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ANNUAL
REPORT
ACPR





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Chairman of the ACPR
and Governor of the Banque de France

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This annual report presents an overview of the different activities of the *Autorité de contrôle prudentiel et de résolution* and its services.
It will be supplemented in the third quarter of 2021 by a statistical report on the French banking and insurance market.

Governor's Editorial

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



The global health crisis and its economic consequences had a powerful impact in 2020. France, like many countries, experienced an unprecedented drop in economic activity. With uncertainty remaining over when the crisis may end, this situation could have an adverse effect on corporate financial positions. At the same time, it is contributing to an increase in government debt owing to the roll-out of support measures.

The more than 1,050 men and women who make up the ACPR's staff demonstrated exemplary professionalism as they worked hard to respond to the crisis. They deserve our grateful thanks. Their efforts helped to ensure that the consequences for financial stability remained under control. French banks, which boast solid financial positions, were able to play a central role in the support provided to businesses by distributing loans under the state-guaranteed loan (PGE) scheme and by introducing moratoria on loan payments. Thanks to efforts made since the 2008 financial crisis along with the effects of the Basel III framework, banks have strong capital bases that enabled them to maintain high solvency ratios and weather the Covid shock. Banks also kept elevated liquidity levels, which were boosted by the savings built up in deposit accounts. French insurers saw their earnings fall owing to the impact of the pandemic and low interest rates, but they too managed to maintain solid solvency ratios.

1. Prudential oversight was adjusted and strengthened in response to the crisis

The ACPR and European authorities stepped up their risk analysis and oversight of insurance and banking institutions. Institutions were urged to adopt prudent practices, particularly as regards dividends, in order to shore up their financial positions and ensure that they were able to continue to play their role in financing the economy to the full.

Numerous measures were taken to ensure that institutions had enough room to manoeuvre to respond to the crisis.

Although the European Banking Authority's stress test of banks was pushed back to 2021, ongoing supervision by the Joint Supervisory Teams (JSTs) was supplemented by a vulnerability analysis conducted by the European Single Supervisory Mechanism (SSM), which covered France's 11 largest banks, or Significant Institutions (SIs). Meanwhile, the *Haut Conseil de Stabilité Financière* (HCSF – High Council for Financial Stability) lowered the countercyclical capital buffer rate to 0% in April 2020. In addition, targeted measures to ease prudential restrictions were decided at French, European and international levels. These included the option of using the solvency and liquidity buffers set aside to deal with situations of stress.

Banks were able to play a major role in overcoming the crisis by meeting the financing needs of economic agents. Banks distributed EUR 137 billion in state-guaranteed loans and

kept up a brisk pace in new home lending, while taking care to ensure that borrowers' debt-service-to-income ratios were better calibrated, in line with HCSF recommendations.

In the insurance sector, the European Insurance and Occupational Pensions Authority (EIOPA) allowed extra time to meet reporting obligations.

Also in insurance, special non-contractual measures along with premium reimbursements and reductions helped to mitigate the impact of the crisis. Furthermore, the financial sector as a whole demonstrated considerable operational agility as it delivered service continuity while coping with the challenges associated with increased home working.

2. A resilient financial sector, thanks in particular to international regulations

The strengthened prudential framework built around Basel III and Solvency II played a major part in the resilience shown by the financial sector. The health crisis thus underlined the need for the robust prudential regulations introduced in recent years through the Basel III Accords and the Solvency II Directive. The Basel III reforms are due to be finalised in Europe in accordance with the revised international timetable, with the start date pushed back to early 2023 and under a fair and reasonable transposition process. With the Solvency II review, completing and stabilising the prudential reforms will be a priority for the coming months.

While solvency remains solid, profitability in the financial sector remains structurally too weak in an environment of low interest rates and increased digitalisation. Accordingly, institutions must keep up – and step up – their efforts to adapt.

3. The ACPR continues to work with the financial community on the structural changes now underway

The ACPR is supporting the financial sector in its efforts to adapt to **climate challenges**. It published the first joint report with the AMF on the climate commitments and coal policies of French financial institutions. In its feedback to consultations by the European Commission, the ACPR offered input on the European Union's sustainable finance strategy.

In July 2020, the ACPR launched a new type of exercise to assess the impact of climate change risk scenarios on the balance sheets of French banks and insurers. Some of these scenarios were derived from work by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), for which the ACPR and the Banque de France provide the global secretariat. The findings from the pilot exercise were published in early May 2021 and will enable institutions and the ACPR to make headway in understanding and preventing these risks.

As part of its task of **supervising the business practices and protecting the customers** of several hundred institutions and around 70,000 intermediaries, the ACPR stepped up its monitoring to reflect the growing risks connected with the health crisis. To ensure proper implementation of financial inclusion arrangements, new checks were carried out in the main banking networks in metropolitan France and the overseas territories to assess the procedures used to deal with financially vulnerable customers. As part of the national financial literacy strategy, the ACPR and the AMF, with the support of the Banque de France, organised 40 conferences around the country on the topic of saving.

The ACPR and the other authorities represented in France's Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF) Advisory Committee, including Tracfin, paid particular attention to the specific **AML/CTF** risks linked to the crisis, including scams involving government assistance and fraudulent donation appeals.

Working through its Fintech-Innovation Unit, the ACPR continued to provide support for **responsible financial innovation**. The digital revolution underway in payments was a key focus in this regard. But other important areas of work included ensuring compliance with the right identification rules during the non-face-to-face establishment of business relationships, monitoring the application of AML/CTF rules to the crypto-asset sector and examining the access of digital asset services providers (DASPs) to bank accounts. The ACPR also paid close attention to the risks revealed by recent incidents in the areas of payments and market financing.

In 2021, the ACPR will continue to work towards the twin goals of ensuring that the financial system is sound both during the crisis and in the exit phase, while helping to strengthen the system to cope with the structural challenges of the decade, starting with the accelerated pace of digital innovation.

Interview

A look back at 2020

Dominique Laboureix,
Secretary General
of the ACPR



In 2020, amid an unprecedented health and economic crisis, the ACPR had an exceptionally busy and interesting year. Throughout 2020, our three guiding concerns were to stay vigilant, provide support and make the necessary adjustments.

Staying vigilant is critical to supervision. We stepped up efforts as soon as the crisis hit, introducing enhanced monitoring – daily in some cases – of institutions and entities. These high levels of interaction enabled us to support these entities, notably by ensuring that the specific actions and measures introduced in response to the pandemic were properly applied.

I would like to congratulate the ACPR's employees on their ability to adjust to extremely complicated circumstances, from coping with the widespread introduction of teleworking arrangements during the first lockdown to getting to grips with remote working tools, from keeping our activities going to adjusting priorities and making appropriate adjustments to on-site inspections. Thanks to them, the ACPR was able to come through the challenges. I would also like to highlight our proactive hiring policy, which proved successful despite the difficulties linked to the crisis, enabling us to welcome 127 new staff members in 2020.

I will now look in greater detail at the ACPR's main areas of activity in 2020.

In terms of our **prudential oversight of the banking sector**, the ACPR assessed the impact of the crisis on business continuity and the prudential situations of all supervised institutions. In the case of the largest institutions, inspections by the Joint Supervisory Teams within the framework of the SSM were continued and supplemented to reflect the situation. Enhanced monitoring of credit risk and non-performing loans was performed in connection with support measures extended to customers, particularly businesses (moratoria, state-guaranteed loans).

In the insurance sector, the ACPR concentrated its work on monitoring business models and assessing risks in a low interest rate environment. We paid special attention to the contrasting effects of the crisis on different segments of the industry and reiterated the importance of reporting data quality. Despite the challenges related to the health situation, execution of the on-site inspection programme was maintained at a significant level, with safe tools deployed for this purpose.

In both sectors, the ACPR recommended suspending dividends and share buybacks, consistent with decisions taken at European level.

The ACPR naturally played its role to the full in **Brexit**-related institutional developments. Everything was done to be ready when Brexit came into effect on 1 January 2021, from issuing licenses to around 50 subsidiaries of investment firms and payment institutions, to reminding UK institutions ceasing to do business in France about customer protection requirements.

In **customer protection**, the ACPR focused its inspection campaigns and recommendations on priority issues, such as the marketing of life insurance policies by insurance intermediaries in a low interest rate environment, unsolicited phone calls and the procedures for dealing with financially vulnerable customers. We stepped up our preventive efforts in response to the rise of financial scams during the Covid-19 crisis.

In **AML/CTF**, the ACPR continued its activities while maintaining a particularly high level of vigilance, reflecting the fact that fraud may flourish during times of crisis. We kept up our inspections and trialled new artificial intelligence tools to make on-site inspections even more effective. In 2020, the ACPR conducted its first survey of brokers, which highlighted a number of areas to watch, particularly in AML/CTF. We also organised our first AML/CTF colleges for three French banking groups and one insurance group, following the decision by the European Banking Authority (EBA) to set up colleges comprising the AML/CTF supervisors of any group based in at least three European Economic Area (EEA) countries. Meanwhile, discussions took place about setting up a new AML/CTF directorate for the ACPR in order to bring all the experts under a single umbrella. A new directorate was duly created in April 2021.

The ACPR is also taking on the major challenge of **climate change**. In July 2020, we launched a pilot climate stress test in partnership with French banks and insurers. The world's first such exercise, the test is designed to assess the impact of climate risk scenarios on banks' and insurers' balance sheets. The idea is to evaluate the risks for these institutions linked to climate change and the transition to a more sustainable economy, while highlighting the tools that institutions and entities have to manage these risks. In addition, the ACPR and the AMF released their first joint report on the climate commitments and coal exit policies of financial institutions.

In **resolution**, we put considerable effort into improving planning and establishing an operational definition for the management of bank crises and extended our resolution work in the insurance sector.

Through the **Fintech Unit**, the ACPR continued to act as a gateway for contributors with innovative projects. It also pursued its dialogue with the innovation ecosystem in France and abroad about major topics such as blockchain, artificial intelligence, crypto-assets, regtech and suptech.

Work priorities for 2021

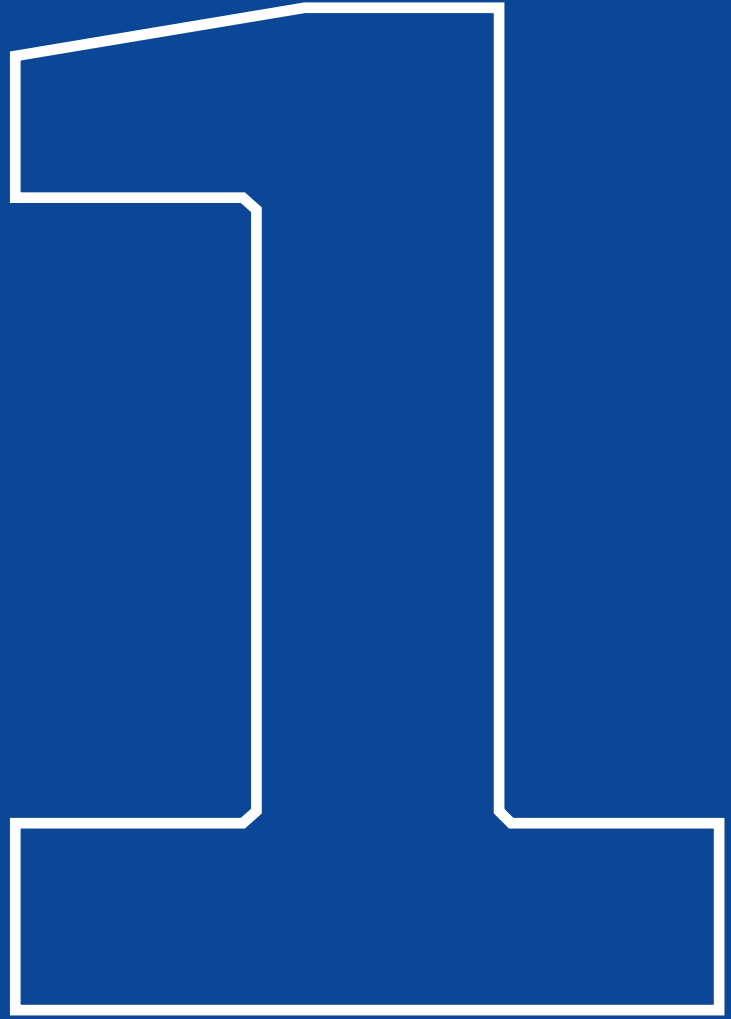
The work priorities for 2021 remain largely dictated by the health crisis, amid ongoing uncertainty about developments in the economic environment.

Accordingly, the ACPR plans to continue to perform enhanced oversight of the solvency situations of the main banking and insurance groups. Efforts in this regard will include the European stress tests conducted by the EIOPA and the EBA.

Looking at issues that will remain critical in 2021, we will continue to keep a close watch on the effects of the low interest rate environment on the earnings of banks and insurers.

The ACPR also plans to pursue efforts to be future-ready and to play a full part in discussions in this area, including the debate on the European Commission's digital agenda and prudential discussions about climate and technology risks.

More than ever, in 2020, which was such a unique year, the ACPR demonstrated its ability to effectively discharge its statutory tasks, thanks to the hard work of its employees.



About the ACPR



2020 key figures

39

**SUPERVISORY
COLLEGE MEETINGS**

683

**INSURANCE COMPANIES
AND MUTUAL INSURERS
SUPERVISED**

4

**RESOLUTION
COLLEGE MEETINGS**

1,037

**STAFF
ON AVERAGE
OVER THE YEAR**

9

**SANCTIONS
COMMITTEE
MEETINGS**

657

**BANKING SECTOR
INSTITUTIONS
SUPERVISED**

1. Statutory objectives

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

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

Since the European banking union was set up in 2014, the ACPR has discharged its banking-related prudential responsibilities

within the framework of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM).

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



2. Organisation

2.1 Decision-making bodies

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

To provide it with further information on some of the topics it has to address, the ACPR's Supervisory College is supported by an Audit Committee, four consultative commissions covering prudential affairs, AML/CTF, business practices, and climate and sustainable finance respectively, and a Scientific Consultative Committee. These different bodies met 29 times in 2020.

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

The Supervisory College (at 31 December 2020)



**François VILLEROY
de GALHAU**
Governor of the
Banque de France



Denis BEAU
Designated
Deputy Governor



Jean-Paul FAUGÈRE
Vice-Chairman of the ACPR



Robert OPHÈLE
Chairman of the AMF



**Patrick
de CAMBOURG**
Chairman of the AMF



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



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



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



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



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



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



Jean-Luc GUILLOTIN



Anne LARPIN-POURDIEU



Olivier MESNARD



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



David NOGUÉRO



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



Christian LAJOIE



Isabelle LEFEBVRE



Catherine THERY

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

Emmanuel MOULIN

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

Franck Von LENNEP

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

The Resolution College (at 31 December 2020)



**François VILLEROY
de GALHAU**
Chair



Jean-Paul FAUGÈRE
Vice-Chairman of the ACPR



Sébastien RASPILLER
Head of the Financial Sector
department, representing
Emmanuel MOULIN,
Director-General of the Treasury



Robert OPHÈLE
Chairman of the AMF



Denis BEAU
Deputy Governor
of the Banque de France



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



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

The Sanctions Committee (at 31 December 2020)



Appointed by the Vice-Chairman of the *Conseil d'État*
Alain MÈNÉMÉNIS
Member of the *Conseil d'État*, Chairman



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



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



Mathias de SAINTÉ LORETTE
Member of the *Conseil d'État*, Alternate



Appointed by the Chairman of the *Cour de cassation*
Edith SUDRE
Counsellor at the *Cour de cassation*, Alternate

Laurent JACQUES
Counsellor at the *Cour de cassation*,
Full Member

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



Claudie BOITEAU
Full member



Dorothée de KERMADEC-COURSON
Alternate



Elisabeth PAULY
Full member



Philippe BRAGHINI
Alternate



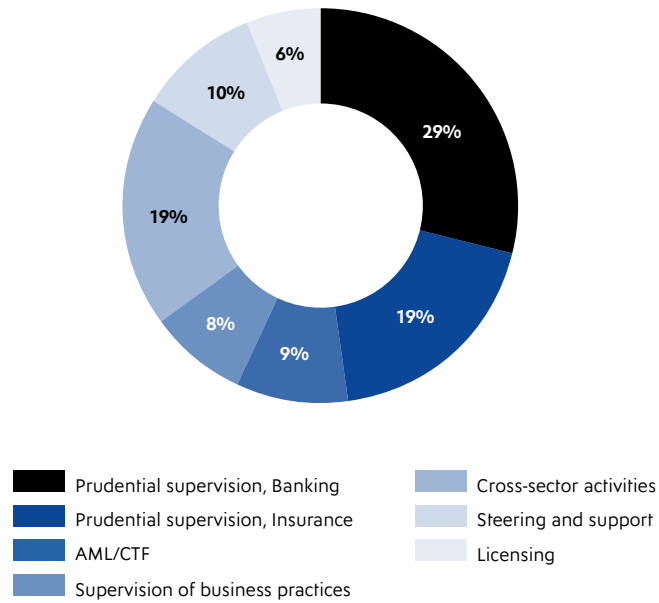
Thierry PHILIPPONNAT
Full member



Philippe LAIGRE
Alternate

2.2 General Secretariat

The ACPR's departments are overseen by the General Secretariat. The average annual headcount in full-time equivalent (FTE) terms stood at 1,037, as compared with the cap of 1,050 (cf. Box on page 65 – Keeping up a proactive hiring drive despite the crisis). At 31 December 2020, the staff headcount comprised 1,095 employees (1,059 FTE), comprising 569 men and 526 women. These staff members, who have a wide range of backgrounds, are distributed as follows in the Authority's different areas of activity.



ACPR General Secretariat (at 1 May 2021)



Deputy Secretaries General



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

Directors



From left to right
Front row: Emilie QUEMA, Evelyne MASSÉ, Bruno LONGET
Second row: Geoffroy GOFFINET, Anne-Sophie BORIE-TESSIER, Henry de GANAY
Third row: Nathalie BEAUDEMOULIN, Frédéric HERVO, Violaine CLERC
Fourth row: Laurent CLERC, Philippe BERTHO, Jérôme SCHMIDT, Olivier FLICHE

3. The ACPR's priority action areas in 2021

At its plenary meeting on 11 December 2020, the ACPR College adopted the following priorities for prudential supervision in 2021:

1. Maintain the current level of commitment in its support of the European Central Bank (ECB) with regard to work relating to the Single Supervisory Mechanism for the euro area banking sector, much of which is linked to the effects of the Covid-19 crisis. Themes relating to credit risk management, provisioning, measures to strengthen the forward-looking management of bank capital, the sustainability of bank business models and adjustments to risk management systems (data aggregation and quality issues, IT and cyber-risks) will be monitored particularly closely in this regard;
2. Monitor the consequences of cyclical risks linked to the health crisis on all entities under direct ACPR supervision, as well as the impact of the low interest rate environment and other identified risks. This work includes prudential oversight of the insurance and banking sectors, with special attention paid to the impacts on business models, profitability and solvency, but also to the role of governance bodies. In terms of consumer protection, it includes active monitoring to prevent fraud, oversight of life insurance marketing strategies and protection of vulnerable populations;
3. Continue structural work and build the post-crisis future by:
 - adapting and implementing European regulations (Basel III in Europe, Solvency II review, European digital package and framework for crypto-assets);

- analysing and monitoring the changes arising from the emergence of new participants, such as fintechs and bigtechs, and new technologies, including blockchain, artificial intelligence and central bank digital currencies;
- monitoring cyber-threats to the financial sector;
- setting up a framework to measure and supervise climate risks, including publication of the results of the pilot exercise conducted by the ACPR;
- and combating money laundering and terrorist financing, notably through the definition of the new European framework and the treatment of at-risk customer groups in institutions' systems.

At its meeting on 30 November 2020, the ACPR's Resolution College adopted the following resolution priorities for 2021:

1. Maintain the ACPR's support for the work of the Single Resolution Board (SRB) to strengthen the resolvability¹ of banking groups, notably by focusing on developments that could reduce the fragmentation of national resolution treatments and improve recognition of recovery options when setting the minimum requirement for own funds and eligible liabilities (MREL);
2. Deepen and extend work to identify critical functions within insurance institutions and prepare the first resolution plans for insurance institutions, in particular by developing aspects relating to resolution tools and the public interest assessment.²



1. The aim is to assess a given entity's eligibility for resolution mechanisms as an alternative to liquidation.
2. An assessment of whether it is in the public interest to apply resolution measures depending on the objectives of resolution.



