;
- a number of licence revocations, including for Franco-Belgian credit institution Dexia Crédit Local (DCL) and its two subsidiaries licensed as financing companies. Following a request submitted by the institution with the agreement of the shareholding States (France and Belgium), the withdrawal is a further step in the process begun in 2012 following the adoption of a resolution plan ordered by the European Commission, which had placed Dexia in run-off mode. Withdrawal of the licence, which was ordered by the ECB based on a proposal by the ACPR, took place following a review that noted the absence of any new credit business or repayable funds from the public on the balance sheets of Dexia group entities. The withdrawal took effect on 1 January 2024.
- ownership changes, including authorisation for a partial takeover of HSBC Continental Europe's retail banking business by Banque des Caraïbes, a credit institution that is a subsidiary of MyMoneyGroup, which is owned by Cerberus funds. The aim of the project, which took effect on 1 January 2024, is to revitalise the CCF brand. The ACPR paid close attention to the proper execution and consequences of this asset transfer, as it would for any major restructuring of this type.

The ACPR also took:

- 1,383 decisions concerning appointments/renewals of appointments of effective managers and members of supervisory bodies, of which 440 were the subject of an ECB decision following an ACPR review;
- 833 decisions on European passports enabling French institutions to do business in other EEA countries, and, conversely, allowing EEA institutions to operate in France;
- 6,508 decisions authorising the agents of payment service providers, 2,181 of which concerned agents in other EEA countries.

⁸ See box on reinsurance captives.

⁹ Credit institutions, financing companies, investment firms, payment institutions, electronic money institutions.

¹⁰ Four of the six investment firms licensed in 2023 had not yet lifted the conditions precedent pertaining to their licences at 31 December 2023.

¹¹ [Regulation 2023/1114 of 31 May 2023](#) on Markets in Crypto-Assets (MiCA) on the EUR-lex website.

SUMMARY OF ACPR LICENSING AND AUTHORISATION DECISIONS

	Total ACPR		
	Total	Banking	Insurance
Granting of licences, authorisations and registrations	33	22	11
Licence extensions	21	9	12
Waivers and exemptions from licensing and authorisation requirements	6	6	/
Amendments to licences and authorisations	13	7	6
Withdrawals of licences and authorisations	29	19	10
Risk transfer agreements	6	/	6
Administrative changes	24	18	6
Changes in ownership	54	36	18
Mergers, demergers and/or portfolio transfers – Insurance sector	26	/	26
Other	11	11	/
TOTAL	223	128	95

Number of times assent was given to the AMF for applications to register digital asset service providers (DASPs) ¹

57

Number of times assent was given to the AMF for applications to licence crowdfunding service providers (CSPs) specialising in full or in part in loan intermediation (see box on hosting CSPs) ²

10

¹ DASPs are registered with the AMF once the ACPR has given its assent. The regulatory framework is described in chapter 5 – 2.1.

² CSPs specialising in full or in part in loan intermediation are licensed by the AMF once the ACPR has given its assent.



Reinsurance captives ¹²

The government has taken steps to encourage companies to establish reinsurance captives in France by including a specific “resilience provision”, which is deductible from taxable income, in the legislative framework (Art. 6 of the 2023 Budget Act).

These entities offer their shareholder groups an instrument that they can use to analyse and control their risks more effectively. For this reason, the creation of a captive must be accompanied by a broader discussion on risk management and insurance coverage.

Reinsurance captives must be licensed to engage in a reinsurance activity whereby a portion of the risks borne by insurers in the group to which they belong is ceded to them. This cession, which is conducted through a reinsurance treaty, may cover specific risks or certain levels of loss. The ACPR licensed four new reinsurance captives in 2021 and 2022, and five in 2023 (Seb, Bonduelle, Publicis, Lactalis, Limagrain, Naval Group, la LFP, Rubis and Avril), bringing the total number of captives licensed in France to 14. A further seven projects are already under discussion with the ACPR for 2024.

When reviewing applications, special attention is paid to:

- business plans, which need to be complete and based on sound assumptions and robust historical data on loss experience,
- governance bodies (effective management, key function holder, member of the supervisory body), which need to have or acquire insurance expertise,
- and oversight of external service providers that manage important functions.

Pursuant to the proportionality principle, some combined functions may be authorised. •

¹² A reinsurance captive is a non-financial corporation that is not owned by an insurance undertaking and whose purpose is to provide reinsurance coverage exclusively for the risks of the company or companies to which it belongs, or the risks of one or several other companies in the group to which it belongs.



Credit servicers and credit purchasers

Directive (EU) 2021/2167 on credit servicers and credit purchasers, published in 2021, aims to develop Europe’s secondary market in non-performing loans (NPLs) in order to facilitate the sale by banks of these loans to third parties, as a follow-up to the European Council’s 2017 NPL action plan.

Within the European Union, the lack of a secondary market in these loans stems from the fragmentation of the national frameworks applicable to two sets of participants: credit purchasers, which buy NPL agreements, and credit servicers, which may handle the execution of rights and obligations, loan renegotiations and potential collection procedures on behalf of a credit purchaser, where the latter is unable or unwilling to manage the claim itself.

To address this issue, the Credit Servicers Directive, transposed into French law by Ordinance No. 2023-1139 and Decree No. 2023-1211 of 6 and 20 December 2023, introduced new rules applicable to purchasing and servicing NPLs from 1 January 2024 (Articles L. 54-11-1 et seq. of the Monetary and Financial Code). These rules establish a regime for licensing and supervising credit servicers and for monitoring credit purchasers, to be performed by the ACPR. They likewise introduce the possibility for licensed servicers to engage in cross-border business via a European passport. Borrower protection is a central concern of the new provisions. Borrowers must be properly informed and covered by fund protection measures, particularly in a post-pandemic environment that has resulted in companies holding more debt.

Credit servicers have a six-month transitional period running until 29 June 2024 to comply with the new provisions. •

SUMMARY OF INSTITUTIONS AUTHORISED TO DO BUSINESS IN FRANCE

INSURANCE SECTOR	31/12/2022	31/12/2023	Change 2022/2023
Insurance undertakings			
Insurance companies	257	254	- 3
Funds for supplementary occupational retirement provision	20	21	1
Reinsurance companies	16	23	7
Non-EU country branches	4	4	0
Insurance Code	297	302	5
Provident institutions	33	33	0
Undertakings for supplementary occupational retirement provision	1	1	0
Social Security Code	34	34	0
Mutual insurers governed by Book II and not backed by larger partners	254	249	- 5
Mutual insurers for supplementary occupational retirement provision	1	1	0
Mutual reinsurers	2	2	0
Mutual insurers governed by Book II and backed by larger partners	76	72	- 4
Mutual Insurance Code	333	324	- 9
TOTAL LICENSED UNDERTAKINGS AND UNDERTAKINGS NOT REQUIRING A LICENCE	664	660	- 4
BANKING SECTOR			
31/12/2022			
31/12/2023			
Change 2022/2023			
Credit institutions (licensed in France and Monaco)			
Credit institutions licensed in France	320	313	- 7
Institutions licensed for all banking activities	249	239	- 10
Banks	154	144	- 10
<i>o/w branches of institutions with registered offices in non-EU countries</i>	23	23	0
Mutual and cooperative banks	77	77	0
Municipal credit banks	18	18	0
Specialised credit institutions (formally financial companies or specialised financial institutions until end-2013)	69	70	1
Credit and investment institutions	2	4	2
Credit institutions licensed in Monaco	19	18	- 1
TOTAL CREDIT INSTITUTIONS (LICENSED IN FRANCE AND MONACO)	339	331	- 8
TOTAL INVESTMENT FIRMS (LICENSED BY THE ACPR)	102	98	- 4
<i>o/w branches of institutions with registered offices in non-EU countries</i>	2	1	- 1
Financing companies			
Financing companies	128	125	- 3
<i>o/w mutual guarantee companies</i>	38	37	- 1
Dual status: financing companies and investment firms	3	2	- 1
Dual status: financing companies and payment institutions	16	15	- 1
Dual status: financing companies and electronic money institutions		2	2
TOTAL FINANCING COMPANIES	147	144	- 3
TOTAL PAYMENT INSTITUTIONS (LICENSED BY THE ACPR)	51	55	4
TOTAL ACCOUNT INFORMATION SERVICE PROVIDERS	8	10	2
TOTAL ELECTRONIC MONEY INSTITUTIONS (LICENSED BY THE ACPR)	18	19	1
TOTAL LICENSED BANKING INSTITUTIONS	665	657	- 8
TOTAL THIRD-PARTY FINANCING COMPANIES	5	5	0
TOTAL MONEY CHANGERS	211	209	- 2
TOTAL OTHER INSTITUTIONS AUTHORISED BY THE ACPR	216	214	- 2
Branches of EEA institutions operating under the freedom of establishment			
Branches of insurance undertakings	56	57	1
Branches of credit institutions	71	70	- 1
Branches of investment firms	30	31	1
Branches of payment institutions and electronic money institutions	17	21	4
TOTAL BRANCHES OPERATING UNDER THE FREEDOM OF ESTABLISHMENT	174	179	5

2. SUPPORT FOR NEW PARTICIPANTS AND INNOVATION

Technological innovation is gradually transforming the financial sector. To keep track of these changes, the ACPR has set up a dedicated structure, the Fintech-Innovation Unit ¹³, and a space for dialogue with the innovation ecosystem, the ACPR-AMF Fintech Forum. The goals are to support innovators and to get supervision ready for the future of finance.

2.1 WORKING AND DIALOGUING WITH INNOVATORS

The Fintech-Innovation Unit is the ACPR's gateway for innovators, irrespective of the type or maturity level of their projects. The unit explains the regulatory framework applicable to their future activities and guides them through the authorisation process. In a challenging environment for fintechs in 2023, as investments in the sector decreased, the Fintech-Innovation Unit was in contact with 89 innovators ¹⁴ (compared with 137 in 2022). Since early 2021, the ACPR has applied a fintech charter that specifies the authorisation procedure, describes the ACPR's deadline commitments and sets out the authority's expectations for innovators. A review of the charter's application revealed that in 2023, the unit responded within two weeks of an initial contact in 92% of cases, up from 90% in 2022. Once an authorisation application was actually submitted, the ACPR's average response time was 9.5 days, compared with 12 days in 2022.

Besides these bilateral contacts, the Fintech-Innovation Unit also helps to nurture the French fintech ecosystem by meeting with incubators and accelerators, such as Station F, Paris&Co and Finance Innovation, at market events and trade shows. The ACPR also teamed up with the AMF to organise the fourth annual ACPR-AMF Fintech Forum on 16 October 2023. Over 500 people attended the panel discussions on the tokenisation ¹⁵ of financial assets and the role that new technologies are set to play in the development of green finance; the afternoon workshops, meanwhile, gave participants an opportunity to learn about different areas of regulation, from payments and cybersecurity to AML and crypto-assets.

The Fintech-Innovation Unit also contributes actively to dialogue between supervisory authorities, at home and within Europe. For example, it participates in work by the ECB, the EBA and EIOPA, and contributes to the European Forum for Innovation Facilitators (EFIF), which is coordinated by the European authorities.

2.2 SUPPORTING INNOVATION IN FINANCE: WHAT ARE THE REGULATORY CHALLENGES ?

Regulation is keeping step with the technological changes taking place in the financial sector. Several major milestones were achieved in European regulation over 2023.

A core component of Europe's digital finance strategy, Regulation (EU) 2023/1114 on Markets in Crypto-Assets (MiCA) was adopted in 2023. It is set to be supplemented by several pieces of Level 2 implementing legislation, to which the ACPR provided input as part of work coordinated by the EBA. MiCA provisions for electronic money tokens and asset-backed tokens (sometimes referred to as stablecoins) ¹⁶ will apply from 30 June 2024, while the remaining provisions will take effect on 30 December 2024. The ACPR will be responsible for authorising and supervising stablecoin issuers. It will also be involved in authorising and supervising crypto-asset service providers, within its area of responsibility.

In terms of data sharing, on 28 June 2023, the European Commission published a legislative proposal on financial data access (FIDA) aimed at establishing a framework for the development of open finance. The new framework will, among other things, define the rights and obligations of companies holding and using data, in order to facilitate the sharing and reuse of these data while providing a secure framework for customers. The negotiations begun in 2023 within the European Council and Parliament will continue in 2024. The ACPR will play a part by sharing its expertise on these topics with French and European stakeholder authorities.

¹³ 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 is used to refer to new financial participants, especially in the areas of lending, payments, financial product distribution and savings management, whose business models are derived from these technological innovations and which address changing customer needs and behaviours.

¹⁴ The Fintech-Innovation Unit also talks more generally with many ecosystem players that do not necessarily have a start-up project falling within the scope of the ACPR's supervision. All told, the unit held discussions with 157 participants this year, compared with 218 in 2022.

¹⁵ Asset tokenisation refers to the digital representation of assets on a distributed ledger (blockchain), whether these assets previously existed in the real world or were directly issued on a blockchain.

¹⁶ Stablecoins are crypto-assets that seek to maintain a stable value with reference to a currency, or another security more generally, or to a basket of currencies or other securities.

Discussions on the European regulation on artificial intelligence (AI), also referred to as the AI Act, resulted in an agreement in December 2023. The regulation will apply in particular to certain banking and insurance use cases: it will require supervised institutions to monitor and mitigate the risks generated by the use of AI systems. The regulation also includes provisions for general purpose models ¹⁷, especially those underpinning generative AI systems, which saw significant growth in 2023.

2.3 PREPARING THE SUPERVISORY METHODS OF THE FUTURE

Since 2019, the ACPR has been engaged in a suptech ¹⁸ approach aimed at harnessing new technologies to boost the authority's supervisory capabilities. This approach is included in the Banque de France's strategic plan.

In 2023, five of the 12 projects from the 2022-2024 roadmap came onstream, including a tool to automatically analyse the compliance of consumer loan advertisements and a tool to automatically transcribe phone calls during non-face-to-face marketing of financial products. Additional functionalities will be developed in 2024 for some of these tools.

Alongside this work, two other roadmap projects were trialled in 2023: a solution to estimate the carbon footprint of insurers' investments, and a banking supervision tool to detect anomalies automatically.

Also in 2023, the ECB selected the ACPR to lead one of its Suptech Centres, an initiative that entrusts national authorities with developing innovative supervisory tools and making them available to the SSM as a whole. The ACPR's project is to develop a unified analytics platform for banking supervision.

¹⁷ Models capable of competently executing a broad spectrum of distinct tasks, thanks in particular to their training using vast quantities of data. This category includes large language models (LLMs).

¹⁸ English portmanteau of "supervisory technology" and referring to the use of new technologies in supervision.



Providing a home for CSPs, and the new regulatory framework

Regulation (EU) 2020/1503 (CSP Regulation) published in October 2020 created a new category of participants: European crowdfunding service providers (CSPs), which have sole authorisation to provide equity- and/or investment-based crowdfunding services. This new status replaces the existing regimes for crowdfunding advisers (CAs) and crowdfunding intermediaries (CIs) as regards activities falling within the scope of the CSP Regulation. The AMF has been named as the competent authority to grant and withdraw CSP licences, although the ACPR's assent is required where the applicant's programme of operations includes loan facilitation. In an agreement drawn up in 2022, the ACPR and the AMF established the procedures governing their cooperation in the area of CSP licensing.

The regulation initially provided for a 12-month transitional period following its entry into application, during which the CSP regime would coexist with the national CA and CI regimes. That period, which was set to expire on 10 November 2022, was extended by a further 12 months to 10 November 2023 to give market participants more time to comply. Following the expiry of that deadline, having CA or CI status has no longer conferred the right to provide the crowdfunding services referred to in the CSP Regulation.

As at 11 January 2024, the AMF had licensed 50 companies as CSPs, and the ACPR had assented to 12 licence applications. At European level, ESMA had registered 125 licensed CSPs, and France was the leading country by number of licences granted, ahead of the Netherlands and Spain on 13 and 11 licences respectively. •



Crypto-assets, a universe that is gradually being regulated

A crypto-asset, also called a digital asset, is a digital representation of value or rights which may be transferred and stored electronically using distributed ledger (blockchain) technology. France initially regulated the provision of crypto-asset services (exchange of crypto-assets against currencies with legal tender status, custody of crypto-assets, etc.) through the PACTE Act of 22 May 2019¹⁹. Under these requirements, digital asset service providers (DASPs) in France must be registered with the AMF, and their AML/CTF system may be inspected by the ACPR.

With the MICA Regulation due to enter into force in 2024, European rules will replace and supplement the existing regulatory framework. In particular, stablecoin issues and issuers, which were not covered by the domestic regulatory framework, will be governed by European regulations.

In AML/CTF, the Transfer of Funds Regulation (TFR) will further strengthen the regulatory requirements applicable to crypto-asset service providers, notably by requiring them to detect and stop criminal flows. •

¹⁹ [Business Growth and Transformation Act No. 2019-486 of 22 May 2019](#) on the [Légifrance](#) website.



Exploring future regulatory avenues for decentralised finance (DeFi)

After a series of interviews with ecosystem participants, the ACPR published a discussion paper ²⁰ on DeFi ²¹ in April 2023. The document analysed the risks in this ecosystem, while sketching out initial avenues to prepare the future regulatory response.

The paper was put out to public consultation and met with great interest both at home and abroad.

The consultation findings were summarised ²² and will inform the ACPR's contributions on potential supplements for the MiCA Regulation. In particular, it would be beneficial to:

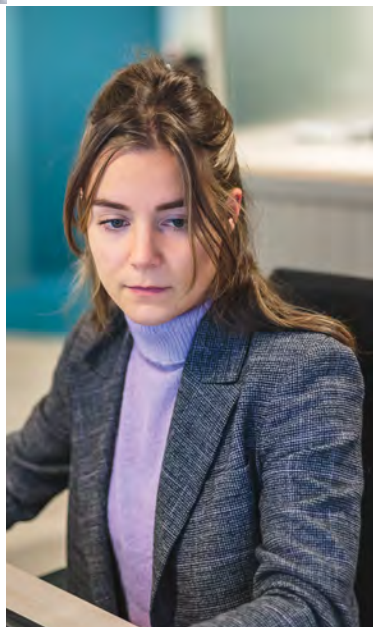
(i) establish measures relating to the reliability of the blockchain infrastructures on which DeFi – or other activities linked to the tokenisation of finance – might be developed; (ii) set rules – for example on certification – appropriate to the nature and operation of the smart contracts that form the basis for DeFi protocols; (iii) and define governance and conduct of business rules to provide adequate protection to DeFi users.

This work will continue in 2024, as an ACPR-AMF Fintech Forum working group explores the feasibility of mandatory certification for smart contracts. •

²⁰ [Discussion paper on decentralised finance](#) on the ACPR website.

²¹ Decentralised or disintermediated finance (DeFi) refers to a set of crypto-asset services that are comparable to financial services but performed without the involvement of an intermediary. DeFi is generally characterised, at least in theory, by the use of public blockchains, smart contracts, decentralised governance and the absence of depositories.

²² [Summary of feedback to the public consultation on decentralised finance](#) on the ACPR website.







PRUDENTIAL SUPERVISION

97 ON-SITE INSPECTIONS
RELATING TO
PRUDENTIAL
SUPERVISION

21 MEETINGS ATTENDED
OF THE DECISION-MAKING
BODIES OF EUROPEAN
SUPERVISORY AUTHORITIES

20 MEETINGS
OF THE ECB'S
PRUDENTIAL
SUPERVISORY BOARD

12 *ANALYSES ET SYNTHÈSES*
REPORTS PUBLISHED

4 FORMAL NOTICES

1. PRUDENTIAL OVERSIGHT

1.1 INSURANCE SECTOR

1.1.1 The insurance sector kept the impacts linked to economic and financial conditions under control

In 2023, insurance undertakings maintained a solid balance sheet structure, which enabled them to adapt to the new interest rate and inflationary environment. The French market's average solvency ratio held relatively steady over the course of the year (250% at end-December 2023 according to preliminary numbers), and undertakings still have high levels of capital, comfortably covering requirements as at end-2023.

That said, the increase in interest rates had mixed effects and is still too recent for the insurance sector to benefit fully from a solvency and profitability perspective. Thus, despite heightened competition between families of savings products, gross inflows into life insurance were brisk in 2023. But surrenders of life insurance contracts also rose, for non-unit-linked as well as unit-linked products, albeit at a contained rate that was below the highs reached during the 2011-2012 sovereign debt crisis, with the ratio of surrenders to reserves standing at 5.3% in 2023, compared with 6.0% in 2012. Insurers managed this significant savings reallocation in a controlled manner: they hold significant reserves of liquid assets to respond to surrender requests, and despite their structural position as long-term investors, they have not had, or only to a marginal extent, to recognise capital losses on their fixed income portfolios. Further, with long-term interest rates at higher levels, insurers can now reinvest in higher-earning assets when their portfolio investments mature. By reinvesting assets, generating capital gains and tapping profit-sharing reserves, insurers have thus been able to keep steadily raising the return on non-unit-linked funds, which has been climbing since 2022 after falling for many years and reached 2.6% in 2023 (preliminary figure) after 1.9% in 2022.

The inflationary environment affects different categories of insurance in contrasting ways. Property insurance, which has already been hit by increased claims, in particular due to climate change, is especially exposed to inflation. This represents a challenge for non-life insurers specialised in long-term guarantees, which in some cases cannot adjust their premiums for several years. The risk of a mismatch between premiums calculated based on overly low inflationary expectations relative to the actual change in claim-related costs is greater when settlements are spread over time. The impacts of this new inflationary environment and the required adjustments by the sector, as well as the effects of increased business failures for surety

insurance, must be captured over a long period and will remain areas of focus in the coming months.

1.1.2 Heightened attention paid to the recognition of higher interest rates and inflation in calculation models

Models for measuring insurers' commitments, whose parameters were calibrated in a low interest rate and inflationary environment, might not be suited to a setting of higher interest rates. On the liability side for life insurers, surrender risk is altered by insured parties' expectations of higher returns on contracts. The surrender distributions used by models could be reviewed accordingly, to ensure that models continue to adequately reflect undertakings' risk profiles. Any modifications should not amount to simply optimising commitment calculations.

Inflation and higher interest rates are similarly a focus for the ACPR in the non-life insurance sector, in particular as regards segments offering long-term guarantees, such as construction, medical liability and non-life annuities under liability insurance. In the long term, loss experience could get out of control owing to the effects of increased costs of claims and higher expenses due to inflation. Projections relying solely on backward-looking data are subject to a delay: by not integrating the impact of future inflation, undertakings might underestimate their reserves or get their pricing forecasts wrong. This environment also raises the urgent question of controlling management expenses.

The ACPR carried out a cross-cutting survey of a sample of insurers to find out how inflation is factored into modelling of non-life insurers' commitments. The goal was to assess whether insurers' provisioning included the effects of inflation, not just on the cost of claims, but also on projected expenses. The survey also asked about governance systems at insurance companies and their suitability for the new market conditions, which should be a central concern of the "risk management" key function. Consideration will also be given to whether the new environment is properly recognised in the Own Risk and Solvency Assessment (ORSA), both in indicators and in the scenarios studied, which should rely on reliable financial information and robust data quality control systems.