Prudential supervision in 2020



2020 key figures

218

LICENSING
and authorisation decisions

76

ON-SITE INSPECTIONS
relating to prudential
supervision

28

MEETINGS ATTENDED
of decision-making bodies
of European supervisory
authorities, including
additional meetings
connected with the health
crisis (EBA and EIOPA)

26

MEETINGS
of the ECB's prudential
supervisory board

9

ANALYSES ET SYNTHÈSES
reports published

1

**FORMAL
NOTICE**

1. Changes to the structure of the French financial system

Summary of ACPR licensing and authorisation decisions

	2020 ACPR licensing and authorisation decisions		
	Total	Insurance	Banking ¹
Granting of licences, authorisations and registrations	43	7	36
Licence extensions	22	7	15
Waivers and exemptions from licensing and authorisation requirements	14	1	13
Amendments to licences and authorisations	1	-	1
Withdrawals of licences and authorisations	22	-	22
Risk transfer agreements	4	4	0
Administrative changes	12	6	6
Changes in ownership	54	10	44
Mergers, demergers and/or portfolio transfers – Insurance sector	24	24	0
Other	22	8	14
TOTAL	218	67	151

¹ Including credit institutions, investment firms, payment institutions, electronic money institutions and financing companies

1.1 Insurance sector

Decisions taken included the following:

Seven new institutions were licensed in 2020, compared with nine in 2019:

- three institutions were licensed as supplementary occupational pension funds (FRPS), a new regime established under Ordinance No. 2017-484 of 6 April 2017:
 - the Allianz Retraite FRPS set up by Allianz France group;
 - the Axa Retraite Entreprise FRPS set up by AXA group;
 - Médecis, a mutual insurer, decided to become an FRPS.
- a license was issued in December 2020 to Millennium Insurance Company (MIC) in connection with Brexit and the transfer to France of activities conducted by the company out of Gibraltar;
- two insurance companies were licensed with a view to diversifying the activities of certain institutions or groups (Klesia SA for reinsurance, Corum Life for Class 22 insurance (insurance related to investment funds));
- for the third time in France, a licence was granted to a sub-fund of a securitisation fund (FCT) carrying insurance risks; specifically the sub-fund of the 157 RE 21 securitisation fund co-owned by France Titrisation and BNP Paribas Securities Services was licensed in France to conduct securitisation transactions for the insurance risks of CCR Re.

There were 24 mergers or portfolio transfers. Unlike in 2019, most of these transactions involved mergers of institutions subject to Solvency II.

The ACPR also took:

- 614 decisions concerning appointments of effective managers and key function holders in the insurance sector;
- 144 decisions on European passports enabling French institutions to do business in other European Economic Area countries.

1.2 Banking sector³

Besides Brexit authorisations, which are described separately, decisions in 2020 included the following:

- the merger of Bpifrance SA into Bpifrance Financement. This merger was used to streamline structures and allocate capital more effectively within the group, in particular with a view to supporting its guarantee and bank lending business, especially during the crisis;
- changes to the indirect ownership of LCH Clearnet owing to LSEG Group's acquisition of Refinitiv;
- the acquisition of interests in Peugeot (PSA) credit institutions by Fiat, following the signature of a merger agreement in late 2019 by Fiat and PSA that created the Stellantis group;
- licensing of Memo Bank as a non-investment services providing credit institution that will position itself on the professional customer segment, with a special focus on SMEs;

3. Including credit institutions, investment firms, payment institutions, electronic money institutions and financing companies.

- licensing of several French fintechs, including Swan, a company offering electronic money and payment services to partners, which may in turn offer these services to their own customers, and licensing of Crédit Agricole Payment Services (CAPS), a payment institution backed by the Crédit Agricole group, on the segment of payment services for marketplaces and e-retailers; four registration decisions were also taken regarding institutions that provide account information services, which allow users to retrieve information about their payment accounts through this provider.

The ACPR also took:

- 1,934 decisions concerning appointments of effective managers and members of supervisory bodies in the banking sector;
- 716 decisions on European passports enabling French institutions (credit institutions, investment firms, payment institutions and electronic money institutions) to do business in other European Economic Area countries;
- 2,282 decisions authorising the agents of payment services providers.

Bringing telecommunications companies into compliance

A campaign to promote compliance by telecommunications companies providing payment services was launched in late 2019 with support from the *Autorité de régulation des communications électroniques, des postes et de la distribution de la presse* (ARCEP – Regulatory authority for electronic communication, postal services and print media distribution) and the *Association française du multimédia mobile* (AF2M – French mobile multimedia association).

The provision of payment services for the purchase of digital content and voice services, for donations to organisations making public fundraising appeals as defined by Act No. 91-772 of 7 August 1991 and for the purchase of electronic tickets via telecommunications companies (by means of text messages or calls to premium rate phone numbers) is covered by an exemption under the Second Payment Services Directive.

While companies that are in direct contact with subscribers may carry on their activity without a license, intermediaries that are further downstream in the payments chain and entities holding funds on behalf of third parties must report this activity to the ACPR and apply to be licensed as a payment institution (Article L. 522-1 of the Monetary and Financial Code) or registered as the agent of a payment services provider (Article L. 523-1 of the Monetary and Financial Code). Failure to do so amounts to providing unlicensed payment services, an offence punishable by three years in prison and a fine of EUR 375,000 (Article L. 572-5 of the Monetary and Financial Code).

Institutions are asked to pay particular attention to compliance with the rules on making funds available, payer and payee information contained in messages and also AML/CTF-related due diligence. Efforts to bring these companies into compliance will continue over the year.

Open Banking: European Regulatory Technical Standards (RTS) for common and secure open communication enter into application

To find alternatives to web scraping, a non-secure data access technique used by firms providing account information and payment initiation services, the Second Payment Services Directive (EU2015/2366, PSD2) required secure access solutions to be implemented. Of these, the most common approach used by account managers is to implement Application Programming Interfaces (APIs). APIs must have a fallback mechanism to ensure service continuity if the interface is not working, unless the ACPR grants an exemption to this obligation based on a robustness assessment of the interface. The ACPR granted eight fallback mechanism exemptions in 2019 and eight in 2020. Other exemption requests are currently being reviewed.

Despite the challenges of 2020, the ACPR and the Banque de France constantly monitored the implementation of access solutions for

account holders, whose individual situations still vary considerably from one to the other.

The business continuity of participants providing account information and payment initiation services was ensured by the efforts of the entire sector and by the creation, within the *Comité national des paiements scripturaux* (CNPS – National Cashless Payments Committee), of a dedicated working group comprising industry professionals (professional federations, banks and fintechs) and authorities (Banque de France and the Treasury). The ACPR participated actively in the work of this group.

In 2021, the ACPR will continue to be part of this collaborative effort. It will also step up oversight to ensure that secure data access solutions are deployed and that these solutions comply with French and European regulations.

Governance

In 2020, the ACPR published the findings of a thematic review of the governance and risk appetite frameworks of institutions in the insurance sector. The report identifies the main governance-related changes and draws up an assessment after five years of implementing the Solvency II Directive.

The report found that governance issues are an area where the proportionality principle needs in particular to be applied. With this in mind, in the report the ACPR called on the largest groups, whether they belong to the publicly listed sector, the mutual insurance sector or the provident sector, to follow the most exacting standards when choosing their governance systems.

In particular, the ACPR recommended separating the positions of chairman of the board and chief executive officer and indicated that this should be done by listed companies and large groups. In this case, the functions should be separated at the level of the group's lead company, whatever its legal form.

The report also noted that the regulatory provisions of the Mutual Insurance Code require functions to be combined insofar as the chairman of the board of directors is automatically an effective manager. While there are historical and cultural reasons for this situation, it prevents a clear delineation of responsibilities between the board and management and hinders the efficient and optimal organisation of the governance systems of prudential groups made up of entities subject to different codes. The ACPR believes that the regulations need to be adjusted on this point.

Finally, the report observed that an institution's choice of governance system is a major issue and that the approach chosen must comply with the requirements of the regulatory framework. Accordingly, the measures to be adopted to satisfy the regulations should be the subject of thorough advance discussions in close consultation with the ACPR.

Brexit update

During 2020, more Brexit-related licenses were issued to new subsidiaries of investment firms and/or payment institutions. For the most part, these licenses were issued to smaller institutions, as large banking and financial groups began their licensing processes in 2018. By the end of 2020, around 50 institutions had been authorised to continue doing business post-Brexit in the European Economic Area. These included four credit institutions, 26 investment firms, four insurance institutions, five payment institutions, four electronic money institutions and seven non-EU country branches of investment firms or credit institutions, representing some 2,500 jobs that have already been transferred and at least EUR 170 billion in assets that have been moved to France.

Under its customer protection mandate, the ACPR published a press release on its

website on 4 January 2021. The release reiterated that in the absence of measures taken to ensure service continuity in France after 31/12/2020 (by licensing a subsidiary in France or in another EEA country), UK institutions operating in France would be required to stop doing business there. The customers of these institutions needed to be provided with adequate information concerning either the procedures ensuring service continuity or the procedures covering service discontinuation. The release also reiterated that contracts entered into with British institutions before the UK left the EU remain valid and must be executed in good faith.

Link to the ACPR press release:

https://acpr.banque-france.fr/sites/default/files/medias/documents/20210104_cp_brexit_acpr.pdf



Summary of institutions authorised to do business in France

Insurance sector	31/12/2019	31/12/2020	Change 2020/2019
Insurance institutions			
Insurance companies	258	258	0
Supplementary occupational pension institutions	5	7	2
Reinsurance companies	10	12	2
Non-EU country branches	4	4	0
Insurance Code	277	281	4
Provident institutions	33	33	0
Social Security Code	33	33	0
Mutual insurers governed by Book II and not backed by larger partners	288	282	-6
Mutual insurers governed by Book II and backed by larger partners	97	87	-10
Mutual Insurance Code	385	369	-16
Total licensed undertakings and undertakings not requiring a licence	695	683	-12

Banking sector	31/12/2019	31/12/2020	Change 2020/2019
Credit institutions (licensed in France and Monaco)			
Credit institutions licensed in France	334	321	-13
Institutions licensed for all banking activities	261	249	-12
Banks	165	153	-12
<i>o/w branches of institutions having their registered offices in non-EU countries</i>	23	18	-5
Mutual and cooperative banks	78	78	0
Municipal credit banks	18	18	0
Specialised credit institutions	73	72	-1
Credit institutions licensed in Monaco	20	20	0
TOTAL CREDIT INSTITUTIONS (licensed in France and Monaco)	354	341	-13

TOTAL INVESTMENT FIRMS (licensed by the ACPR)	92	93	1
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FINANCING COMPANIES			
Financing companies	138	135	-3
<i>o/w mutual guarantee companies</i>	31	38	7
Dual status: financing companies and investment firms	5	4	-1
Dual status: financing companies and payment institutions	20	17	-3
TOTAL FINANCING COMPANIES	163	156	-7

TOTAL PAYMENT INSTITUTIONS (licensed by the ACPR)	44	44	0
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TOTAL ACCOUNT INFORMATION SERVICE PROVIDERS	4	8	4
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TOTAL ELECTRONIC MONEY INSTITUTIONS (licensed by the ACPR)	14	15	1
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Total licensed banking institutions	671	657	-14
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TOTAL THIRD-PARTY FINANCING COMPANIES	4	5	1
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TOTAL MONEY CHANGERS	186	194	8
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Total other institutions authorised by the ACPR	190	199	9
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Branches of EEA institutions operating under the freedom of establishment			
Branches of insurance institutions	70	67	-3
Branches of credit institutions	70	72	2
Branches of investment firms	60	56	-4
Branches of payment institutions and electronic money institutions	26	21	-5
Total branches operating under the freedom of establishment	226	216	-10

2. Prudential oversight

On-site inspections amid a health crisis

The 2020 health crisis prompted the government to introduce two extended general lockdowns, in the spring and summer, and to call on companies to prioritise home working arrangements. This major disruption to working conditions had significant consequences for institutions such as the ACPR, causing supervisory priorities to be adjusted and impacting the practicalities of conducting on-site inspections by drastically restricting the scope for in-person meetings and by hindering the travel of ACPR staff.

To strike a balance between executing its inspection programme, particularly the on-site component, while coping with the health crisis, the ACPR introduced a number of measures beginning in mid-March 2020:

1/ First, the ACPR remotely continued on-site inspections that were underway when the lockdown was imposed, exclusively employing non-face-to-face tools and adjusting the IT security level of the tools used to reflect the degree of confidentiality required for exchanges:

- audio or videoconferencing for oral exchanges;
- and email and digital vaults for written exchanges.

Tools used for “remote” on-site inspections included in-house tools provided by the

companies to the inspection team as part of access provision, and secure tools set up by the ACPR.

2/ Exceptionally, based on reasoned requests from inspected institutions, in mid-March the ACPR also suspended several investigations of banks or insurers as some institutions were unable to make themselves available to the inspection team owing to the impact of the health crisis on their organisation. Suspended inspections resumed in summer 2020 or were postponed until 2021 if they were only just getting started.

3/ The ACPR also suspended the launch of new on-site inspections between mid-March and end-May 2020 in recognition of the efforts required by companies to cope with their own operational challenges in terms of business continuity and risk management.

These measures enabled the ACPR to maintain a significant level of execution (67%) for its banking and insurance on-site inspection programme, especially since, in the banking sector, the cancellation of a significant portion of the ECB’s on-site inspection programme made it possible to free up staff for the ACPR’s own needs and to redeploy a portion of the personnel to crisis monitoring tasks that had been given priority.

2.1 Insurance sector

2.1.1 Analysing risks linked to the health situation

In 2020, monitoring the risks linked to the health and economic crisis was a central priority in the supervision of insurance institutions. During the very first week of lockdown, the ACPR introduced a special enhanced monitoring system covering about 89% of the French insurance market by total assets. Monitoring was organised around weekly interviews to gather current information on four topics: internal management of operational risk, the impact on risks (cf. page 31 – Business interruption insurance) and underwriting income, assessments of vulnerability to market risks and forward-looking views on risks and solvency.

Insurance institutions had to contend with significant operating challenges. They moved quickly to activate their business continuity plans and crisis management units and introduced extensive use of home working arrangements. Various allowances were granted by the public authorities through the ordinances issued on 26 March 2020, and also by the ACPR, to ease the operational pressures on insurance institutions. For example, most general meetings, some of which were postponed, were able to be held by videoconference. More flexible deadlines and less stringent electronic signature obligations were authorised to facilitate regulatory reporting.

The effects of the crisis on technical risk varied across insurance segments but remained provisionally contained in 2020. In terms of inflows, while some segments were affected, especially in life insurance and insurance for miscellaneous financial loss, premium income ultimately increased across most non-life businesses. The effects on loss experience were more pronounced, albeit with contrasting situations across different business lines. The ACPR particularly monitored the effects of the crisis on group personal risk business, examining inflows, with the premium collection base subject to uncertainty owing to the use of partial unemployment schemes, as well as loss experience, with special attention paid to the portability of rights in the event of a surge in unemployment.

At the same time, movements on financial markets initially depressed the solvency of insurers, although the countercyclical measures provided for under Solvency II, such as the volatility adjustment, helped to mitigate these effects. ACPR staff paid close attention in this regard to assessments of obligations and related assumptions.

Particular attention was also paid to insurers’ commitments and contributions to the national response to the economic crisis and to their impact on institutions’ financial positions. The overall budget for this programme amounts to EUR 4.6 billion but

comprises several different items, namely EUR 2.6 billion in support measures for insured individuals and companies affected by the crisis (contribution to the solidarity fund for micro-companies and SMEs, non-contractual group and individual measures) plus EUR 2 billion for the national economic recovery effort (*Assureurs – Caisse des Dépôts Relance Durable France* programme).

From the summer onwards, enhanced monitoring was somewhat eased as the main risks to insurers receded temporarily. The approach shifted towards holding exchanges with institutions, which focused throughout the second half-year on the outlook for end-2020 and 2021 projections. Owing to the recent worsening in the health situation (new lockdowns, curfews), enhanced monitoring is continuing today and is tailored to the characteristics of individual institutions.

Implementation of insurers' business continuity plans

The health crisis, which resulted in the introduction of the first lockdown on 17 March 2020, deeply affected the day-to-day business of insurance groups and institutions. As part of its enhanced weekly monitoring arrangements, the ACPR checked the magnitude and different aspects of operational risk. All insurance institutions quickly activated their business continuity plans. Their governance bodies were able to continue to function despite being put on a remote footing. Crisis management units met daily at the height of the crisis, and less frequently thereafter.

Remote working arrangements were gradually adopted on a massive and unprecedented scale by all employees not performing tasks involving a physical component, such as mail management, for example. Among the 50 or so insurance institutions subject to enhanced monitoring, the percentage of employees working from home varied – and continues to vary – between 50% and 90% of average total headcount, leading to increased use of remote connections. Steps to strengthen protections against cyber-risk were noted but this remains a major area of attention, since insurance

institutions, just like other businesses and government departments, have witnessed a spike in phishing-type attacks.

Overall, the ACPR found that insurance institutions were able to activate their business continuity plans quickly and effectively in response to a very large-scale risk. No major deficiencies were observed, and institutions quickly identified the adjustments needed to deal with lockdowns. As a result, insurers were able to cope without particular difficulty with operational management of the second lockdown and curfew. However, all institutions must learn the lessons from this period by identifying weaknesses in their business continuity plans and making adjustments to reflect the potential risks associated with the massive deployment of home working arrangements and the accelerated introduction of paperless processes for certain tasks such as managing mail or contacting policyholders. If home working trends become entrenched, the procedures used by insurance institutions to go about their operational and commercial activities could be impacted.





Cyber-risk

In 2020, IT infrastructures were severely tested as they were required to continue to deliver their services via drastically changed procedures, including massive use of teleworking arrangements, while at the same time ensuring operational cyber-security. Many insurance institutions were forced to activate their business continuity plans.

This unprecedented experience was an opportunity to implement workaround processes and to observe their appropriateness, test their robustness and assess the credibility of the scenarios used when drawing up business continuity plans and IT fallback plans. It also represented an opportunity for each institution to assess its understanding of the risks linked to its information systems, to consider how these risks are actually recognised in the organisation of its operational resilience and then to measure any gaps relative to the expectations issued by the ACPR following the survey of the insurance market conducted in late 2019 (findings published in October 2020).

Management bodies need to deal with issues related to information systems and their security, in particular because decisions in this regard should support companies' overall strategies, which

are increasingly focused on digitalising operations. Management bodies should also promote information system security policies and take the measures, notably in terms of the human and technical resources, to ensure that these policies are implemented.

Collaboration between the information systems division and other divisions should be facilitated and the three lines of defence that manage company risks should be more involved in managing information system security risk, which is still in many cases entrusted to the units responsible for these systems. This collaboration is crucial for example when determining measures to raise awareness both within the organisation (employees) and outside (service providers, partners, policyholders) about IT security risk, but also when drawing up the outsourcing policy (selection and contract criteria).

Sitting at the meeting point of these different lines of discussion, the business continuity plan needs to accommodate business line needs with regard to critical information assets, be coordinated with the continuity plans of service providers and use realistic crisis scenarios that reflect a current vision of the major operational risks to which the institution is exposed.

2.1.2 Supervisory activities

In 2020, ACPR teams continued to monitor proper application of Solvency II regulations, notably through a dedicated inspection programme.

A total of 13 on-site inspections were carried out to examine prudential balance sheet and risk assessments. These made it possible to continue work aimed at checking business models and risk assessments in the low interest rate environment (through themes such as the Own Risk and Solvency Assessment (ORSA) process, investments, interest rate risk management and calculation of profit-sharing reserves).

Meanwhile, a cross-cutting inspection of 15 life insurance institutions was conducted in order to perform a more detailed examination of the economic scenario generators used to calculate the best estimate of technical provisions.

Overall, these inspections noted an improvement in the documentation provided on calculation methods, assumptions and underlying data. However, significant efforts are still needed to better demonstrate the appropriateness of simplifications used in some calculations and compliance with certain regulatory requirements, including calculation of the solvency capital

requirement and technical provisions. Better compliance is needed with the life insurance-related requirements for these last two aspects (future management decisions and behavioural assumptions, expense modelling, look-through approach for UCITS).

Seven on-site inspections covering climate risk were carried out to step up supervisory work on the recognition by insurance institutions of climate change. This theme was tackled through a wide range of topics, including investment management, parametric products, construction insurance, farm business risk and governance. This cross-cutting approach underlines the need for insurance institutions to bolster their recognition of these risks.

ACPR teams went deeper in their investigations into information system security, including through on-site inspections, a questionnaire-based survey of a large portion of the market (findings released on 22 October 2020) and through the ex post analysis of cyber-attacks in conjunction with institutions that had been the target of attacks. These investigations again revealed weaknesses in information system control arrangements as well as deficiencies in security management for these systems.

They once again underlined the difficulties experienced by institutions in managing challenges connected with outsourcing their activities.

The ACPR also continued to check the authorisation and use of internal models to calculate risks and solvency. Seven on-site inspections were conducted and essentially concerned applications to approve new models and amend existing ones. These inspections sought to verify that institutions had a proper command of the many parameters and underlying assumptions used. They also checked application of the governance arrangements for these models, including validation and the policy for switching models.

Efforts to check data quality were stepped up, since this is a key aspect to consider when assessing the credibility and

robustness of calculations of prudential indicators. The ACPR did not look only at input data used to calculate technical provisions, but also considered the data used to set specific parameters as well as data input directly or indirectly into internal models. For the fifth year running, and despite the ACPR's numerous communications in this regard, too many shortcomings were found, whether during on-site inspections or in the questionnaire-based data quality survey of insurance institutions, the results of which were released on 11 January 2021. Insurance institutions need to increase their efforts swiftly and significantly.

The end of 2020 saw the launch of a cross-cutting inspection of a broad sample of insurance institutions looking at remuneration policies for senior managers and directors of insurance institutions. The results will be released in 2021.

Reporting and data quality

Regulatory reporting and disclosure requirements are intended to inform not only the supervisor, which assesses the quality of these reports and disclosures, but also the members of institutions' boards of directors or supervisory boards. Accordingly, data and reporting quality requirements must be understood as playing an essential role in steering business activity and solvency.

For the ACPR, the data provided by institutions are essential to making an accurate assessment of regulatory solvency ratios, the quality of prudential capital, the appropriate level of technical provisions, underwriting quality and the nature and quality of financial assets. Beyond enabling an analysis of quantitative data, the information reported to the supervisor may be used to assess governance, internal control and risk management systems, as well as the choices made when constructing internal models. Finally, some data and information are intended for public disclosure, so their fairness and integrity must be rigorously upheld.

Reporting quality is certainly closely linked to the quality of the data input to valuation models, whether these data are used to summarise the characteristics of customer portfolios, condense technical aggregates or build assumptions and parameters. However, it is set apart by the need for cooperation by the different teams (actuarial, finance, risk management, compliance and others) involved in producing quantitative or narrative reports. This cooperation is critical to ensuring the requisite consistency across different data reporting formats, which cover accounting information, prudential information and statistical data.

In this context, the ACPR is fully engaged in a process of continually improving the data reported to the supervisor or intended for public disclosure, by drawing attention to errors and inconsistencies detected during ongoing supervision or on-site inspections, especially those that interfere with a proper assessment of solvency capital requirement coverage, capital or the risks associated with assets or obligations.



Expectations with regard to the actuarial function

In 2020, the ACPR communicated on multiple occasions concerning best practices when estimating technical provisions, through communications to the marketplace, publications and at the joint conference organised with the *Institut des Actuaire*s (French Institute of Actuaries) on 10 November 2020.

In non-life insurance, given the exceptional circumstances of 2020, discernment should be exercised when applying the commonly used statistical provisioning methods, especially the chain ladder method¹.

In particular, since this method is based on data observed in past years, it may be necessary, depending on the segment, to restate the data observed in 2020 to avoid skewing assessments of technical provisions.²

Furthermore, the actuarial function should play its role to the full by issuing an informed opinion to the entity's governance bodies on the appropriateness of calculations relating to the technical provisions. Accordingly, greater efforts are needed to ensure a reasoned analysis of the

reliability and adequacy of the calculations, paying special attention to underlying assumptions. Furthermore, the level of uncertainty inherent in the calculation of technical provisions needs to be better estimated and its impact on prudential ratios clearly presented to decision-making bodies. In this regard, the key actuarial function and the key risk management function should be able to collaborate (risk tolerance limits, ORSA).

The ACPR also shared good practices on the use of economic scenario generators both in a general setting and during times of crisis. Special attention should be paid to the governance and statistical validation of these models. The idea is to ensure that the requirements of the delegated regulation are upheld and to show that the technical provisions have not been underestimated. Furthermore, in connection with estimating the uncertainty in relation to technical provisions, sensitivity analyses should be conducted for key assumptions and parameters to estimate the model's robustness.

1 The chain ladder method is used to measure provisions by estimating the pace of future payments based on backward-looking data.

2 https://www.institutdesactuaire.com/global/gene/link.php?doc_id=16495&fg=1

2.2 Banking sector

2.2.1 Enhanced supervision in response to the crisis

The ACPR provides significant support in the ongoing supervision of France's eleven⁴ major banking groups, or significant institutions (SIs), which are directly supervised by the ECB. This supervision is performed by Joint Supervisory Teams (JSTs) made up of staff supplied by the ACPR, the ECB and the other national authorities from countries where these banks do business. Amid the health crisis, the JST work programme was significantly adjusted to concentrate available resources on managing the effects of the crisis according to a responsive and proportionate approach.

In the first place, priorities were adjusted, enabling a responsive approach to be taken by adapting tools and interactions with institutions to reflect the immediate risks. For example, the earliest weeks of the crisis brought severe volatility on financial markets, more challenging refinancing conditions on the interbank market, and behavioural changes by banks' counterparties, which drew on liquidity lines and increased deposits. Accordingly, the JSTs focused their work on these areas and monitored institutions on a daily basis, notably by analysing aggregates such as liquidity positions (e.g. refinancing sources and maturities) and value at risk (VaR), broken out by major financial product category or business line.

Once the situation had stabilised on these fronts, the next stage consisted in introducing enhanced monitoring of the expected increase in credit risk. This work, aimed at getting banks ready for an increase in payment periods or potentially even defaults, was critical, notwithstanding the major economic, social and

tax relief measures implemented by public authorities, which helped to mitigate the failure risk of some economic participants.

While taking care to avoid fostering procyclical effects, JSTs reviewed policies to estimate and monitor credit risk, operational arrangements used to manage exposures with poor credit quality, and provisioning practices. For this, the JSTs followed guidelines published on 28 July and 4 December 2020 by the ECB. They also stepped up supervision of the groups' exposures to the sectors hardest hit by the crisis (hotels, restaurants, cinemas, concerts and entertainment, building & public works, tourism and transport), taking particular care to assess the operational capacity of banks to monitor or anticipate the increase in credit risk in these sectors.

With renewed attention being paid to credit risk linked to the health crisis, the ACPR worked to implement HCSF recommendations on credit standards for housing loans (cf. Box on page 29 – Monitoring implementation of the HCSF's recommendation on credit standards for home loans).

4. BNP Paribas, BPCE, Bpifrance, Caisse de Refinancement de l'Habitat, Confédération nationale du crédit mutuel, Crédit Agricole SA, HSBC, La Banque postale, RCI Banque, SFIL, Société Générale.

Like the teams involved in the supervision of major banking groups, the ACPR departments in charge of supervising France's 104 less significant institutions (LSIs) and the various categories of banking sector institutions not covered by the SSM⁵ refocused their supervisory work in the first half of 2020 to monitor the effects of the health crisis.

With institutions authorised to delay filing of their regulatory reporting statements by several weeks or months (cf. *press release of 9 April 2020*), the standard supervisory activities scheduled before the outbreak of the crisis (interviews, analyses, thematic reviews, on-site inspections) were replaced by closer monitoring of institutions' individual situations through regular phone interviews, which were typically combined with the collection and analysis of institutions' own internal monitoring reports or ad hoc reports.

These interactions, which were particularly sustained during the weeks following the outbreak of the health crisis, sought to assess the impact of the crisis on the operational continuity and prudential situations of the institutions in question. Special attention was paid to liquidity positions and to compliance with specific rules, such as those aimed at protecting customer funds in the payment services sector. Measures in this regard included the introduction in late March 2020 of specific weekly or bimonthly reporting arrangements. These exchanges were also used to assess the impact of the crisis on balance sheet structure and solvency. In addition, arrangements were put in place to check whether affected institutions, i.e. credit institutions and financing companies, were following the recommendation published on 30 March 2020 not to pay dividends or conduct share buybacks before 1 October 2020 (later extended to 1 January 2021), in order to preserve their solvency and capacity to support the real economy (*ACPR recommendation*).

2.2.2 Supervision and priorities adjusted to reflect the new situation

Alongside work on monitoring the direct and longer-term impacts of the health crisis, the JSTs followed guidelines published by the EBA in spring 2020 on the Supervisory Review and Evaluation Process (SREP) and conducted the process according to a pragmatic approach designed to reflect the challenges resulting from the crisis.

Taking into account the supervisory relief measures announced by the ECB⁶ including adjusted solvency and liquidity requirements or extensions to the deadline for remedial measures, the JSTs refocused their analyses to assess the ability of major institutions to get through the Covid-19 crisis and the impact of the crisis on institutions' current and future risk profiles. The previously set Pillar 2 requirement (P2R) was not changed, and nor was Pillar 2 guidance (P2G), while the EBA also decided to postpone the stress test that will be used to set the guidance until 2021. Furthermore, in 2020, using information provided by the ACPR, the ECB for the first time formally integrated the risks posed by money laundering and terrorist financing in its analysis of the risk profiles of major French banking groups, notably in the assessment of governance and internal control arrangements and operational risk.

The ACPR conducted an assessment of the risk profiles of institutions under its specific responsibility, adopting the same pragmatic approach as that taken for major groups, with an analysis centred on operational, liquidity, profitability and credit risk assessment issues. Barring exceptions, P2R that were

previously notified to a number of less significant credit institutions, financing companies and investment firms were also left unchanged. At the same time, Authority staff drew up guidelines for the stress tests that the ACPR is planning to conduct in 2021 to determine the P2G to be notified to the less significant credit institutions under its responsibility (cf. Box page 28 – Stress tests and P2G applicable to less significant credit institutions).

In terms of investment firms, the ACPR continued to analyse the impact of the entry into application in June 2021 of the new prudential framework applicable to this category of institutions (IFR/IFD regulatory framework) and continued to raise awareness on this issue. As a result, there were extensive discussions around the impacts of the classification of investment firms into different categories provided for under the new regulatory framework. These exchanges touched on solvency or liquidity implications, as well as the classification of investment holding companies. Furthermore, staff were heavily involved in work relating to the operational start-up of numerous new entities licensed in connection with Brexit.

ACPR personnel were also kept busy with the oversight of payment institutions and electronic money issuers, with new participants offering innovative and flexible models continuing to arrive regularly, in an environment where some institutions could struggle to achieve adequate levels of profitability, which might undermine their financial base as well as their capacity to establish appropriate internal control systems. In this regard, the adequacy of systems to prevent money laundering and terrorist financing and to safeguard customer funds is a major focus area for the ACPR. Furthermore, with the failure of the Wirecard group underlining the risks that could be created by heavy reliance on external technical providers, the ACPR stepped up its monitoring of outsourcing risks and the robustness of business continuity plans.

With extreme market volatility in spring 2020 raising specific liquidity risk issues for central counterparties (CCPs), the ACPR, which has responsibility for supervising CCPs based in France, worked with the Banque de France and the AMF in 2020 to pay special attention to the resilience of the risk management systems of the Paris CCP, LCH SA, and the main market participants. At the same time, the ACPR helped to build specific recovery tools for CCP activities and, along with the Banque de France and AMF, joined the CCP Supervisory Committee set up within ESMA as part of the EMIR amendments (EMIR 2.2).

5. A total of 316 institutions, including 156 financing companies, 93 investment firms and 67 payment institutions and electronic money institutions.
6. These measures were regularly updated, cf. [latest version on the ECB website](#).

Stress tests and P2G applicable to less significant credit institutions

In 2020, the ACPR continued to develop an internal stress testing tool for less significant institutions (LSIs) under its direct supervision. The selected methodology, which is modelled on that used by the ECB and EBA for significant institutions (SIs), incorporates the proportionality principle and supervisory judgement in order to recognise the specific nature of the activities of carried on by some LSIs.

Using a three-year horizon, this projection tool considers the financial impact of the main risks, including credit and interest rate risk, and other potential sources of income and losses. It inputs data provided by LSIs as part of their regulatory reporting and a portion of the results of EBA SI stress tests, including, for example, average credit risk sensitivities.

A dry run was conducted in 2020 using the tool, with a view to making refinements. The exercise involved 71 institutions and applied the two Covid-19 scenarios used by the ECB for its vulnerability assessment (see Chapter 2.3). It showed that French LSIs, like banks under direct ECB supervision, are sufficiently capitalised overall to withstand a recession such as that proposed under the first scenario, while continuing to operate normally (aggregate CET1 ratio of 14.6% for the 71 LSIs at end-2022). The severe scenario would have a much more pronounced impact on this population, with the aggregate ratio falling to 9.4% and

some institutions forced to take remedial measures.

In addition to assessing LSI sensitivity to specific stress scenarios, the modelling tool developed by the ACPR is also designed to support operational implementation of the new provisions introduced by Article 104b of the Capital Requirements Directive V (CRD V). These cover the introduction of Pillar 2 guidance (P2G), which indicates the minimum level of capital that credit institutions should have in order to comply with solvency requirements, even in times of stress. Execution of a stress test by the supervisor forms an important part of the foundation used to recommend compliance with P2G and calibrate the guidance.

The new directive thus formalises a concept that already existed in EBA guidelines and that will now apply to French LSIs as well.

Two technical workshops were organised in 2020 to make smaller French credit institutions aware of these changes. Besides presenting the ACPR's projection tool and its preliminary aggregate results, the workshops also provided an opportunity to talk about the work timetable, to clarify the linkage between the stress test and P2G calibration and to underline the importance of the quality of the regulatory data used as inputs. Consistent with the ECB's work on SIs, implementation of the tests and P2G for LSIs will be a key priority in 2021.



Monitoring implementation of the HCSF recommendation on credit standards for home loans

Against a backdrop of vibrant growth in home lending, easing credit standards and rising household debt, in December 2019 the HCSF issued a recommendation aimed at limiting the debt-service-to-income ratio and the credit period for home loans in France to 33% and 25 years respectively. The HCSF also stressed the need to ensure that the pricing of home loans does not undermine the French home financing model.

This recommendation prompted the ACPR to publish two instructions:

- Instruction No. 2020-I-02, adjusting CREDITHAB home loan reporting arrangements to enable implementation of the HCSF's recommendation to be closely monitored;
- Instruction No. 2020-I-04, introducing new RENT_IMMO reporting arrangements to gather information on income and expenses linked to residential housing loans distributed in France.

These instructions came into force in 2020 for banking groups already subject to CREDITHAB reporting requirements.

The process of setting up these two sets of reporting arrangements resulted in several consultative meetings with the main market participants, plus on-site inspections at four institutions.

An analysis of the first sets of filings made under the two reporting arrangements along with exchanges with institutions, including through on-site inspections, allowed the ACPR to provide the HCSF with an initial assessment of implementation of the recommendation. At its meeting in December 2020, the HCSF decided, on this basis, to make several technical adjustments to the recommendation that will come into force in 2021. For example, the HCSF raised the ceiling for the debt-service-to-income ratio to 35% and said that banks could have a maximum deferred amortisation period of two years beyond the 25-year limit in cases where entry into possession is delayed, e.g. acquisition of property still under construction or requiring significant work. The new recommendation came into force on 28 January 2021.

In addition, discussions on turning the recommendation into a standard got under way.

3. Supervision put to the test by the Covid-19 crisis

3.1 Monitoring the impact of the crisis on the two sectors

The Covid-19 pandemic unleashed an unprecedented global economic crisis, causing some sectors of activity to shut down totally or partially. Unlike during the major financial crisis of 2008, banks, insurers, funds and other financial institutions were not the source of the shock and supported economic activity in a challenging and uncertain environment. The ACPR closely monitored the effects of the crisis on French banks and insurers, while playing an active part in the work being done to analyse risks and make the necessary regulatory adjustments.

The crisis did not greatly affect the soundness of banks in 2020, but uncertainties persist

Banks went into 2020 with capital levels that had improved steadily over the past decade, both qualitatively and quantitatively, owing to the gradual implementation of regulatory reforms. While deteriorating economic conditions and financial market fluctuations affected the French banking system's earnings, they did not change the solvency or liquidity of the system's largest participants:

- the increase observed in the cost of risk was largely due to dynamic provisioning arrangements introduced as part of the new IFRS 9 standard, which requires dimmer economic prospects to be recognised. At end-2020, however, the increase remained contained and was able to be absorbed in most cases by the profits generated;

- at end-2020, the aggregate CET1 ratio of the six major French banking groups⁷ stood at 15.5%, up from 14.5% at the end of 2019. Similarly, liquidity ratios remained at elevated levels, and the average liquidity coverage ratio (LCR) was close to 150% at the end of 2020. Leverage ratios alone fell slightly, reflecting increased balance sheets due to lending and larger current account reserves with the central bank.

Banks benefited from the swift measures taken by monetary and regulatory authorities to absorb the impact of the health crisis, which included:

- the TLTRO III programme⁸ set up by the ECB to promote short-term refinancing;
- the recommendation on not paying dividends or buying back shares, in order to raise capital levels to cope with uncertainty surrounding the increase in the cost of risk;

7. BNP Paribas, Société Générale, Crédit Agricole, Crédit Mutuel, BPCE and La Banque Postale.

8. Targeted Long-Term Refinancing Operations III, introduced by the Eurosystem on 19 September 2019 and updated on 12 March and 30 April 2020 owing to the Covid-19 crisis.

- quick fix amendments to the European regulation on the prudential requirements for credit institutions⁹, aimed at mitigating the impact of the crisis on regulatory ratios;
- the macroprudential decision taken in France by the HCSF to free up capital by releasing the countercyclical buffer to 0%.

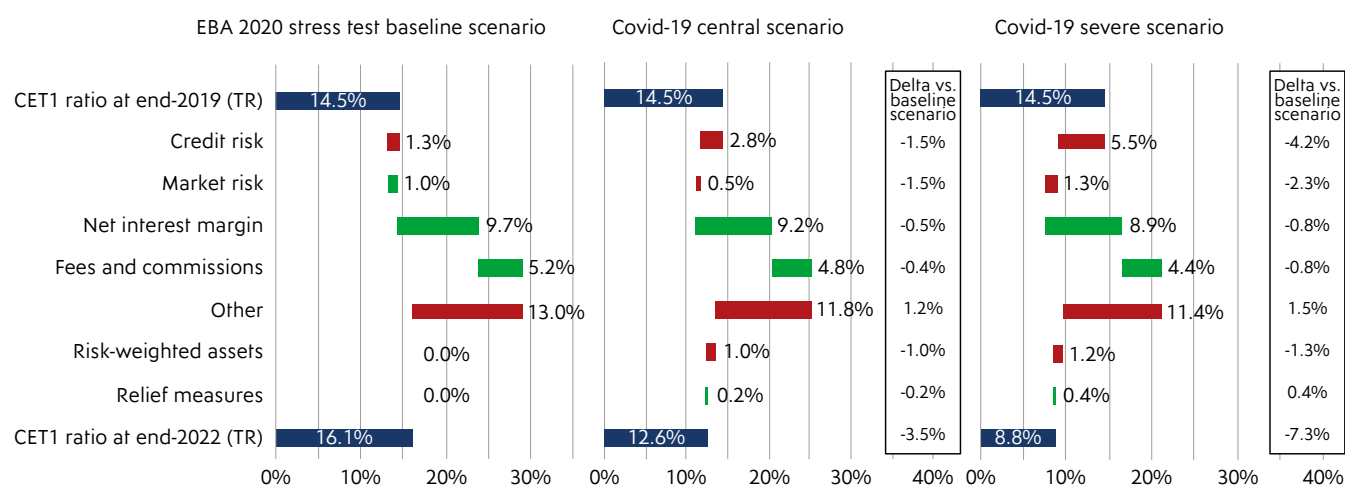
With their financial positions safeguarded, banks were able to support the cash positions of companies, distribute state-guaranteed loans and introduce payment moratoria for existing loans. At end-2020¹⁰, outstanding loans and advances to non-financial corporations recorded in the balance sheets of France's six major banking groups had increased by 8% compared with end-2019, while outstanding loans to households were up by 3.3%.

The persistence of the pandemic is maintaining a high level of uncertainty about how economic conditions might evolve in the short and medium term. Accordingly, exercises aimed at assessing the impact of adverse macroeconomic scenarios on bank solvency ratios have taken on special importance. Due to the postponement of the exercise that the EBA was scheduled to conduct, the SSM carried out a euro area-wide assessment of the banking sector's vulnerability. Three economic scenarios

were tested, including two anchored to the crisis linked to the Covid-19 pandemic:

- the baseline scenario from the EBA 2020 stress test, which was established before the outbreak of the crisis;
- a Covid-19 central scenario, reflecting expected economic developments during the epidemic;
- a Covid-19 severe scenario, which assumed a deeper crisis with a second lockdown.

The exercise covered 86 significant institutions directly supervised by the SSM and revealed the banking sector to be sufficiently capitalised to withstand a short-lived but deep recession as proposed by the central scenario. However, a delay in the economic recovery owing to new lockdown measures as projected by the severe scenario would force some banks to take action to maintain compliance with their minimum capital requirements. The central scenario would result in the aggregate CET1 ratio of the banking sector declining by 1.9 percentage points (pp) to 12.6% by the end of 2022, while the severe scenario would result in a CET1 ratio depletion of 5.7 pp to 8.8% in 2022.



ECB-SSM data for a sample of 86 euro area banks, including ten French banks.

9. Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions.
10. Prudential data – FINREP regulatory reports.

The health crisis had a limited impact on insurance, but uncertainties persist

The health crisis had a limited impact on the insurance sector in 2020, as the sector had room to manoeuvre to meet its commitments before the outbreak of the crisis. At end-2019, the French insurance industry's overall solvency capital requirement (SCR) coverage ratio stood at 267%.

However, uncertainties remain, notably about future developments in the financial positions of non-financial agents. It will take several months before the scale of the effects of the crisis, particularly on the sector's earnings, can be precisely assessed. The decline in financial income and, in some segments, reduced premium income, sometimes paired with an increase in claims and benefits, will affect institutions' profitability.

In this environment, French insurers hold high-quality financial assets that ensure regular income and are sufficiently liquid to cope with delays in collecting contributions or increased loss experience.

Contrasting effects across segments

The health crisis and lockdowns led to a build-up of additional savings by French households that was mainly channelled into liquid investments. Over 2020, life insurance investments saw limited outflows as a significant decline in inflows to non-unit-linked products was largely offset by strong inflows into unit-linked products. Despite the backdrop of considerable uncertainty, surrenders stayed below their long-run average. The health crisis affected the profitability of life insurers: although they prioritise safe, liquid and highly rated investments, they are also extremely sensitive to market volatility and the prolonged low interest rate environment.