The abrupt change in macroeconomic conditions underlines the fact that insurance companies – and in particular the process of calculating reserves – cannot be managed based solely on a backward-looking view. Developing a forward-looking vision of the risks to the sector, whether due to macroeconomic developments or higher costs of claims, via the emergence of risks such as climate change, remains a central point in the development of methodologies to project insurers' commitments.

1.1.3 Developments on the reinsurance market: increased use of captives and the rise of reinsurance in the life segment

The inflationary environment also impacted the reinsurance market. While the cession rate continues to increase slightly, several trends show that this market is evolving, as specialised entities are set up within groups to reinsure the business of subsidiaries, and as new life reinsurance participants emerge.

Reinsurance captives

French companies are increasingly using reinsurance captives (see box). Accordingly, insurance groups are following the lead of industrial groups and reorganising themselves to combine the reinsurance of group subsidiaries within a single entity. These internal reinsurance entities pool risks to rationalise their management. When it comes to overseeing captives, a key challenge is the outsourcing of resources that often accompanies the establishment of such entities: oversight systems must continue to be sufficiently robust and efficient when an activity is outsourced, including within the same group.

Life reinsurance

The life reinsurance market is historically less active than the non-life reinsurance market, with the cession rate on the life insurance market steady between 7% and 8%. However, recent macroeconomic developments are prompting life insurers to turn towards more comprehensive solutions in the area of life reinsurance treaties. Cessions must be accompanied by a genuine transfer of risk from insurer to reinsurer. Another important point is to ensure that reinsurance treaties are properly suited to cedents' insurance contracts, and more particularly to the specific features of the French market, especially when it comes to profit-sharing mechanisms.

1.2 BANKING SECTOR

Within the framework of the Single Supervisory Mechanism (SSM), the ACPR provides significant support²³ in the ongoing supervision of France's 11 major banking groups, or significant institutions (SIs)²⁴, 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 of countries where these banks do business. ACPR staff are additionally involved in the work of four other JSTs in charge of supervising European SIs operating in France.

The ACPR is also responsible for supervising 101 less significant institutions (LSIs)²⁵ that are subject to indirect ECB supervision. The ECB is working to harmonise the practices used by national authorities for this population,

including by developing shared priority action areas, a common methodological framework and associated IT tools, and also by carrying out analyses at the overall level of the SSM. Some of these analyses are conducted on a cross-cutting basis, while others are rolled out more locally.

The ACPR also supervises institutions that are not part of the SSM. In particular, the ACPR is in charge of the prudential oversight of two parts of the Caisse des Dépôts et Consignations (CDC), namely the Central Sector, which acts as the lead institution of the CDC group, and the ring-fenced Savings Funds, which hold much of France's regulated savings. Consistent with its public interest tasks and special status, the CDC is covered by a specific regulatory framework and supervisory processes modelled on the best practices applied to large institutions. The ACPR is also the exclusive supervisor of a range of institutions with a variety of business activities and risk profiles, including financing companies, non-EU country branches, investment firms, payment institutions, electronic money institutions and account information service providers.

A total of 55 prudential inspections were conducted in 2023:

- 29 inspections at major French groups under direct ECB supervision within the framework of the SSM;
- nine outward cross-border inspections of banks based in another SSM Member State, on the ECB's behalf;
- 17 inspections of institutions supervised directly by the ACPR. The ACPR also performed its first climate risk inspection.

In the case of the 29 inspections conducted on behalf of the ECB in France:

- one-third involved a review of the internal models used to calculate Pillar 1 capital requirements, chiefly for credit risk;

²³ Around 120 FTE employees.

²⁴ Bank of America Securities Europe, BNP Paribas, BPCE, Bpifrance, Confédération Nationale du Crédit Mutuel, Crédit Agricole SA, HSBC Continental Europe, La Banque Postale, RCI Banque, SFIL and Société Générale.

²⁵ 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, for example. It comprises: one non-SSM EEA branch, 23 subsidiaries of French LSIs and 77 French lead companies or independent LSIs.

- the others addressed topics connected with SSM supervisory priorities (credit risk, quality and aggregation of risk data (BCBS 23926²⁶), developments in the risk environment (interest rate risk, liquidity risk, etc.) and changes taking place in the sector (digital transformation, cyber risk, etc.).

In addition, 12 SSM inspections were conducted directly by the ECB in France, with ACPR inspectors involved in a number of inward cross-border inspections.

1.2.1 A sector that has shown resilience to upheaval and developments in the interest rate environment

The ACPR conducted its prudential supervisory activities in 2023 against a backdrop featuring inflationary pressures and rising interest rates, along with the lasting consequences of Russia's invasion of Ukraine.

1.2.1.1 Enhanced monitoring of interest rate and liquidity risk

As ECB monetary policy changed rapidly in 2023, characterised by an increase in policy rates from 2.50% in December 2022 to 4.50% in September 2023 and by significant repayment of targeted longer-term refinancing operations (TLTROs), French banks demonstrated resilience, maintaining high levels of liquidity that comfortably exceeded regulatory expectations (average LCR of 149% at end-2023 for the seven main institutions). French banks also continue to benefit from robust deposit levels and broad access to diversified sources of financing, including on markets, with increased use of covered bond issuance²⁷.

Although French banks showed resilience, the ACPR nevertheless maintained a close watch on interest rate and liquidity risk. In the case of institutions supervised within the framework of the SSM, besides ongoing exchanges with significant French banking groups, the JSTs conducted several cross-cutting thematic reviews on the management of interest rate risk in the banking book, TLTRO repayment strategies, the suitability of funding plans, and the use of bank liquidity indicators. Similar work was also done for institutions under the ACPR's direct supervision. This work, which will continue in 2024, was supplemented by on-site inspections (see above).

1.2.1.2 Continuing enhanced monitoring of banks' profitability and solvency

The post-Covid macroeconomic environment, marked by Russia's continued war on Ukraine, could impact bank profitability through two key effects that were closely monitored by the ACPR and SSM, namely credit risk developments, which affect the cost of risk, and the change in net interest margins.

Regarding credit risk, inspections conducted at all institutions confirmed the quality of French institutions' credit portfolios, which remain broadly healthy as provision levels and the cost of risk normalise to reflect the risk of failure.

Supervisory work in 2023 was mainly focused on continuing checks on the quality of credit risk management systems, including risk mitigation systems. Efforts also concentrated on reviewing certain types of loans, such as home loans, or certain specialised credits, such as leveraged finance or commercial real estate loans, owing to their sensitivity to economic conditions.

Regarding net interest margin changes, the positive effects expected from the high interest rate environment were delayed for French banks because fixed-rate loans account for a large proportion of loans granted, especially to households, while on the liabilities side, the cost of funds swiftly adjusted to the level of interest rates. Even so, French banks were able to count on their diversified and robust business model, which enabled them to generate solid results and bolster their own funds in 2023. The prevalence of fixed-rate loans also helped to protect borrowers in the rising-rate environment, thereby limiting the increase in the cost of risk for banks. Over time, banks should benefit from the interest rate environment as the loans on their balance sheets are rolled over.

At a more global level, banks' resilience was measured by stress tests factoring in extremely adverse macroeconomic assumptions and conducted by the EBA for SIs and by the ACPR for institutions under its direct supervision (see box on the EBA 2023 stress test exercise and the LSI stress test exercise) These tests gave rise to Pillar 2 Guidance (P2G), supplementing the Pillar 2 Requirements (P2R) applied to supervised institutions following the annual Supervisory Review and Evaluation Process (SREP).

1.2.2 Monitoring the changes taking place in the banking sector

In 2023, the banking sector continued to face deep-seated changes connected with the technological, digital and environmental transitions and remains subject to high expectations in terms of climate responsibility (see box on establishing a regulatory framework for ESG disclosures or sustainability reporting).

The sector's digital transformation was one of the SSM's three strategic priorities in 2023, which it pursued notably via a cross-cutting review of the implementation of transformation strategies by the main groups. The ACPR took part in that exercise.

As part of its domestic responsibilities, the ACPR also monitored the changes and risks associated with this transformation. One of these developments concerns increasingly open access to financial data through the use of APIs ²⁸ by participants. The ACPR took various steps to address these issues, which included publishing an instruction on the functioning of APIs and setting up an incident monitoring mechanism. Forthcoming implementation of the European MiCA Regulation also prompted the ACPR to step up its monitoring of activities conducted or planned by supervised institutions on blockchain-based infrastructures.

Cyber risk continued to be a priority for the SSM and the ACPR, which, among other things, pursued work with LSIs and specialised institutions not covered by the SSM's scope to monitor their progress following the self-assessment questionnaires that were sent to them in 2022. In this regard, the imminent entry into force of the DORA Regulation spurred increased efforts to monitor outsourcing, particularly of information systems, amid growing use of cloud solutions. Cyber risk will be a priority again in 2024, with, in particular, the SSM organising stress tests for SIs.

²⁶ Standard issued by the Basel Committee aimed at strengthening banks' risk data aggregation capabilities and internal risk reporting practices in order to enhance risk management and decision-making processes.

²⁷ According to the Monetary and Financial Code, covered bonds are instruments issued by mortgage credit institutions (mortgage bonds), by home loan companies (home loan bonds) and by the Caisse de Refinancement de l'Habitat (bonds referred to in Article 13 of Act No. 85-695 of 11 July 1985). These instruments are backed by a basket of guarantees, and holders are given priority ensuring that they are fully reimbursed ahead of other creditors of the issuing institutions.

²⁸ API: application programming interface.



Main findings of the survey on critical or important activities outsourced by insurers

The cross-cutting survey conducted by the ACPR in the sector revealed that insurance undertakings outsource their critical or important activities to a significant degree, as this offers multiple benefits (cost rationalisation, access to specific expertise, ability to refocus on core business, lack of or inadequate in-house resources, etc.). However, outsourcing increases operational risks and makes them more complicated to manage.

The most frequently outsourced areas of activity include management of contracts and claims, investment, asset management, and information systems management. While services outsourced to a third party are separate from those within a group, a risk management system is nevertheless required, regardless of the situation. The survey was also an opportunity to emphasise that the formal obligations are broadly respected, including the stages that go into establishing formal contracts, and outsourcing references in written policies.

However, steering, in terms of a risk-based approach, still seems insufficiently precise, particularly regarding specific risk areas such as supervision of intra-group outsourcing, control of outsourcing chains or ways of lessening reliance on a service provider, based on options for finding an equivalent provider (substitutability) or taking back responsibility for a critical function (reversibility).

Finally, vulnerabilities linked to the exposures of public or hybrid cloud services, or to the use of information and communication technology (ICT) firms based outside Europe, represent new risks that remain to be brought under control. The ACPR is set to pay even closer attention to this aspect with the imminent entry into application of the DORA Regulation. •



Impacts of IFRS 17 implementation

IFRS 17 on Insurance Contracts, which came into force on 1 January 2023, significantly changed the accounting treatment of life insurance contracts for listed companies.

In France, the new standard particularly affects ten insurance and bancassurance groups, as well as the French subsidiaries of listed foreign insurers. It replaces IFRS 4, an interim standard that allowed national accounting practices to remain in place, and facilitates insurers' application of IFRS 9 by enabling, among other things, better recognition of asset/liability netting effects when recording the effects of movements in market rates. Shared accounting principles are thus applied with a few options, for example in terms of building discount rate curves.

The standard does not directly influence the solvency of insurers, since the Solvency II prudential regime follows its own rules for measuring insurance liabilities, which are distinct from accounting rules, although the principles are conceptually close. However, it does have prudential ramifications for banking groups applying the "Danish compromise", which allows banking groups, with authorisation from their supervisor, to refrain from deducting equity holdings in insurance subsidiaries from their equity.

IFRS 17 is expected to have a limited overall impact on the Common Equity Tier One (CET1) ratios of French banking groups due to the reduced sensitivity of the IFRS 17 equity of their insurance subsidiaries to interest rate movements. •



The EBA 2023 stress test exercise and the LSI stress test exercise

In 2023, the European Banking Authority (EBA) teamed up with the Single Supervisory Mechanism (SSM) and national supervisory authorities to conduct a stress test of Europe's 70 largest banking groups, including seven from France. The goal was to assess the ability of major European banking groups to withstand extremely adverse macroeconomic and financial shocks.

The ACPR contributed actively to all stages of the exercise, helping to establish the methodology and scenarios, conduct quality assurance on the submissions, accommodate the specific features of the French banking sector, and monitor the results. In addition, prior to the exercise, the ACPR conducted a specific stress test covering the main guarantor agencies for home loans.

The adverse scenario used in the exercise was more severe than that of the 2008 financial crisis or those of the previous exercises. It assumed a major macroeconomic downturn (cumulative GDP decrease of 5.7% in France over three years) coupled with a sharp increase in interest rates (4.7% in France in 2024 for long-term rates) and inflation (to 8.6% in France).

The test results, which were released by the EBA on 28 July 2023 ²⁹, demonstrated the resilience of the European and French banking systems across the horizon of the exercise. Between 2022 and 2025, under the adverse scenario, the aggregate CET1 solvency ratio was estimated to fall from 15% to 10.4% for European banks and from 15.1% to 9.2% for the seven French banks.

The ACPR also conducted its own stress test on 85 smaller French banks, applying the EBA's test scenario. On aggregate, the CET1 solvency ratio of the banks was found to fall from 19.9% to 14.5%. •



Monitoring interest rate risk following US regional bank failures

Bank failures in the United States in the first quarter of 2023 highlighted inadequate regulation and supervision of the liquidity and interest rate risk of some US banks, along with inappropriate asset/liability management. European and French banks stood up well to the upheaval on financial markets, vindicating Europe's decision to transpose Basel standards to all banks, irrespective of their size. Neither Silicon Valley Bank nor First Republic Bank was subject to these standards, and their failures were partly due to the lack of appropriate indicators to measure liquidity and interest rate risk in the banking book, which might have signalled the vulnerabilities of these institutions.

The main French banks have a different profile. Analyses conducted by the ACPR reveal a diversified and sound funding structure characterised by a stable deposit base. In addition, unrealised capital losses relative to the market value of securities measured at amortised cost look to be limited. Finally, all banks comply with the regulatory threshold for the sensitivity of economic value to standardised interest rate shock scenarios (in particular a parallel rate increase or decrease).

In the wake of the US turmoil, the ACPR is taking part in discussion work instigated by the Basel Committee to learn the lessons from what happened. One of the priorities is to ensure that the current standards are properly applied to all banks whose ties to the wider financial system could trigger systemic risk in the event of difficulties. •

²⁹ [Results of the EBA 2023 stress tests on the EBA website.](#)

2. ACTIVE INVOLVEMENT IN EFFORTS TO ADAPT THE REGULATORY FRAMEWORK

2.1 INSURANCE SECTOR

The final quarter of 2023 saw trilogue negotiations between the European Commission, Council and Parliament on the draft revision of the Solvency II Directive, which resulted in a political agreement on 13 December 2023. The ACPR was heavily involved in this work, whose outcome was consistent with goals that it had advocated for (see box on the Solvency II Review). On sustainable finance, besides the measure on transition plans, the ACPR argued especially for specific prudential treatment of “brown assets”³⁰. Also in 2023, the ACPR continued to clarify its expectations for undertakings subject to Solvency II; in December, it published three notices, on public disclosures, data quality and calculating the prudential ratio.

Furthermore, the authority was actively involved in reviewing the IORP II Directive applicable to institutions for supplementary occupational retirement provision. This review kicked off in June 2022, with EIOPA providing advice to the European Commission on 1 October 2023. The advice, which is consistent with the French national framework, represents a step towards greater regulatory convergence, even if the Commission is not planning to take immediate action.

Last but not least, as in the banking sector, the ACPR continued to pursue its goal of improving the regulation of cyber risk.

2.2 BANKING SECTOR

The ACPR put considerable effort into work on adapting the European framework, with two main objectives: adopt into law and apply agreements reached at the international level; and adjust the rules to address emerging risks.

It provided substantive technical support to the Treasury during negotiations on the CRR3/CRD6 banking package (see box on finalising the transposition of Basel III) over the course of the year. In mid-2023, it also contributed to drafting the technical standards and guidance that the European Banking Authority (EBA) is required to produce to clarify essential implementation aspects of the package. The first consultation papers, published in December 2023, tackled, among other things, market and counterparty risk and necessary amendments to reporting and disclosure frameworks. Other draft standards will follow in 2024.

The ACPR is also playing a driving role in strengthening Europe’s prudential shield against new sources of risk.

With cyber threats on the rise, and as the financial sector embraces digital and outsourcing, in particular through cloud services, the ACPR is providing its expertise in drafting the new DORA regulation on digital operational resilience, in particular the technical standards (see box), and is getting ready to take on the new supervision and surveillance tasks provided for under the regulation. The ACPR also made a significant contribution to the EBA’s work on sustainable finance, which in 2023 included publication of the final report on integrating environmental and social risks in Pillar 1. The ACPR helped to draft guidance on the processes and mechanisms used by institutions to manage ESG risks and participated in discussions on greenwashing and green loans. In crypto-assets (see box entitled “Crypto-assets, a universe that is gradually being regulated”), the ACPR participated in setting requirements for the liquidity reserves of issuers of asset-referenced tokens (ARTs) and e-money tokens (EMTs). The challenge is to ensure that issuers have enough liquidity to cope with redemption requests from token holders.

The ACPR also sat on the EBA’s technical groups, assisting on regulatory issues, such as monitoring the quality of own funds, with a review of the eligibility of legacy capital instruments at European banks, production of standards and guidance (margin models, investment firms), and responses to case law questions (FAQ), which contribute to consolidation of the single rulebook. As it does every year, the ACPR recorded the main developments in an annual notice.

3. INVOLVEMENT IN INTERNATIONAL WORK

For the banking sector, the ACPR’s international work was chiefly done in connection with the Basel Committee and the Financial Stability Board (FSB). Highlights in 2023 included the consequences of the banking crises in the United States and Switzerland and the release in the autumn of a report by the Committee on the lessons to be learned (see box on finalising the transposition of Basel III).

At the same time, the Committee updated several standards and guidelines to take account of emerging and resurgent risks. In view of the sharp increase in interest rates, the Basel Committee published for consultation a proposal to revise the shocks used to detect banks with heavy exposure to interest rate risk in the banking book. Regarding banks’ crypto-asset exposures, the ACPR worked to ensure that Basel requirements were aligned with those of Europe’s MiCA Regulation. On IT and cyber risks, the ACPR was significantly involved in FSB initiatives to harmonise incident reporting, with three published reports. Building on DORA-related advances, the ACPR also took part in global work on the risk of

exposure to third-party service providers, with the aim of harmonising practices and safeguarding the resilience of institutions beyond the EU's borders, amid challenges concerning the concentration of critical service providers and fragmentation of outsourcing chains.

As regards climate-related financial risks, the ACPR is working within the Basel Committee on all the pillars of the prudential framework. A draft disclosure framework for climate risks (Pillar 3) to which banks are exposed was the subject of a consultation at end-2023, with entry into application scheduled for January 2025. Work is continuing on transition planning and Pillar 1 treatment, which the ACPR is co-steering, as well as on the analysis of climate scenarios.

Within an FSB working group, the ACPR also participated in regulatory work on margin calls and the preparedness of market participants. The group's recommendations were published in early 2024.

³⁰ In the banking sector, priority is being given to the Pillar 2 climate risk approach, which has already been developed in current European regulations and is being further strengthened with the new CRR3/CRD6 banking package. Work is underway at the Basel Committee level to establish a harmonised international framework for prudential treatment under Pillar 1.



Finalising Basel III transposition

The ACPR provided support to the Treasury on finalising the transposition in the European Union of the last set of Basel III reforms. Following the publication of a legislative proposal on the CRR3/CRD6 package by the European Commission in 2021, the European Parliament and Council of the European Union each negotiated their positions in 2022, prior to trilogue talks between the co-legislators in 2023, which led to an official agreement on 6 December.

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.

Besides transposing the final portion of Basel III, the banking package also includes 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.

Most of the CRR3 provisions are due to come into application in January 2025. Member States will have up to 18 months after CRD6's entry into force to transpose most of the provisions (i.e. end-2025), besides those covering the new regime for non-EU country branches, for which 30 months are allowed. •



Solvency II Review

Following the publication of their respective proposals and the conduct of trilogue negotiations in the final quarter of 2023, the European Commission, the Council of the European Union and the European Parliament reached a political agreement on the draft revision of the Solvency II Directive on 13 December 2023. The ACPR's main goals for the review were achieved:

- adjustment of quantitative requirements to the low interest rate environment, while seeking to ensure an overall neutral impact from the review on the European market in terms of surplus own funds relative to capital requirements (new calibration method to take better account of the shock linked to the decrease in interest rates, accompanied by more favourable measures for European insurers, such as the reduction in the risk margin);
- support for long-term sustainable investment: expansion of capital charge reductions for long-term equity holdings to increase the incentive to finance the real economy;
- support for sustainable finance measures: climate change-related risks will be captured more effectively, in particular via the obligation for insurers to draw up prudential transition plans;
- enhanced regulation of cross-border activities via extended powers for host country authorities and better application of proportionality, thanks to a new framework allowing the simplified Solvency II regime to be used systematically for low-risk insurers.

The final version of the directive is expected to be adopted some time in 2024.

Member States are required to transpose the revised directive by 30 June 2025, for entry into application on 1 January 2026. •



Europe's Digital Operational Resilience Act (DORA)

The ACPR is actively involved in designing and implementing the DORA framework, which is intended to enhance digital operational resilience rules and which will enter into application in January 2025. It is a harmonised framework specifically for the financial sector, featuring enhanced requirements relative to the general EU cybersecurity framework established by the NIS Directive ³¹. DORA covers around 20 types of financial entities ³², including banks and insurers. It was adopted thanks to an agreement reached during France's presidency of the Council of the European Union, to which the ACPR provided input.

The regulation seeks to enhance the requirements for governance and management of IT risks, including the risk linked to third-party service providers. It also introduces reporting for major IT and payment incidents, and establishes a European framework for sharing information in the event of a systemic cyberincident. It provides for the implementation

of a common programme of operational stress tests and threat-led penetration tests for significant entities. Last but not least, it establishes a regime for the direct supervision by European authorities of certain providers of critical IT services, which are identified using registers submitted annually by financial entities naming their service providers.

Alongside its fellow supervisors, the ACPR is actively engaged in implementing the new framework, with a shared goal: to ensure that authorities, financial entities and service providers are all ready on time, since the deadline is fast approaching. As part of this, the ACPR is taking part in European-level negotiations on the technical standards that will clarify the regulation. A first set was published on 17 January 2024 and a second is due to be released in June. The ACPR is also working with the Treasury on the national transposition of the directive associated with the DORA regulation. •

³¹ The NIS Directive (and the revised version, NIS 2, which will enter into application alongside DORA) is a European directive that seeks to enhance the security of information systems at many essential or important entities in a number of European Union sectors.