The impact of the health crisis on the business of non-life insurers varied across segments. Some segments, such as credit insurance, which guarantees the payment of SME receivables, received support from the spring onwards from a public reinsurance scheme run by Caisse Centrale de Réassurance and BPI France with a government guarantee. Other segments saw fewer claims during the lockdown while insurers specialised in the sectors hardest hit by the crisis – transport, hotels, restaurants and the cultural sector – experienced a sharp decline in premiums. Insurance for miscellaneous financial loss, including coverage for business interruption, came in for particular scrutiny, and the ACPR examined policy exclusion clauses to ensure that insurers complied with their commitments¹¹ (cf. Box – Business interruption insurance: stocktaking by the ACPR). The impact on some types of insurance, such as personal risk, is harder to assess. This sector has been affected by increased work stoppages, more extensive use of partial unemployment schemes, as well as by business failures. Commitments to keep policyholder prices unchanged are also expected to have an impact on this business.

A limited impact on solvency

Despite the low level of interest rates and the health crisis, French insurers are reporting solid coverage levels for their capital requirements. In an environment featuring already record-low interest rates, equity market volatility and increased corporate bond risk premiums temporarily affected the financial positions of insurance institutions. At the aggregate level, insurers have enough capital to continue to cover their capital requirements, with the average coverage ratio standing at 244% at end-December 2020.

Business interruption insurance: stocktaking by the ACPR

As part of discharging its tasks in terms of prudential supervision and monitoring business practices, in May 2020 the ACPR sent a questionnaire to a representative sample of the French business interruption insurance market, which is part of the miscellaneous financial loss segment.

An analysis of some 400 contractual documents revealed that 93% of policyholders were unable to activate business interruption coverage during the Covid-19 pandemic, while 3% were able to apply for compensation. For the remaining 4% of policyholders, it was not clear from the contract clauses whether coverage was provided.

This analysis highlighted the vital need for insurers to clarify coverage, so that customers are fully informed about the scope of the proposed protection. These efforts should address the wording of contract clauses but also the structure of contracts, which was found to be complex in some cases. The ACPR also reiterated the need for insurers to have a precise view of the content of the coverage provided to policyholders, irrespective of how old a contract is or how it was distributed, especially in situations where an insurance intermediary has been granted an opt-out from contract stipulations.

11. <https://acpr.banque-france.fr/communique-de-presse/garantie-pertes-dexploitation-letat-des-lieux-de-lacpr>.

3.2 Relief measures to support institutions

In response to the health crisis, the international, European and national authorities responsible for regulating and supervising banks and insurers acted swiftly in 2020 to adopt measures aimed at:

- mitigating the impact of the crisis on financial institutions;
- contributing to the effectiveness of economic support measures implemented by countries.

The first concern of supervisors was to free up operational room for manoeuvre to allow banks and insurers to concentrate their resources on dealing with the crisis. Accordingly, on 27 March 2020 the Basel Committee announced a one-year delay to the entry into force of the December 2017 agreement on finalising Basel III; the new rules will come into effect in January 2023. In the insurance sector, EIOPA postponed its advice on the 2020 review by six months, to December 2020, in order for the effects of the health crisis to be taken into account in the Solvency II review.

Flexibility in terms of data collection was granted as banks and insurance institutions were allowed to delay the filing of prudential reports.

Some flexibility was also allowed in implementing certain provisions. At European level, the European Banking Authority (EBA) and the European Central Bank (ECB) issued a call on 12 March 2020 for supervisors to use existing flexibilities.

Institutions were urged to use their regulatory capital and liquidity buffers. The EBA clarified the prudential treatment of loans granted as part of marketwide moratoria, in order to prevent loans from being automatically reclassified as restructured or non-performing. Finally, specific provisions covering market risk sought to reduce excessive volatility of capital requirements in relation to this risk.

In addition to providing clarification on implementation of the existing framework during the crisis, in late June 2020 the European Union adopted a banking package to amend the Capital Requirements Regulation (CRR) by adjusting existing rules (central bank reserves exempt when calculating the leverage ratio, revision of the IFRS 9 transitional arrangements mechanism) and bringing forward the application of several measures (new treatment for software assets, supporting factors for exposures to SMEs and infrastructure). A second piece of legislation, which is in the process of being adopted, focuses on aspects relating to capital markets and includes specific treatment for the securitisations of non-performing loans.

In return for these flexibility measures, the ACPR, the ECB and EIOPA, following the recommendations of the European Systemic Risk Board (ESRB), called for financial institutions under their supervision to abstain until 1 October (later extended to 1 January 2021) from paying dividends, buying back shares or granting new variable remuneration arrangements, in order to preserve their capital and ensure their ability to fully support the real economy.

4. Supervision of climate risks

4.1 Joint report with the AMF and work by the ACPR's consultative commission on climate and sustainable finance (CCFD)

The first report on the climate commitments of the Paris financial centre was published on 18 December 2020 and revealed the following:

- widely shared recognition of the financial sector's responsibility in the fight against climate change and of the key role that finance can play in helping companies make the transition to lower-carbon activities. All banks, insurers and most of the management companies in the sample had published a coal exit policy;
- the commitments made, the policies implemented and the disclosures provided still need to be clarified. Most participants need to keep up their efforts to integrate climate factors in their overall strategy more effectively. These clarifications will help to increase the transparency of climate risk disclosures and ensure consistency over time;
- The targeted goals continue to be reliant on non-robust, non-harmonised methods, making it harder to prepare analyses and comparisons. Data collection and processing

are often based on different understandings and indicators. Methodologies need to converge to promote greater uniformity and comparability.

In the context of consultations with the ACPR's General Secretariat by the European Commission, the CCFD gave its opinion on the review of the directive regarding the publication of non-financial information and on the Commission's sustainable finance strategy. It also gave its opinion on the ACPR's guide to best practices in terms of governance and climate risk management and on the assumptions used in the ACPR's pilot scheme to raise awareness among French banks and insurers about the financial impacts of climate risk.

4.2 Pilot scheme to assess sensitivity to climate risk

The Banque de France and the ACPR are tasked with ensuring the stability of the French financial system. Within this framework, they are required to assess the risks linked to climate change and the transition to a more sustainable economy, particularly for banks and insurers, and to promote the introduction of measures that will help to mitigate the effects of these risks.

Accordingly, in July 2020, the ACPR launched a new exercise aimed at assessing the impact of climate change risk scenarios on the balance sheets of French banks and insurers. These scenarios were derived from work by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). Based on compliance with the Paris Agreements, the scenarios cover (i) transition risks, resulting from carbon pricing adjustments, particularly where these are unexpected or occur suddenly; and (ii) the physical risks resulting from damage caused directly by severe weather and climate events.

In January 2021, participants submitted all of the requested projections, i.e. their assessments of credit, counterparty and market risk through to 2050, broken out by economic sector of activity. Insurers also assessed the impact of these scenarios on their natural catastrophe and health portfolios. The findings of the exercise will be published during 2021. This pilot scheme should help banks and insurers to better recognise climate change as a source of financial risk and/or underwriting risk and to develop adequate methodologies to capture specific features, notably relating to the risk time horizon and sector-related aspects.

The exercise will be followed up in 2022 by a new stress test for the banking sector, this time conducted by the ECB on a euro area-wide basis within the framework of the SSM.

The experience gained by the ACPR through the pilot scheme will allow the Authority to participate actively in work to prepare the methodology underpinning climate change stress tests for the banking and insurance sectors.

4.3 ACPR involvement in international work

In the insurance sector, the ACPR co-chaired joint work by the Sustainable Insurance Forum (SIF) and the International Association of Insurance Supervisors (IAIS), which led to the drafting of a report on the integration of climate change risk in insurers' governance and risk management systems. The ACPR also contributed to EIOPA's work on assessing the impacts of climate change on the insurance sector. Building on work done in past years, EIOPA's sustainable finance working group, which is chaired by the ACPR, put out four documents for public consultation. These documents seek to:

- promote the integration of climate change scenarios in the Own Risk and Solvency Assessment (ORSA) process;
- propose a methodology for reviewing the calibration of the standard formula's natural catastrophe risk sub-module;
- analyse the impact of climate change on the underwriting and pricing of non-life insurance products;
- and assess the impact of physical risks on insured risks.

On the banking side, the ACPR took part in work by the EBA on integrating environmental, social and governance (ESG) risks in regulation and supervision. In October 2020, the EBA published a consultation document with a view to preparing a report on incorporating ESG risks into the governance arrangements and supervision (Pillar 2) of credit institutions and investment firms. The ACPR also contributed to the EBA's work on integrating ESG risks in banks' Pillar 3 disclosure requirements, which are set to be the subject of a consultation beginning in March 2021.

In addition, work was done to assist in preparing delegated acts for the Disclosure Regulation, which cover the content of the future investment portfolio impact report that insurers, asset managers and banks managing assets for third parties will be required to publish starting in 2022.





Customer protection



2020 key figures

64

ON-SITE
INSPECTIONS

1,979

ADVERTISEMENTS
ANALYSED

1

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

1. Product marketing: inspection findings

1.1 Work aimed at addressing the issues raised by intermediation

The population of intermediaries is both large (there were approximately 70,000 intermediaries in 2020) and diverse. Insurance intermediaries make up the lion's share of the group, but there are also 8,000 banking intermediaries and 140 crowdfunding intermediaries, keeping in mind that some firms operate under more than one classification. This population is not subject to ongoing supervision by the ACPR, which exercises its supervisory powers in a proportionate manner, carrying out on-site inspections or using questionnaires to engage a broader population on a specific theme.

The ACPR is in regular dialogue with the main professional associations representing intermediaries as part of its efforts to promote best practices.

Based on the findings of its on-site inspections, the ACPR draws up and amends its policy on such diverse subjects as the duty to provide advice in life insurance, the marketing of funeral insurance policies, and the responsibility of wholesale brokers that coordinate local broker networks. It publishes recommendations after consulting with industry and consumer representatives, and shares its expectations widely through articles and press releases and at industry gatherings.

Following a hiatus in 2020 due to the situation, collaborative work with professional associations resumed in 2021 with the review of the brokerage reform bill and discussions on the implementing legislation.

More broadly, the ACPR works with the Treasury to monitor all draft legislation relating to intermediaries and also fields numerous questions from the industry each year (about 500 annually), many of which concern the applicable regulations.

1.2 Distribution of life insurance

The ACPR conducted 22 inspections covering the marketing of life insurance policies in the low interest rate environment, which continued in 2020.

These revealed ongoing problems in the application of the rules arising from the Insurance Distribution Directive (IDD), notably in terms of compliance with the duty to provide advice. In this regard, some intermediaries do not take enough care when identifying client needs, taking account of their clients' financial positions and ensuring that they provide suitable advice. Moreover, there is considerable room to improve the documentation and information provided.

These inspections were also used to assess the application by intermediaries of IDD obligations relating to remuneration and conflicts of interest. The low interest rate environment, coupled with changes to the insurance offerings and incentive schemes set up by insurers, might encourage distributors to emphasise the sale of unit-linked products. Without questioning the necessary shift in life insurance offerings, these inspections highlighted the fact that some practices require special attention, such as the introduction of schemes offering different remuneration depending on the type of product sold, or the existence of sales challenges for certain products that offer incentives to intermediaries that distribute them. Last but not least, it is critical that professionals always ensure that the products they offer match the risk appetite and investment horizon of their customers.

1.3 Unsolicited phone calls: expectations vis-à-vis the distribution chain

The ACPR continues to pay close attention to telephone marketing given the persistent presence of bad practices, and all the more so since the current health situation offers fertile ground for this type of canvassing and the use of alarmist arguments. Once again this year, inspections led to one broker being sanctioned (see Chapter 7).

The ACPR was especially careful to ensure that professionals properly fulfilled their commitments as per the advice issued on 19 November 2019 by the *Comité consultatif du secteur financier* (CCSF – Consultative Committee for the Financial Sector), particularly in terms of the procedures for gathering consent for a contract, which must be given by the customer's active, written agreement (the distributor may no longer sign on behalf of the customer). The ACPR also makes sure that firms at every point in the distribution chain (insurers, wholesale brokers and retail distributors) correctly

apply product governance and oversight requirements. Accordingly, distributors must ensure that the marketing approach used is properly suited to the target (i.e. complex insurance policies should not be sold through unsolicited phone calls). They also need to set up systems to follow up on marketing (e.g. analysis of policy cancellations shortly after purchase, complaints, recordings of sales calls) in order to be able to correct their distribution strategy effectively if customers are found to have suffered unfavourable consequences.

2. Supervision of specific procedures

2.1 Financially vulnerable customers

In 2020, the ACPR conducted five new on-site inspections in the main banking networks in mainland France and in the overseas territories to check the mechanisms used to deal with financially vulnerable customers (identification and support of vulnerable customers, notably through a specific package of banking products and services, caps on charges for account-related incidents). The inspections built on the 16 inspections already performed in 2019. This large-scale campaign reached 98% of the French market.

While the inspections showed that most banks had made positive improvements to help vulnerable customers (greater effort to spot customers, effective fee capping), they also showed that two institutions inspected in 2019 were some way behind in terms of applying the industry's 2018 best practices. These institutions were publicly named in a statement by the Governor of the Banque de France, who chairs the Observatory for Banking Inclusion, on 3 July 2020. They introduced corrective plans.

A number of areas for improvement were also identified for the market as a whole. For example, institutions were sometimes found to be using overly restrictive criteria to identify vulnerable customers, either because of the thresholds applied or because of how these criteria were applied in practice (e.g. high number of required incidents, better understanding of available resources). This made their systems less inclusive. In this regard, the entry into force on 1 November 2020 of new regulatory provisions setting the number of incidents to take into account should promote greater effectiveness and uniformity in efforts to identify financially vulnerable customers.

The ACPR will continue to pay close attention to this issue and to the proper application of industry fee capping commitments and the recommendations of the Observatory for Banking Inclusion. More on-site inspections will be conducted in 2021.

2.2 Calculating supplementary pension benefits

The ACPR pays extremely close attention to the way in which insurers determine the amount of benefits paid to their customers, especially in the case of supplementary pension contracts, since calculating guaranteed annuities may be complex. In 2020, one insurance company was punished for breaches relating to the execution of contractual commitments covering the calculation of savings and supplementary pension benefits (see Chapter 7). The insurer in question failed to comply with annuity adjustment and calculation clauses in some of its contracts, resulting in financial losses for customers who had signed up for these contracts.

In addition, the ACPR watches to make sure that any change in coverage, particularly affecting the calculation of benefits, duly follows the signature of a rider by the contracting parties, as stipulated in Article L. 112-3 of the Insurance Code. In this regard, the inspection that led to the abovementioned decision also found that the insurer was unable to produce signed riders for reductions made to certain policyholder guarantees (guaranteed rate and mortality table) and implying a decrease in benefits.

Stepping up efforts to prevent scams

In the unique situation presented by the health crisis and amid an upsurge in financial scams, both online and over the phone, beginning in March 2020, the ACPR acted to step up its efforts to prevent scams and issue warnings to the general public.

It published numerous press releases calling for vigilance, in some cases in partnership with the AMF and the *Direction générale de la concurrence, de la consommation et de la répression des fraudes* (DGCCRF – Directorate General for Competition Policy, Consumer Affairs and Fraud Control. Videos with preventive messages linking the threat of fraud to the health crisis were also put together by staff at Assurance Banque Épargne Info

Service. These videos were watched over 370,000 times.

The ACPR was heavily involved in the national fraud and scam prevention taskforce set up to optimise work by government departments and supervisory authorities engaged in preventive efforts.

In 2020, over 1,000 websites or entities proposing unauthorised loans, savings passbooks, payment services or insurance policies in France were put on the ACPR's blacklist. It is noteworthy that over 40% of these fraudulent offers were made by scammers posing as an institution or financial intermediary that was duly authorised to market the products in question.



A series of conferences to help the general public understand saving better

As part of the national financial literacy strategy, in late 2020 the ACPR and the AMF, with the support of the Banque de France, organised 40 conferences around the country on the topic of saving.

These events, which were attended by around 5,000 participants, had an educational goal. The aim was to inform the public about developments in the economic environment for investment and savings products, particularly in a prolonged low interest rate setting, while also making people more aware of the risk of financial scams. Organised as webinars owing to the health situation, these conferences kept a strong local focus through the involvement of the Banque de France network and the participation of key speakers, notably from academia and the non-profit sector. These events also

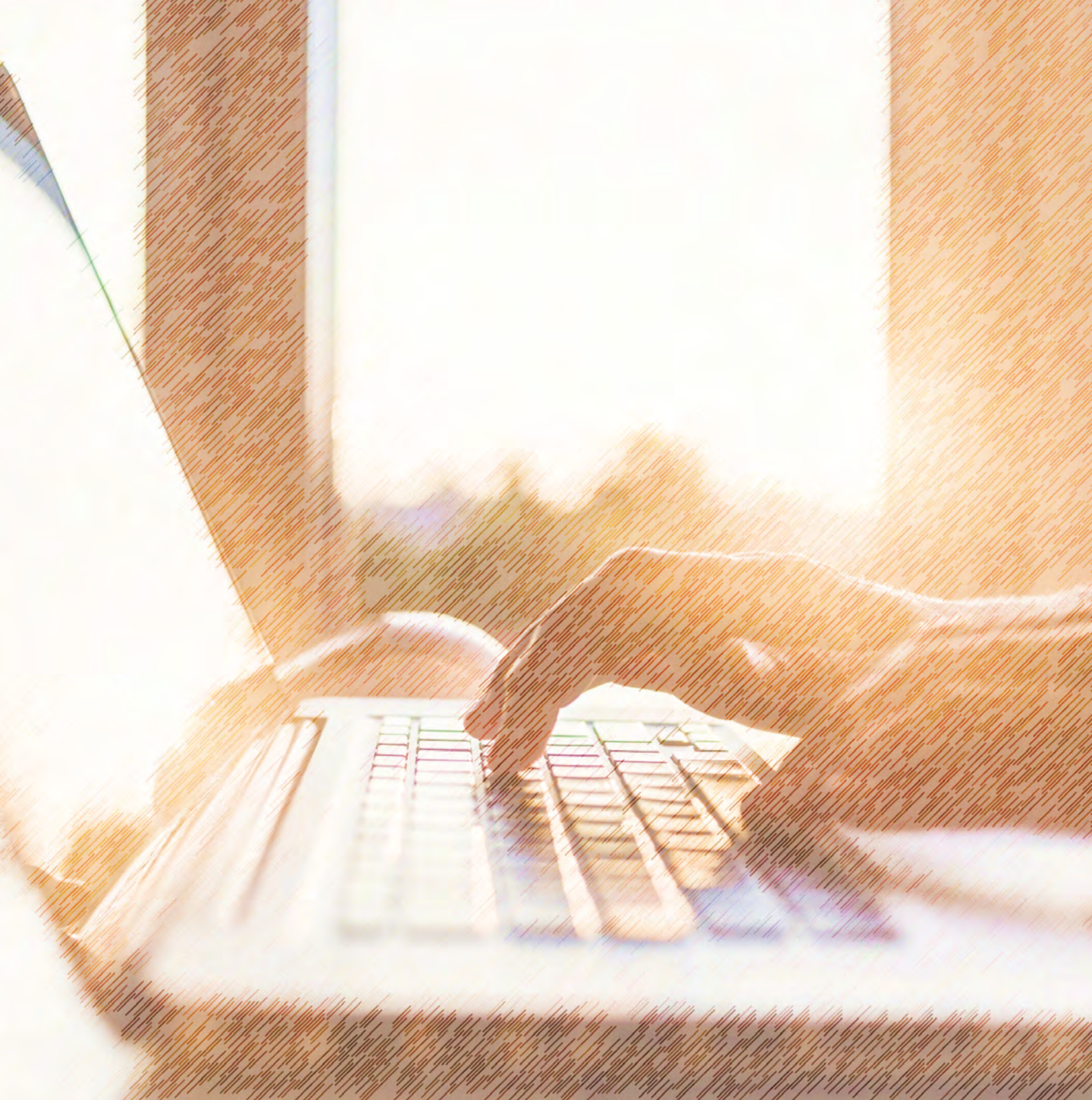
provided the opportunity for extensive discussions between the public and speakers.

In addition, a large selection of informational content covering products and what to do when setting up savings plans was developed or created on the [Assurance Banque Épargne Info Service – ABEIS](#) website to support the conferences and boost their public impact.

For example, a [brochure](#) on the main types of investments and the associated risks was created in partnership with Finance pour Tous, an association that promotes financial literacy. Two sets of videos, covering [The right saving approach for the right projects](#) and [Watching out for financial scams](#) were viewed almost 1.5 million times on YouTube.



Anti-money laundering and counter-terrorist financing (AML/CTF)



2020 key figures

25

ON-SITE
INSPECTIONS

6

DISCIPLINARY
PROCEEDINGS OPENED

4

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1. Individual oversight

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

1.1 During the pandemic

In the unusual environment of spring 2020, questions were raised about the ability of institutions to properly maintain their due diligence levels. To measure the impacts of the situation on AML/CTF and asset freeze systems, the ACPR held interviews and sent a questionnaire to a selection of banking and insurance institutions.

It found that the material issues encountered at the very start of the lockdown had quickly receded, while reduced business volume led to a parallel decline in the number of alerts. Some adjustments to systems were needed. For example priority was given to dealing with certain types of alerts. But most of these measures were lifted during the course of the year. Institutions observed a return to normal flow and alert volumes, particularly from the second half, both in the area of AML/CTF and in sanction- and embargo-related alerts. Likewise, flows of suspicious transaction reports did not appear to be lastingly or materially impacted by the health crisis.

The ACPR and the other authorities in France's AML/CTF Advisory Committee, including Tracfin, were involved in analysing the specific money laundering and terrorist financing (ML/TF) risks linked to the crisis (including scams involving government assistance and fraudulent calls for donations) and in ensuring that institutions paid special attention to these issues. In this context, the ACPR reminded crowdfunding intermediaries and payment services providers managing financial flows associated with online money pots about their AML/CTF due diligence obligations.¹²

The impact of the pandemic crisis on AML/CTF systems and reporting flows was broached during two marketwide meetings organised jointly by ACPR and Tracfin on 29 September 2020 with the banking sector and on 13 October 2020 with the insurance sector.

1.2 Risk-based approach

Ongoing supervision is primarily based on the responses provided by financial institutions to the annual AML/CTF questionnaire sent out to the banking and insurance sectors. This work is then further expanded through the analysis of business models and exposure to ML/TF risk, interviews with institutions and other information that they are asked to provide (annual AML/CTF report, internal audit reports, etc.), the findings of on-site inspections ordered by the ACPR and information exchanges with Tracfin. This provides an assessment

of the ML/TF risk profile of each institution, which is then used to determine appropriate documentary and on-site supervisory measures. Insurance brokers, which are not covered by the annual AML/CTF questionnaire, were the focus of special attention in 2020 (cf. Box – Broker survey in 2020).

Despite the health situation, 25 AML/CTF on-site inspections were carried out in 2020. The ACPR trialled new artificial intelligence tools to make on-site inspections even more effective. The tools are designed to help the Authority to select a sample of files to examine out of the millions of customer files, as part of a risk-based approach. Following the on-site inspections, the ACPR notified Tracfin of any failures to report suspicious transactions and informed the tax authorities in the event of suspected tax fraud. Depending on the seriousness of the breaches found, on-site inspections give rise to an action letter from the ACPR's Secretary General, a formal notice, or, in the most serious cases, the initiation of disciplinary proceedings by the Supervisory College. In 2020, the Sanctions Committee imposed four AML/CTF-related disciplinary sanctions, which included fines totalling EUR 740,000. The ACPR also issued four formal notices and 18 action letters.

In 2021, the ACPR will pay particular attention to ensuring that institutions are effectively implementing a risk-based approach with regard to legal entities, including non-profits, that includes identification of beneficial owners (or politically exposed persons) and links to at-risk geographical regions.

1.3 Fostering exchanges between supervisors

Since it is responsible for supervising large financial groups, many of which have a substantial international presence, the ACPR continued to step up its cooperation with foreign authorities, including other AML/CTF supervisory authorities and prudential supervisors, especially the ECB. The ACPR also pursued close bilateral cooperation with a number of non-EU authorities.

12. Cf. joint press release by the ACPR and the Directorate General for Competition Policy, Consumer Affairs and Fraud Control (DGCCRF) on 7 May 2020: https://acpr.banque-france.fr/sites/default/files/medias/documents/20200507_cp_commun_acpr_dgccrf_vigilance_appels_frauduleux_dons.pdf

It was heavily involved in setting up colleges of EEA AML/CTF supervisors, in accordance with guidelines published by the European Supervisory Authorities in December 2019 (cf. Box – AML/CTF Supervisory Colleges). The ACPR also participated in four AML/CTF colleges organised by other European authorities.

Initially introduced following the establishment of the Single Supervisory Mechanism (SSM), cooperation between the ECB and the ACPR, as the authority responsible for the AML/CTF supervision of major French institutions under the ECB's

prudential supervision, has been significantly stepped up in the last two years, particularly since the signature in January 2019 of a multilateral agreement on the exchange of information between the ECB and the national authorities in charge of AML/CTF supervision in the European Union. Accordingly, the ACPR now provides the ECB with an annual summary of its assessment of the ML/TF risk profiles of major French institutions, as well as its on-site inspection programme and supervisory priorities for the coming year, in addition to ongoing information on material AML/CTF weaknesses and risks potentially affecting major French institutions.

AML/CTF Supervisory Colleges

EBA guidelines on cooperation and information exchange in the area of AML/CTF supervision¹, which were published in early 2020, provide for the establishment of colleges comprising the AML/CTF supervisors of any group based in at least three European Economic Area (EEA) countries. The competent authority in the country where the group's lead company is based is designated as the main supervisory authority and as such sets up the college.

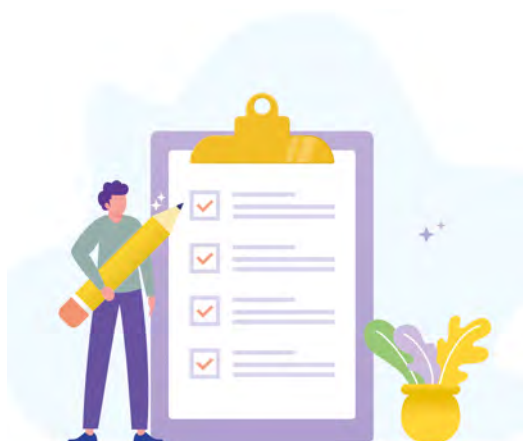
Between 17 and 20 November 2020, the ACPR set up the first AML/CTF colleges for three French banking groups and one insurance group (which was the first AML/CTF college set up for an insurance group in the European Union). Meetings were held remotely owing to the health situation. Each one involved around 20 AML/CTF authorities from a variety

of European countries; the EBA, which is responsible for coordinating cooperation by the competent authorities, also participated, as did Tracfin and the ECB as observers.

These first AML/CTF college meetings provided an opportunity for fruitful discussions that helped the ACPR to round out its analyses of the ML/TF risk profiles of the groups under its supervision. The exchanges and discussions also helped to identify themes of shared interest, as well as business lines requiring special attention and that could be the subject of separate analyses or information exchanges.

In 2021, ACPR staff will set up the 20 or so additional AML/CTF colleges for which the Authority is responsible. ACPR teams will also continue work to prepare for the expansion of these colleges to non-EEA AML/CTF authorities.

¹ <https://eba.europa.eu/regulation-and-policy/anti-money-laundering-and-e-money/jc-guidelines-on-cooperation-and-information-exchange-for-aml/cft-supervision-purposes>



2020 broker survey

Brokers have an important role to play in AML/CTF by virtue of their central position in the product distribution chain. However, information exchanges with Tracfin revealed limited reporting flows in this sector.

To draw their attention to their obligations, in 2020 the ACPR sent an online questionnaire comprising around 15 questions to 24,000 brokers, receiving a response rate of 87%. The findings showed that just 7,100 brokers actually distribute life insurance or endowment policies,

which are the areas with the greatest exposure to laundering risk.

The questionnaire's detailed findings were presented at the ACPR's conference on 27 November 2020 and may be viewed on the ACPR's website.¹

The Authority underlined the fact that only a minority of brokers had appointed a Tracfin correspondent and urged those that had not yet done so to visit the Tracfin website to learn about the procedures for appointing a correspondent and reporting suspicious transactions.

¹ https://acpr.banque-france.fr/sites/default/files/media/2020/11/30/20201127_conferenceacpr_presentation_apres_midi.pdf

2. Regulatory developments

2.1 Completing transposition of the Fifth AML/CTF Directive

As part of the transposition of the Fifth AML/CTF Directive¹³, the ACPR contributed actively to strengthening the AML/CTF framework. For example, provisions relating to customer ID verification were revised to rely more heavily on the Electronic IDentification Authentication and trust Services (eIDAS) Regulation, in order to provide solutions to the problems mentioned by industry representatives during the work of the Fintech Forum, while maintaining stringent security and reliability standards for the non-face-to-face establishment of business relationships. In addition, the ACPR continued to work on drafting the executive order on AML/CTF arrangements and internal control¹⁴, which seeks to strengthen, for all reporting entities, the effectiveness of AML/CTF arrangements and internal control according to a risk-based approach, in line with Financial Action Task Force (FATF) recommendations.

Acting on the lessons learned from its supervisory activities, the ACPR worked closely with industry to draw up guidelines for parent companies to steer AML/CTF arrangements at group level. These guidelines are intended to enable financial institutions to implement regulatory requirements more effectively,

particularly in the case of cross-border groups, for which the Fifth Directive establishes the principle of consolidated supervision.

2.2 Digital asset services providers (DASPs)

At home, the ACPR lent its expertise to efforts to draw up the ordinance of 9 December 2020, which extends the scope of DASP AML/CTF obligations within the framework of a stringent process founded on a risk-based approach. In particular, services involving the exchange of digital assets against other digital assets and operation of a digital asset trading venue are subject to a registration requirement, in line with FATF recommendations.

Internationally, the ACPR contributed alongside the Treasury to work by the FATF on digital assets. These documents, which are available to financial institutions and DASPs, are intended to allow these entities to better understand the risks to which they are exposed so that they can implement appropriate due diligence measures.

First round of DASP registrations in conjunction with the AMF

DASPs, which must now comply with AML/CTF obligations, are registered with the AMF once the ACPR has given its assent, in accordance with the new legal framework established by the PACTE Act. Accordingly, the ACPR ensures that the provider's procedures take into account the ML/TF risks to which the entity is exposed

in connection with its business and that appropriate measures are put in place to mitigate these risks.

It also checks the compliance of asset freeze measures.

In 2020, the ACPR gave its assent on seven occasions.

13. Directive 2018/843 of the European Parliament and of the Council of 30 May 2018 (Fifth Directive) was transposed into French law by Ordinance No. 2020-115 and Decree No. 2020-118 of 12 February 2020 strengthening the national AML/CTF framework.

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

2.3 Asset freeze measures

The ACPR assisted in work by the Treasury aimed at strengthening the national framework covering asset freeze measures and the ban on making funds available, including by the international offices of French institutions.

This reform is intended to support the work of the ACPR, which continues to monitor both the implementation of asset freeze measures and the quality of the structures and arrangements put in place by institutions.

Building on its supervisory activities relating to group-level steering of AML/CTF arrangements, the ACPR also contributed to marketwide work on defining the obligations of parent companies in terms of steering and internal control of asset freeze measures.

2.4 Strengthening European and international supervision

In 2020, the ACPR contributed to European and international work aimed at strengthening the AML/CTF supervisory framework.

In Europe, the Authority provided its expertise to the Treasury during discussions concerning the action plan published by the European Commission in May 2020. This work is expected

to lead to greater regulatory harmonisation and the creation of a European AML/CTF supervisor (future AML 6 package). The ACPR also provided input to the update of the EBA's advice on ML/TF risk, which was published in early March 2021. This advice, which is aimed at financial institutions and supervisory authorities, seeks to identify, understand and assess the risks to which financial sector entities are exposed.

Internationally, the ACPR was involved in drawing up FATF guidance on risk-based supervision, which is scheduled for publication in 2021. The draft guidance, which is intended for supervisory authorities, seeks to strengthen and harmonise supervisory practices, especially with regard to financial sector entities.

2.5 ACPR: AML/CTF reorganisation

Discussions had begun in 2020 on the internal organisation of the ACPR's AML/CTF work. A European comparison revealed that the ACPR was one of just two authorities to have a non-centralised organisational approach to dealing with these questions. Accordingly, the decision was taken at the end of 2020 to set up an AML/CTF directorate comprising the requisite expertise and making it possible to strengthen cross-sector analyses as well as the ACPR's ability to take part in international negotiations. The new directorate has just been established.





Innovation and new technologies



New technologies have been bringing profound changes to the financial sector in recent years. To support these changes, in 2016 the ACPR set up a dedicated structure, the Fintech Innovation Unit, and a space for dialogue with the innovation ecosystem, the ACPR-AMF Fintech Forum. The Authority's goals are to promote the emergence of controlled technological innovation in the financial sector, to help identify and reduce any obstacles, and to anticipate and adjust to developments affecting the sector and participants.

1. Dialogue with the fintech community

The primary task of the Fintech-Innovation Unit is to be a gateway for innovators, whether they are individuals or come from start-ups or established firms. Through open dialogue based on the information provided, the aim is to guide these innovators towards the right classification for their proposed activities and to explain the regulatory framework. In 2020, 134 bilateral contacts involving new projects were established. Around 30% of these involved payments.

In addition to fostering bilateral contacts, the Fintech-Innovation Unit helps to nurture the French fintech ecosystem. Unit representatives speak regularly at incubators and accelerators (Station F, Le Swave, Finance Innovation), industry events (Paris Fintech Forum), universities and in connection with the Banque de France's start-up correspondents scheme.

A determination to step up relations with members of the ecosystem also prompted the Fintech-Innovation Unit to organise a new kind of event on 12 October 2020 in partnership with the AMF. The annual ACPR-AMF Fintech Forum is a public event that has an interactive format intended to foster genuine local dialogue. The one-day gathering offers an opportunity to bring together French and European authorities, professional associations, researchers and fintechs: almost 1,000 people attended, either in person or remotely, the panel discussions

and teaching workshops that were put on at the 2020 forum, which covered the major regulatory issues connected with financial innovation and the effective implementation of these regulations.

The ACPR also contributes actively to dialogue between supervisory authorities. Nationally, this led it to hold discussions with the *Agence nationale de la sécurité des systèmes d'information* (ANSSI – National Cybersecurity Agency), the *Autorité de régulation des communications électroniques, des postes et de la distribution de la presse* (ARCEP - Regulatory Authority for Electronic Communication, Postal Services and Print Media Distribution) and the *Autorité de la concurrence* (Competition Authority) on shared themes. The Fintech-Innovation Unit also takes part in the European Forum for Innovation Facilitators (EFIF) facilitated by European agencies and in the European Commission's EU Fintech Lab.

While the Fintech-Innovation Unit's involvement in international gatherings was reduced owing to the health situation, the ACPR nonetheless continued to collaborate with foreign partners and, for example, took part in virtual events organised by the monetary authorities of Singapore (Green Finance Dialogue) and Hong Kong (World Regtech Summit).

The ACPR-AMF Fintech Forum

Set up in June 2016, the consultative forum on fintech regulation, also known as the ACPR-AMF Fintech Forum, is a body for monitoring, dialogue and proposals that is co-led by the ACPR and the AMF. It seeks to ensure that stakeholders have a good understanding of fintech-related issues, particularly those of a regulatory and supervisory nature, as well as developments, specific features and risks.

When the forum's membership was renewed, the operating procedures were reviewed to help the forum fulfil its tasks more effectively: plenary committee meetings are to be held more regularly to keep more a frequent watch on developments, emphasis was placed on having specific working groups for particular topics (see below), and it was decided to organise an annual event that would be widely open to ecosystem participants.



2. Observing, supporting and anticipating the development of innovative technologies

Taking the form of dialogue with participants, market events, working groups and trials, the Fintech-Innovation Unit's interactions with France's diverse and innovative ecosystem are shaped by the need to closely monitor the development of use cases driven by new technologies. Artificial intelligence and blockchain were the two main technologies that structured the unit's work in this area in 2020.

2.1 Fintech Forum working groups

(i) Identification rules for the non-face-to-face establishment of business relationships

In 2019, the ACPR-AMF Fintech Forum put forward a series of proposals to make non-face-to-face customer journeys smoother while maintaining strict AML/CTF requirements. These proposals were largely taken up during the process of transposing the Fifth European Directive on AML/CTF. Among other things, this opened up the possibility for affected financial firms to use certified non-face-to-face identification services.

In 2020, the Fintech-Innovation Unit kept track of ANSSI's work on drafting the technical reference framework applicable to these services: the first non-face-to-face ID verification services based on the framework should receive certification over the course of 2021.

(ii) Application of AML/CTF rules to the crypto-asset sector

The entry into force of the PACTE Act, which introduced the new digital asset services provider (DASP) status, along with updated FATF recommendations on integrating the crypto-asset sector in AML/CTF, prompted the ACPR to organise a discussion on this topic with the financial community. A Fintech Forum working group was therefore set up and given two objectives: first, raise sector awareness about the AML/CTF rules and recommendations; second, draw up an initial stocktaking of AML/CTF practices and the specific aspects and prospects opened up in this area by the use of blockchain technologies. Five plenary sessions and ten or so bilateral interviews conducted on the basis of a questionnaire led to the publication of a report in October 2020.

The report's findings were also shared at public events, including the Paris Blockchain Week Summit and a conference held by the *Association pour le développement des actifs numériques* (Adan - Association for the development of digital assets).

(iii) Access by digital asset services providers (DASPs) to bank accounts

Problems encountered by participants from the blockchain and digital asset industry in opening bank accounts in France and accessing banking services spurred the ACPR to lead a working group on the topic within the Fintech Forum. The group, which includes authorities and representatives of the affected sectors, is tasked with drawing up a stocktaking and identifying potential solutions. A related aspect, covering the purchase and sale of digital assets by individuals holding bank accounts, is also being discussed. The working group held four plenary meetings in the second half of 2020 and published a report on its discussions in the first quarter of 2021.

2.2 Involvement in European and international discussions

The ACPR participates in the working groups set up by European and international bodies to monitor technological developments in the financial sector. Highlights in 2020 included work on fintech and crypto-asset regulation and on regtech and supotech issues. Some of this work led to publications, including the Financial Stability Board (FSB) report on the use of new technologies for regulatory compliance and supervision, the EBA report on big data and advanced analytics, and the Bank for International Settlements (BIS) report on regulating fintechs and digital banks.

In 2020, the European Commission held three public consultations to which the ACPR provided feedback: one on digital finance, one on crypto-assets and one on artificial intelligence. An action plan on digital finance, which was published on 24 September 2020, followed these consultations. Among other things, the plan was accompanied by a proposal for a European regulation on Markets in Crypto-Assets (MiCA), covering the issuance of crypto-assets and the provision of crypto-asset services. Since the plan's publication, the ACPR has contributed to work by French public policymakers to get ready for European negotiations.



Promoting controlled innovation in artificial intelligence (AI)

Building on its initial work on AI challenges in finance, the ACPR conducted exploratory workshops with volunteer participants on AI integration in critical business processes, which led to the release of a report on governance of AI algorithms in the financial sector in June 2020. The report summarised the workshop findings and put out to consultation a set of guidelines on AI design and governance principles for the financial sector. Feedback to the consultation endorsed and supplemented the guidelines proposed by the ACPR.

The ACPR also held discussions with the university and research community, including with Paris 1 Panthéon Sorbonne University, Strasbourg University and the Louis Bachelier Institute. In particular,

the ACPR and Télécom Paris co-organised a bimonthly series of lectures on AI in finance that kicked off in November 2020 and sought to clarify the regulatory, legal, technical and social issues involved in AI adoption in the sector.

In 2021, the ACPR will hold its first “tech sprint”, a friendly competition giving innovators the opportunity to explore possibilities in terms of the explainability of machine learning-based credit scoring models used as black boxes. The exercise will help to make the ecosystem more aware about the levels of explainability that are achievable in practice depending on the audience being addressed, while also advancing discussions on algorithm audits and the limits of such processes.

3. Preparing the supervisory methods of the future

The adoption of new technologies by financial sector participants has prompted the ACPR to adjust its supervisory methods to ensure a level of control that is commensurate with these new challenges. In 2019, the Authority launched a suptech approach consisting in identifying the possibilities offered by new technologies for its own supervisory methods and processes.

3.1 Update on the intrapreneurship programme and other suptech projects

The intrapreneurship programme launched in 2019 gives employees the opportunity to conduct innovative projects from start to finish, acting with the independence of an entrepreneur, but staying within and acting on behalf of the company. This approach supplies intrapreneurs with the technical resources to pursue their innovation, while keeping the emphasis on the identified business need. Among the selected projects, several may be used to support the analysis of unstructured data. Supervisory needs have shown the value of natural language processing (NLP) tools and quantitative data analysis tools incorporating a predictive module.

In 2020 the projects were developed and minimum viable products were finalised with the assistance of the Banque de France Lab¹⁵. Selected projects are expected to go live in 2021.

The ACPR plans to continue to trial and deploy new use cases for supervisory business areas. With this in mind, two data scientists joined the Fintech-Innovation Unit in 2020, providing the ACPR with machine learning expertise to test and develop innovative projects internally.

3.2 ECB suptech projects

By talking to supervisory authorities in Europe and internationally, the Fintech-Innovation Unit is able to anticipate the accelerating transformation that is underway and share ideas for projects and best practices.

Accordingly, the ACPR is participating actively in the suptech initiative launched in 2020 by the ECB's Single Supervisory Mechanism (SSM). Work in 2020 included identifying the suptech use cases being trialled or planned by national supervisors and drawing up a suptech roadmap for the ECB and SSM authorities. The broad outlines of the initiative were presented at an ECB conference on 30 November 2020.

15. The Lab, the Banque de France's own open innovation space, provides the Bank's business areas with a wide array of resources and skills to help them identify issues, find solutions and conduct trials in innovative areas.



Resolution in 2020



2020 key figures

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PREVENTIVE
RESOLUTION
PLANS ADOPTED

5

MEETINGS OF THE
SINGLE RESOLUTION BOARD
ATTENDED

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

Implementation of the Single Resolution Mechanism (SRM) was further strengthened in 2020. The ACPR provided major support to improve planning and establish an operational definition for the management of banking crises. As part of this, the preventive resolution plans of credit institutions were updated by Internal Resolution Teams (IRTs), which are made up of staff from the Single Resolution Board (SRB) and National Resolution Authorities (NRAs). The ACPR was involved in the work by the IRTs for French banks and foreign banks with a material presence in France.