³² a) credit institutions; b) payment institutions, including payment institutions exempted pursuant to Directive (EU) 2015/2366; c) account information service providers; d) electronic money institutions, including electronic money institutions exempted pursuant to Directive 2009/110/EC; e) investment firms; f) crypto-asset service providers licensed under the Regulation of the European Parliament and of the Council on Markets in Crypto-Assets, and amending

Regulations (EU) No. 1093/2010 and (EU) No. 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (hereafter "the Markets in Crypto-Assets Regulation"), and issuers of asset-referenced tokens; g) central securities depositories; h) central counterparties; i) trading venues; j) trade repositories; (k) managers of alternative investment funds; (l) management companies; (m) data reporting service providers; (n) insurance and reinsurance undertakings; (o) insurance intermediaries, reinsurance intermediaries and ancillary insurance intermediaries; (p) institutions for occupational retirement provision; (q) credit rating agencies; (r) administrators of critical benchmarks; (s) crowdfunding service providers; (t) securitisation repositories; u) ICT third-party service providers.



Silicon Valley Bank/Credit Suisse crises, and Basel discussions on medium-term changes to the supervisory framework

The banking crises in spring 2023 underlined the value of the prudential regulatory framework established by the Basel Committee to monitor and regulate interest rate and liquidity risks. Whereas the Basel standards apply to all European banks, some other jurisdictions exempt large numbers of entities. The recent banking events showed that, beyond monitoring compliance with the ratios, a close understanding of business models and governance issues, via proactive, evidence-based supervision, is essential to identifying the specific vulnerabilities of financial institutions and ensuring that the necessary corrective measures are applied. The APCR is heavily involved in international work led by the Basel Committee to analyse these crises and identify the associated lessons.

It helped to draft the report published in October 2023 by the Basel Committee ³³ on the turmoil, which stressed the need for strict supervision of institutions, especially regarding liquidity and interest rate risks. Full implementation of the Basel III Accords remains the priority, to enhance the resilience of the banking sector. •

³³ [Report on the 2023 banking turmoil on the website of the Bank for International Settlements.](#)







CUSTOMER PROTECTION

95 ON-SITE INSPECTIONS

8 SURVEYS

2,218 ADVERTISEMENTS ANALYSED

3 FORMAL NOTICES

To supervise business practices in a market comprising over a thousand credit institutions and insurance undertakings, along with more than 65,000 intermediaries, the ACPR has introduced a wide variety of monitoring tools, including analysing letters from customers and advertisements, harnessing information from the customer protection questionnaires submitted by supervised institutions each year, on-site inspections and questionnaire-based surveys of regulated companies. It cooperates with the AMF through the ACPR/AMF Joint Unit, as well as with European partners, public institutions, consumer associations, industry organisations and ombudsmen. The ACPR informs and warns customers regularly about improper practices that are detected and also conducts numerous initiatives to watch for and prevent financial scams. In 2023, the ACPR opened Instagram and Facebook accounts and provided information to customers on a weekly basis by sharing educational content on banking, insurance and scam prevention on these social media platforms.

1. FINDINGS FROM ON-SITE INSPECTIONS

1.1 TEMPORARY BAN IMPOSED ON SFAM (INDEXIA)

To protect customer interests, and pursuant to Article L. 612-33 3° of the Monetary and Financial Code, the ACPR's Supervisory College imposed a temporary ban on selling insurance contracts of any kind on SFAM, starting on 25 April 2023. SFAM is a French insurance broker registered in the ORIAS register under No. 10053831 and owned by the INDEXIA group. It distributed, among other things, property insurance contracts for telephony and multimedia products and household appliances through an extensive network of partner stores under the Hubsid Store brand and its own phone representatives.

The College's decision was prompted by serious breaches discovered during an on-site inspection. The temporary ban will be lifted once the company demonstrates to the ACPR that it is in compliance with the regulatory requirements applicable to it.

1.2 DISTRIBUTION OF HEALTH INSURANCE: THE ACPR EXPECTS ENTITIES TO DO A BETTER JOB OF IDENTIFYING NEEDS AND EXPLAINING THE ADVICE PROVIDED

In 2023, ACPR inspections of brokers and general agents covering the marketing of health insurance contracts (excluding unsolicited phone marketing) revealed shortcomings in gathering information on customer needs and in explaining the advice provided. Specifically, intermediaries were overly brief when

questioning customers, failing to ask about the available budget for health coverage and neglecting to explain the average amount that the customer would still have to pay under the coverage for the main items (dental, eyecare, etc.). In addition, inspections identified a lack of glossaries explaining technical terms or clarifying the scales used to rate needs, which are vital if customers are to be properly informed. On explaining the advice provided, the inspected firms failed to specify adequately how proposed contracts met the needs and requirements of their customers. They were therefore ordered to implement corrective measures.

However, these distributors often make use of insurers' precontractual and contractual documentation and subscription tools. General agents, in particular, are systematic in their use of these resources. The ACPR entered into discussions with a number of insurance undertakings to encourage them to set up sales systems to enable their networks to provide better advice to customers and will keep up this dialogue in 2024.

1.3 HANDLING OF PAYMENT DISPUTES

Although the widespread adoption of strong authentication introduced by the Second Payment Services Directive (PSD2) protected non-face-to-face payments and reduced fraud, these transactions remain a major source of customer disputes, notably connected with the emergence of new fraud techniques based around manipulating users. With this in mind, between 2021 and 2023, the ACPR conducted a series of inspections on the handling of disputed payments (whether by bank card, credit transfer or direct debt). The aim was to check whether payment service providers (PSPs) complied with the specific reimbursement regime introduced by PSD2 for unauthorised transactions.

The inspections revealed unjustified refusals to reimburse customers. Some rejections were based solely on the grounds that the payment was subject to strong authentication, and failed to consider the fact that the customer might have been a victim of manipulation. Others cited gross negligence on the part of the customer, without providing evidence for this. Late or incomplete reimbursements not covering costs arising from the fraudulent payment, such as charges for incident expenses, were also noted. Furthermore, customers were provided with inadequate information about the reasons why reimbursement was being refused and about the out-of-court options for appealing such decisions.

Based on these initial findings, the ACPR provided input to discussions by the Banque de France's Observatory for the Security of Payment Means, which resulted in May 2023 in the publication of 13 recommendations on the reimbursement of fraud victims³⁴. Among other things, these recommendations clarified expectations

on the various points revealed during the inspections. A year-end survey will be conducted to assess whether PSPs have taken them on board.

1.4 GOVERNANCE AND OVERSIGHT OF NON-LIFE INSURANCE PRODUCTS

Inspections conducted in 2022 and 2023 among insurers and examining various types of non-life contracts (unforeseen events, travel insurance, coverage for games consoles and mobile phones) revealed inadequate recognition of customer interests and failures in product monitoring, in breach of regulatory obligations. Some affected products were characterised by low loss ratios.

The content of coverage was not always clear to the customer and in some cases was substantially reduced by multiple exclusions and coverage terms, ultimately raising questions about the product's value to some or all of the target market. Some claims management practices were also problematic: refusals were not always formally set down in writing and the reasons provided were imprecise. In addition, many claim rejections stemmed from ambiguously worded requirements to establish a causal link between the damage and the claim, whose consequences were not made clear to the customer upon subscription (e.g.: exclusive link between damage and the insured event). These rejections are a regular topic of dissatisfaction and a lack of understanding among insured persons.

Product monitoring by insurers was found to be essentially quantitative and focused on commercial aspects and profitability. It could not be used to detect potential negative repercussions for customers, nor to check sales quality. Over time, some products or coverage might thus be the subject of very low loss ratios, high levels of rejections or numerous complaints for the same reasons, without insurers being prompted to try to identify and address the causes.

2. IMPLEMENTING THE NEW RULES

2.1 CONTRIBUTIONS FROM THE GREEN INDUSTRY ACT

The Green Industry Act was passed on 23 October 2023. One of its primary goals is to raise private savings to fund sustainable activities. The main measures relating to savings and insurance aim to organise access for retail investors via life insurance or retirement savings plans to private securities, while at the same time enhancing their support and protection.

Among the measures aimed at protecting retail investors, the act strengthens the duty to provide advice, by introducing a requirement to make sure that the insured person's sustainability preferences are taken into account and that this continues to be the case following new situations or transactions or after a specified period of inactivity.

The act also creates a framework for discretionary management mandates in life insurance, which until now were not covered by a specific legal framework. Among other things, the text of the act, which came out of extensive discussions between the ACPR, the AMF and the Treasury, formalises the discretionary management mandate agreement, restricts the activity of agents to insurance intermediaries and insurance companies, and introduces a specific duty to provide advice for agents, which must ensure that the management style or allocation profile remains consistent with the needs of the insured person.

2.2 STRENGTHENING PRODUCT GOVERNANCE

On 17 July 2023, the ACPR's Supervisory College approved a new recommendation on the implementation of certain provisions arising from the Insurance Distribution Directive (IDD), which entered into application on 1 October 2018 and which is intended to ensure that customer interests are taken into account in each stage of an insurance contract from creation to distribution. Since it came into force, the ACPR has conducted inspections that have highlighted a wide spread of practices, not all of which are sufficiently respectful of customer interests.

This recommendation is aimed at designers and distributors of non-life and life insurance contracts and stresses three key aspects:

- product design, which requires control to be exercised over the costs and performances of the insurance product and its investment vehicles and maintained over time,
- adoption of an adequate distribution strategy that is consistent with the identified target markets – and the prevention of conflicts of interest and rules for the remuneration paid to distributors.

³⁴ [Press release by the Observatory for the Security of Payment Means on the website of the Ministry for the Economy, Finance and Industrial and Digital Sovereignty.](#)

These concerns are echoed in the Retail Investment Strategy that the European Commission published on 25 May 2023 and that is intended to promote a convergent approach to the MiFID 2³⁵ and IDD reviews. Major advances in customer protection are proposed, including enhanced rules for conflicts of interest and remuneration, as well as new obligations for designers aimed at ensuring that products offer value for money.

Governance of credit protection insurance was the subject of specific work, following on from EIOPA's report on the subject in October 2022, which highlighted conflicts of interests among distributors, especially when they also take out these contracts on a group basis, and the low loss ratios of these products. The ACPR has begun collecting data to measure the value of these products for customers more effectively. It also stressed, in the case of credit protection insurance for consumer loans, that these contracts are ancillary to the loan – not the asset being financed – and that they also include death cover. As such, they may be distributed only by intermediaries engaging in this business as their principal activity³⁶.

2.3 REVIEW OF THE FIRST YEAR OF ACTIVITY FOR FRANCE'S NEW BROKERAGE ASSOCIATIONS

Following the adoption of the Brokerage Reform Act of 8 April 2021, all insurance and banking brokers, as well as their agents, have been required since 2023 to belong to one of the professional associations licensed by the ACPR in order to be registered in the ORIAS register. To exist, these associations must be representative. This aspect will be reviewed in 2024.

The ACPR helped the associations to discharge their tasks by conducting meetings and workshops on the annual report that they are required to produce (whose content was approved by the ACPR's Supervisory College in December 2023), and on checking compliance with the requirements for admission to the profession (fit and proper criteria, financial guarantees, liability insurance), professional capacity and ongoing training.

The ACPR supplemented this support with a survey on the quality of checks on memberships and on the security of IT systems.

In 2024, working groups will be set up to establish a shared methodology for all the associations on the in-depth member checks that they are required to carry out from time to time.

³⁵ [Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU on the EUR-lex website.](#)

³⁶ "Any natural or legal person other than an insurance or reinsurance undertaking and its employees and other than an ancillary insurance intermediary that, for remuneration, takes up or pursues the activity of insurance or reinsurance distribution." – Art. L. 511-1, III of the Insurance Code.



Focus on expenses in life insurance

In 2023, the ACPR closely monitored implementation of the governance systems that insurance-sector professional associations recommended to their members at end-2022, with a view to improving the value for money of life insurance contracts and individual retirement savings plans. Exchanges with undertakings led to adjustments in June to the identification of products requiring action because they do not offer satisfactory value for money. The initial assessment findings are encouraging. Retail investors in particular stand to recoup several tens of millions of additional euros on a full-year basis as marketing is discontinued for unit-linked vehicles whose performance net of expenses falls short.

Professionals nevertheless need to keep up their efforts. The ACPR will therefore continue to support them as they deploy action plans to ensure that they do a better job of serving their customers' interests. •



Mystery shopping campaign targeting the distribution of funeral insurance products: an extremely instructive pilot exercise

The ACPR conducted a campaign of 300 mystery shopping visits at 16 distribution networks (funeral homes, insurers and banks) to take stock of the market in terms of the marketing of funeral insurance. The shoppers adopted two different profiles, which ought to have prompted distributors to ask for information about their situation and to provide them with personalised advice.

The campaign revealed that despite being in effect since August 2021, ACPR Recommendation 2021-R-01 ³⁷, is only very partially applied. More generally, the ACPR's shoppers were not sufficiently questioned, informed or advised.

Distributors of funeral insurance products, which attended a presentation in October of summary results from the campaign, need to act urgently to upgrade their marketing systems and promptly apply recommended best practices. In a press release dated 3 November ³⁸, the ACPR announced that a round of inspections would be launched in 2024 on this issue. •

³⁷ [Recommendation 2021-R-01](#) on the ACPR website.

³⁸ [Press release](#) on the ACPR website.



Findings of the survey on the management of delinquencies and consumer loan collection

Amid a surge in repayment incidents, the ACPR conducted a questionnaire-based survey of the management of delinquencies and consumer loan collection at ten institutions accounting for 40% of total outstanding loans. The ACPR shared its findings with professionals and published an article in the ACPR Review ³⁹.

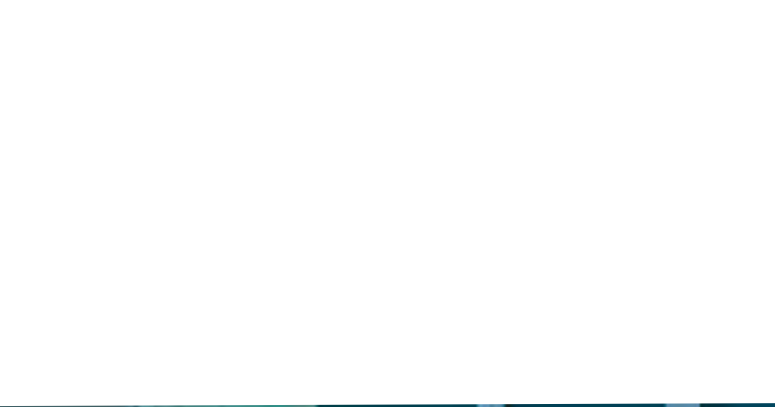
In terms of support for debtors, the results were broadly positive, despite a few shortcomings (in the mandatory letter providing information about risks). Institutions offer a wide range of support measures (solutions for vulnerable customers, overdraft facilities, payment rescheduling) and provide debtors with information through multiple channels.

On collection, which may be done internally or outsourced, the findings were more mixed. While some measures were welcome, such as caps on expenses or adjustments to termination dates, several areas for improvement were identified:

- the content of the formal notice prior to termination, which often had deficiencies;
- overly frequent phone reminders;
- the variable remuneration (based on the number of files recovered) paid to staff of service providers, which was sometimes excessive, and the overly rare oversight of these firms.

Finally, even though transfers of claims primarily concern claims that have been booked as losses, for which court action is no longer possible, virtually all institutions failed to properly address the risk that the party to which the loan had been transferred might adopt misleading practices in dealing with the debtor (such as issuing unwarranted threats of court action). •

³⁹ [RACPR Review No. 61 of March 2024](#).







ANTI-MONEY LAUNDERING AND COUNTER- TERRORIST FINANCING

37

ON-SITE
INSPECTIONS

6

DISCIPLINARY
SANCTIONS

4

FORMAL
NOTICES

21

ACTION
LETTERS

37

AML/CTF
COLLEGES
ORGANISED

FOUR FOCUS AREAS

PREVENTION

- Awareness raising
- Monitoring of market developments
- Best practices and guidelines
- Active communication

OVERSIGHT

- Ongoing – information
- Ongoing – risk assessment
- Targeted on-site visits
- On-site inspections

COOPERATION

- National – AML/CTF Advisory Committee
- European – AMLSC & AML/CTF colleges
- International – FATF & other supervisors

SANCTIONS

- Enforcement measures
- Disciplinary sanctions
- Publication of measures taken

1. SECTOR SUPERVISION

The ACPR makes sure that the entities under its supervision, including significant institutions supervised directly by the ECB as regards prudential aspects, or those supervised as part of shared duties with the AMF, such as digital asset service providers, comply with their anti-money laundering and counter-terrorist financing (AML/CTF) obligations. The ACPR checks the compliance of the preventive arrangements put in place as well as the effective implementation of appropriate AML/CTF due diligence measures. It also monitors the effectiveness of systems to detect people or entities subject to restrictions or asset freeze measures.

1.1 RISK-BASED SUPERVISION

The risk-based supervisory approach implemented by the ACPR was determined to be robust by the Financial Action Task Force (FATF) in its most recent assessment in May 2022⁴⁰. This approach relies on the sector ML/TF risk analysis, which was updated in June 2023⁴¹ and which is the financial sector sub-component of the national ML/TF risk analysis led by France's AML/CTF Advisory Committee. This analysis factors in developments in market practices, new participants and the new categories introduced by European and French legislation. It thus ensures that ML/TF risk mapping and risk mitigation measures remain up-to-date and shared by all financial sector participants.

The analysis also informs the ACPR's risk-based supervisory approach. The approach is based on a methodology for assessing the ML/TF risk profile of supervised entities, which is then used to set the level of supervision applied to each entity. With this in mind, the annual AML/CTF questionnaire that institutions are required to complete, and on which ongoing supervision is based, was revised for 2024, with the level of analysis adjusted according to the ML/TF risks identified for each industry.

This tool is also used to track trends per segment of activity and then determine the specific actions required for a particular profession, besides individual supervisory work. For example, reviews and communications relating to crowdfunding intermediaries (see box on providing a home for CSPs) and money changers were conducted to raise awareness among these professions about their specific risks.

Finally, in terms of on-site inspections, the ACPR continued to develop targeted inspection procedures, by carrying out more on-site visits (short assignments lasting a few days, conducted in mainland France and overseas), for example at recently established DASPs, which may experience rapid business growth. In fact, of the 14 inspections begun at DASPs in 2023, half were on-site visits.

1.2 INDIVIDUAL OVERSIGHT

As mentioned above, ongoing supervision relies heavily on the responses provided to the annual AML/CTF questionnaires. This work is then built on through analyses 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 and visits carried out by the ACPR, information-sharing with the Treasury, Tracfin and other French authorities, and exchanges with foreign authorities, notably within AML/CTF colleges. This yields an assessment of the ML/TF risk profile of each supervised undertaking, with 861 institutions assessed in 2023.

In total, 37 on-site inspections, including five conducted jointly with a prudential inspection, and 13 on-site visits were performed in 2023. Follow-up measures depend on the seriousness of the breaches: in 2023, the ACPR's Sanctions Committee imposed six disciplinary sanctions relating to AML/CTF and asset freeze measures. The ACPR also issued four formal notices and 21 action letters. In addition, the ACPR's Supervisory College imposed three temporary bans on doing business.

ACPR inspections focused in particular on the money remittance and crypto-asset sectors, consistent with the risks identified in the sector risk analysis published by the ACPR in June 2023 (see above). In addition, as in 2022, the ACPR found that accounts with French IBANs, often opened using a misappropriated identity at French or European entities, are increasingly being used to obtain the proceeds of fraud through credit transfers, in situations where the payer is manipulated by the fraudster.

⁴⁰ [Measures taken by France to prevent money laundering and terrorist financing on the FATF website.](#)

⁴¹ [Sector analysis of money laundering and terrorist financing risks in France on the ACPR website.](#)

1.3 OTHER SUPERVISORY ACTIVITIES

As part of sanctions imposed on Russia since 2022 following its invasion of Ukraine, the ACPR conducted a cross-cutting analysis of asset freeze measures at the main banks and insurers based on the findings of on-site inspections performed in 2022 and 2023. The aim of the exercise was to draw up an inventory of the quality of these systems and to identify their main operational challenges.

It demonstrated the capacity of the institutions to cope with the large size of this series of sanctions. However, the inspections did identify some deficiencies, including:

- a general lack of quality in customer data bases, even though this is a critical aspect if filter algorithms are to work properly;
- often the parameters of filter algorithms are set too restrictively and the scope of screened third parties is too narrow overall;
- the rules on deadlines and quality for services supplied by external list providers could be improved;
- times taken to process data and report to the Treasury are excessive in some cases.

The lessons learned from this analysis will be used to update the asset freeze guidelines drawn up jointly with the French Treasury.

In terms of cooperation, the ACPR General Secretariat organised 37 meetings of AML/CTF supervisory colleges. These colleges, which covered the banking and insurance sectors, comprised between three and several dozen AML/CTF supervisors, plus the EBA in some cases. By the same token, the ACPR was asked to be part of 67 meetings of AML/CTF colleges and continues to be invited to participate in new colleges organised by its sister authorities. The colleges are used to share individual ML/TF risk assessments between member authorities. The ACPR can thus take account of this information when conducting consolidated assessments of groups for which it is the lead supervisor. These colleges form the foundation for the future European supervisory system.

Cooperation also covered information-sharing with other authorities. The ACPR continued to exchange information with France's financial intelligence unit (Tracfin) on a regular basis and sent 327 suspicious transaction information items relating to cases identified by on-site inspections and not reported by the inspected institution, whether in the banking or insurance sector. Similarly, the ACPR sent more than 102 notifications to France's Directorate General for Public Finances about transactions raising tax-related suspicions.

Finally, the ACPR makes sure that the entities under its supervision have appropriate internal control systems so that they can properly implement the provisions needed to apply the OECD agreement on the automatic exchange of

tax information. Under this framework, financial institutions file an annual report with information on their non-resident customers to the tax authorities. This information is then exchanged between the relevant tax authorities. Financial institutions must therefore ensure that the financial accounts of their customers are correctly identified, especially as regards their tax residency. The ACPR conducts checks in this area via the annual questionnaire and on-site inspections.

2. STRENGTHENING THE REGULATORY ENVIRONMENT

2.1 STRENGTHENING THE AML/CTF FRAMEWORK APPLICABLE TO CRYPTO-ASSETS

Revision of the European Transfer of Funds Regulation (TFR) and transposition into French law

On 30 December 2024, the European regulation on information accompanying transfers of funds and certain crypto-assets will come into application. The regulation amends the fourth Anti-Laundering Directive, requiring transposition into French law by the same date. The ACPR provided its expertise to the Treasury to adapt the Monetary and Financial Code for the purpose of this transposition. The proposed amendments aim in particular at strengthening the due diligence obligations applicable to crypto-asset service providers (CASPs) that enter into business relationships with other service providers based outside the EU. Transfers involving portfolios of crypto-assets that are not held by regulated service providers are also required to be covered by additional due diligence measures, since they present elevated ML/TF risks.