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

In 2019, the European Parliament and the Council of the European Union adopted a revision to the European legislative framework for resolution, which came into effect on 28 December 2020. These amendments will, among other things, strengthen the minimum requirement for own funds and eligible liabilities (MREL), notably by clarifying its application to banking groups. Transposition into French law of the BRRD2 Directive, which began in September 2019, was finalised in 2020 thanks to joint work by the Treasury and the ACPR.

The ACPR also continued work aimed at strengthening the "resolvability"¹⁶ of banking groups, notably by developing resolution tools for use in cases of bank failure. This included stepping up the preparation of banking groups for the implementation of bail-in, transfer and business disposal tools.

The minimum requirement for own funds and eligible liabilities (MREL), which corresponds to the loss-absorbing and recapitalisation capacity of institutions in a crisis, supplements the abovementioned resolution plans. In 2020, the Single Resolution Board (SRB) set strict requirements concerning the level of subordination for the consolidated MREL as well as internal MREL targets applicable to certain subsidiaries of affected groups. In accordance with the new legislative framework, MREL is now expressed on the basis of risk-weighted assets and leverage exposure. This requirement is intended to ensure that in the event of resolution, institutions are able to continue to perform functions identified as critical, without threatening financial stability and without the use of public funds.

The ACPR is also responsible for drafting preventive resolution plans for the 120 institutions under its direct supervision. This responsibility extends to less significant institutions (LSIs), investment firms subject to the resolution framework as well as institutions in overseas territories outside the EU and those based in Monaco. In 2019, continued work paved the way for plans to be adopted for all of these institutions. Some of these plans were updated in 2020. To ease the burden on LSIs not performing critical functions, resolution reporting

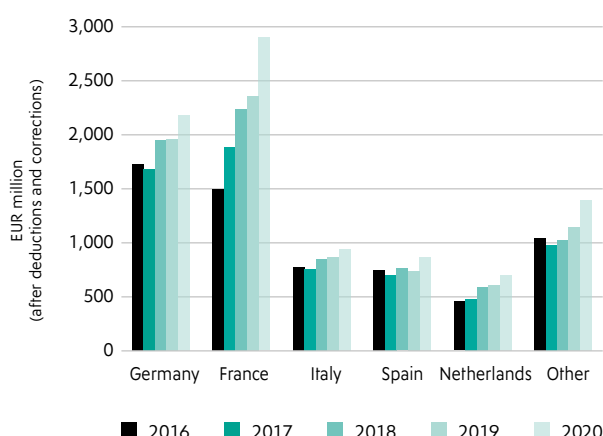
requirements for these institutions will be reduced beginning in 2021, subject to certain conditions.

To cover the costs of crises at banking institutions, a Single Resolution Fund (SRF) for credit institutions within the Banking Union and a National Resolution Fund (NRF) for institutions that remain under the ACPR's exclusive responsibility were set up in 2016. These funds, the target level of which, set at 1% of covered deposits, is expected to be reached by 31/12/2023 for the SRF and 31/12/2024 for the NRF, continued to be financed in 2020 by contributions from institutions subject to the mechanisms, including those based in the two Member States that joined the Banking Union this year, namely Croatia and Bulgaria.

In 2020, French institutions contributed over EUR 2.9 billion to the SRF. Contributions to the NRF totalled EUR 9.8 million in 2020 and included contributions from some institutions licensed in France, overseas territories outside the EU and Monaco. 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, among other things, explains the relative size of the French and German contributions. The ACPR also calculated and notified institutions of their contributions to the guarantee schemes for deposits, securities and bank guarantees managed by the *Fonds de garantie des dépôts et de résolution* (FGDR – Deposit Insurance and Resolution Fund). Approximately EUR 601 million was raised for the largest of these mechanisms, namely the deposit guarantee scheme.

SRF contributions by licensed institutions in Banking Union member countries



Source : https://srb.europa.eu/sites/srbsite/files/2020_statistical_information_on_the_calculation_results.pdf

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

2. Resolution of insurance groups and institutions

France was one of the first EU countries to introduce a recovery and resolution regime for the insurance sector. The regime, which is modelled on the one set up earlier for credit institutions and investment firms, applies to all institutions subject to the Solvency II prudential regime. It allows the ACPR's Resolution College to obtain enhanced powers over struggling insurers and to take resolution measures to maintain the functions of the institution that are considered to be critical to the real economy or to financial stability.

The "preventive" component of the regime, which applies only to the largest institutions (institutions whose total assets have exceeded EUR 50 billion at least once in the past three financial

years), includes an obligation for these institutions to prepare preventive recovery plans.

In 2020, with a view to enhancing these plans and drawing up the first preventive resolution plans, the ACPR published a methodological memo specifying the criteria for identifying critical functions¹⁷. This methodology is based on the principles developed at international level by the FSB. Based on the methodological principles set out in the memo, six functions are deemed to be inherently critical (non-unit-linked and unit-linked savings, auto, medical liability insurance, construction, farm insurance and credit & surety).

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RESOLUTION IN 2020

3. The central counterparty resolution regime

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

In 2020, the ACPR therefore continued its work in this area, notably by organising the fifth meeting of the authorities in the crisis management group for the French CCP, LCH SA. At the meeting, in accordance with the international standards in this regard (cf. FSB Guidance on CCP Resolution, 2017), the ACPR presented the impact of various resolution scenarios on the CCP, along with advances in the strategic analysis of the business lines and critical functions of LCH SA. An initial resolution plan for LCH SA is expected to be finalised in 2021.

The above mentioned work took place against the backdrop of the recent entry into force of the European Regulation on CCP recovery and resolution, which has been under negotiation since 2016. The ACPR is currently taking part in work begun by ESMA on the 19 technical standards and guidelines contained in the new regulation.

Internationally, the ACPR was involved in the work of the FSB's specialist group, which on 16 November 2020 published supplementary guidance to the 2017 guidance on CCP resolution. The new guidance deals in particular with the treatment of shareholders and the financial resources needed to support resolution.



17. https://acpr.banque-france.fr/sites/default/files/medias/documents/20210112_identification_fonctions_critiques.pdf



Activity of the Sanctions Committee



2020 key figures

11

NEW CASES

6

RULINGS HANDED DOWN

12

MONTHS TAKEN TO HANDLE
AN AVERAGE CASE

1. Overview

Eleven sets of disciplinary proceedings – three more than in 2019 – were referred to the Committee in 2020. After last year's decline, this was back to the annual caseload of around ten seen in previous years.

The Committee handed down just six decisions¹⁸. This sharply reduced number is attributable to constraints linked to health measures adopted during the Covid-19 pandemic, which affected the Committee's activity and organisation: on several occasions, the Committee granted requests from companies subject to proceedings to push back the deadlines for submitting observations or holding hearings; it also had to delay interviews after learning that the executive of a company subject to proceedings or the counsel of that person had caught the virus or was reported to be a close contact.

The Committee's work was mainly centred on AML/CTF issues, with four of its six decisions punishing breaches in this area, while the other two concerned customer protection.

The Committee issued six reprimands, five of which were accompanied by fines ranging from EUR 20,000 to EUR 10 million. Total fines came to EUR 10.74 million. It also decided to name the entities concerned by its decisions.

The average time between when a case was brought before the Committee and when notification of the sanction ruling was provided was just over one year, or one month more than in 2019. This was due to the complexity of several cases and the effects of the health situation mentioned above.

Following an appeal against the *Banque d'Escompte* Ruling No. 2018-06 of 11 July 2019, the *Conseil d'État* clarified the terms under which the names of affected entities may be published in Committee rulings (cf. point 3, below).

2. Main lessons from the rulings handed down

2.1 Customer protection

(i) Duty of insurance intermediaries to provide information in non-face-to-face sales

In its *Viva Conseil* Ruling No. 2019-05 of 28 February 2020 (reprimand and ban on selling insurance contracts for two months / decision published on a non-anonymous basis for five years), the Committee once again ruled on the duty of intermediaries to provide information during non-face-to-face sales of insurance contracts¹⁹. During such sales, the applicable provisions stipulate that the consumer must receive certain information in writing or in another durable medium before making any commitment. An exemption is however permitted to this obligation if the contract was entered into at the consumer's request using a remote communication technique not allowing the information to be transmitted in writing or in another durable medium. In its ruling, the Committee reiterated that, in the case of an unsolicited phone call, the intermediary is not covered by this exemption if it initiated the telephone conversation that led to the sale. In this situation, the intermediary must provide the requisite precontractual information in a durable medium before signing the contracts, which Viva Conseil failed to do. The Committee additionally considered that the insurance intermediary had failed to fulfil its obligation to provide complete and accurate information to its customers. In particular, the intermediary's phone canvassers misleadingly said that they were calling because of a coverage gap or a non-activated option that might allow the person to receive a capital sum in the event of death or disability. Based on the evidence provided, including recordings of phone conversations between canvassers and prospective customers, the Committee determined that Viva Conseil had significantly failed in its duty to provide advice by not looking for information about the existence of other in-force contracts offering similar coverage to that proposed and by failing in some cases to take account of the prospective customer's financial position, even when customers reported problems or mentioned information that could result in coverage exclusions.

(ii) Obligation to execute insurance contracts

In its *Generali Vie* Ruling No. 2019-03 of 11 March 2020 (reprimand / fine of EUR 10 million / decision published on a non-anonymous basis for five years), the Committee found that the company had failed to fulfil its basic obligation under Article L. 113-5 of the Insurance Code to properly execute the contract concluded between the parties. Specifically, Generali Vie failed to apply the correct technical parameters (mortality tables and technical interest rate) and annuity adjustment clauses for some retirement contracts, which led to significant losses for the insured parties. It deducted precharged acquisition fees without specifying the method used to calculate these fees in the contracts. It also imposed contractual amendments on some types of group coverage but failed to comply with the formal requirements set out in Article L. 112-3 of the Insurance Code and was unable, at the time of the inspection, to provide an audit trail for changes made to certain retirement contracts. Finally, Generali Vie failed to comply fully with the formal requirements applicable to its duty to provide advice during internal transfers of retirement contracts.

18. [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.

19. cf. also on this point, *Santiane* Ruling No. 2015-09 of 22 December 2016, *SGP* Ruling No. 2017-09 of 26 February 2018 and *Provitalia* Ruling No. 2018-02 of 15 May 2019.

The sanctions imposed reflect the seriousness and length of the breaches but also the small share of the firm's retirement business represented by the contracts in question, which had been transferred under M&A deals, the fact that certain complaints were narrowed in scope or scaled down, and the implementation of a far-reaching remediation plan.

2.2 Compliance with AML/CTF obligations

In its *Only Paiement Services* Ruling No. 2019-04 of 4 February 2020 (reprimand / fine of EUR 70,000 / decision published on a non-anonymous basis for five years), the Committee punished a payment institution that provided payment services in overseas territories through a network of telephony stores.

The Committee first considered that the provisions of Ordinance No. 2016-1635 of 1 December 2016, under which the facts were characterised, were clear, giving grounds to punish the breaches, even though the regulatory provisions implementing the ordinance had not yet been published at the time when the on-site inspection was carried out.

Considering the merits, the Committee ruled that all the complaints were substantiated and that some of them constituted serious breaches of obligations relating to risk classification, KYC aspects, warning systems and the organisation of internal control. The consequences of these shortcomings were observed in several individual files for which enhanced verifications and suspicious transaction reporting were not performed, while the asset freeze system, which was based solely on monthly screening of the customer database, was inadequate.

In its *Mangopay* Ruling No. 2019-06 of 22 December 2020 (reprimand / fine of EUR 150,000 / decision published on a non-anonymous basis for three years), the Committee punished an electronic money issuer and payment services provider licensed in Luxembourg in connection with activities performed in France under the freedom of establishment.

The Committee began by pointing out that the ACPR was competent to inspect and, where applicable, enforce compliance by the company with its AML/CTF obligations as set down by the Monetary and Financial Code for all activities conducted in France under the freedom of establishment, with only activities carried out under the freedom to provide services falling outside the ACPR's authority. In this regard, it considered that all activities reported by Mangopay to the Luxembourg Financial Sector Oversight Commission as being exercised in France under this regime should be deemed as being exercised in France under the freedom of establishment. The fact that, after the time of the facts covered by the inspection, Mangopay considered that some of the activities that it had reported were actually exercised under the freedom to provide services was inconsequential.

The Committee also dismissed arguments based on the lack of clarity and predictability of the applicable regulations. In determining the sanction, the Committee took into account the recent establishment of this institution in an innovative financial sector, the significant remedial measures taken, and the change in the entity's financial situation.

In its *Attijariwafa Bank Europe (AWBE)* Ruling No. 2020-01 of 24 December 2020 (reprimand / fine of EUR 500,000 / decision published on a non-anonymous basis for five years), the Committee considered that the credit institution used an inappropriate risk classification, particularly for its cash-based fund transfer business, whose already elevated ML/TF risk was further heightened by the geographical destination of the funds. The Committee also considered that AWBE had not fulfilled its due diligence obligations: the institution had not gathered the information enabling it to obtain thorough knowledge of certain customers in the politically exposed persons category; furthermore, it had neither the human resources needed to deal in a timely manner with warnings triggered by its system for detecting unusual transactions, nor appropriate technical resources to supervise its correspondent banking activity. These deficiencies resulted in many failures in terms of enhanced verifications and suspicious transaction reporting. Finally, the Committee found serious deficiencies in AWBE's ongoing supervision of its subsidiaries and periodic checks of the AML/CTF system.

In determining the sanction, the Committee did however take into account the scale of corrective measures implemented.

In its *BD Multimédia* Ruling No. 2019-07 of 23 December 2020²⁰ (reprimand / fine of EUR 20,000 / decision published on a non-anonymous basis for three years), the Committee considered breaches involving the AML/CTF and asset freeze systems of an institution providing payment services including micro-payment services, as well as the effectiveness of the provider's internal control and the quality of its accounting organisation.

The Committee considered that most of the charges relating to AML/CTF and the asset freeze measures were substantiated. The institution's procedures were indeed incomplete and, at the time of the inspection, the institution was not fully in compliance with its KYC and business relationship monitoring obligations. The Committee also determined that the internal control system was still in its infancy. It additionally identified a significant number of failures in suspicious transaction reporting as well as gaps in the asset freeze system.

Conversely, the Committee dismissed the complaints relating to the accounting organisation and drastically narrowed the scope of the complaint relating to the safeguarding of customer funds.

In determining the sanction, the Committee considered several mitigating factors: the small size of the institution, which was still in a weak financial position when the Committee made its decision and which operates in a fiercely competitive environment with other unregulated firms; the uncertainties mentioned by the company, which claimed that some aspects of its system, which were described in its license application, seemed to have received no objection on the part of the supervisor; and the vigorous remedial measures implemented following the inspection, with a significant cost relative to the institution's resources.

3. Appeals against Sanctions Committee rulings

- Conseil d'État Order of 15 October 2020 *Banque d'Escompte*, No. 432873

In 2020, the *Conseil d'État* considered just one appeal against a Committee ruling, which it rejected.

In Ruling No. 2018-06 of 11 July 2019, *Banque d'Escompte* was handed a reprimand and a fine of EUR 200,000 for shortcomings in its AML/CTF and asset freeze system. The Committee ordered its decision to be published on a non-anonymous basis for a five-year period.

In its order of 15 October 2020, the *Conseil d'État* began by determining that in the circumstances of the case there were no grounds to offer the parties mediation, the principle of which had been rejected by the ACPR.

It also dismissed the argument that the procedure was flawed owing to the failure to communicate to the applicant in advance of the session the proposed sanction put forward by the College representative. It also dismissed the arguments challenging the Committee's assessment of the merits of the complaints.

It then confirmed that it concurred with the proportionality of the sanctions imposed by the Committee having regard to the seriousness of the offences committed and to the behaviour and position – especially the financial position – of the sanctioned party.

It also specified that the publication of the ruling provided for by Article L. 612-39 of the Monetary and Financial Code, which constitutes an additional sanction, did not have to be the subject of a specific statement of reasons distinct from that of the primary sanction. The procedures adopted – particularly the non-anonymous format – need to strike a balance between the general interest, notably in terms of ensuring effective measures to prevent money laundering and terrorist financing, and the interest of the sanctioned company. In this case, the *Conseil d'État* ruled that non-anonymous publication of the decision for a five-year period, including the two phrases that the Committee had decided to redact from the publication, but that were restored, was unlikely to cause disproportionate harm to the company.

At end-February 2021, two appeals against Committee rulings were pending before the *Conseil d'État*. These appeals were launched against *Tutélaire* Ruling No. 2019-02 of 10 December 2019 and Article 2 of *BD Multimédia* Ruling No. 2019-07 of 23 December 2020 concerning publication of the sanction²¹.



21. BD Multimédia also submitted an application for suspension in which it called for the non-anonymous publication of the ruling to be suspended. In Ordinance No. 449168 of 15 February 2021, the urgent applications judge of the *Conseil d'État* rejected this application.



Budget and activity monitoring



2020 key figures

EUR 208.2

MILLION
TOTAL BUDGET

1. Budget of the ACPR

In accordance with Monetary and Financial Code (MFC) Article L. 612-18, the ACPR is financially independent within the limits of the contributions paid by institutions 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.) the costs of which are measured

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

The report on the ACPR budget outturn for 2020 was submitted to the Audit Committee on 22 February 2021 and approved by the College at its plenary meeting of 4 March 2021. The Authority ended 2020 with a surplus of EUR 13.7 million. After taking into account the surplus, the balance of contributions carried forward totalled EUR 52.2 million.

Table 1: Summary of 2019 and 2020 expenses and income

Expenses and income in EUR millions	2019	2020	2020 / 2019	
			Amount	%
Contributions from supervised institutions (tax allocation cap)	195	195	0	0
Caisse des Dépôts et Consignations	2.5	10	7.5	300
Other income	1.73	3.22	1.49	86
Income (A)	199.23	208.22	8.99	4.51
Personnel costs	110.36	121.03	10.67	10
Overheads	75.1	71.18	-3.92	-5
IT	25.3	26.25	0.95	4
Property	19.96	21.6	1.64	8
Other expenses	29.84	23.33	-6.51	-22
Amortisation and depreciation	2.09	2.29	0.2	10
Expenses for the year (B)	187.55	194.5	6.95	3.71
Budget balance (A)-(B)	11.68	13.72	2.04	17.47

1.1 Income

The Authority's receipts essentially comprise contributions for the cost of supervision provided for in MFC Article L. 612-20 and payable by entities supervised by the ACPR²².

Contributions in respect of 2020 were up 3% at EUR 210.9 million and were recorded in the amount of the tax allocation cap set by the 2020 Budget Act (EUR 195 million). The amount exceeding the cap and received over the year, which was substantially larger than it was in 2019 (EUR 14.3 million versus EUR 9.8 million), was paid back to the general State budget.

The increase in contributions was essentially due to the banking and insurance sectors and notably to increases in their respective bases (capital requirements for credit institutions, life and non-life premiums and contributions for insurers).

At the end of the period, the overall collection rate for contributions was 99%. Despite challenges linked to the health crisis and the deliberately delayed issuance of contribution demands, the collection rate was comparable to that seen at end-2019, when it stood at 99.5%.

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

22. Procedures for calculating contributions for the cost of supervision per category of contributing entity in force in 2020: for the banking sector, the rate applied to banks' capital requirements or minimum capital requirements was set at 0.66%, with a minimum contribution of EUR 500; for the insurance sector, the rate applied to written premiums and contributions was set at 0.23%, with a minimum contribution of EUR 500; flat-rate contributions were set at EUR 1,000 for money changers, EUR 500 for mutual insurers and unions referred to in Book I of the Mutual Insurance Code that manage mutual insurance payments and contracts on behalf of mutual insurance companies and unions referred to in Book II, and EUR 150 for insurance and reinsurance brokers and for intermediaries in banking transactions and payment services; the flat-rate contribution for crowdfunding intermediaries and non-profit associations was EUR 100. Finally, the flat-rate contribution for mixed financial holding companies and mixed parent undertakings of financing companies was set at EUR 5,000.

Other income also includes services provided by the employees of the General Secretariat of the ACPR to the Banque de France in connection with the supervisory tasks assigned to the Bank and work on behalf of the *Comité consultatif de la législation et de la réglementation financières* (CCLRF – Advisory Committee on Financial Legislation and Regulation). The amount of this income is now booked at the full cost of these services under the Banque de France's cost accounting model, which explains the increase relative to last year.

1.2 Expenses

Expenses for 2020 came to EUR 194.5 million in 2020, an increase of about 4%. This was due to the increase in personnel costs, which totalled EUR 121 million. The full-time

equivalent (FTE) headcount stood at 1,059 at the end of the year. The average annual headcount increased sharply, rising from 974 FTE in 2019 to 1,037 FTE in 2020 and drawing closer to the cap of 1,050 FTE staff thanks to vigorous hiring efforts over the entire year. The volume effect that drove the increase in personnel costs was magnified by a price effect linked to the age and job skill coefficient and to the upward adjustment to the reserve for paid leave owing to the rise in outstanding leave entitlements that could not be exercised under normal conditions due to the lockdowns.

Overheads declined primarily because of savings on inspection costs (booked under "other expenses"), which fell sharply, shrinking by EUR 2.8 million compared with 2019, owing to the suspension of business travel in March 2020 until the end of the year because of the health situation.

Keeping up vigorous hiring efforts despite the crisis

In 2020, the ACPR adjusted to the new constraints caused by the Covid-19 pandemic as it worked to achieve its goal of 150 hires through competitive examinations or on contracts.

All procedures for hiring contract staff were revised. Video call solutions for interviews and non-face-to-face written tests were used to continue hiring during lockdowns and restrictions, while still upholding strict requirements.

In addition, the ACPR took advantage of the unusual situation to promote its business areas to recent graduates. It launched a hiring campaign specifically targeting junior profiles, publishing 12 job offers.

The ACPR also carried out communication initiatives, including on social media, and took part in two live chats that around 1,000 people signed up to attend.

These efforts enabled the ACPR to make 127 hires while also taking on 14 students on block release contracts to strengthen its teams. The new recruitments included 107 people on contracts, of which 28 were recent graduates (95 people on permanent contracts, 12 on fixed-term contracts), and 20 hires through competitive examinations. People hired on contracts had seven years of experience on average, ensuring that they have the track record to be able to support more junior members fresh out of school. In all 55% of the hires were men and 45% were women.

1.3 Three-year forecasts

In terms of receipts, it is extremely difficult to estimate the contributions that will be paid in respect of 2021 and the

following three years, owing to the enduring crisis environment. Accordingly, they are estimated at this stage based on the currently available information on contribution bases.

Table 2: Forecast income (in EUR thousands)

Income	Actual 2020	Initial budget 2021	Budget 2022	Budget 2023	Budget 2024
Contributions from supervised entities	210,880	211,110	216,207	220,858	225,425
tax allocation cap	195,000	195,000	NA	NA	NA
Amount exceeding the cap	-15,880	-16,110			
Caisse des Dépôts et Consignations	10,000	10,000	10,000	10,000	10,000
Other income	3,215	1,985	2,025	2,065	2,106
Income	208,215	206,985			

Table 3: Breakdown of contributions (in EUR thousands)

Contributions EUR thousands	2020 actual data	2021 estimate	2022 estimate	2023 estimate	2024 estimate
Credit institutions and investment firms, MFHC-MPUFCs ¹	139,880	142,676	145,527	148,436	151,403
Insurance institutions (insurers, mutual insurers and provident institutions)	64,057	61,500	63,500	65,000	66,600
Intermediaries in banking transactions and payment services	3,187	3,187	3,373	3,542	3,542
Insurance and reinsurance brokers, microcredit associations and CIs ²	3,572	3,572	3,632	3,705	3,705
Money changers	184	175	175	175	175
Total	210,880	211,110	216,207	220,858	225,425

¹ Mixed financial holding companies, mixed parent undertakings of financing companies.
² Crowdfunding intermediaries.

For FY2021, total contributions are estimated to be close to their 2020 level. For insurers, whose contribution bases in respect of year N comprise gross life and non-life premium income at 31 December of year N-1, a decrease in contributions is expected owing to reduced life insurance inflows over 2020. The effects of supply adjustments were apparent starting in the second quarter of 2020 and lasted all year, as shown by the available statistical data (*Fédération Française de l'Assurance* (FFA – French Insurance Federation) and ACPR analyses), which revealed a 19.5% downturn in life insurance premium income in 2020 compared with 2019. For this reason, the contribution amount for 2021 is estimated using a life and non-life premium income base similar to that of 2018, resulting in a contribution amount that is 4% lower than in 2020. In the banking sector, by contrast, contributions are higher owing to the increase in the contribution base (value of risk-weighted assets at end-2020).

For insurance and reinsurance brokers and intermediaries in banking transactions and payment services, the same contribution amount as in 2020 was kept for 2021 and reflects the number of these intermediaries registered at 1 April 2020 by ORIAS. The impact of the health crisis on this sector could lead to a large number of definitive closures.

For 2022 to 2024, previous developments are taken into account and adjusted based on the outlook and currently available data.

For the banking sector, annual growth of 2% is applied, based on the average increase in recent years. For the insurance sector, the scenario of a recovery in 2021, which looks to be borne out by trends since December 2020 in life insurance, may see the contribution amount rise in 2022 to a similar level to that of 2020 before growing at an average annual rate of 2.5% thereafter.

For intermediaries, which are also expected to experience a pick-up, the estimated contributions in 2022 and 2023 are based on the average increase in the number of intermediaries observed in recent years. The contribution amount for these entities in 2024 is estimated to be the same as in 2023.

It is important to note that these projections for 2022, 2023 and 2024 remain tenuous owing to the significant economic uncertainty surrounding the current period.

The contribution from the Caisse des Dépôts et Consignations (CDC) for the 2021 to 2024 period remains set at EUR 10 million, in accordance with the order published in June 2020.

Other income corresponds to services charged out to the Banque de France in proportion to supervisory work performed on its behalf by staff of the ACPR General Secretariat (inspections relating to the areas under the Banque de France's jurisdiction and carried out by ACPR personnel²³). These receipts, worth around EUR 2 million, are calculated on the basis of a flat-rate amount that is set for the year and based on actual costs observed in previous years. The estimated amount for 2021 is then adjusted upwards annually by 2%.

The estimated amount of receipts from contributions (excluding the CDC's contribution) could come to EUR 211 million in total. Taking into account the tax allocation cap set for 2021 at EUR 195 million and other income (including the CDC's contribution), the ACPR's total receipts for 2021 are expected to be EUR 207 million.

For the following years, the amount of contributions under MFC Article L. 612-20, excluding the cap, could total EUR 216.2 million for 2022, EUR 220.9 million for 2023 and EUR 225.4 million for 2024. Adding the contribution from the CDC and other income linked to services charged to the Banque de France, total income is estimated at EUR 228 million for 2022, EUR 233 million for 2023 and EUR 237.5 million for 2024.

23. Specifically, checking the eligibility of claims provided as collateral for monetary policy operations or the quality of debtors concerned by these claims, and overseeing the security of payment instruments.

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

Table 4: Forecast expenses (in EUR thousands)

Expenses	Actual 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024
Personnel costs	121,034	122,710	127,550	130,700	133,300
Average headcount (FTE)	1,037	1,050	1,075	1,080	1,080
Overheads	71,178	88,678	87,285	89,480	91,327
o/w property (rents, rental expenses)	21,609	22,062	22,293	22,526	22,761
o/w IT:	26,251	36,821	34,586	36,138	37,317
o/w reallocations and charging out of pooled BDF services (including FIBEN) excluding IT and Property	15,834	17,894	18,061	18,241	18,422
o/w overheads managed by the ACPR (excluding IT project management)	7,484	11,901	12,345	12,575	12,827
Amortisation and depreciation	2,294	6,976	8,177	9,965	11,052
Expenses for the year	194,506	218,364	223,012	230,145	235,679

In terms of personnel and personnel costs, the ACPR College considered several scenarios covering staffing and the activities of General Secretariat departments, with the aim of providing the Authority with sufficient resources to fulfil its tasks and maintain its influence in the French and European institutional landscape. Based on these scenarios, the General Secretariat recommended a target of 1,080 FTE jobs in 2022, which exceeds the cap set by Parliament for 2021 of 1,050 FTE staff on an average annual basis.

For **2021**, the General Secretariat of the ACPR (SGACPR) set the goal of recruiting and making the necessary adjustments to reach 1,050 FTE personnel on an average annual basis, factoring in expected departures over the course of the year. However, the crisis situation makes the path towards this goal less certain and it is only with an improved health situation in France and Europe that prospective arrivals and departures will become clearer.

In **2022**, subject to Parliamentary approval, the goal is to reach the target of 1,080 FTE by the end of the year (1,075 FTE on an average annual basis) and to maintain the same target for **2023** and **2024**, with an annual average of 1,080 FTE.

The 1,080 FTE target is justified by the need for the SGACPR to bolster its staff levels first and foremost in the supervision of business practices to cope with its increased tasks. The ACPR also needs to be able to respond to the proliferation of scams, requiring steps to strengthen the supervision, monitoring and prevention system. Similarly, it needs to cope with increased financial vulnerability among customer populations, entailing enhanced checks on systems to ensure banking inclusion and limit fees for account incidents as well as on marketing practices using unsolicited phone calls. The ACPR also has to take on the additional inspections resulting from brokerage reform legislation, which is going to require the professional associations representing brokers to be approved and inspected.

Furthermore, the European environment in which the ACPR conducts its AML/CTF activities is experiencing significant changes, justifying personnel increases in both the banking

and insurance sectors. For this reason, the ACPR decided to create a specific new directorate to house all AML/CTF-related work. The new directorate is divided into several units and became operational in April 2021. It seeks to respond more effectively to European issues and will be required to take on new tasks and activities that are in the process of ramping up, including in connection with the expanded scope of reporting entities (digital asset services providers – DASPs) and the enhanced scope of national and especially international cooperation (dealings with TRACFIN, new supervisory colleges, future interactions with the new European supervisory authority).

In the area of banking supervision, new staff will make it possible to (i) strengthen the team in charge of the CDC unit, under the new responsibilities entrusted to the ACPR under the Pacte Act and (ii) address the growing need for engagement required by the SSM and the SRM, whether in terms of the daily tasks performed by supervisory teams or involvement in key issues for the future of supervision, where the ECB is looking for more input from national authorities.

In its prudential oversight of the insurance sector, the ACPR is going to have to deal with a structural increase in the scope of supervision. The top priority is to increase the number of information system security experts, since current staffing levels are too low to carry out a sufficient number of on-site inspections, while cyber-risks are on the rise. The ACPR is also going to have to allocate more resources to analysing approval applications for the internal models provided for under Solvency II, notably in terms of the quality of data used. Similarly, it will need to shoulder an increased workload relating to governance and processing of quantitative and qualitative reporting owing to the introduction of stricter requirements under Solvency II and widespread restructuring in the sector.

In addition, in the face of increased risks and issues linked to the emergence of new fintechs, especially bigtechs, new technologies and new practices such as blockchain and artificial intelligence, on the one hand, and cyber-risk on the other, the ACPR also needs to strengthen its teams in the cross-cutting risk analysis function, which support the staff responsible for

microprudential supervision. The Fintech Unit needs to devote more resources to developing suptech tools, be in a position to participate in SSM initiatives in these areas, observe the ecosystem more effectively and anticipate emerging risks. Likewise, additional staffing in the cross-cutting function is justified by the increase in work relating to climate and sustainable finance (finalisation of the pilot climate stress test for banks and insurers, contributions to work by French and international bodies, design and execution of a first climate stress test by the SSM in 2022, new responsibilities relating to the supervision of disclosures by institutions on their climate transition management) and also by the extended scope of supervision expected under the Digital Operational Resilience Act (DORA), which will require national supervisors

to be involved in running the new forum for the oversight and direct supervision of external services providers.

Finally, since 2016 ACPR has been engaged in a proactive policy of reducing the staff assigned to support functions, in order to focus on tasks with the greatest importance to financial stability. Staffing in this area has been reduced by around 30%. This policy has now reached its limit and has begun to restrict the activity of the operational business areas, especially the development of tool upgrade and digitalisation processes. Stable staffing levels for ACPR IT personnel are vital to upgrading tools and supporting the industrial development of prototypes under the suptech policy adopted by the ACPR in 2019 and aimed at creating innovative supervisory tools.

Table 5: Personnel by major function (average FTE)

Average FTE	2020	2021	2022-2024
Supervision of business practices	81	81	89
AML/CTF	88	88	92
Prudential oversight, banking sector	369	382	389
<i>o/w SSM – prudential oversight</i>	213	254	268
Prudential oversight, insurance sector	195	196	201
Cross-cutting risk analysis and inspection support	201	200	206
Steering and support	103	103	103
Total	1,037	1,050	1,080

For FY 2021, based on an average annual forecast headcount of 1,050 FTE, **personnel costs** are expected to be around EUR **122.7** million. Factoring in wage increase mechanisms (age and job skill coefficient), currently estimated at 2% per year, and potential changes in staffing levels, personnel costs could be **EUR 127.6 million in 2022, EUR 130.7 million in 2023 and EUR 133.3 million in 2024.**

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.

Services provided by the Bank include:

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

Overheads that are directly managed by the ACPR concern contributions to the operation of the two European sector authorities (EIOPA and EBA), as well as inspection expenses, documentation-related spending, postal and telecommunication expenses and other miscellaneous expenses.

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

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

Property expenses (rents and rental expenses), which have declined significantly in recent years after the ACPR's entire workforce moved to new buildings in mid-2018, are not expected to increase over the 2022-2024 period other than owing to the increase in rents based on the ILAT index (index of rents for service-based activities: application of an average rate of 1% based on developments on the professional property market).

IT expenses include costs relating to projects and the maintenance of IT applications, the costs of services carried out by the Banque de France for the ACPR in the context of the pooled support resources covered by the provisions of MFC Article L. 612-19, and charges by the European Central Bank (ECB) relating to IT resources provided to national supervisory authorities within the framework of the SSM. Overall, these IT costs amounted to EUR 26.3 million in 2020 (excluding amortisation and depreciation expenses).

After remaining steady for several years, costs are expected to increase beginning in **2021**, owing to the need for the ACPR to upgrade its information system. The SGACPR has begun setting up a platform developed by the Banque de France that will be used to effectively harness cross-disciplinary data. After preparatory work spanning several years, the process of taking the SGACPR's applications live will enter the operational phase in 2021. At the same time, IT dematerialisation/digitalisation projects, which the crisis has made even more necessary, have accelerated. The related amounts are based on actual costs in 2019 and factor in the ACPR's needs in terms of the technical

infrastructure required for project development. For 2021 to 2024, the cost of IT services charged out by the Banque de France in proportion to the ACPR's headcount is also expected to rise.

Regarding **other operating expenses**, the ACPR is working to reduce all the expenses that it manages directly and that are not directly required by its core business by:

- reducing expenses relating to documentation and miscellaneous subscriptions, while ensuring that documentary services are commensurate with the Authority's work;
- cutting postal and telecommunication expenses by prioritising digital transmission of documents and by switching telephone provider;
- reducing the number of photocopiers.

The ACPR will pursue efforts to control expenditures over the **2021-2024 period** and will continue to pay close attention to inspection-related expenses and to the environmental footprint of staff travel. Inspection-related expenses are however estimated to increase owing to the possible resumption of business travel and the expected increase in headcount. That being said, it is likely that travel will be adjusted in the future to reflect approaches adopted during the pandemic (videoconferencing) and consider the associated environmental footprint. At this stage, it is hard to estimate how these factors may be reflected in budgetary terms. The estimate for inspection-related expenses is subject to downside risk owing to recent developments in the health crisis within Europe.

However, the ACPR does not have control over all its expenses, and its contributions to the operation of the two sector authorities (EBA and EIOPA) increased by EUR 0.95 million (32%) between 2017 and 2020. In 2021, these contributions will be increased further as the United Kingdom stops providing financing as a result of Brexit (12% increase between 2020 and 2021, i.e. EUR 0.5 million). These expenses are expected to increase over the entire three-year period based on initial projections from the abovementioned institutions.

Finally, the capital expenditure needed to enable the ACPR to carry out its tasks is made on the ACPR's behalf by the

Banque de France, with only **amortisation and depreciation expenses** included in the ACPR's budget. While these expenses were essentially linked to property expenses until 2020, the three-year period will see a sharp increase in amortisation and depreciation expenses for the major IT projects that are set to go live in 2021 and that will be amortised over five years. Overall, while the total amount of amortisation and depreciation expenses was EUR 2.3 million in 2020, it is estimated at EUR 7 million in 2021, EUR 8.2 million in 2022, and EUR 10 million and EUR 11 million respectively in 2023 and 2024. Based on current committed IT projects, the annual amortisation and depreciation charge should fall from FY 2025 onwards.

Overall, the initial estimated expenses for **FY 2021** point to a general increase in operating expenses attributable to overheads and amortisation and depreciation expenses. Given the receipt cap of EUR 195 million and including the contribution from the CDC and "other receipts", the balance in 2021 is expected to show a EUR 11.4 million deficit, which may however turn out to be smaller because of the impact of the health crisis on the ACPR's on-site inspection activities..

Overall, **estimated expenses for 2022 to 2024** show a further increase in personnel costs, overheads and amortisation and depreciation expenses.

Even taking into account the increase in personnel costs, overheads and amortisation and depreciation expenses, the receipts provided for by law, including the CDC's contribution and "other receipts", will be enough by themselves to cover expenditure. However, maintaining the cap at EUR 195 million would result in a structural deficit, because the shortfall would be EUR 15.4 million in 2022, EUR 23 million in 2023 and EUR 28.6 million in 2024. Although these deficits could be absorbed initially by the reserves that have been built up (ACPR contributions carried forward), this cannot be a permanent solution.

Even raising the cap to EUR 200 million or EUR 210 million would not be enough to reach a balanced budget over the long run.

Table 6: Summary of budget balance assumptions

Budget balance assumptions (EUR thousands)	2021	2022	2023	2024
Budget balance assuming the funding cap is kept at EUR 195 million for FYs 2022 to 2024	-11,379	-15,987	-23,080	-28,572
Balance of contributions carried forward (cap set at EUR 195 million)	40,842	24,855	1,775	-26,797
Budget balance assuming no funding cap for FYs 2021 to 2024		5,220	2,778	1,853
Balance of contributions carried forward (no cap)		46,062	48,839	50,693
Budget balance assuming the funding cap is set at EUR 200 million for FYs 2021 to 2024		-10,987	-18,080	-23,572
Balance of contributions carried forward (cap set at EUR 200 million)		29,855	11,775	-11,797
Budget balance assuming the funding cap is set at EUR 210 million for FYs 2021 to 2024		-987	-8,080	-13,572
Balance of contributions carried forward (cap set at EUR 210 million)		39,855	31,775	18,203

2. Activity and performance indicators

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

These activity and performance indicators are grouped here according to their main areas, namely prudential supervision, AML/CTF, customer protection, crisis resolution and prevention, representing the ACPR and emerging issues.

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

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

2.1 Execution of the inspection programme - summary table

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

	2020			2021	2022	2023	2024
	Initial programme	Updated Programme	Begun	Initial programme	Projection	Projection	Projection
Number of inspections	285	195	191	273	299	299	299
Banking sector, prudential	64	49	47	69	72	72	72
Insurance sector, prudential	78	55	55	54	78	78	78
AML/CTF	36	25	25	43	39	39	39
Business practices	107	66	64	107	110	110	110

Clarification

- The updated inspection programme corresponds to the initial programme, to which are added additional inspections over the course of the year, while cancelled inspections (e.g. replaced by an additional inspection or cancelled due to circumstances, such as COVID-19) are deleted.
- The forecast targets for 2022 to 2024 are projections that could be realised assuming a return to normal health conditions and target staffing levels for the different areas (cf. section on three-year forecasts).

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

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

2.2 Prudential supervision (excl. AML/CTF and business practices, addressed in later sections)

In 2020, the ACPR General Secretariat had initially planned to conduct a total of 64 prudential inspections in the banking

sector (including 47 for the ECB) and 78 insurance inspections. These were ambitious targets compared with 2019, when the inspection programme included 55 banking inspections and 46 in the insurance sector. It proved impossible to meet these targets owing to the health crisis, which caused on-site inspections to be suspended for several months. The ACPR resumed on-site inspections under its domestic responsibilities in mid-June, while the ECB extended the execution period for its 2020 inspection programme until the first half of 2021. The inspection programme was therefore adjusted to reflect the situation and a portion of bank inspection resources earmarked for SSM SI inspections was reassigned to the domestic programme (LSI/non-SSM and AML/CTF banking sector inspections), which made it possible to carry out four LSI/non-SSM inspections more than initially planned in the programme.

Clarification

- Cf. Indicator 1

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

	2020			2021	2022	2023	2024
	Initial programme	Updated Programme	Begun	Initial programme	Projection	Projection	Projection
Number of inspections	142	104	102	123	150	150	150
Prudential, banking sector	64	49	47	69	72	72	72
SSM-SI	47	28	26	45	48	48	48
SSM-LSI / Non-SSM	17	21	21	24	24	24	24
Prudential, insurance sector	78	55	55	54	78	78	78

In prudential supervision for the insurance sector, the programme was adjusted and resources were redeployed to address new priorities, mainly in terms of ongoing supervision of institutions.

In the following years (2022-2024), the ACPR plans to maintain a significant supervisory effort as allowed by its headcount

and the needs resulting from regulatory changes, national and European financial developments and contribution requests from the ECB. However, it is difficult at this stage to anticipate the medium- and long-term effects of the COVID-19 health crisis on inspection programmes.

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

		2020	2021
	Total	20	20
Banque	Organised by the ACPR (Home college)	1	1
	Organised by other supervisory authorities (Host college)	19	19
	Total	62	62
Insurance	Organised by the ACPR (Home college)	39	39
	Organised by other supervisory authorities (Host college)	23	23

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BUDGET AND ACTIVITY MONITORING

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 another Member State 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, gathered from supervisory directorates.

In 2020, over 80 prudential supervisory college meetings were held. Each college meeting, whether a home or host gathering, entails a considerable amount of work and exchanges for the ACPR and numerous preparatory meetings, 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).