Strengthening the system for registering DASPs during the transitional period

The PACTE Act of 22 May 2019 introduced a mandatory registration regime for DASPs (see box entitled "Crypto-assets, a universe that is gradually being regulated"), including fit and proper requirements for senior managers and beneficiary owners, as well as AML measures. The regime was strengthened in 2023 by the Act of 9 March implementing various provisions to adapt to European Union law (the DDADUE Act), which imposes additional obligations on DASPs with regard to security and adequate internal control, management of conflicts of interest, and resilient and secure IT systems. This law ended the PACTE Act's simplified registration regime in December 2023.

Accordingly, only registration applications considered “complete” as at 30 June 2023 were entitled to be covered by the simplified regime. This change led to a flurry of application submissions by market participants, with 55 applications filed in 2023. The ACPR, which had three months to issue a decision, gave its asset to 25 registration applications between 19 July and 29 September 2023, which allowed the AMF to make its decision on their registration before 31 December. As at that date, the total number of registered DASPs stood at 108.

Since 1 January 2024, applicants have been required to submit an application meeting the requirements set by both the PACTE and DDADUE Acts. On 30 December 2024, the French regime will be replaced by the European regime for crypto-asset service providers (CASPs), which includes new obligations, notably prudential requirements. Any DASP registered in accordance with national law before 30 December 2024 must be in compliance with MiCA requirements on or before 1 July 2026, or cease to do business. The ACPR is working with the AMF to lay the groundwork for this transition for registered participants and new entrants.

Completion of crypto projects by EBA working groups (SDLAB)

The Transfer of Funds Regulation (TFR) entrusted the European Banking Authority (EBA) with publishing guidance aimed at harmonising and promoting best AML/CTF practices in the crypto-asset sector. Via an EBA working group, the ACPR collaborated on revising the guidance on AML/CTF risk factors and risk-based supervision to include crypto-asset service providers (CASPs) and their supervisors. Each set of guidance was put out to a public consultation in 2023 and is in the process of being published. The guidance stresses the elevated ML/TF risks presented by portfolios that are not held by regulated participants and decentralised finance platforms. The ACPR also helped to update guidance on the travel rule (transparency of international transfers) to include a section on transfers of crypto-assets. The draft guidance was put out to a public consultation in early 2024.

2.2 CHANGES TO THE EUROPEAN FRAMEWORK

The Sixth Directive and the single rulebook (SDLAB)

On 19 April 2023, the European Parliament entered into trilogue negotiations with the Council and the Commission on the proposals for a directive and regulation aimed at preventing of the use of the financial system for the purposes of money laundering or terrorist financing. The two pieces of legislation are part of the AML package that was presented by the European Commission in July 2021. The ACPR was regularly consulted by the Treasury and provided its expertise on the proposed drafts of the new directive and regulation by encouraging practices to be strengthened and harmonised, in particular in terms of customer due diligence, suspicious transaction reporting, which is defined in broader terms, and organisation of the AML/CTF system, including as regards group-level outsourcing, steering and supervision of AML/CTF.

The new authority

The AML package also provides for the creation of a European Anti-Money Laundering Authority (AMLA). The new authority will be responsible for directly supervising the 40 most at-risk financial entities in the European Union and for indirectly supervising other financial sector institutions (banking sector, insurance, crypto-assets, etc.) in close cooperation with national authorities, including the ACPR. It will also play a role in coordinating the work of financial intelligence units. The timetable provides for the future authority to be in place by end-2024. It will ramp up its activities in 2025 and 2026 (hiring, preparation of a regulatory framework and supervisory methodology), before kicking off direct supervision in 2028.

The ACPR was heavily involved in work to prepare the way for the future authority, not only during France’s presidency of the Council of the European Union in the second half of 2022 alongside the Treasury, but also as part of work led by the European Banking Authority. It will continue to provide input to discussions initiated at European level to draft implementing legislation and to get the future authority operational, and will support supervised entities in the ensuing developments.



Main findings of the survey on implementation of AML/CTF and asset freeze measures by crowdfunding intermediaries

Crowdfunding intermediaries (CIs) ⁴² provide funding for projects through donations (such as online money pots) or interest-free loans. While CIs have continued to do brisk business, with a 31% increase in projects financed in 2023 ⁴³, activity remains highly concentrated with a handful of participants (the largest two institutions accounted for 67% of the sector's total activity in 2021).

These participants must abide by AML/CTF obligations and as such are supervised by the ACPR, which conducted a survey on the implementation of their obligations in 2022 and 2023.

The survey identified the following areas of improvement:

- risk classification, although necessary to assess the risk of each business relationship and conduct appropriate due diligence, is deficient at about one-third of CIs;
- while satisfactory for project initiators, Know Your Customer (KYC) measures taken by CIs are inadequate when it comes to contributors (three-quarter of CIs do not identify them);
- greater knowledge of financed projects would be beneficial;
- in terms of overseeing transactions and reporting suspicious transactions, and in terms of asset freeze measures, many CIs wrongly rely on the due diligence performed by their payment service providers.

The ACPR took steps in 2023 to raise awareness within the sector about the AML/CTF issues that it faces and will keep up these efforts in 2024. •

⁴² See box on providing a home for CSPs.

⁴³ [Mazars Crowdfunding Barometer](#) on the Financement Participatif France site.



Politically exposed persons (PEPs): new order and thematic review

The ACPR was closely involved in the marketwide consultations that led to the Order of 17 March 2023⁴⁴ establishing the list of national politically exposed functions, pursuant to Article R. 561-18 of the Monetary and Financial Code.

The order clarifies the notions of

- member of the senior management bodies of a political party, including party chairs and members of executive bodies, and
- member of a board of directors, management body or supervisory body of a state-owned company.

This notion has now been extended by reference to the categories of companies and other legal entities defined by Act 2013-907 of 11 October 2013 on Transparency in Public Life⁴⁵ and to *ad hoc* thresholds.

Pursuant to these criteria, it now includes local state-owned companies. Exchanges with industry representatives made it possible to draft a document that, while complying fully with European law, focuses efforts on the structures with the greatest exposure to ML/TF risks.

Subsequently, in 2023 the ACPR conducted five on-site inspections at major groups, centred on the treatment of politically exposed persons (PEPs), who form a customer group presenting heightened ML/TF risks.

The main findings revealed areas for improvement, but also good practices.

Some institutions have extended the due diligence applied to PEPs to other functions that are also considered to be exposed to heightened ML/TF risks, especially corruption (local elected officials, etc.).

The identification of PEPs is primarily based on lists provided by outside service providers, which offer no assurance of completeness. PEP status must therefore be confirmed by means of supplementary research. Since tools generate large volumes of alerts, some institutions have introduced automated processing rules that may have caused some actual cases to be ignored. Meanwhile, inadequate attention when analysing alerts might result in alarms being raised by mistake.

The inspections also found that, besides lowering the operational thresholds, there was no alert scenario aimed at detecting transaction patterns likely to specifically concern PEPs, taking account of the ML/TF risks identified by competent authorities, in particular in terms of corruption (fund transfers from companies, etc.). •

⁴⁴ [Order of 17 March 2023 establishing the list of national politically exposed functions on the Légifrance website.](#)

⁴⁵ [Act No. 2013-907 of 11 October 2013 on Transparency in Public Life on the Légifrance website.](#)



VICE PRESIDEN
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RESOLUTION

48 RESOLUTION PLANS
ADOPTED

5 SRB MEETINGS
ATTENDED

1. 2023 MARKED A MAJOR MILESTONE IN EFFORTS TO STRENGTHEN THE RESOLVABILITY OF THE BANKING SECTOR

The Single Resolution Mechanism (SRM) was further strengthened in 2023. Banks had until the end of the year to be in compliance with the “Expectations for Banks”⁴⁶, a document drawn up in 2020 by the Single Resolution Board (SRB) with a view to ensuring their ability to resolve a banking crisis (resolvability).

The banking turmoil in 2023 outside the European Union underlined the importance of the work already done to increase resilience and preparedness for crises. It also afforded an opportunity to identify areas in which additional work is needed (see box entitled “Bank failures in March 2023: what responses are required in terms of resolution standards?”). At the level of the SRM and the European Union more broadly, this work is taking place within the framework of the European mechanism for managing banking crises. Created after the 2008 financial crisis, the SRM gives supervisory and resolution authorities the means to take action to both prevent and manage crises. This mechanism is intended to cover the four objectives of resolution, namely

- ensure the continuity of critical functions;
- avoid significant adverse effects on financial stability;
- protect public funds;
- protect client funds and assets, particularly depositors covered by the deposit guarantee scheme.

To respond to these objectives, resolution authorities draw up a preventive resolution plan for each banking group, including a preferred resolution strategy in the event of a crisis. The ACPR participated actively in work on operational planning for the management of banking crises alongside its sister authorities in Europe through Internal Resolution Teams (IRTs)⁴⁷, which are responsible for monitoring the 13 main French groups and four other banking union banks with a subsidiary in France. It also kept up efforts to prepare for resolution, or ensure the ability to liquidate, as regards smaller institutions that are under its direct supervision within the banking union or under its specific authority (in particular institutions based in the Pacific territories, institutions based in Monaco and some investment firms and financing companies). In 2023, the ACPR Resolution College adopted 48 preventive resolution plans, concerning 35 credit institutions based in mainland France, seven institutions based in Monaco, three overseas institutions, two investment firms and one financing company.

In addition, the ACPR continued its work to discuss and operationalise different resolution tools. After the SRB recognised in 2022 the alternative resolution strategies for French banking groups, integrating transfer tools⁴⁸, the ACPR deepened its work by publishing a working document on implementing bail-ins⁴⁹. This work is very timely given the recent crises, such as that of *Crédit Suisse*, in which transfer tools were used. In December 2023, the ACPR also published a working paper on separability and strategies to combine tools⁵⁰ and, as part of a marketwide initiative, developed an operational document presenting France’s approach to implementing the bail-in mechanism to stakeholders⁵¹.

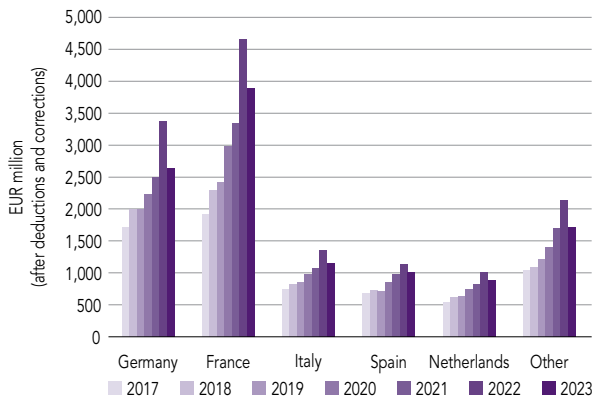
The ACPR additionally worked in partnership with the SRB on the resolvability heatmap methodology, which assesses resolvability and identifies substantial obstacles to resolvability at banking groups. This work helped to enhance the capacity of IRTs to monitor progress in banks’ resolvability efforts and hence to better assess their level of compliance with the abovementioned “Expectations for Banks”.

The Minimum Requirement for own funds and Eligible Liabilities (MREL), used to absorb losses and recapitalise institutions in the event of failure, supplements resolution plans. The SRB’s revision of its MREL policy was the subject of a consultation launched in December 2023.

To cover the costs of crises at banking institutions, a Single Resolution Fund (SRF) for credit institutions in the banking union and a National Resolution Fund (NRF) for institutions that remain under the ACPR’s exclusive responsibility were set up in 2016 and 2015 respectively. The SRF reached its target level of 1% of covered deposits with the contributions raised in 2023, and the NRF will reach its target before 31 December 2024, as provided for by the regulations.

In 2023, 286 French institutions (compared with 296 in 2022) contributed EUR 3.88 billion to the SRF (compared with EUR 4.66 billion in 2022), marking a 16.7% decrease on 2022. This was attributable to the 17.9% reduction in the 2023 target for the banking union, which was lowered from EUR 14.25 billion for 2022 to EUR 11.7 billion, owing to slower growth of covered deposits in 2022. France and Germany are the banking union’s two largest national contributors to the SRF (see chart). National contributions vary according to the size of the domestic banking sector, the size of individual institutions and risk indicators, which explains the relative size of the French and German contributions.

SRF CONTRIBUTIONS BY LICENSED INSTITUTIONS IN BANKING UNION MEMBER COUNTRIES



Source: 2023-05-25_Annex-II_Statistics-in-summary-and-collective-form_FR.pdf (europa.eu).

Contributions to the NRF totalled EUR 5.677 million in 2023, compared with EUR 9.753 million in 2022, and included contributions from certain institutions licensed in France, as well as institutions based in the Pacific territories and Monaco.

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 691.5 million was raised for the largest of these mechanisms, namely the deposit guarantee scheme. The target level of financial resources available to this scheme must be reached no later than 3 July 2024, and represent at least 0.5% of covered deposits.

On 18 April 2023 the European Commission published a proposal to revise the Crisis Management and Deposit Insurance (CMDI) framework⁵². The ACPR cooperated closely with the Treasury to take part in talks on these texts, with a view to strengthening Europe's resolution regime and encouraging greater harmonisation in its implementation.

2. ONGOING DEVELOPMENT OF THE INSURANCE RESOLUTION REGIME

With the Ordinance of 28 November 2017, France became one of the first EU Member States to introduce a preventive recovery and resolution regime for the insurance sector. In 2023, the ACPR continued strengthening its capacity to manage insurance sector crises and supported France's authorities in European talks on the adoption of a European Insurance Recovery and Resolution Directive (IRRDR). The European Parliament and the Council of the EU reached a political agreement in mid-December.

The French crisis management regime (like the future European regime) is modelled on that applicable to credit institutions and investment firms and seeks to maintain the continuity of functions that are considered to be critical⁵³ for the real economy or financial stability. It applies to all insurance undertakings subject to the Solvency II prudential regime, although its preventive component applies only to the largest insurance groups and undertakings, namely those whose total assets have exceeded EUR 50 billion at least once in the last three financial years, or those that, despite falling below this threshold, are nevertheless recognised as performing critical functions.

As regards resolution, a preventive resolution plan setting out the strategy that would be followed in the event that the undertaking actually fails or is expected to fail (resolution if it is necessary to preserve critical functions, liquidation otherwise) is adopted by the Resolution College.

2023 marked the end of the first cycle of resolution planning. The Resolution College adopted the final round of first generation preventive resolution plans. To highlight this stage and promote France's resolution regime, the ACPR published a summary memo on the approach taken by these plans⁵⁴.

⁴⁶ [Expectations for banks on the SRB website.](#)

⁴⁷ IRTs are made up of staff from the Single Resolution Board (SRB) and National Resolution Authorities (NRAs) from the banking union countries in which the parent company or subsidiaries of the cross-border group are based. IRTs were set up for institutions that come under the direct responsibility of the SRB within the SRM.

⁴⁸ Through these tools, some or all shares or other ownership securities, but also assets, rights or obligations of a person subject to a resolution procedure may be transferred in one or several stages to one or more acquirers (sale of business), entrusted to a bridge institution temporarily and with a view to sale, or entrusted to one or more asset management structures with a view to being realised at the best price.

⁴⁹ [Enhancing the credibility of the EU bail-in design: the example of the treatment of discretionary exclusions | ACPR \(banque-france.fr\) sur le site de l'ACPR.](#)

⁵⁰ [Strategic optionality in resolution: combination of tools | ACPR \(banque-france.fr\) on the website of the ACPR.](#)

⁵¹ See box entitled "Work by the ACPR and the financial centre on operationalising the bail-in mechanism", page 65.

⁵² [Reform of bank crisis management and deposit insurance framework on the website of the European Commission.](#)

⁵³ [Identification of the critical functions of insurance undertakings on the ACPR website.](#)

⁵⁴ [Adoption of the first preventive resolution plans for insurance undertakings on the ACPR website.](#)

3. FEEDBACK ON THE FIRST FULL ANNUAL CYCLE OF RESOLUTION PLANNING FOR CENTRAL COUNTERPARTIES

Central counterparties (CCPs) remain under the direct responsibility of national authorities in the European Union. In France, the CCP is LCH SA.

When CCP Recovery and Resolution Regulation (EU) 2021/23 (CCPRRR) came into application on 12 August 2022, LCH SA ceased to be covered by the Bank Recovery and Resolution Directive (BRRD). CCPRRR establishes a specific framework for drawing up CCP resolution plans.

Accordingly, in 2023 the ACPR drafted an initial resolution plan for LCH SA in accordance with CCPRRR provisions. Taking its lead from the SRB's work in the banking sector, the ACPR plans to adopt a gradual approach over several resolution cycles, which should enable it to have a complete resolution plan. Another highlight of 2023 was the establishment of the College of LCH SA resolution authorities, which is chaired by the ACPR. The first college meeting, held in November 2023, brought together around 30 European supervisory and resolution authorities to analyse and adopt the resolution plan.

At European level, ESMA set up a CCP resolution committee, pursuant to CCPRRR provisions. The new body's role is to ensure harmonisation of CCPRRR implementation practices and the content of resolution plans, while also making sure that the colleges of resolution authorities function properly. At international level, the ACPR participated in work by the specialised group of the Financial Stability Board tasked with drafting a report analysing the characteristics of potential financial resources for resolution⁵⁵. The report was the subject of a public consultation launched on 19 September 2023 and is due to be published in 2024.

⁵⁵ [Financial Resources and Tools for Central Counterparty Resolution: Consultation report](#) on the FSB website.



Work by the ACPR and the financial centre on operationalising the bail-in mechanism

European resolution authorities have statutory bail-in powers that allow them to cancel a failing bank's debts and other liabilities and/or convert them into equity, according to a pre-agreed order of priority. This instrument may be used to absorb losses and recapitalise the failing institution so as to make it viable once more. A bail-in with business continuity, also called an open-bank bail-in, is the resolution strategy typically adopted for complex and large institutions.

However, implementing this instrument is extremely complicated from an operational standpoint, involving many financial system participants, from banks and authorities to market infrastructures. At international level, the Financial Stability Board is encouraging authorities to be better prepared to use this instrument. At European level, the EBA, in guidance published in 2023 ⁵⁶, called on resolution authorities to publish certain information on implementation of the bail-in mechanism, insofar as operational application falls within their powers.

To comply with this guidance, in March 2023 the ACPR launched a marketwide group bringing together French institutions, their paying agents, the AMF, Euronext Paris and the French central securities depository (Euroclear France). Work by the group resulted in an operational document clarifying how bail-ins are implemented in France ⁵⁷. To promote transparency and predictability, the document seeks to assist all stakeholders, but especially banks, to be ready for the bail-in mechanism to be activated. •

⁵⁶ [Guidelines of the bail-in mechanics_FR_COR.pdf \(europa.eu\)](#) on the website of the EBA.

⁵⁷ [Implementation of the bail-in mechanism](#) on the ACPR website.



Bank failures in March 2023: what responses are required in terms of resolution standards?

Bank failures in March 2023 did not call the resolution framework into question, but showed the need to strengthen these standards. The crisis affecting US regional banks revealed that some banks considered as non-systemically important also needed to have sufficient capacity to absorb losses in resolution, as is already the case in Europe through the Minimum Requirement for own funds and Eligible Liabilities (MREL).

Authorities can use these resources to recapitalise a failing institution through a bail-in or facilitate the sale of its business to a receiving entity. This is especially important now that the speed of deposit outflows is accelerating, in particular owing to the use of new technologies and social media.

US and Swiss authorities implemented transfer transactions to restore financial stability, transferring business to a bridge bank (US regional banks) or to a private acquirer (takeover of Credit Suisse by UBS). While the bail-in remains the cornerstone of the resolution framework, authorities must be more prepared to use the other resolution instruments available to them. The ACPR considers that transfer strategies as a supplement to bail-ins should be promoted, including for major banks, in order to have room for manoeuvre in the event of a crisis ⁵⁸.

Swiss and US authorities also managed the crisis by activating exceptional liquidity provision arrangements for the failing banks.

Whereas resolution is suited to dealing with solvency crises, these tools would benefit from being supplemented by mechanisms that could be used to respond adequately to the liquidity needs of major banks during resolution. •

⁵⁸ [Working paper on resolution](#) on the website of the ACPR.





ACTIVITY OF THE SANCTIONS COMMITTEE

4 NEW
CASES

6 RULINGS HANDED
DOWN

14.4 MONTHS ON AVERAGE
TAKEN TO HANDLE
A CASE

1. OVERVIEW

Four sets of proceedings were referred to the Committee in 2023. After slowing sharply in 2021, the number of cases is still well off the pre-Covid pace (between seven and 12 annually).

The Committee handed down six decisions⁵⁹, which was on a par with the previous year when it handed down seven.

Most of the Committee's rulings concerned anti-money laundering, counter-terrorist financing (AML/CTF) and asset freeze measures, with its six decisions involving breaches in this area, although one decision dealt primarily with a payment service provider's failure to comply with the obligations that apply when a provider plans to use an agent⁶⁰.

The Committee issued six reprimands and six fines, ranging from EUR 100,000 to EUR 3.5 million. Total fines came to EUR 6.7 million. The Committee also named the entities concerned by its six decisions for a period of five years.

The average time between when a case was brought before the Committee and when notification of the sanction ruling was provided was 14.4 months, or one month more than in 2022. This reflected the complexity of certain cases and the resulting increase in the time taken for the College and affecting undertakings to present their views.

2. MAIN LESSONS FROM THE RULINGS HANDED DOWN

2.1 OBLIGATIONS PLACED UPON A PAYMENT SERVICE PROVIDER THAT PLANS TO USE AN AGENT

In *Société financière du porte-monnaie électronique interbancaire (SFPMEI) Ruling No. 2022-05 of 12 December 2023* (reprimand and fine of EUR 100,000, decision published on a non-anonymous basis for five years), the Committee issued a sanction to an electronic money institution that is also a payment service provider, which had used another company as its agent but had failed not only to first register the agent with the ACPR but also to supervise the outsourced activities as regards a number of key aspects.

The Committee found that, by opening accounts for customers who, under the partnership that SFPMEI had entered into with Company S, had been solicited

on SFPMEI's behalf by Company S and who had used Company S's platform, SFPMEI had begun to use Company S as its agent. The Committee observed that this had been done improperly, as Company S had not been registered with the ACPR. Under French law (point II of Article L. 523-1 of the Monetary and Financial Code), payment service providers may use agents only if such agents have been registered by the ACPR before beginning to execute the tasks entrusted to them, based on a precise application enabling the supervisor to check that agents satisfy the requisite requirements. This is a crucial guarantee for customers.

In addition, the Committee found serious deficiencies in the oversight of activities outsourced to Company S (including a lack of oversight of the due diligence performed by Company S to check that payment transactions were instigated by customers) and material irregularities in the closure of customer accounts when the partnership between the two companies ended. It noted that such failures could deprive customers of two key guarantees: that any fund movements on their accounts should be consistent with their orders; and that when the contract ended, all of their funds would be returned to them under the terms to which they had consented.

However, the Committee took account of the fact that these breaches were committed over a relatively short period and that few customers were affected.

2.2 OBLIGATIONS RELATING TO ANTI-MONEY LAUNDERING, COUNTER-TERRORIST FINANCING AND ASSET FREEZE MEASURES

In *Axa Banque Ruling No. 2022-01 of 15 February 2023* (reprimand and fine of EUR 1 million, decision published on a non-anonymous basis for five years), the Committee imposed sanctions for several one-off failings, particularly in connection with enhanced reviews and Tracfin reporting, plus deficiencies in the Know Your Customer (KYC) system, which the institution had realised was ineffective and which it had begun in a non-timely fashion to overhaul, and unsuitable and incomplete scenarios to monitor and analyse customer transactions.

The Committee reiterated the need to take account of customers' income and assets in the system to detect unusual transactions.

In addition, because they are often misinterpreted, the Committee clarified the scope of the rules setting down obligations for enhanced reviews and suspicious transaction reporting to Tracfin.

When deciding on the size of the fine, the Committee took account of the scale of the remediation measures taken, which were initiated before the on-site inspection began and whose effectiveness was confirmed by an

independent party. However, it also considered the fact that Axa Banque, which belongs to a major group, had the human and financial resources needed to address the shortcomings in its system more quickly.

In *Financière des paiements électroniques (FPE) Ruling No. 2022-02 of 19 April 2023* (reprimand and fine of EUR 1 million, decision published on a non-anonymous basis for five years), the Committee noted, besides failings in connection with enhanced reviews and Tracfin reporting, that the system for monitoring and analysing FPE's transactions was deficient on a number of important points, which affected its capacity to effectively prevent money laundering and terrorist financing risks, and that FPE was unable to fully comply with its performance obligation with regard to asset freeze measures, especially due to deficiencies in its internal control system.

The Committee dismissed several complaints, in particular those made against the institution for failing to adequately capture certain transactions or operating procedures in its risk classification, owing to a lack of clarity by the plaintiff authority about the reasons why specific treatment in the risk classification was obligatory.

The Committee noted that FPE took too long to comply with its AML/CTF obligations, whereas its flexible operating approach and the features of the Nickel account that it offered to customers required specific due diligence.

In *BMW Finance Ruling No. 2022-04 of 16 May 2023* (reprimand and fine of EUR 500,000, decision published on a non-anonymous basis for five years), the Committee determined that BMW Finance, a subsidiary of carmaker BMW that specialises in providing lease or purchase financing for Group brand vehicles, took too long to assign adequate human resources to its AML/CTF system and to comply with the regulations, even though, as the member of a major group, it had access to significant human, technical and financial resources. The on-site inspection found a number of deficiencies in its system, particular in terms of updating KYC information, detecting politically exposed persons (PEPs), setting parameters for and then dealing with alerts issued by the automated transaction monitoring system, and dealing with alerts relating to persons subject to asset freeze measures. Several failings relating to enhanced reviews and suspicious transaction reporting were also noted.

However, the Committee took account of the specific features of the company's business and of the fact that customers were, for the most part, classified as low risk, which was not disputed by the plaintiff authority. In view of these elements, it determined that the scope of the noted deficiencies was relatively limited.

The Committee also observed that significant remediation measures had been initiated following an internal audit and deployed during and after the inspection.

In *Abeille Vie Ruling No. 2022-03 of 12 October 2023* (reprimand and fine of EUR 3.5 million, decision published on a non-anonymous basis for five years), the Committee considered that the identified deficiencies characterised significant breaches of long-established AML/CTF obligations and that the institution had, given its size and financial position, the resources to comply with these obligations in a timely fashion. Thus, in addition to a few one-off failings, the company's AML/CTF system was found during the on-site inspection to display significant shortcomings in terms of updating KYC information, detecting PEPs, implementing measures relating to enhanced due diligence, ongoing due diligence and automated detection of atypical transactions, as well as in the time taken to submit suspicious transaction reports and in the ongoing supervision of activities outsourced to GIE AFER.

This decision was an opportunity to clarify that while an insurance undertaking may entrust brokers or general agents with implementing obligations relating to customer identification and information about the purpose and nature of the business relationship, this is on the condition that, in accordance with Article R. 561-13 of the Monetary and Financial Code (at least the version in force since 14 February 2020), the information gathered by said brokers or agents is transmitted to it promptly.

Abeille Vie presented detailed explanations about the corrective measures that it had taken since 2020. Although the Committee observed that these efforts were not carried out in a timely fashion, they were nevertheless taken into account when determining the sanction, which upheld the proportionality principle.

In *Mutuelle de Poitiers Assurances (MDPA) Ruling No. 2022-06 of 13 November 2023* (reprimand and fine of EUR 600,000, decision published on a non-anonymous basis for five years), the Committee considered that the institution's asset freeze system was structurally deficient at the time when the on-site inspection was conducted. As a result, freeze measures could not be implemented in a timely fashion for all affected persons and the Treasury could not be immediately informed.

⁵⁹ [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.](#)

⁶⁰ *Société financière du porte-monnaie électronique bancaire (SFPMEI) Ruling of 12 December 2023, procedure No. 2022-05.*

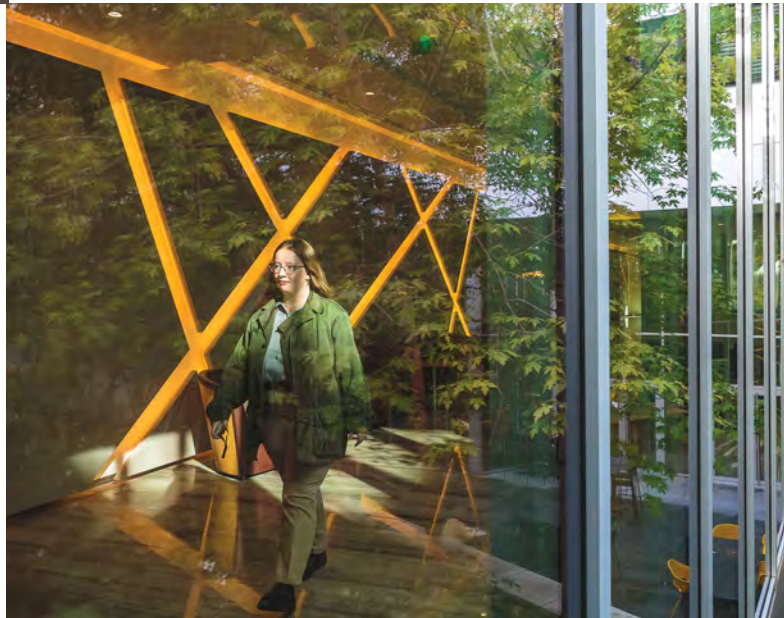
Such breaches are especially serious because, as the Committee reiterated, the legislation on asset freezes imposes a performance obligation on all supervised institutions, including in the non-life insurance sector.

In determining the sanction, the Committee noted that MDPA had acted quickly to implement corrective measures, whose effectiveness was confirmed by an audit firm. It also took account of MDPA's medium size and of the fact that, in an environment marked by a sharp increase in claim costs, there was greater uncertainty about the company's ability to generate positive earnings in 2023.

3. INFORMATION ABOUT APPEALS AGAINST SANCTIONS COMMITTEE RULINGS

Caisse Régionale de Crédit Agricole Mutuel du Languedoc (CRCAM Languedoc) Ruling No. 2021-05 of 1 December 2022 was appealed before the *Conseil d'État*. In a ruling dated 5 February 2024 (No. 470957), this appeal was rejected.

In addition, after its appeal was rejected by a *Conseil d'État* ruling of 25 October 2017, Company C, which was sanctioned by the Sanctions Committee on 11 March 2016 (*Société C as successor in interest to Company A Ruling Nos. 2015-02 and 2015-03 of 11 March 2016*), brought an action against France before the European Court of Human Rights on 27 April 2018. The company invoked Article 6 of the European Convention for the Protection of Human Rights and Fundamental Freedoms, arguing that sanctioning it, as successor in interest, for actions attributable to Company A, disregarded the principle of personal responsibility.







**SUSTAINABLE
FINANCE
AND CSR**

1. SUPERVISION OF CLIMATE RISK AND ITS IMPLEMENTATION

1.1 CLIMATE STRESS TESTS: THE ACPR 2023-2024 EXERCISE FOR INSURERS

In July 2023, the ACPR launched its second climate risk stress test exercise, focused exclusively on insurers. This was a bottom-up exercise: the ACPR supplied assumptions to insurers, which measured the impact of climate risk on their business. From a strategic point of view, the exercise sought to strengthen the capacity of insurance undertakings to anticipate the impacts of climate change and the energy transition on their business in the short, medium and long term, and to adapt their strategies accordingly. From a methodological perspective, the exercise was designed to improve the analytical tools available to insurance companies and the supervisor. The exercise also aimed to explore new dimensions for risk assessment: the short-term scenario will be used to analyse the impact of extreme but plausible physical and transition risk assumptions on the loss experience, earnings and solvency of undertakings.

For the long term, two adverse scenarios from the NGFS⁶⁰ were used: a Below 2°C “orderly” climate transition scenario and a Delayed Transition “disorderly” climate transition scenario. These were compared against a fictitious baseline scenario with no physical or transition risk. The two adverse scenarios are similar in terms of their point of arrival at the target temperature⁶¹ – and hence their ultimate physical risk level – but differ in the timing of the transition. They factor in the impact of chronic physical and transition climate risks on insurers’ investments. For both scenarios, the impact of acute physical risk on insured persons and property is measured based on an RCP 4.5 emissions trajectory⁶². A dynamic balance sheet assumption is recommended to model undertakings’ management decisions, such as asset reallocations or withdrawal from certain insured regions. The scenarios also integrate an analysis of uninsurability risk.

The adverse short-term scenario is compared against an ad hoc baseline scenario and is based on a series of acute physical risks, followed by a shock on financial markets linked to expectations of transition policies that are now considered to be inevitable. Specific risks due to climate change were modelled under this scenario, namely major droughts in 2023 and 2024 across the whole of France, and flooding due to a dam failure in the PACA region of south-eastern France. In the short term, insurers’ balance sheets are considered to be static, with no possibility of making adjustment decisions. The goal of the scenario is to assess the ability of insurers to withstand these different shocks and to measure their solvency.

The final report presenting the findings is due to be published during the first half of 2024.

1.2 SUSTAINABLE FINANCE AND CUSTOMER PROTECTION

European and national work on greenwashing

With the participation of the ACPR, EIOPA and the EBA each published an interim report in May 2023, providing, among other things, a typology of greenwashing risks and an initial definition of greenwashing for banking and insurance products.

The final reports are expected in May 2024, with proposed regulatory changes and recommendations for the European Commission and national authorities.

With this in mind, in 2023 the ACPR worked with EIOPA to conduct a first survey on the topic of greenwashing at a sample of insurance undertakings. The survey covered the application of SFDR sustainability transparency requirements (see box on the establishment of a regulatory framework for ESG disclosures) and integration of this issue in European insurance distribution rules. Presented during the morning conference on customer protection in March 2024, the findings showed that the industry has begun to adopt these rules and regulations, but that the resulting obligations are insufficiently integrated in governance and oversight processes for insurance products.

Preventing greenwashing: recommended advertising best practices pay off

Effective since April 2023, the ACPR recommendation on the promotion of sustainability features in life insurance advertising communications is aimed at enhancing the transparency and balance of disseminated information, in particular by ensuring that promotional claims are properly backed up and correctly reflect the characteristics of the marketed products.

It has had a tangible initial impact. Advertisements containing sustainability claims fell in the second quarter before dropping sharply in the second half (by around 45%) and made up just 15% of communications analysed in 2023 (down 5 points compared with 2022). In addition, the use of excessively positive claims fell significantly, and more evidence was provided to back up highlighted ESG aspects.

2. CSR AT THE ACPR

In 2023, the ACPR conducted numerous activities in the areas of sustainable finance and corporate social responsibility (CSR). These efforts took place as part of the 2021-2024 CSR Strategy ⁶³ established and steered by the Banque de France. The ACPR contributed significantly to several major objectives of the CSR policy, such as reducing greenhouse gas emissions by at least 15% relative to the 2019 baseline year (including digital sobriety), reducing the energy consumed by buildings, and reducing CO₂ emissions generated by business travel. It was also active in the Banque de France's "employer brand" policy, for which diversity is a central pillar, and participated in a number of community engagement events.

1. Measures to preserve the environment

1.1 Reducing the ACPR's environmental footprint

1.1.1 Awareness-raising initiatives

In 2023, the ACPR kept up its efforts to raise awareness about the need to preserve the environment, by inviting employees to take part in two remote training courses offered by the Banque de France on climate issues and carbon neutrality. New ACPR employees participated in educational workshops through the "La Fresque du climat" programme as part of the Banque de France onboarding process. Some directorates also had employees take part in these awareness-raising initiatives. In all, 742 ACPR employees (82% of the total) participated in at least one of these three training opportunities in 2023, with 299 people (33% of the total) taking part in one of the "La Fresque du Climat" workshops.

1.1.2 Digital and energy sobriety

Raising awareness about digital responsibility was again at the heart of the ACPR's CSR initiatives. Every employee has a digital profile and can access an individual dashboard showing consumption levels and enabling him or her to use available measures to take action. To help in this regard, regular reminders were provided about the need to shut off IT equipment, and printers were set to energy saver mode.

1.1.3 Responsible buildings

– Energy sobriety

The ACPR's main building on place de Budapest has been certified High Environmental Quality (HQE) since it was renovated. In addition, the ACPR and the Banque de France were required to comply with a reduction trajectory for building energy consumption in 2023.

That goal was achieved, as consumption of 1,623 kWh was recorded, compared with a target of 1,641 kWh, for a 4.4% decrease relative to 2019.

– Composting to reduce the ACPR's carbon footprint

In October 2022, the ACPR set up a compost bin in the garden of its Paris offices with the aim of reducing non-recycled waste. Coffee grounds, paper teabags, fruit peelings, cardboard and other food waste is now recycled thank to the efforts of ACPR employees and the energetic efforts of the 15 or so project leads.

The recycled biowaste is mainly used to enrich the soil of the ACPR's green spaces.

– Charging stations for electric bikes and scooters

The ACPR's bike parking areas now have four electric charging points so employees can recharge their electric bikes and scooters.

1.1.4 Sustainable mobility

– Sustainable mobility incentive

Under the Banque de France's 2021-2024 CSR strategy, ACPR employees receive a "sustainable mobility incentive" to encourage them to use sustainable methods of transport to get to and from work, including:

- standard and electric bikes (personal and rental);
- carpooling (driver or passenger);
- carsharing with electric cars, hybrid rechargeable cars or hydrogen cars;
- public transport tickets (excluding passes).

This scheme, which came out of the Mobility Act of 26 December 2019 and Implementing Decree No. 2020-541 of 9 May 2020 ⁶⁴, addresses the challenge of energy sobriety.

⁶⁰ Network for Greening the Financial System.

⁶¹ Both of these scenarios are calibrated to have a 67% likelihood of reaching a sub-2 °C temperature increase in 2100.

⁶² A Representative Concentration Pathway (RCP) scenario established by the IPCC and leading to radiative forcing of 4.5 W/m² in 2100.

⁶³ [Annual Report 2023](#), on the Banque de France website.

⁶⁴ [Decree No. 2020-541 of 9 May 2020 on the "sustainable mobility incentive"](#) on the Légifrance website.

– Compliance with “carbon budgets” for business travel

In 2023, the ACPR, like the Banque de France, took part in a pilot exercise aimed at curbing emissions linked to business travel. It was given a “carbon budget”, i.e. a target emissions allowance for FY 2023 of 264 tonnes of carbon equivalent, which would see emissions cut by 47% between 2019 and 2023. The ACPR monitored this target closely in 2023. The goal was achieved, with emissions coming to 238 tonnes of carbon equivalent. Efforts focused primarily on opting for train travel rather than air wherever possible, particularly for journeys to Frankfurt. In 2023, 95% of journeys of under four and a half hours were done by train. Air travel outside Europe was scaled back, as was the number of participants on trips.

The Delegation responsible for the on-site inspection of credit institutions and investment firms (DCP), whose tasks necessarily involve a considerable amount of travel, has its own carbon budget. Its CO₂ consumption was cut by around 50% in 2023 relative to 2019.

2. Measures to promote HR inclusion and collaborative initiatives

2.1 A commitment to equality, diversity, inclusion and employability

The ACPR continued to pursue its commitment to gender equality in 2023. As at 31 December 2023, women made up 49% of the ACPR’s workforce and men made up the remaining 51%. The share of women occupying management functions has increased across all levels. Women now make up 40% of senior management, while the share of women among directors and deputy directors has risen, climbing from 33% in 2022 to 40% in 2023. All told, women hold 43% of management positions, up from 40% in 2022.

The hiring methods employed by the ACPR and the Banque de France, especially competitive examinations, and non-discrimination training for recruiters likewise promote diversity.

In addition, the ACPR has a dynamic skills development plan: 95% of employees took at least one training course in 2023. On average, each employee receives 30 hours of training per year. Integrating new employees remains a priority. They undergo a rich onboarding process that supports their acculturation and helps them settle into their new job.

The ACPR also works alongside the Banque de France to promote the employment of people with disabilities, assisting them to get started in their new job and integrate within the ACPR. In 2023, the Banque de France and union representatives renegotiated the

12th Company Agreement on Disability, which will apply during the 2024-2026 period, including at the ACPR. The ACPR also participated in the Banque de France’s communication campaign entitled “80% of disabilities are invisible!”, which showcased the stories of several co-workers.

The ACPR additionally works towards the employment integration of young people, notably by hiring students on work/study placements, which combine theoretical instruction with on-the-job experience. Apprenticeship contracts are also helping to boost the attractiveness of some less well-known careers in the financial sector. In 2023, the ACPR hired 39 interns and 16 employees on work/study placements. At the ACPR, 54 mentors welcomed these new recruits, along with eight high-school interns (six aged 14-15, two aged 15-16) plus one intern enrolled in the first year of post-secondary studies, all on shorter-term internships.

2.2 Building togetherness through teamwork

As part of the “Building 2024 Together” strategic plan, in the second half of 2023, the Banque de France introduced a workforce-wide initiative called *Pacte d’équipe* (“Teamwork Agreement”), aimed at promoting togetherness in a hybrid setting.

Under this initiative, each ACPR team set aside time to talk about how it worked (e.g. organisation of work, circulation of information, shared in-person time at work, process for onboarding new employees, etc.) and collaborated to build an action plan to maintain team togetherness over time.

Following the discussions, the commitments made by each team were gathered and recorded formally in an agreement. Around 60 such agreements were signed at the ACPR in 2023. They will be updated based on procedures determined by each team and presented to new arrivals.

2.3 Collaborative and caring initiatives

In 2023, ACPR employees signed up, notably as part of the Banque de France’s sponsorship activities, for a number of environmental, company and community challenges, including World Cleanup Day, the Energic environmental challenge and the annual toy donation drive for Restos du Cœur, a charity ⁶⁵.

3. Responsible investment and purchasing

The ACPR is also part of the Banque de France's responsible investment and purchasing approach, with a view to addressing sustainability issues, and in accordance with the Banque de France's 2024-2026 roadmap, which incorporates environmental performance criteria, circular economy-related requirements, and the inclusion of social clauses in purchasing procedures ⁶⁶.

⁶⁵ For details, see Annex 3 of this report.

⁶⁶ [Annual Report 2023](#), on the Banque de France website.



Establishing a regulatory framework for ESG disclosures or sustainability reporting

Efforts to establish a European regulatory framework for ESG disclosures continued in 2023.

The Corporate Sustainability Reporting Directive (2022/2464) (CSRD) ⁶⁷, adopted in 2022, aims to strengthen companies' ESG disclosure obligations. The delegated regulation, which includes the European Sustainability Reporting Standards (ESRS), specifying the required disclosures by the largest companies, was adopted on 31 July 2023 ⁶⁸. This first set of standards includes 12 thematic ESG standards and precedes the publication of future sector-specific standards.

In addition, the Sustainable Finance Disclosure Regulation (2019/2088) (SFDR) ⁶⁹ which requires banks and insurers to provide ESG disclosures on their financial activities, entered into application in March 2021. On 12 April 2023, the European supervisory authorities (EBA, EIOPA, ESMA) launched a consultation with a view to proposing amendments to the regulation's delegated act, to be consistent with the new CSRD framework.

The aim is to strengthen the overall consistency of the regulation and to simplify the presentation of precontractual and periodic sustainability disclosures on financial products. On 14 September 2023, the European Commission also launched a consultation that could lead to significant changes, in particular in terms of the classification of investment products.

Banks produced their first Pillar 3 ESG disclosures in 2023. The ACPR checks the disclosures of institutions that it supervises for the purposes of the SFDR, while the SSM checks the disclosures by institutions under its supervision.

Meanwhile, the International Sustainability Standards Board (ISSB), which is working to promote the international standardisation of ESG disclosures, published voluntary standards IFRS S1 ⁷⁰ (general requirements) and IFRS S2 ⁷¹ (on climate-related disclosures) in June 2023 and announced a varied work programme for 2024-2026 that includes biodiversity. •

⁶⁷ [Directive 2022/2464 on the EUR-lex website.](#)

⁶⁸ [Delegated Regulation EU 2023/2772 on the EUR-lex website.](#)

⁶⁹ [Regulation 2019/2088 on the EUR-lex website.](#)

⁷⁰ [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information on the IFRS website.](#)

⁷¹ [IFRS S2 Climate-related Disclosures on the IFRS website.](#)



Transition plans, a new supervisory tool for banks and insurers

Several international fora have launched work on transition plans, approaching these from a variety of angles, e.g. prudential and supervisory issues, financial stability, stocktaking of practices and guidance to operationalise transition plans. The ACPR has been significantly involved in these efforts.

In the European Union, on the regulatory front, the agreement on the draft revision of the Solvency II Directive of 13 December 2023 includes an obligation for insurers to prepare transition plans to address the risks linked to climate change (see box on the Solvency II Review). Likewise, the new banking package (see box on finalising Basel III transposition) introduces an obligation to draw up and monitor the transition plans that are to be integrated in the Supervisory Review and Evaluation Process (SREP).

The ACPR is helping to determine the content of these plans and procedures for their supervision, alongside the EBA and EIOPA.

These prudential transition plans constitute a tool for direct supervision. They are different from the plans provided for by the political agreement obtained on the Corporate Sustainability Due Diligence Directive (CSDDD), which requires regulated financial corporations to draw up plans that must be disclosed pursuant to the Corporate Sustainability Reporting Directive (CSRD). Instead of supporting a prudential approach, the CSDDD and CSRD requirements are intended to promote transparent disclosures and the compatibility of business strategies with a 1.5° trajectory. The way that these different plans relate to each other is going to be specified in Level 2 measures drawn up by EBA and EIOPA. •



Analysis of reports published by insurers pursuant to Article 29 of the Energy and Climate Act

Life insurance and reinsurance undertakings and undertakings for supplementary occupational retirement provision published reports describing their sustainability risk policies in 2022 and then again in 2023 ⁷².

The ACPR is responsible for monitoring compliance with these regulatory provisions and for making sure that the information provided by undertakings is clear, accurate and not misleading. On this topic, the ACPR published an *Analyses et Synthèses* report on 22 January 2024 drawing up an initial assessment of the situation and clarifying the supervisor's expectations by describing best practices and areas for improvement.

Analyses reveal an overall improvement in the content of these reports between the first and second years of publication. Since regulatory requirements continue to increase, significant progress still needs to be made in the short term.

Two areas of weakness have persisted since 2022 despite the improvements: the need for transparency on the scope of the published data and difficulties in meeting expectations on biodiversity.

Finally, three new points requiring attention were identified: (i) definition of the objective in terms of alignment with the Paris Agreement and related measurement are not disclosed in every instance; (ii) partial compliance with the definition of fossil fuel exposure is leading to significant disparities between undertakings that abide by the regulatory definition, including the entire fossil fuel value chain without restatement, and those that apply their own methodologies; and (iii) a need for consistency between undertakings' various disclosures and internal documents. •

⁷² L. 533-22-1 and D. 533-16-1 of the Monetary and Financial Code.



Findings from the climate questionnaire sent to 60 or so institutions under direct ACPR supervision

In 2023, the ACPR conducted a thematic review to analyse the recognition of climate and environmental (C&E) risks in the strategy, governance and risk management of a sample of 60 or so less significant institutions and specialised institutions under its direct supervision.

While the vast majority of institutions said that they integrate C&E issues in their strategy, many of them approach these questions as new opportunities and not, or not enough, as new risks. Further, in terms of governance, only a slender majority of institutions had already added these issues to the work programme of their supervisory body, and most senior executives and members of the supervisory body did not have specific expertise in this area. In addition, less than half of all institutions integrate C&E risks in their risk management system, a finding that is connected to the fact that the vast majority of institutions consider themselves to have little or no exposure.

These results contrast with those of the ECB's 2022 thematic review of major groups, which found that all major European banks, or significant institutions, had begun work to identify and manage C&E risk, with 80% of them considering themselves to be significantly exposed.

However, good practices were noted, with some smaller institutions launching significant work programmes aiming to map risks or recognise these issues in their lending policy.

With enhanced regulatory requirements on the way, the ACPR is set to conduct another thematic review on these topics in 2024. •



Employees get involved in skills sponsorship

In recent years, the Banque de France has given employees the opportunity to devote up to five days per calendar year to its skills sponsorship programme and volunteer with a recognised charity or non-profit working in economic and social inclusion or the ecological transition. In 2023, eight ACPR staffmembers took part in this scheme. •



Collectif Agir pour la Planète (CAP), a collaborative initiative designed to promote CSR

In 2023, ACPR employees created *Collectif Agir pour la Planète (CAP)*, an environmental discussion group aimed at helping to quickly and massively instil a climate and environmental risk culture within the ACPR and Banque de France.

Since it was set up, the CAP has organised a variety of events:

- a conference facilitated by Jean-Marc Jancovici on the environmental challenges facing the economy and financial institutions, which was attended by around 700 ACPR and Banque de France staffmembers, either remotely or in-person;
- lunch debates to share information and talk about a range of topics, including: “Green growth; real hope or illusion?”;
- short and informal business line meetings to talk about the activity and/or latest news from an ACPR or Banque de France department involved in sustainable finance issues. •





GOVERNANCE

37

SUPERVISORY
COLLEGE MEETINGS

4

RESOLUTION
COLLEGE MEETINGS

9

SANCTIONS
COMMITTEE MEETINGS

1,065 FTE

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.

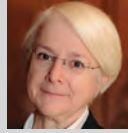
To provide it with further information on some of the topics it has to address, the ACPR's Supervisory College is supported by an Audit Committee, four consultative commissions covering prudential affairs, AML/CTF, business practices, and climate and sustainable finance respectively, and a Scientific Consultative Committee. These different bodies met 16 times in 2023.

THE SUPERVISORY COLLEGE

(AT 1 MAY 2024)



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



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



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



Denis BEAU
Deputy Governor of the Banque de France



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



Cécile GÉRARD, Jean-Luc GUILLOTIN, Anne LARPIN-POURDIEU, Olivier MESNARD
Appointed for their expertise in insurance, mutual insurance, provident institutions or reinsurance



Jean-Paul FAUGÈRE
Vice-chairman of the ACPR



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



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



Marie-Anne BARBAT-LAYANI
Chair of the AMF



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



Pascal DURAND, Christian LAJOIE, Isabelle LEFEBVRE, Catherine THÉRY
Appointed for their expertise in banking, electronic money issuance and management, payment services or investment services



Robert OPHÈLE
Chairman of the *Autorité des normes comptables*

The following do not have a vote, but may request that matters be deliberated a second time:

Bertrand DUMONT
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 MAY 2024)

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

Jean-Paul FAUGÈRE
Vice-chairman of the ACPR

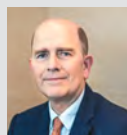
Bertrand DUMONT
Director General of the Treasury

Marie-Anne BARBAT-LAYANI
Chair of the AMF

Denis BEAU
Deputy Governor
of the Banque de France

Vincent VIGNEAU
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 MAY 2024)

Appointed by the Vice-Chairman of the *Conseil d'État*

- A Alain MÉNÉMÉNIS**
Member of the *Conseil d'État*, Chairman
- X Martine JODEAU**
Member of the *Conseil d'État*, Alternate

- B Gaëlle DUMORTIER**
Member of the *Conseil d'État*, Full Member
- C Matias de SAINTE LORETTE**
Junior Member of the *Conseil d'État*, Alternate

Appointed by the Chairman of the *Cour de cassation*

- D Edith SUDRE**
Counsellor at the *Cour de cassation*, alternate
- X Nicolas MICHON**
Counsellor at the *Cour de cassation*, alternate

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

- E Claudie BOITEAU**
Full Member
- X Dorothée de KERMADEC-COURSON**
Alternate

- F Elisabeth PAULY**
Full Member
- G Philippe BRAGHINI**
Alternate

- H Philippe LAIGRE**
Alternate

X Not present: Nicolas Michon, Martine Jodeau, Dorothée de Kermadec-Courson



Philippe Laigre

Philippe Braghini

Gaëlle Dumortier

Elisabeth Pauly

Alain Ménéménis

Matias de Sainte Lorette

Claudie Boiteau

Edith Sudre



Consultative Commission on Climate and Sustainable Finance (CCFD)

In 2023, the ACPR's CCFD, whose membership was partially renewed in December 2022, continued discussions with banks and insurance undertakings to prepare a new joint report with the AMF on monitoring the fossil fuel commitments of the Paris financial centre's main participants and measuring their exposure. Given the regulatory developments underway – including the Sustainable Finance Disclosure Regulation (SFDR), Article 29 of France's Climate and Energy Act and the EBA's Pillar 3 implementing technical standards (ITS) – and to avoid taking multiple approaches, the ACPR decided to base its 2023 questionnaire on data collected in connection with these legal and regulatory texts, adding questions where necessary to supplement the information requested under those frameworks. Discussions are ongoing with the AMF and the Treasury on the publication date, which is in principle set for the first quarter of 2024.

Several ongoing work projects were presented, such as the assumptions and scenarios used in the climate risk stress test exercise for French insurers, and energy markets in the wake of the 2022 crisis.

These presentations were accompanied by updates on events (COPs) or climate-related legislative and regulatory developments (sustainability reporting at European and international level, NGFS work on transition plans, the draft Green Industry Act). In parallel, two working groups met regularly, one on transition plans and the other on biodiversity. •



Consultative Commission on Prudential Affairs (CCAP)

To inform College decisions on regulatory developments, the ACPR relies on its Consultative Commission on Prudential Affairs (CCAP), which is tasked with providing an opinion, prior to their adoption, on ACRP instructions relating to the transmission by banks and insurance undertakings of periodic prudential reports, as well as draft notices and explanatory guides.

Besides the chair and the two vice-chairs, who are chosen from among the members of the ACPR College, the CCAP includes representatives of professional associations from the banking and insurance sectors, along with members named by groups or institutions under ACPR supervision.

In 2023, the CCAP met four times. Key developments included the issuance of favourable opinions on the 2023 update of the ACPR notice on procedures for calculating and disclosing prudential ratios under CRD4, on the update of the ACPR notice on procedures for calculating prudential ratios for insurance undertakings and groups subject to Solvency II, and on ACPR draft instructions and ACPR draft statements of compliance with EBA and EIOPA guidance in the area of supervision. •



AML/CTF Consultative Commission

The AML/CTF Consultative Commission meets every three months to review periodic reporting requests (AML/CTF questionnaires) and ACPR guidelines explaining current legislation, and to share risk analyses with the private sector (banks, insurers and DASPs, represented by their professional associations and qualified persons) and the main affected authorities (ACPR, AMF, Treasury and Tracfin). It is also a forum for informal discussions using ad hoc formats across a range of subject areas connected to AML/CTF.

In 2023, the Committee considered the national risk analysis and the topic of virtual IBANs ⁷³, which is also being discussed at European level. •



Consultative Commission on Business Practices: role and activity in 2023

The ACPR's Consultative Commission on Business Practices (CCPC) is tasked with providing opinions on draft ACPR recommendations on business practices prior to their adoption, exploring topics related to business practices identified by the ACPR, and gathering information and suggestions from members.

It comprises a chair and two vice-chairs (members of the College and appointed by the College at the recommendation of the Chair of the ACPR) and 14 members appointed because of expertise gained through involvement in customer or retail investor associations, at financial institutions, representative professional associations, or banking or insurance intermediaries, or because of their experience as labour representatives at entities under ACPR supervision, or because of their academic work.

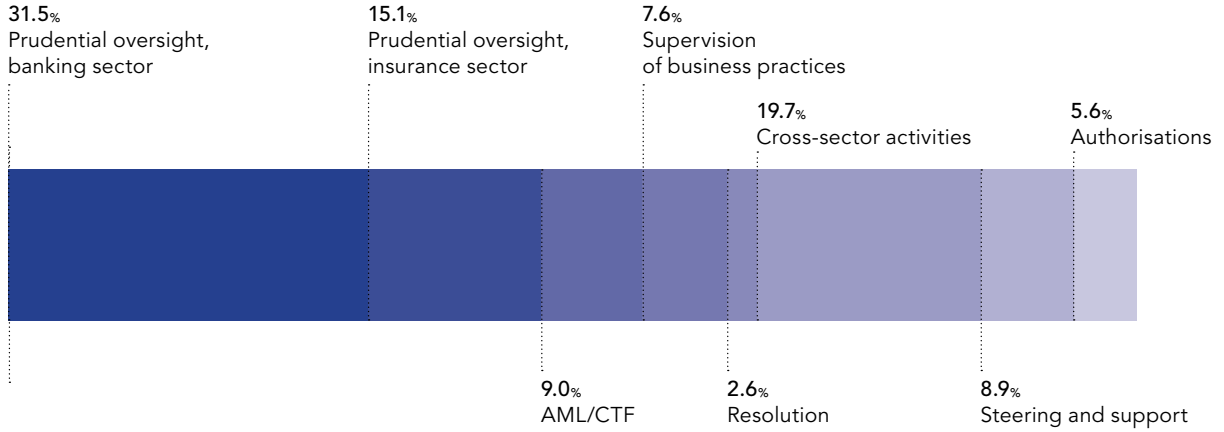
The Commission, which met four times in 2023, looked in particular at the Retail Investment Strategy published by the European Commission, marketing of funeral insurance contracts, the ACPR recommendation on product governance and the management of conflicts of interests in insurance, loan consolidation, and the product governance obligations of wholesale brokers. •

⁷³ Whose holder is fictitious or has stolen someone else's identity.

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 1,065, as compared with the cap of 1,080. At 31 December 2023, the staff

headcount comprised 1,128 employees (1,090.8 FTE), including 573 men and 555 women. These staff members, who have a wide range of backgrounds, are distributed as follows in the authority's different areas of activity.





**COMPOSITION OF THE
GENERAL SECRETARIAT
OF THE ACPR**

From left to right
and from top to bottom

Secretary General
Nathalie AUFUVRE
First Deputy Secretary General
Patrick MONTAGNER
Deputy Secretaries General:
François HAAS
Evelyne MASSÉ
Frédéric VISNOVSKY

ACPR GENERAL SECRETARIAT (AT 1 MAY 2024)







**DIRECTORS,
ACPR GENERAL SECRETARIAT**

From left to right and from top to bottom
Marc Baran, Jean Boissinot, Mary Cécile Duchon, Olivier Fliche,
Geoffroy Goffinet, Frédéric Hervo, Ludovic Lebrun, Eric Molina,
Emilie Perez Alexandre, Emmanuel Rocher, Alain Sanz,
Barbara Souverain Dez, Marie Lorraine Vallat, Grégoires Vuarlot





BUDGET AND ACTIVITY MONITORING

209.7

INCOME
(EUR
MILLION)

231.7

EXPENSES
(EUR
MILLION)

-22

BALANCE
(EUR MILLION)

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.

1. BUDGET OF THE ACPR

The report on the ACPR budget outcome for 2023 was submitted to the Audit Committee on 22 February 2024 and approved by the College at its plenary meeting of 4 March 2024. The authority ended 2023 with a deficit of EUR 22 million. After taking into account this deficit, the balance of contributions carried forward totalled EUR 19.4 million.

1.1 INCOME

The authority's income mainly comprises contributions for the cost of supervision provided for in MFC Article L. 612-20 and payable by entities supervised by the ACPR⁷⁴. The increase in contributions actually received

in 2023 (more than 3% higher than in 2022) was essentially due to growth in contributions paid by the banking sector, which was linked in turn to the increase in the contribution base for 2023 (2022 capital requirements).

At the end of the period, the overall collection rate for contributions was 99.25%, on a par with 2022 (99.35%).

The amount paid by the 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 by an order from the Minister for the Economy based on an opinion by the CDC oversight board published on 12 June 2020.

Given the tax allocation cap set by parliament at EUR 195 million, total funding effectively available for FY 2023 was EUR 209.7 million, up 1% on 2022. The amount exceeding the EUR 195 million cap and received over the year was also larger than it was in 2022 (EUR 30.9 million versus EUR 27.7 million) and was paid back to the general State budget.

Other income also includes reimbursement for 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, work on behalf of the *Comité consultatif de la législation and de la réglementation financières* (CCLRF – Advisory Committee on Financial Legislation and Regulation), as well as services provided to the AMF in connection with tasks performed on its behalf. In addition, income in 2023 included interest on contributions carried forward (reserve) in the amount of EUR 1.6 million.

TABLE 1 SUMMARY OF 2022 AND 2023 EXPENSES AND INCOME

Expenses and income in EUR million	2022	2023	2023/2022	
			Amount	%
<i>Contributions from supervised institutions (for information)</i>	223.7	231.2	7.5	3.3%
Tax allocation cap	195	195	0	0.0%
Caisse des Dépôts et Consignations	10	10	0	0.0%
Other income	3.1	4.7	1.6	52.3%
Income (A) taking into account the tax allocation cap	208.1	209.7	1.6	0.8%
Personnel costs	123.1	134	10.9	8.9%
IT	33.7	35.0	1.3	4.0%
Property	22.2	24.3	2.1	9.6%
Other expenses	27.4	28.5	1.1	4.0%
Amortisation and depreciation	8.8	9.9	1.0	11.7%
Expenses for the year (B)	215.1	231.7	16.6	7.7%
Budget balance (A)-(B)	-7	-22	-15	212.3%

1.2 EXPENSES

Expenses in FY 2023 came to EUR 231.7 million, an increase of 8% relative to 2022. They went up due to growth in personnel costs, property expenses and IT-related amortisation and depreciation expenses.

Personnel costs increased by 8.9% on 2022 to EUR 134 million, chiefly reflecting the volume effect (increase in average headcount between 2023 and 2022 from 1,022 to 1,065) and the price effect (wage index increases decided in July 2022 and July 2023, as well the introduction of a death & disability regime for Banque de France employees).

At 31 December 2023, the ACPR had 1,090.8 FTE employees. In 2023, the ACPR maintained its active hiring policy to reflect the increase in the ACPR staffing cap, which was raised in November 2021 from 1,050 FTE to 1,080 FTE ⁷⁵. In 2022 and 2023, it thus recruited an increasing number of permanent and contractual employees (77% growth between 2021 – the year when hiring was restrained – and 2023) through Banque de France competitive exams and other initiatives, including an annual mini-job fair bringing together several dozen candidates for short briefing and pre-selection interviews.

Property expenses were up by 10% compared with FY 2022 owing to the increase in rents based on the ILAT index (index of rents for service-based activities), which rose by 6.3% year-on-year, and the increase in associated rental expenses due to higher energy costs.

Finally, the ACPR has begun the process of modernising its information system, including an overhaul of the system for collecting and processing data submitted by supervised entities. The increase in amortisation and depreciation expenses between 2022 and 2023 is attributable to deployment of a key batch of this overhaul in January 2023.

1.3 THREE-YEAR FORECASTS

The three-year forecasts cover FYs 2025 to 2027 and are based particularly on the 2024 budget assumptions adopted by the plenary College. They cover income (contributions from supervised entities and other income), expenses (personnel costs, overheads, amortisation and depreciation) and the outturn (budget balance and reserve).

1.3.1 Income

For FY 2024, the overall amount of forecast contributions from supervised entities is up on 2023 and could reach EUR 236.3 million.

In the banking sector, the estimated contribution is based on the change in the contribution base (value of risk-weighted assets at end-2023). Based on these elements, contributions from the banking sector are forecast to increase by 2% compared with 2023. These prudent forecasts factor in previous developments and the uncertain economic environment.

The estimated contribution from insurance undertakings for FY 2024 is projected to increase by 3%, based on the situation on the insurance market in the third quarter of 2023 and developments in the contribution base, which is made up of total life and non-life premium income earned over the year. Specifically, life insurance contributions were higher than in 2022, as were net inflows.

For insurance and reinsurance brokers and intermediaries in banking transactions and payment services, the same overall contribution amount as in 2023 was kept for 2024 and is based on the number of these intermediaries registered in the ORIAS register at 1 April 2023.

For FYs 2025 to FY2027, previous developments are taken into account along with the economic outlook and currently available data. The 2% increase selected for the banking and insurance sectors is prudent and slightly below the growth recorded over the 2019-2023 period (3%). The cumulative impact on income from 2025 to 2027 of 3% growth in these contributions, rather than 2%, would be EUR 14.2 million.

These estimates obviously depend on changes in the economic environment in the coming years.

⁷⁴ Procedures for calculating contributions for the cost of supervision per category of contributing entity in force in 2023: for the banking sector, the rate applied to 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.

⁷⁵ The 2024 Budget Act of 29 December 2023 removed the staffing cap. However, the Banque de France headcount trajectory includes a target for the ACPR.

For intermediaries, the change in 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 2024 population and amount for the entire three-year period. Since the flat-rate amount of these contributions is set by order, any change would entail a regulatory amendment.

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 forecast amount for 2024 has been adjusted to reflect estimated inflation. For FYs 2025 to 2027, other income is projected to decrease: the ACPR will no longer receive a subsidy for its involvement in research on climate risk; in addition, the remuneration paid on carried forward contributions will cease once the deficit is fully applied to the reserve, in principle in 2026.

The CDC's contribution is set at EUR 10 million for the entire period. This amount, which was established by the order of 12 June 2020, could change, however.

Taking into account the 2024 tax allocation cap of EUR 220 million and other income (CDC contribution and other income linked to services charged out to the Banque de France), the ACPR's total income for 2024 is expected to be EUR 234.4 million and will decline overall in the following years if the EUR 220 million cap is maintained, owing to the fall in other income.

By way of comparison, excluding the cap, the amount of contributions under MFC Article L. 612-20 ("supervised entities) could total EUR 240.9 million for 2025, EUR 245.6 million for 2026 and EUR 250.4 million for 2027.

1.3.2 Expenses

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

Inflation projections were drawn up using the data mentioned in the [macroeconomic projections](#) published by the Banque de France for 2024-2026 in March 2024. The inflation forecasts below were thus taken into account as regards the price effect impacting the 2025-2026 spending forecasts. For 2027, it was assumed that inflation would remain at 1.7%.

Expense forecasts are based on demanding assumptions, whether for the headcount trajectory, the change in personnel costs, or the ACPR's overheads. The three-year forecasts are therefore at the lower end of the range of possible changes for expenses.

In the case of personnel costs, the assumption is based on the 1,080 FTE target set for end-2024 in accordance with the Banque de France's headcount trajectory and aimed at enabling the ACPR to fulfil its tasks and maintain its influence with French and European institutions. Momentum since the end of 2021 made it possible to reach this target in 2023, with over 100 annual hires in 2022 and 2023 (111.5 FTE in 2022 and 126 FTE in 2023). However, the slower pace of departures in the second half of 2023, when hiring was already underway, caused a slight overshoot of the target at end-2023, which is expected to remain partially in place during 2024. The goal in 2024, as in the three following years, is to get back to the target at the end of the year and stabilise the headcount at 1,080 FTE. The hiring policy was adjusted accordingly for 2024 to target expertise in several areas, including climate risk, customer protection, cybersecurity, data science, market and counterparty risk.

This reflects the fact that the new supervisory tasks and areas entrusted to the ACPR in the coming years (DORA, MiCA, credit servicers) will entail new skills and an increased workload. To properly discharge these new tasks while maintaining adequate supervisory quality in existing areas of activity, the ACPR is stepping up its risk-based supervision approach. It is also introducing a transformation approach in 2024 aimed at streamlining and rationalising processes in order to boost its efficiency so that it can perform these new activities with the same number of employees. All ACPR personnel are called on to play their part in this demanding approach.

Employee assignment is consistent with the priorities of the ACPR's work programme (see details in the section entitled "Our work programme") and is set out in the table below.

For FY2024, based on a central scenario featuring an average annual forecast headcount of 1,090 FTE, **personnel costs** are budgeted at EUR 140.5 million, applying the scales used for all Banque de France personnel.

For FYs 2025-2027, factoring in assumptions that the headcount will be stable at around 1,080 FTE, Banque de France inflation forecasts and wage increase mechanisms (age and job skill coefficient), personnel costs could be EUR 142 million in 2025, EUR 144.9 million in 2026 and EUR 147.8 million in 2027. These estimates are at the low end of the range because they assume, in particular, virtually no impact from the age and job skill coefficient (which will however depend on multiple factors, including future hiring, given the potential workforce renewal rate) and an unchanged discount rate for pension liabilities. If the assumptions chosen for this trajectory are not borne out, overall sensitivity to increased personnel costs could amount to between EUR 4 million and EUR 8 million over the next three years.

TABLE 2 FORECAST INCOME (IN EUR THOUSANDS)

Income	2023 Actual	Budget 2024	2025 estimate	2026 estimate	2027 estimate
Contributions from supervised entities	231,176	236,342	240,925	245,600	250,368
Tax allocation cap	195,000	220,000	220,000	220,000	220,000
Amount exceeding the cap	-36,176	-16,342	-20,925	-25,600	-30,368
Caisse des Dépôts et Consignations	10,000	10,000	10,000	10,000	10,000
Other income	4,693	4,448	4,038	3,738	3,766
Income taking into account the tax allocation cap	209,693	234,448	234,038	233,738	233,766
Total income without the tax allocation cap	245,869	250,789	254,963	259,338	264,134

TABLE 3 BREAKDOWN OF CONTRIBUTIONS BY SUPERVISED ENTITIES (EUR THOUSAND)

Contributions (EUR thousand)	2023 Actual	Budget 2024	2025 estimate	2026 estimate	2027 estimate
Credit institutions and investment firms, MFHCs-MPUFCs*	156,842	159,978	163,177	166,441	169,769
Insurance undertakings (insurers, mutual insurers and provident institutions)	67,163	69,178	70,562	71,973	73,413
Intermediaries in banking transactions and payment services	3,333	3,343	3,343	3,343	3,343
Insurance and reinsurance brokers, microcredit associations and CIs**	3,632	3,635	3,635	3,635	3,635
Money changers	206	208	208	208	208
Total	231,176	236,342	240,925	245,600	250,368

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

** Crowdfunding intermediaries.

KEY POINTS IN THE PROJECTION FOR FRANCE

(as a %, average annual unless otherwise indicated)	2022	2023	2024	2025	2026
Real GDP	2.5	0.9	0.8	1.5	1.7
	-	0.1	-0.1	0.2	0.1
HICP	5.9	5.7	2.5	1.7	1.7
	-	0.0	0.0	-0.1	0.0
HICP excluding energy and food	3.4	4.0	2.4	2.2	1.9
	-	0.0	-0.4	0.0	0.0
Year-end unemployment rate ^{a)}	7.1	7.5	7.8	7.8	7.5
	-	0.1	0.1	0.0	0.0

Data adjusted for working days. Annual growth rate unless otherwise indicated. Revisions are calculated with regard to the December 2023 forecast based on the quarterly accounts at 30 November 2023 (with GDP growth of 0.8% for 2023). They are shown in italics and calculated in percentage points and on rounded amounts.

a) ILO, entire country, % working population, value in the fourth quarter of each year.

Sources: INSEE for 2022 and 2023 (quarterly national accounts of 29 February 2024), Banque de France projections against orange background.

TABLE 4 FORECAST EXPENSES (IN EUR THOUSANDS)

Expenses	2023 Actual	Initial budget 2024	Forecasts 2025	Forecasts 2026	Forecasts 2027
Personnel costs	133,999	140,526	142,022	144,862	147,759
Overheads	87,822	91,124	92,910	95,996	99,132
Amortisation and depreciation	9,862	10,000	10,184	9,000	8,500
Expenses for the year	231,683	241,650	245,115	249,857	255,391

Overheads include 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, and expenses that are directly incurred by the ACPR. They are divided as indicated below.

Besides specific expected increases, overheads are forecast to rise in step with the Bank's inflation projections (1.7% per year). Overall, however, they are expected to increase at a faster rate, climbing by 2% in 2025 and 3.3% in 2026 and 2027 due to IT and property expenses.

The Banque de France bills the ACPR for **property expenses** (rents and rental expenses) at their actual cost. These expenses are affected by changes in rents based on the ILAT index, increases in energy prices and tax treatment. For FYs 2025-2027, the ACPR is forecasting an increase based on the ILAT index rising at an average rate of 5% a year. The ACPR plans to keep up its efforts to rationalise property expenses.

IT expenses include costs relating to 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.

All of these IT costs are expected to increase over 2025-2027.

This is primarily due to the need for the ACPR to upgrade its information system. The third batch (analytics) of the new platform set up to harness the regulatory data available to the ACPR is scheduled to come onstream in 2026, following on from the first two batches, in 2021 and 2023 respectively.

The other priorities cover IT projects aimed at moving to paperless/digital exchanges, in particular with supervised entities, and the overhaul of the ACPR register that records financial agents operating in France. In the coming years, alongside these major overhauls, other projects will seek to enhance the effectiveness of supervisory tools, harness artificial intelligence and innovation more broadly (under the umbrella of supotech projects), while adapting the IT system to accommodate regulatory reforms affecting the financial sector. The amounts charged out for 2024 are based on actual costs in 2022, which have been reassessed, and take into account the authority's needs in terms of the IT services and technical infrastructure required for project and application development.

The ACPR will pursue efforts to control expenditures that it incurs directly over the 2025-2027 period and will continue to pay close attention to inspection expenses and to the environmental footprint of staff travel.

TABLE 5 PERSONNEL BY MAJOR FUNCTION (AVERAGE FTE)

Average FTE	2023	2024	2025-2027
Prudential oversight, banking sector	394	401	397
<i>o/w SSM – prudential oversight¹</i>	247	253	251
Prudential oversight, insurance sector	188	199	197
Supervision of business practices	81	90	89
AML/CTF	96	95	94
Steering and support	210	205	203
Cross-cutting risk analysis and inspection support	95	100	99
Total	1,065	1,090	1,080

¹ SSM prudential oversight (ongoing supervision, on-site inspections, authorisations) covers significant institutions (SIs) and less significant institutions (LSIs).

TABLE 6 FORECAST OVERHEADS (IN EUR THOUSANDS)

Overheads	2023 Actual	Initial budget 2024	Forecasts 2025	Forecasts 2026	Forecasts 2027
Property (rents, rental expenses)	24,329	25,183	25,880	26,857	27,879
IT	34,996	36,623	37,242	38,845	40,444
Reallocations and charging out of BDF services excluding IT and property	18,018	17,763	18,065	18,372	18,684
Other overheads managed by the ACPR directly (excluding IT)	10,479	11,556	11,722	11,922	12,124
Total overheads	87,822	91,124	92,910	95,996	99,132

Inspection expenses are thus estimated to remain more or less unchanged, below the level reached prior to the Covid-19 crisis. The carbon budget allocated to the ACPR in 2023 was respected, and the 2024 ceiling is the same as in 2023 (see CSR section).

Contributions to the operation of the two European sector authorities (EBA and EIOPA), which have risen significantly in recent years, are expected to grow in line with inflation over the next few years, although the initial budgets include slightly faster growth. Upcoming work areas, such as DORA and MiCA, will be covered by specific financing for supervised entities from the European authorities.

In addition, in 2024 the ECB will finalise billing for the IT resources made available to national supervisory authorities in recent years under the SSM. Future payments are also estimated as keeping step with inflation, although they could rise at a faster pace, particularly insofar as the plans to take major new projects live, including the Integrated Reporting Framework (IREF) and Common Data Management (CDM), could have a larger impact on future expenses.

Overheads that the ACPR manages directly also include spending on documentation, publications and public relations and other miscellaneous expenses.

Together, these direct expenses, including inspection expenses and contributions to European agencies, amounted to EUR 10.5 million in 2023, excluding spending related to IT project ownership and management, and are expected to be EUR 11.6 million in 2024 and approximately EUR 12 million thereafter, owing to the financing of European institutions and the resumption of on-site inspections and European and international coordination activities.

The capital expenditure needed for the ACPR to carry out its tasks is made on the ACPR's behalf by the Banque de France. Only **amortisation and depreciation expenses** (see Table 4) are included in the ACPR's budget. Since 2021 there has been a sharp increase in amortisation and depreciation expenses relating to major IT projects. Total amortisation and depreciation expenses in 2024-2025 are forecast to be around EUR 10 million, but should ease from 2026 onwards owing to the end of the amortisation period for the first two batches of the regulatory-data platform. This projection does however include a safety margin for FY 2026 (EUR 1.1 million) and FY 2027 (EUR 1.7 million) so that new projects can be launched.

1.3.3 Change in the budget balance and reserve

The following table summarises the overall change in income and expenses, and in the resulting budget balance, for the 2024-2027 period.

Overall, the estimated expenses for FY **2024** point to an increase in operating expenses attributable chiefly to personnel costs, which are going up due to the significant hiring done in 2022 and 2023 to enable the ACPR to discharge its tasks. Overheads, including IT and property expenses as well as contributions to European agencies, are also responsible for the increase, to a lesser extent. Given the EUR 220 million tax allocation cap and including the CDC's contribution and "other income", the balance in 2024 is expected to show a **EUR 7.2 million** deficit.

Estimated expenses for 2025 to 2027 reflect, overall, continued efforts to control costs. The contained increase in expenses is due particularly to overheads (increased IT and property expenses) and personnel costs (the headcount is forecast to decrease slightly before stabilising), while amortisation and depreciation expenses are forecast to fall from 2026 onwards.

The sum of contributions from supervised institutions and the CDC, along with other income, remains greater than – and therefore sufficient to cover – expenses.

The following table shows the impact of the budget balance on the reserve across the entire period, as a function of the tax allocation cap.

After recognising a deficit of EUR 22 million for 2023, at 31 December 2023 the balance of contributions carried forward (reserve) stood at EUR 19.4 million. The reserve was therefore tapped for the third year running. Meanwhile, EUR 30.9 million in respect of excess amounts received was paid back to the State, up from EUR 27.7 million in 2022 and EUR 11.5 million in 2021. For FY 2024, raising the cap to EUR 220 million would keep the deficit to EUR 7.2 million, but the reserve would have to be tapped again and would fall to EUR 12.2 million by at end-2024. Even if measured assumptions for spending growth are applied, the deficit is forecast to grow to EUR 11.1 million in 2025, EUR 16.1 million in 2026 and EUR 21.6 million in 2027, and the reserve will be depleted in 2026.

For this reason, at a time when the ACPR's tasks are ramping up and evolving, the tax allocation cap needs to be regularly raised to maintain the authority's operating capabilities.

2. ACTIVITY AND PERFORMANCE INDICATORS

The ACPR has a series of indicators to assess the authority's activities 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 participate in the response to new challenges.

TABLE 7 SUMMARY OF EXPENSES AND INCOME

Expenses and income	2023 Actual	Budget 2024	Forecasts 2025	Forecasts 2026	Forecasts 2027
Contributions from supervised entities	231,176	236,342	240,925	245,600	250,368
Tax allocation cap	195,000	220,000	220,000	220,000	220,000
Surplus/tax allocation cap	-36,176	-16,342	-20,925	-25,600	-30,368
Caisse des Dépôts et Consignations	10,000	10,000	10,000	10,000	10,000
Other income	4,693	4,448	4,038	3,738	3,766
Income (A) taking into account the tax allocation cap	209,693	234,448	234,038	233,738	233,766
Total income without the tax allocation cap	245,869	250,789	254,963	259,338	264,134
Personnel costs	133,999	140,526	142,022	144,862	147,759
Overheads	87,822	91,124	92,910	95,996	99,132
Amortisation and depreciation	9,862	10,000	10,184	9,000	8,500
Expenses for the year (B)	231,683	241,650	245,115	249,857	255,391
Budget balance (A)-(B) assuming the funding cap is set at EUR 220 million from 2024	-21,990	-7,202	-11,077	-16,119	-21,625
Reserve	19,432	12,230	1,153		

TABLE 8 SUMMARY OF BUDGET BALANCE ASSUMPTIONS

Expenses and income	2023 Actual	Budget 2024	Forecasts 2025	Forecasts 2026	Forecasts 2027
Budget balance (A)-(B) based on the current funding cap of EUR 220 million	-21,990	-7,202	-11,077	-16,119	-21,625
Reserve	19,432	12,230	1,153		



Upgrading the information system

For some years, the ACPR has been investing significantly in overhauling its information system. Regulatory developments, increased data sharing with European authorities and the rise of new technologies mean that the ACPR is constantly having to upgrade its IT tools to ensure that they provide the best possible support to supervisory work.

A major milestone was reached in 2023 with the completion of the project to overhaul the application for collecting accounting and prudential data from supervised institutions. Stage two, which is set to get underway in early 2024, will make it possible to create a single, upgraded data repository containing all collected data, and also provide supervisors with cutting-edge tools to make best use of the new data.

Several other major projects in progress, including a project to set up a single gateway that will dematerialise and streamline exchanges between the ACPR and supervised institutions, upgrades to the AML/CTF monitoring system, and the overhaul of the register of financial institutions, which, in addition to receiving technical upgrades, will be able to link to the insurance register.

Artificial intelligence (AI) techniques are also being used to make supervisory work more effective; several advanced systems have already come onstream, and this “augmented supervisory” approach is continuing via a number of trials that are either already underway or planned (see chapter 1 – 2.3 on Preparing the supervisory methods of the future).

In addition to the projects that have already been launched, steps are being taken to get ready for the ACPR’s next cycle of IT upgrades: the findings from an IT planning study of the information system conducted in the second half will be released in the first half of 2024. Among other things, the study looked at how the ACPR’s system might interact with the information systems of partner European authorities, which are themselves also undergoing significant change. •



International mobility

Working closely with the Banque de France, the ACPR applies a strategy of promoting external mobility, both within France and internationally, with the aim of developing employee skills while strengthening collaboration with host institutions. At international level, positions at the European Central Bank (ECB) are a priority, in order to foster sharing of supervisory knowledge and practices, at a time when staff from the ACPR, the ECB and other national supervisory authorities are working closely together within the Joint Supervisory Teams (JSTs). Other institutions are also significant participants in the ACPR’s external mobility policy: internationally, these include the Single Resolution Board (SRU), the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Commission and the Bank for International Settlements (BIS). In France, the main participant is the Treasury.

External mobility opportunities can take the form of secondments or personnel loans of varying durations. The aim in each case is to balance the interests of the two institutions and of the employees themselves, while supporting the goal of giving many people the opportunity to benefit from this rewarding experience as part of their professional development.

Within the European System of Central Banks (ESCB), the ACPR is involved in all new international mobility initiatives. The swap programme set up with the ECB as part of a pilot initiative launched by the ACPR in 2021 within the Single Supervisory Mechanism (SSM) was repeated in 2023 by the ACPR, with the ECB expanding the programme to other national supervisors.

The Schuman programme, which is a longer-standing initiative within the ESCB and SSM, also continues to enable shorter-term (six to nine months), project-focused personnel exchanges.

Since 2016, meanwhile, the ACPR has run a personnel exchange programme with the UK’s Prudential Regulation Authority in the area of insurance supervision. •

2.1 EXECUTION OF THE ON-SITE INSPECTION PROGRAMME – SUMMARY TABLE

The initially planned inspection programme was broadly executed in 2023, with a few minor adjustments.

The difference between the number of inspections begun (235) over 2023 and the number of completed inspections (91) in the same year is due to the average time taken to carry out an inspection (average of nine months) and the fact that inspection starts were staggered across the whole of 2023.

The 144 inspections remaining from 2023 will be completed in 2024, given the average time taken to

execute an inspection. In addition, 149 inspections that were started in previous years were completed over the course of 2023.

The overall volume of on-site inspections in the initial programme for FY 2024 was trimmed based on what happened in 2023, when 235 inspections were launched. The adjustment also reflects the new tasks assigned to the ACPR and that will affect its workload. Currently, the number of inspections planned for 2025 to 2027 is about the same as for 2024 (around 210).

This indicator is covered by detailed comments in the following sections, based on the themes covered by inspections.

INDICATOR 1 – PERFORMANCE – EXECUTION OF THE ON-SITE INSPECTION PROGRAMME

	2023			2024		
	Initial programme	Additional programme	Cancelled programme	Begun	Of which completed	Initial
Number of on-site inspections	253	15	4	235	91	211
Prudential, banking sector	56	3	4	55	16	48
Prudential, insurance sector	45	2	5	42	13	45
AML/CTF	47	1	5	43	14	30
Business practices	105	9	18	95	48	88



Clarification

The on-inspection programme comprises, for the current year, the initial programme plus additional inspections, less cancelled inspections (e.g. replaced by an additional inspection or cancelled outright due to circumstances); inspections described as “begun” are inspections that were effectively launched during the year under the final programme. In the annual programme, “completed” inspections are inspections that were concluded within the same year (final report sent to the supervised institution), on the understanding that inspections may start at any time, including at

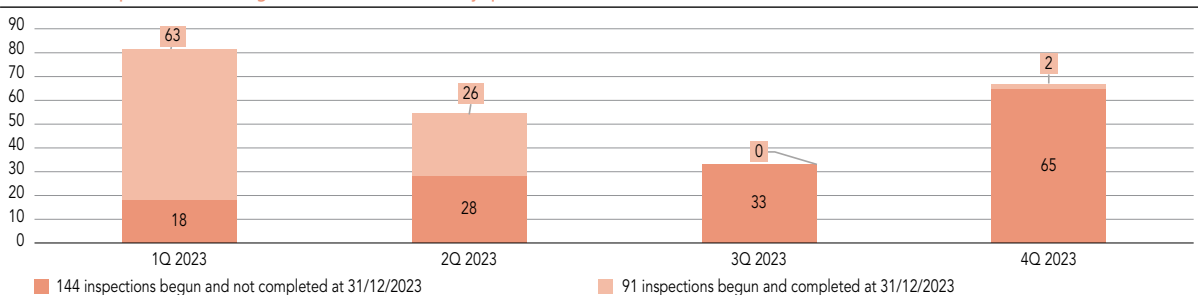
the end of the year, and last several months. Accordingly, only a certain proportion of the inspections “begun” during a year may be “completed” within that same year.

The table above deals solely with 2023.

NB: One inspection from the initial 2023 programme was not underway at end-2023 (neither begun nor cancelled).

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

235 on-site inspections were begun in 2023: distribution by quarter



2.2 CONDUCT RISK-ADJUSTED PRUDENTIAL SUPERVISION

In 2023, the ACPR had initially planned to conduct a total of 56 prudential inspections in the banking sector, including 38 for the ECB at significant institutions. In addition to the 55 inspections begun in 2023, 12 inspections were done at institutions doing business in France but were led by head inspectors from the ECB or other national supervisory authorities and involved staff from the ACPR's Delegation for On-site Inspections.

In 2023, there were slightly fewer prudential inspections in the insurance sector than originally planned, due to a number of adjustments, including the cancellation of several inspections.

In the coming years (2025-2027), 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.

In 2023, there were around 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). In 2023, the ACPR participated in 15 of these college meetings.

The ACPR uses various media to communicate with the financial community about prudential topics.

It communicates regularly about its activities by publishing thematic analyses and studies over the course of the year.

In 2023, the themes covered by analyses published by the ACPR included: financing of property professionals by French banks in 2022; home financing in 2022; the situation of insurers subject to Solvency II in France at end-2022 and in the first half of 2023; the situation of major French banking groups at end-2022; 2022 revaluation of life insurance and guaranteed investment policies; and the state of the insurance market in 2022. Analyses covering the revaluation of life insurance and guaranteed investment policies, as well as a summary of the 2022 survey on the management of data inputs used in the prudential calculations of insurance undertakings, were also published during the course of 2023.

In 2023, the ACPR published two studies in the *Débats économiques et financiers* series, entitled "Public-Guaranteed Loans, Bank Risk-Taking and Regulatory Capital Windfall", and "Bank Market Power and Interest Rate Setting: Why Consolidated Banking Data Matter".

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, an initiative supporting research into 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.

The ACPR additionally organises a one-day conference at least once a year that tackles topical issues of interest to the ACPR. In 2023, the event was 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. Around 3,000 people logged in remotely during the session in November 2023.

INDICATOR 2 – PERFORMANCE – EXECUTION OF THE ON-SITE PRUDENTIAL INSPECTION PROGRAMME

	2023			2024		
	Initial programme	Additional programme	Cancelled	Begun	Of which completed	Initial programme
Number of on-site inspections	101	5	9	97	29	93
Prudential, banking sector	56	3	4	55	16	48
SSM-SI	38	2	2	38	10	36
SSM-LSI/Non-SSM	18	1	2	17	6	12
Prudential, insurance sector	45	2	5	42	13	45

INDICATOR 3 – ACTIVITY – NUMBER OF MEETINGS OF PRUDENTIAL SUPERVISORY COLLEGES

		2022	2023
Total		9	4
Banking	Organised by the ACPR (Home college)	3	1
	Organised by other supervisory authorities (Host college)	6	3
Total		52	43
Insurance	Organised by the ACPR (Home college)	26	24
	Organised by other supervisory authorities (Host college)	26	19



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.

- 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 SIs are counted under host colleges.

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

2.3 OVERSEE PROPER APPLICATION BY THE FINANCIAL SECTOR OF AML/CTF MEASURES

The ACPR had initially planned to carry out 47 inspections in 2023. These were supplemented by five mixed inspections that were performed in conjunction with banking-sector prudential inspections. In all, 43 AML/CTF inspections were begun in 2023, comprising 30 on-site inspections and 13 on-site visits, plus five on-site inspections that were performed in conjunction with a prudential inspection and recorded under prudential inspections for the banking sector, above, and one inspection conducted jointly with Customs.

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

The ACPR organised 37 meetings of AML/CTF supervisory colleges in 2023. These colleges, which cover the banking and insurance sectors, comprise between three and several dozen AML/CTF supervisors, plus the EBA in some cases. By the same token, the ACPR was asked to be part of 67 meetings of AML/CTF colleges and continues

to participate in new colleges organised by its sister authorities. Since the insurance sector has fewer cross-border groups, just one AML/CTF supervisory college meeting was organised in 2023.

Since 2022, the methodology used to analyse questionnaires has reflected a risk-based supervisory approach. As a result, in 2023, all of the 861 questionnaires submitted by institutions deemed to be at-risk out of the 1,215 received were analysed by ACPR staff (see chapter 4 – 1.1).

The ACPR published two AML/CTF analyses in 2023: a report on automated AML/CTF transaction monitoring systems and a sector analysis of AML/CTF risks in France.

ACPR staff also made a significant contribution to EBA publications aimed at promoting best AML/CTF practices in the crypto-asset sector (see details in chapter 4 – 2.1 on strengthening the AML/CTF framework applicable to crypto-assets).

INDICATOR 4 – ACTIVITY – RELATIONS WITH FINANCIAL CENTRE PARTICIPANTS ON PRUDENTIAL TOPICS

	2022	2023	
Meetings of the Consultative Commission on Prudential Affairs	3	4	
Conferences and seminars	12	12	
Supervisory conferences	1	1	
Publications	15	16	
<i>Analyses et synthèses, Débats économique et financiers</i>	<i>Banking</i>	5	5
	<i>Insurance</i>	7	8
Other publications on the ACPR website	<i>Banking</i>	3	3
	<i>Insurance</i>	0	0
Research papers published other than in ACPR and BDF collections	0	0	

Source: Data taken from SGACPR indicators.

INDICATOR 5 – PERFORMANCE – EXECUTION OF THE AML/CTF INSPECTION PROGRAMME

	2023					2024
	Planned under the programme	Additional programme	Cancelled	Begun	Of which completed	Initial programme
Number of on-site inspections	47	1	5	43	14	30
↓						
Clarification						
<i>See Indicator 1</i>						

INDICATOR 6 – ACTIVITY – NUMBER OF AML/CTF SUPERVISORY COLLEGE MEETINGS

	2022	2023	
Total	73	98	
Banking	Organised by the ACPR (Home college)	31	32
	Organised by other supervisory authorities (Host college)	42	66
Total	6	6	
Insurance	Organised by the ACPR (Home college)	6	5
	Organised by other supervisory authorities (Host college)	0	1
↓			
Clarification			
<i>See Indicator 3</i>			

INDICATOR 7 – PERFORMANCE – QUESTIONNAIRE RESPONSE AND PROCESSING RATES

	2023		
	Response rate	Analysis rate	Percentage of summary sheets prepared
Multi-year target: 100%	91%	100%	100%
↓			
Clarification			
<p>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, supervisory departments must draw on their knowledge of all the data or information collected on the institution in question.</p>		<ul style="list-style-type: none"> • Ratios are calculated as follows: <ul style="list-style-type: none"> - Questionnaire response rate = number of questionnaires received/number expected; - Analysis rate = number of questionnaires analysed/number of questionnaires to analyse (number of questionnaires to analyse = number of questionnaires selected by the AML/CTF Directorate in the first quarter of each year, determined according to a risk-based approach, for the directorate to analyse over the course of the year). <p>Source: Data taken from SGACPR indicators.</p>	

2.4 PROTECT CUSTOMERS

The number of inspections actually carried out over 2023 was adjusted on an ongoing basis to reflect the active population and the nature of the inspections planned (see detailed conclusions of inspections in chapter 3 – 1).

Analyses published by the ACPR covered the following themes in particular: due diligence obligations of wholesale brokers when marketing insurance contracts; SFAM's temporary ban on doing business in insurance contracts; an alert on practices used in loan consolidation transactions that were not in the interests of customers.

Efforts to prevent scams continued in 2023 and resulted, among other things, in additions to [the ACPR's blacklist of websites without authorisation](#) to offer loans, savings passbooks, payment services or insurance contracts. In 2023, 1,255 addresses were added, bringing the number of unauthorised sites to 5,167.

The recommendation issued by the ACPR in July 2023 on strengthening product governance concerns the implementation of certain provisions contained in Insurance Distribution Directive (EU) 2016/97 (see chapter 3 – 2.2).

The ACPR continued to monitor advertising communications, analysing around 1,000 life insurance advertisements in 2023 and about 1,300 in the banking sector. In 2024, a joint infographic with the AMF will be distributed on the monitoring activities done within the ACPR-AMF Joint Unit, which coordinates the two authorities' activities in the area of business practices.

INDICATOR 8 – ACTIVITY – RELATIONS WITH FINANCIAL CENTRE PARTICIPANTS ON AML/CTF TOPICS

	2022	2023
Meetings of the AML/CTF Consultative Commission	5	4
Publications on the website on AML/CTF topics	1	2
o/w Guidelines	0	0
o/w Sector enforcement principles	1	0
↓		
Clarification		
Guidelines and sector enforcement principles are explanatory documents designed to clarify the expectations of the authorities regarding the implementation by supervised institutions 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: Source: Data taken from SGACPR indicators.	

INDICATOR 9 – PERFORMANCE – EXECUTION OF THE BUSINESS PRACTICES INSPECTION PROGRAMME

	2023			2024		
	Planned under the programme	Additional programme	Cancelled	Begun	Of which completed	Initial programme
Number of on-site inspections	105	9	18	95	48	88
↓						
Clarification						
See Indicator 1						
NB: One inspection from the initial 2023 programme was not underway at end-2023 (neither begun nor cancelled).						

INDICATOR 10 – ACTIVITY – SUPPORTING DEVELOPMENTS IN THE FINANCIAL CENTRE AND INFORMING THE PUBLIC

	2022	2023
Meetings of the Consultative Commission on Business Practices	4	4
Publications on the ACPR website	2	12

INDICATOR 11 – ACTIVITY – INFORMING THE GENERAL PUBLIC

	2022	2023
Warnings and press releases on the ABEIS website	23	18
Number of blacklisted websites or entities	3,912	5,167
Recommendations on the ACPR website	2	1
Number of advertisements checked – Banking	1,408	1,281
Number of advertisements checked – Insurance	1,002	937

Source: Data taken from SGACPR indicators.

2.5 RESOLVE AND PREVENT CRISES

In the banking sector, 14 resolution plans planned for significant French and cross-border European institutions were adopted. A total of 48 plans were adopted for less significant institutions (LSIs) in 2023. Following the entry into application of Regulation (EU) 2021/23 on the CCP recovery and resolution (CCPRRR) framework, a new category was created (see chapter 5 – 3).

The reduced number of expected LSI plans in 2024 is due to the fact that the vast majority of these entities are subject to simplified obligations, so resolution plans need to be prepared only every four years. Since these entities are dealt with in sequenced cycles organised by category, once every four years there is an “empty year”, when only entities that are not eligible for simplified obligations are covered.

In the case of insurers, out of the four resolution plans planned under work in 2023, just two were adopted. Following the late reception of preventive recovery plans, which are critical to drafting preventive resolution plans, the two other plans were postponed.

In the banking sector, meetings organised in 2023 included workshops and high-level meetings with directors or senior managers, which were attended by participants from the Single Resolution Board (SRB), the affected bank and the ACPR.

Meetings in the insurance sector were held between insurance undertakings and the ACPR. Regarding central counterparties, workshops and high-level meetings were organised between LCH SA (the French CCP) and the ACPR.

In 2023, the ACPR posted three resolution analyses on its website: on adoption of the first preventive resolution plans for insurance undertakings, on “Enhancing the credibility of the EU bail-in design: the example of the treatment of discretionary exclusions” and on “Strategic optionality in resolution: combination of tools”.

2.6 PARTICIPATE IN EUROPEAN AND INTERNATIONAL SUPERVISORY HARMONISATION

ACPR staff were also closely involved in work by the Basel Committee and the Financial Stability Board (FSB) on design and deployment of the DORA framework, finalisation of Basel III transposition, the review of the Solvency II Directive, and work on crypto-assets (see chapter 2 – 3: ACPR involvement in international work).

As part of its external mobility policy, the ACPR is also loaning ten or so employees, who remain on its payroll. In some cases, these arrangements involve personnel swaps with the host institution. This is for example the case with the ECB and the UK’s Prudential Regulation Authority (PRA). This policy is primarily designed to foster a common supervisory culture, share best practices, and encourage international career development. (see box on international mobility).

2.7 TAKING ON NEW CHALLENGES

In 2023, the Fintech Unit continued to provide its expertise to innovators, guiding them through the ACPR authorisation process and helping them to understand the applicable rules. In October 2023, the annual ACPR-AMF Fintech Forum took place. Panel discussions and workshops provided participants with an opportunity to familiarise themselves with fintech issues (see chapter 1 – 2: support for new participants and innovation).

Analyses published by the Fintech Unit in 2023 included an examination of the regulatory response to decentralised finance (DeFi) (see chapter 2.2 – box).

Forming part of the Banque de France’s 2024 strategic plan, the suptech approach aims to boost the ACPR’s supervisory capabilities by harnessing new data processing and artificial intelligence technologies (see chapter 2 – 2.3 on Preparing the supervisory methods of the future).

The analyses published by the ACPR concerned in particular the scenarios and main assumptions of the 2023 climate risk stress test exercise for insurers (see chapter 7 – 1-1) and application by insurers of the Energy and Climate Act (see chapter 7 – box entitled “Analysis of reports published by insurers pursuant to Article 29 of the Energy and Climate Act”).

In terms of sustainable finance, internationally, the ACPR is taking part in Basel Committee work on the recognition of climate risk under the various pillars of the prudential framework, as well as in insurance-related work at European level (see chapter 2 – 3 and boxes).

The ACPR continues to provide input to international discussions on cyber risk by participating in several cross-border working groups, including within the G7's Financial Stability Board (FSB), the European Systemic Risk Board (ESRB) and the International Association of

Insurance Supervisors (IAIS). It also helped to organise cyber crisis management exercises, including the ECB's cyber stress test scheduled for April 2024, and cyber crisis simulation exercises in partnership with other national insurance authorities.

INDICATOR 12 – ACTIVITY – NUMBER OF RESOLUTION PLANS ADOPTED

	Banking SI FR and cross-border		Banking LSI		Insurance		CCP	
	2023	2024	2023	2024	2023	2024	2023	2024
Planned number of resolution plans	14	14	47	4	4	15	1	1
Number of resolution plans adopted	15		48		2		1	

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

INDICATOR 13 – ACTIVITY – RELATIONS WITH FINANCIAL CENTRE PARTICIPANTS ON RESOLUTION TOPICS

	2022	2023
Number of publications	1	3
Number of meetings, Banking sector	125	112
Number of meetings, Insurance sector	7	14

INDICATOR 14 – ACTIVITY – ACPR INVOLVEMENT IN EUROPEAN AND INTERNATIONAL WORKING GROUPS AND COMMITTEES

Number of working groups and committees in which the ACPR participates	2022	2023
International bodies (BCBS, BIS, Fed, FSB, IAIS)	86	101
European agencies (EBA, EC, ECB, EIOPA, SRB, ECB-SSM)	260	284



Clarification

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

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

INDICATOR 15 – ACTIVITY – NUMBER OF ACPR EMPLOYEES HOLDING POSITIONS AT EUROPEAN OR INTERNATIONAL INSTITUTIONS

	2022	2023
International bodies (BIS, BCBS and IAIS)	8	8
Number of seconded employees	7	7
<i>Holding key positions</i>	4	4
Number of non-seconded employees holding key positions	1	1
European agencies (EBA, EIOPA, ESMA, etc.)	37	36
Number of seconded employees	35	35
<i>Holding key positions</i>	5	4
Number of non-seconded employees holding key positions	2	1
European Banking Union (ECB-SSM and SRM)	82	94
Number of seconded employees	82	94
<i>Holding key positions</i>	6	7
Number of non-seconded employees holding key positions	0	0



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 SGACPR indicators and gathered from Human Resources.

INDICATOR 16 – ACTIVITY – RELATIONS WITH FINANCIAL CENTRE PARTICIPANTS ON FINANCIAL INNOVATION TOPICS

FINTECH	2022	2023
Meetings of the Fintech Forum and its working groups	11	8
Industry/Forum gatherings attended, including webinars	28	45
Number of publications relating to financial innovation	11	6
Number of meetings with innovators	218	157

INDICATOR 17 – ACTIVITY – IMPLEMENT A SUPTECH STRATEGY FOR AUGMENTED SUPERVISION

SUPTECH	2022	2023
Number of projects brought onstream	3	5
Number of products currently at the incubation/execution stage	12	5

INDICATOR 18 – ACTIVITY – RELATIONS WITH FINANCIAL CENTRE PARTICIPANTS ON SUSTAINABLE FINANCE ISSUES

Climate and sustainable finance	2022	2023
Meetings by consultative commissions	6	4
Number of experts in the Climate Change and Supervision Network (at 31 December)	33	38
Number of publications	3	2
Research papers published other than in ACPR and BDF collections	0	0

INDICATOR 19 – ACTIVITY – RELATIONS WITH FINANCIAL CENTRE PARTICIPANTS ON CYBER RISK ISSUES

Cyber risk	2022	2023
Contributions to major publications	11	22

Source: Data taken from SGACPR indicators.



Clarification

*ACPR staff actively participated in drafting ten or so implementing texts for Europe's DORA Regulation (see chapter 2 – 3, box on the European Digital Operational Resilience Act(DORA) Regulation).
The table above deals solely with 2023.*

ACRONYMS USED

ABEIS	<i>Assurance Banque Épargne Info Service</i>	EIOPA	European Insurance and Occupational Pensions Authority
ACPR	<i>Autorité de contrôle prudentiel et de résolution</i>	EMIR	European Market Infrastructure Regulation
AMF	<i>Autorité des marchés financiers (Financial Markets Authority)</i>	ESRB	European Systemic Risk Board
AMLA	Anti Money Laundering Authority	FATF	Financial Action Task Force
AML/CTF	Anti-money laundering and counter-terrorist financing	FBF	<i>Fédération bancaire française (French Banking Federation)</i>
ANSSI	<i>Agence nationale de la sécurité des systèmes d'information (National Cybersecurity Agency)</i>	FCT	<i>Fonds commun de titrisation (Securitisation fund)</i>
API	Application Programming Interface	FINREP	FINancial REPorting
ARCEP	<i>Autorité de régulation des communications électroniques, des postes et de la distribution de la presse (Regulatory Authority for Electronic Communication, Postal Services and Print Media Distribution)</i>	Fintech	Financial technology
ASF	<i>Association française des sociétés financières (French Association of Financial Companies)</i>	FRTB	Fundamental Review of the Trading Book
CCP	Central CounterParty	FSB	Financial Stability Board
CII	Credit and investment institution	HCSF	<i>Haut Conseil de stabilité financière (High Council for Financial Stability)</i>
COREP	COmmon solvency ratio REPorting	IAIS	International Association of Insurance Supervisors
CRD	Capital Requirements Directive	IFRS	International Financial Reporting Standards
CRR	Capital Requirements Regulation	IMAS	Information Management System (IT tool used by the SSM to formalise the annual assessment of banks)
CSRBB	Credit Spread Risk in the Banking Book	IORP	Institutions For Occupational Retirement Provision
CSRD	Corporate Sustainability Reporting Directive	IPCC	Intergovernmental Panel on Climate Change
DASP	Digital asset service provider	IRRBB	Interest Rate Risk in the Banking Book
DGCCRF	<i>Direction générale de la concurrence, de la consommation and de la répression des fraudes (Directorate General for Competition Policy, Consumer Affairs and Fraud Control)</i>	IRRD	Insurance Recovery and Resolution Directive
DGT	Direction générale du Trésor	ISSB	International Sustainability Standards Board
EBA	European Banking Authority	JST	Joint Supervisory Team
ECB	European Central Bank	LCR	Liquidity Coverage Ratio
EEA	European Economic Area	LSI	Less Significant Institutions
EFRAG	European Financial Reporting Advisory Group	MiCA	Markets in Crypto-Assets
eiDAS	Electronic IDentification And Trust Services	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)	SFDR	Sustainable Finance Disclosure Regulation
ORSA	Own Risk and Solvency Assessment	SI	Significant Institutions
PACTE	<i>Plan d'action pour la croissance et la transformation des entreprises</i> (Action Plan for Business Growth and Transformation)	SNCI	Small and Non Complex Institutions
		SRB	Single Resolution Board
		SSM	Single Supervisory Mechanism
		SupTech	Supervisory Technology

ANNEX 1: DECISIONS TAKEN BY THE SUPERVISORY COLLEGE CONCERNING INDIVIDUAL ENTITIES IN 2023

	TOTAL	of which	BANKING SECTOR	INSURANCE SECTOR
Supervision (procedures for calculating and applying prudential ratios, exemptions)	31		18	13
Administrative enforcement measures				
<i>Warning</i>	0		0	0
<i>Formal notice (issued by the Chairman acting under delegated authority)</i>	11		7	4
<i>Request for a recovery programme</i>	1		0	1
<i>Placement under special supervision</i>	0		0	0
<i>Limitation of activity</i>	4		3	1
<i>Placement under provisional administration</i>	1		0	1
<i>Reappointment of a provisional administrator</i>	3		0	3
<i>Other</i>	1		0	1
Other binding measures				
<i>Additional capital requirement</i>	56		56	0
<i>Specific liquidity requirement</i>	10		10	0
<i>Request for short-term funding plan</i>	0		0	0
<i>Injunction with coercive fines</i>	0		0	0
<i>Appointment of a liquidator</i>	0		0	0
<i>Other binding measures</i>	2		0	2
Initiation of disciplinary proceedings	4		3	1
Other measures concerning individual entities (opening of inter partes proceedings, lifting of enforcement measures, measures relating to preventive recovery plans, etc.)	204		149	55
Total decisions concerning individual entities	334		249	85
Number of appeals referred to the <i>Conseil d'État</i> against Supervisory College decisions	6		3	3

ANNEX 2: LIST OF DECISIONS ON GENERAL ISSUES ADOPTED IN 2023 BY THE SUPERVISORY COLLEGE OF THE ACPR

INSTRUCTIONS

Instruction 2023-I-01	repealing and replacing Instruction 2018-I-11 of 11 July 2018 on the national prudential documents to be provided annually by supplementary occupational pension institutions amended by Instructions 2019-I-29 of 19 December 2019, 2021-I-06 of 18 June 2021, 2021-I-13 of 15 October 2021 and 2021-I-26 of 16 December 2021.
Instruction 2023-I-02	repealing and replacing Instruction 2022-I-12 of 8 July 2022 on the annual prudential documents to be provided by institutions under the ACPR's supervision and covered by the "Solvency II" regime.
Instruction 2023-I-03	repealing and replacing 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, amended by Instruction 2021-I-12 of 15 October 2021.
Instruction 2023-I-04	on the information to be provided to the ACPR in the event of problems using a dedicated interface ("API") provided by an account-servicing payment service provider.
Instruction 2023-I-05	repealing Instruction 2020-I-10 of 15 July 2020 on reporting prudential financial information linked to exposures subject to measures applied in response to the Covid-19 crisis amended by Instruction 2022-I-08.
Instruction 2023-I-06	amending Instruction 2017-I-24 on the submission to the ACPR of various accounting, prudential and disclosure documents (banking sector) amended by Instruction 2019-I-07 and by Instruction 2022-I-07.
Instruction 2023-I-08	repealing and replacing Instruction 2023-I-02 of 13 April 2023 on the annual prudential documents to be provided by institutions under the ACPR's supervision and covered by the "Solvency II" regime.
Instruction 2023-I-09	repealing and replacing Instruction 2022-I-13 of 8 July 2022 on the submission to the ACPR of prudential documents by insurance and reinsurance institutions covered by the "Solvency II" regime.
Instruction 2023-I-10	repealing and replacing 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 Instructions 2020-I-14 of 16 December 2020 and 2021-I-25 of 16 December 2021.
Instruction 2023-I-11	on the sector-specific systemic risk buffer as defined by HCSF Decision D-HCSF-2023-3.
Instruction 2023-I-12	on applications to license a credit institution amending Instruction 2012-I-08 of 13 December 2012, which itself amended the licensing application form for credit institutions providing investment services.
Instruction 2023-I-13	repealing and replacing Instruction 2023-I-08 of 17 July 2023 on the annual prudential documents to be provided by institutions under the ACPR's supervision and covered by the "Solvency II" regime.
Instruction 2023-I-14	repealing and replacing Instruction 2016-I-04 of 14 January 2016 on disclosures for the purposes of financial stability (insurance sector) amended by Instruction 2021-I-24 of 16 December 2021.
Instruction 2023-I-15	repealing and replacing Instruction 2021-I-03 of 11 March 2021 on setting up the unified reporting system for banks and equivalents.

Instruction 2023-I-16	repealing and replacing Instruction 2022-I-19 of 9 December 2022 on the collection of information on remuneration at entities subject to Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements applicable to credit institutions and investment funds.
Instruction 2023-I-17	repealing and replacing Instruction 2022-I-20 of 9 December 2022 on the collection of information on remuneration at entities subject to Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements applicable to investment funds.
Instruction 2023-I-18	repealing and replacing Instruction 2022-I-21 of 9 December 2022 on the collection of information on high earners at entities subject to Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 and Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements for investment firms.
Instruction 2023-I-19	on licensing applications for third-country branches authorised as credit institutions.
Instruction 2023-I-20	repealing and replacing Instruction 2013-I-15 of 12 November 2013 on monitoring flows in relation to life insurance contracts, amended by Instruction 2017-I-18 of 12 October 2017.
Instruction 2023-I-21	on transmission to the ACPR of the annual reports of approved professional associations (banking and insurance sectors).
Instruction 2023-I-22	on the submission of information needed to calculate contributions to guarantee schemes for deposits, securities and bank guarantees to be published on the official website.
Instruction 2023-I-23	on the disclosure of prudential financial information applicable to significant and less significant groups and entities, repealing and replacing Instruction 2015-I-13 of 15 June 2015 amended by Instruction 2016-I-11 of 6 June 2016.

POSITION

ACPR Position 2022-P-02 on the recognition and prudential monitoring of financial holding companies.

RECOMMENDATION

Recommendation 2023-R-01 of 17 July 2023 on the implementation of certain provisions arising from Insurance Distribution Directive (EU) 2016/97.

ANNEX 3: CSR AT THE ACPR: COLLABORATIVE AND CARING INITIATIVES

GETTING INVOLVED IN WORLD CLEANUP DAY

As part of European Sustainability Week, around 15 ACPR and Banque de France employees took part in World Cleanup Day, held last September. Their mission was to pick up litter in the area around the Saint-Lazare train station, near where the ACPR's main building is located. In one hour, they collected around 100 litres of recyclable waste, 50 litres of general waste and approximately 2,500 cigarette butts. The initiative was a way to raise awareness about growing amounts of waste and the consequences for our ecosystem.

ENERGIC ENVIRONMENTAL CHALLENGE

The Energic environmental challenge⁷⁶ was designed to promote eco-friendly actions, share best practices and encourage people to play a part in reducing their energy consumption. Over a three-month period, 1,437 ACPR and Banque de France employees took part in the fun challenge via a mobile app that allowed them to learn more about environmental issues and get involved. The individual and group challenges included in the Energic campaign made it possible to share 8,534 eco-friendly actions and 2,767 ideas.

FOULÉES DE L'ASSURANCE CHARITY RUN

In March 2023, around 90 ACPR employees took part in *Foulées de l'Assurance*, a charity run organised by the insurance sector. Thanks to its outstanding athletes, the ACPR took first place in the 10 km race in the Business and Institutions categories. In 2023, the event raised EUR 31,340 for ADICARE, an organisation working to support research into cardiology and heart surgery.

NO FINISH LINE

In June 2023, ACPR employees were part of the Banque de France team that came first in the ninth annual No Finish Line charity race to support the work of the Samu Social and Médecins du Monde charities, which received EUR 1 per km walked or run, or approximately EUR 60,000. During the event's five days, 1,084 walkers and runners from the ACPR and the Banque de France covered 31,116 km, averaging an amazing 28.6 km per participant.

ACPR TOY DONATION DRIVE FOR RESTOS DU CŒUR

From 23 November to 5 December 2023, the ACPR organised a toy donation drive to support *Les Restos du Cœur*, a charity. More than 76 kg of toys were collected over the course of one week.

PARTICIPATION IN THE PIÈCES JAUNES FUNDRAISING CAMPAIGN WITH THE BANQUE DE FRANCE

As part of the Banque de France's community engagement activities, ACPR employees take part every year in the *Pièces Jaunes* (Small Change) fundraising campaign.

For over 30 years, ACPR and Banque de France employees have helped out with this important campaign, which works to improve the daily lives of hospitalised young children and teenagers in France.

The 2023 campaign raised EUR 6 million and funded 209 projects. The Banque de France sorted almost 119 tonnes of small change.

EDUCFI VISIT FOR BANKING STUDENTS

France has had a national strategy for economic, budgetary and financial literacy (EDUCFI) since 2016. The strategy is based on the high-level principles drawn up by the Organization for Economic Co-operation and Development (OECD) and adopted by the G20. EDUCFI seeks to educate people on managing personal and family budgets, teach them about banking and insurance tools (accounts and payment instruments, loans, savings and insurance), and improve their grasp of economic concepts.

As part of this, 40 or so students enrolled in the banking vocational training (BTS) programme at Charles Peguy secondary school in Marseille were hosted at the ACPR on 4 January 2023 by ACPR Deputy Secretary General Frédéric Visnovsky, who told them about the ACPR, explaining how it is organised and how it goes about performing inspections. Discussions after the presentation gave the students an opportunity to learn about the key role played by the ACPR in the economy.

⁷⁶ Energic Challenge.

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