The ACPR uses various media to communicate with the financial community about prudential topics. In 2020, analyses published by the ACPR focused on the following themes: the situation of insurers subject to Solvency II in France in the first half of 2020, home financing in 2019, the situation of France's major banking groups at end-2019, neobanks seeking profitability, and 2019 revaluation adjustments for life insurance and endowment policies. By early 2021, the ACPR had already published two analyses, on financing for property professionals by French banks in the first half of 2020, and on the

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

	2020	2021
Meetings of the consultative commission on prudential affairs	6	6
Conferences and seminars	12	12
Supervisory conferences	1	1
Publications	18	18
<i>Analyse et synthèse, Débats économiques et financiers</i>		
Banking	3	3
Insurance	6	6
Other publications on the ACPR website		
Banking	1	1
Insurance	3	3
Research papers published other than in ACPR and BDF collections	5	5

Source: Data taken from SGACPR indicators.

management of input data for the prudential calculations of insurance institutions.

In addition to publishing studies and statistics, the ACPR organises academic conferences and research seminars to present the work of invited researchers or ACPR members. It also finances the ACPR Chair, a research initiative on regulation and systemic risk the main tasks of which are to organise research activities, facilitate contacts between the academic world and the ACPR and develop an internationally-open centre for discussion and ideas focused on the management of systemic risk. In normal times, the ACPR Chair organises monthly gatherings; with the health crisis, a number of seminars could not be held, while others were organised as videoconferences.

The ACPR also organises two one-day conferences every year; the events are broadcast live on the Authority's website to allow as many people as possible to attend, in addition to the 600 or so in-person participants. These one-day conferences may tackle any topical issue of interest to the ACPR. Owing to the health crisis, just one conference was organised in 2020

and took place in November. Held by videoconference, it attracted 4,200 logins over the day.

To inform the College's decisions on regulatory or policy developments, the ACPR relies on its consultative commissions, including the consultative commission on prudential affairs, which meets five times a year on average; six meetings were held in 2020.

2.3 Anti-money laundering and counter-terrorist financing (AML/CTF)

The ACPR continued work aimed at strengthening its risk-based AML/CTF supervisory approach, in accordance with the joint guidelines issued by the European Supervisory Authorities (ESAs) in 2017. Institutions and entities from the banking, payment services, investment services and life insurance sectors are subject to an annual assessment of the risks to which they are exposed. This provides an overall assessment of the AML/CTF risk profile of each financial institution,

which is used to determine supervisory measures. This work took on a new dimension in 2020 amid the pandemic, with efforts conducted notably to measure the impacts of the crisis on AML/CTF systems.

Under the multilateral agreement on the exchange of information signed on 10 January 2019, the ACPR will inform the ECB of any material weaknesses in AML/CTF systems that it has discovered during its inspections, while the ECB will send the ACPR any relevant information in this area, particularly relating to governance, internal control or operational risk, that it has identified in the discharge of its tasks. These exchanges between prudential and AMF/CTF supervisors are set to continue within the AML/CTF supervisory colleges set up in early 2020 and which the ECB will attend as an observer (cf. Indicator 6 – Activity – Number AML/CTF supervisory college meetings).

In 2021, the ACPR will be called on to respond to the international evaluation of France by the Financial Action Task Force (FATF).

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

	2020			2021	2022	2023	2024
	Planned under the programme	Updated programme	Begun	Planned under the programme	Projection	Projection	Projection
Number of inspections	36	25	25	43	39	39	39
AML/CTF, banking sector	26	21	21	23	28	28	28
AML/CTF, insurance sector	10	4	4	20	11	11	11

Clarification

- Cf. Indicator 1

In 2020, as in other areas, the health crisis severely impacted execution of the on-site inspection programme, which had to be adjusted.

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

In AML/CTF for the insurance sector, the updated programme was also able to be executed, but only after being drastically reduced compared with the initial programme owing to other work that needed to be performed during the crisis, especially enhanced supervision of institutions' positions.

For FYs 2021 to 2024, the ACPR plans to step up its supervisory efforts by unlocking the synergies created by combining all AML/CTF staff within a single directorate, which has been up and running since 1 April 2021. As a result, from this year onwards, the initial on-site inspection programme includes nine inspections more than in the initial programme for 2020, with twice the number of AML/CTF inspections in the insurance sector.

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

		2020
Total		7
Banking	Organised by the ACPR (Home college)	3
	Organised by other supervisory authorities (Host college)	4
	Total	1
Insurance	Organised by the ACPR (Home college)	1
	Organised by other supervisory authorities (Host college)	0

Clarification

- Cf. indicator 3

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

In early 2020, the ACPR General Secretariat (SGACPR) began the work needed to set up the AML/CTF colleges for which the ACPR will act as lead supervisor. The ACPR also organised a meeting for each of the most international groups, namely three banking groups and one insurance group, and took part in four meetings organised by other authorities.

The process of setting up the AML/CTF supervisory colleges will continue in stages through to January 2022. Based on a mapping of the international operations of the affected groups, staff identified some 15 AML/CTF colleges that need to be set up in 2021.

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

Indicator 7 – Activity – Analysis of AML/CTF questionnaires

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

This indicator shows the rate of questionnaires processed (number of questionnaires processed/number of questionnaires received).

In 2020, 100% of the 1,119 questionnaires received were analysed. Not all of the questionnaires expected (1,239) in 2020 were received: the gap was primarily due to money changers that could not be contacted owing to the health crisis, and also to the branches of UK institutions that ceased their business because of Brexit and that will be excluded in 2021. As a result, despite the health crisis, which required supervisory teams to engage in specific work connected with the crisis or setting up the new AML/CTF supervisory colleges, the ACPR managed to achieve its target of processing 100% of questionnaires received. Processing these questionnaires is considered to be a priority because they are the only source of AML/CTF information provided by financial institutions.

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

	2020
Meetings of the AML/CTF consultative commission	4
Publications on the website on AML/CTF topics	2
Guidelines	2
Sector enforcement principles	0

Clarification

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

Source: Data taken from SGACPR indicators.

Two sets of guidelines were published in 2020. One dealt with analysing the obligations of group parent companies headquartered in France in terms of steering AML/CTF systems, since it is important to organise such systems at a groupwide level and to check the due diligence implemented in the area by all branches and subsidiaries. The second set of guidelines covered the prevention of money laundering and terrorist financing in wealth management. This is an area that presents elevated AML/CTF risks, notably owing to the financial products and services offered, which are often sophisticated and may involve large amounts.

2.4 Customer protection

As in other areas, the 2020 inspection programme was disrupted by the health crisis and was scaled back. Inspections covering priority areas of supervision for the ACPR (marketing of life insurance policies, vulnerable groups, banking fees) were maintained overall. The number of inspections looking at other themes was reduced. All in all, the number of on-site inspections was cut to 64 from the initially planned 107, owing to the period that was lost to lockdown measures.

Clarification

- Cf. indicator 1

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

	2020			2021	2022	2023	2024
	Planned under the programme	Updated programme	Begun	Planned under the programme	Projection	Projection	Projection
Number of inspections	107	66	64	107	110	110	110

The 2021 programme repeats the target of 107 inspections set in 2020, subject to the as-yet unquantifiable impacts of the Covid-19 crisis in 2021.

For FYs 2022-2024, the number of inspections is expected to be again at least equal to the initial programme for 2020.

Indicator 10 – Activity – Preventive measures and relations with financial centre participants on topics relating to business practices

	2020
Meetings of the consultative commission on business practices	4
Warnings and press releases on the ABEIS website	30
Number of blacklisted websites or entities	1,464
Publications on the ACPR website	0
Recommendations on the ACPR website	0

Source: Data taken from SGACPR indicators.

While the ACPR has long worked to prevent scams involving fake banking and insurance products, from 16 March 2020 it decided to reorganise a portion of its business practices supervisory activities to address the increased risk of scams amid the health crisis. A scam taskforce was set up at the start of the lockdown and the internet and social media watch was stepped up to identify fraudulent offers of banking and insurance products connected with Covid-19 and its effects (fall in financial markets, financial problems, solidarity appeals). These efforts resulted in the addition to the ACPR's blacklist of websites without authorisation²⁴ to offer loans, savings pass-books, payment services or insurance policies: in 2020, almost four times as many web addresses were blacklisted compared with 2019.

Several joint activities were conducted with the AMF and the *Direction générale de la concurrence, de la consommation et de la répression des fraudes* (DGCCRF – Directorate General for Competition Policy, Consumer Affairs and Fraud Control). A number of press releases urging caution were published to warn the public about scams identified in connection with the pandemic (offers of investments advertised as providing a safe haven through physical assets, extremely attractive-looking but fake banking or insurance products, investments in companies touted as benefiting from the pandemic, and fraudulent donation appeals). The ACPR also conducted interviews with the main crowdfunding intermediaries offering online money pots and some of their payment services providers, and urged them to be on their utmost guard against being used in scams and to watch carefully for AML/CTF risk.

This initiative, which built on joint work with the DGCCRF, resulted in the publication of a joint ACPR – DGCCRF press release on 7 May 2020 warning against scams and in the issuance of a joint letter to the main market participants. These stepped-up efforts also led the ACPR to be involved in the work of a new national taskforce on Covid-19-related fraud, including the DGCCRF, as well as judicial authorities, several ministries, the AMF and the CNIL. The ACPR was also involved in preparing communications by European authorities (EIOPA and EBA) on protecting consumers during the health crisis.

2.5 Resolution and crisis prevention

Regarding the banking sector, the ACPR was active in European bodies (SRB), where work is continuing on planning and establishing an operational definition for the management of banking crises. It also continued its work aimed at strengthening the resolvability²⁴ of banking groups.

Regarding the insurance sector, France was one of the first countries in Europe to set up a recovery and resolution regime. Unlike in the banking sector, this type of mechanism is not harmonised within Europe.

Clarification

- Cf. indicator 6

Indicator 11 – Activity – Number of resolution plans adopted

	Banking		Insurance	
	2020	2021	2020	2021
Planned number of resolution plans	55	63	-	14
Number of resolution plans adopted	42		-	

Source: Data taken from SGACPR indicators and gathered from the resolution directorate.

Insurance institutions or groups that are directly subject to the requirement to draw up a preventive recovery plan and keep it current are those the total assets of which, assessed in accordance with the requirements of the Solvency II framework, have exceeded EUR 50 billion at least once in the last three financial years. While noting areas for improvement, the Resolution College did not object to the preventive recovery plans submitted in 2019 (the first year in which this was required) by groups and institutions meeting the criterion. In 2020 the Resolution College continued to analyse the resolvability²⁵ of insurance institutions (and will continue to do so in 2021). In this regard, the ACPR published a methodological memo setting out the criteria for defining critical functions (activities deemed essential to preserve in the framework of a resolution decision).

24. This list may be consulted on the websites of the two authorities (ACPR and AMF) and on the Assurance Banque Épargne Info Service (ABEIS) website. The list is also shared through numerous press releases.

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

In the banking sector, following the finalisation in 2019 of plans for all institutions, some plans were updated in 2020. The difference between the number of plans adopted in 2020 (42) and the number initially planned (55) was due to the College's decision to push back the submission of 12 plans for investment firms until the second quarter of 2021 pending the entry into force of the new prudential regime for investment firms (scheduled for July 2021). It also reflected the license withdrawal of one institution that left the population.

Indicator 12 – Activity – Relations with financial centre participants on resolution topics

	2020
Number of publications	2

Source: Data taken from SGACPR indicators.

In 2020, the ACPR published on its website two publications concerning resolution: one dealt with questions of cross-border resolution for systemically important institutions, while the other presented types of scenarios to strengthen the credibility and feasibility of resolution strategies.

2.6 Representing the ACPR

To continue to be a decisive force of influence and action at the regulatory level, the ACPR has worked in recent years to develop initiatives designed to promote a proactive stance in international and European negotiations, including meetings with European Commission and European Parliament services as well as bilateral meetings with major sister authorities. It has also worked to improve the fit between its own analytical work and the work programmes of international and European bodies and working groups. However, the staffing situation until 2020 meant that the ACPR could not always field candidates to chair working groups or be part of drafting groups, which entail bigger commitments; thanks to the hiring efforts since 2019, the ACPR should be in a position to put forward more candidates from 2021 onwards.

Indicator 13 – Activity – ACPR involvement in European and international working groups and committees

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

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.

The Secretary General of the ACPR was elected to the EBA Management Board in 2020.

In 2020, the international work programme was largely focused on pursuing major European regulatory projects, with preparatory work for CRR3 in the banking sector (EU implementation of the Basel III Accord of December 2017) and, on the insurance side, finalisation by EIOPA of the advice to the European Commission on the review of the Solvency II Directive.

With the health crisis, these projects were delayed (Basel III implementation was pushed back from 2022 to 2023, while finalisation of EIOPA's advice to the European Commission was delayed by six months), and the meeting procedures for the various committees and working groups were adjusted to meet the constraints while ensuring continuity in the European and international coordination of fundamental work as well as of initiatives specific to the crisis. Accordingly, the work programmes of various bodies were revised to redefine the priority issues highlighted by the crisis and deal with them as quickly as possible. Numerous press releases were issued to keep the industry and stakeholders abreast of developments and the measures already taken.

The ACPR was also heavily involved in preparing France's positions within the framework of the adoption by the banking authorities in Europe (EBA and ECB) and at international

Indicator 14 – Activity – Number of ACPR employees holding positions at European or international institutions

	2020	Forecasts 2021
International bodies (BIS, BCBS and IAIS)	5	5
Number of seconded employees	4	4
Holding key positions	3	3
Number of non-seconded employees holding key positions	1	1
European agencies (excluding EBU: EBA, EIOPA, ESMA)	29	29
Number of seconded employees	27	27
Holding key positions	3	3
Number of non-seconded employees holding key positions	2	2
European Banking Union (EBU: ECB-SSM and SRM)	92	92
Number of seconded employees	92	92
Holding key positions	5	5
Number of non-seconded employees holding key positions		

Clarification

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

Source: Data taken from SGACPR indicators and gathered from the human resources directorate.

level (Basel Committee) of measures adjusting the prudential framework to reflect the circumstances and the public and private initiatives taken to support the economy (for example in terms of the prudential treatment of France's state-guaranteed loans or the effects of the private moratorium promoted by the *Fédération bancaire française* (FBF – French Banking Federation) and the *Association française des sociétés financières* (ASF – French Association of Financial Companies)). In this regard, each working group or committee held numerous phone or videoconference meetings following the onset of the crisis, which ACPR teams were heavily involved in.

In 2021, the ACPR will continue to be busy with the main regulatory initiatives. In the banking sector, work on preparing Europe's CRR3 regulation, which will enable the Basel III Accord to be implemented in the European Union, will continue in 2021, as will work on regulatory questions surrounding strengthening the Banking Union. In the insurance sector, European talks on the Solvency II review will enter a new phase with the proposal that the European Commission is due to make in June 2021 and the resulting cycle of negotiations, during which the ACPR will provide its expertise to government agencies.

2.7 Emerging issues

Indicator 15 – Activity – Relations with financial centre participants on emerging topics

	2020
Fintech	
Fintech Forum meetings	2
Industry gatherings/Forum attended, including webinar	33
Number of publications	8
Climate and sustainable finance	
Meetings by consultative commissions	7
Number of publications	3
Research papers published other than in ACPR and BDF collections	1
Cyber-risks	
Publications	1

Source: Data taken from SGACPR indicators.

The **Fintech Forum**, which meets at least twice a year, continues to strengthen its ties to the innovation ecosystem. In October 2020, it organised a new kind of interactive event that reached a wide audience, raising awareness about the major issues involved in the regulation of financial innovation (cf. Chapter 5-1).

The ACPR participates in the working groups set up by European and international bodies to monitor technological developments in the financial sector. In 2020, work was done on the regulation of fintechs, crypto-assets and suptechs. In addition, the European Commission put out three public consultations aimed at setting its digital agenda. The ACPR submitted a joint response with the Banque de France to the consultation on crypto-assets and digital finance (cf. Chapter 5-2.2).

Regarding the intrapreneurship approach launched by the ACPR in 2019 (cf. Chapter 5-3.1), the first prototypes for three of the selected projects out of the four that were launched are expected to be in operational use by 2021.

Numerous initiatives are planned for 2021, including efforts to overhaul the educational material available to fintechs, to contribute to regulatory work on blockchain and crypto-assets, to support the market in the area of artificial intelligence, including by organising a "tech sprint" event, and to explore international networking options (ECB suptech, BIS, innovation hub).

In terms of the climate transition, the climate and sustainable finance commission set up in late 2019 is chiefly tasked with informing the ACPR on how to take climate and sustainable finance objectives into account and monitor compliance with commitments made by financial intermediaries under the ACPR's jurisdiction.

In partnership with the AMF, the ACPR is contributing to work on monitoring and assessing the climate and sustainable finance commitments made by members of the financial centre. In particular, it is helping to define methods for measuring and disclosing commitments, to promote comparability and monitoring over time. An initial report on the climate commitments by the Paris financial centre was released on 18 December 2020 (cf. Chapter 2-4.1).

In July 2020, the ACPR launched its pilot climate stress test (cf. Chapter 2-4.2). In 2021, the ACPR will continue and step up work on the risks associated with climate change, in particular by finalising the pilot stress test, the findings of which will be published in the second quarter, and will also play an active part in drawing up the methodology for the climate stress test that the SSM is planning to conduct in 2022.

To round out its work on emerging topics, the ACPR also monitors **cyber-risk**²⁶ in the financial system (cf. Box page 24 – Cyber-risk). This reflects the fact that the financial sector's efforts to respond to the challenges of digitalisation coupled with increased use of work-from-home arrangements expose institutions to cyber-threats and the risk of IT dependence. Work on these risks is being conducted both by the supervisory directorates and by the cross-cutting functions, notably by harnessing the network of IT experts working in the ACPR's various directorates and departments. For the banking sector, work in 2020, which was done largely in partnership with the European Central Bank, consisted in particular of on-site inspections on the themes of IT security.

The ACPR also updated the SSM's on-site inspection methodology to reflect the EBA's new guidelines on managing IT risk published in November 2019. For the insurance sector, the ACPR supplemented its supervisory work by conducting a questionnaire-based inspection looking at the quality of data and the security of information systems, the results of which will be released in 2020, and an ex post analysis of cyber-attacks suffered by insurance institutions. This work

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

highlighted once again that institutions are overly confident in the control and security systems for their information systems, are not doing enough to anticipate the risks linked to digital innovation, and are less involved when outsourcing these systems, especially in the event of cloud-based arrangements. The ACPR was once again involved in the work of several international bodies. Within the G7 cyber-security expert group, it conducted work aimed at proposing a classification of IT incidents. The ACPR also took part in facilitating several conferences on the topic of cyber-security in the financial sector and was notably involved in the EBA seminar on 3 July 2020 on the supervision of cyber-risks.

As a member of the marketwide robustness group, the ACPR took part in the G7 exercise on cyber-crisis communication from 1 to 4 December.

The extension of the scope of supervisory responsibilities under the future Digital Operational Resilience Act (DORA) will lead national supervisors to be involved in running the forum for the oversight and direct supervision of external services providers.

Acronyms used

ACPR	<i>Autorité de contrôle prudentiel et de résolution</i> (Prudential Supervision and Resolution Authority)
AMF	<i>Autorité des marchés financiers</i> (Financial Markets Authority)
AML/CTF	Anti-money laundering and counter-terrorist financing
API	Application programming interface
ASF	<i>Association française des sociétés financières</i> (French Association of Financial Companies)
CCP	Central CounterParty
COREP	COmmon solvency ratio REPorting
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	European Market Infrastructure Regulation
FATF	Financial Action Task Force
FBF	<i>Fédération bancaire française</i>
FINREP	FINancial REPorting
FinTech	Financial technology
FSB	Financial Stability Board
HCSF	<i>Haut Conseil de stabilité financière</i> (High Council for Financial Stability)
IFRS	International Financial Reporting Standards
JST	Joint Supervisory Team
LCR	Liquidity Coverage Ratio
LSI	Less Significant Institution
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
PACTE	<i>Plan d'action pour la croissance et la transformation des entreprises</i> (Action Plan for Business Growth and Transformation)
SRB	Single Resolution Board
SSM	Single Supervisory Mechanism

Annexes

Annex 1: Decisions taken by the Supervisory College concerning individual entities in 2020

Annex 2: List of decisions on general issues published in 2020 in the ACPR's official register or on its website

ANNEX 1

Decisions taken by the Supervisory College concerning individual entities in 2020¹

	TOTAL	of which	BANKING SECTOR	INSURANCE SECTOR
Supervision (monitoring of prudential ratios, exemptions)	32		19	13
Administrative enforcement measures	15		8	7
Warning	2			2
Formal notice (issued by the Chairman acting under delegated authority)	6		5	1
Request for recovery programme	3			3
Placement under special supervision				
Limitation of activity	1		1	
Placement under provisional administration				
Reappointment of a provisional administrator				
Other	3		2	1
Other binding measures	59		51	8
Appointment of a liquidator				
Reappointment of a liquidator	1		1	
Injunction on capital requirement	50		50	
Request for short-term funding plans				
Injunction with coercive fines	2			2
Other	6			6
Initiation of disciplinary proceedings	10		7	3
Other measures concerning individual entities (including initiation of joint decision-making processes, opening of <i>inter partes</i> proceedings, etc.)	80		64	16
Total decisions concerning individual entities	196		149	47

1. Excluding licences and authorisations.

ANNEX 2

List of decisions on general issues published in 2020 in the ACPR's official register or on its website

INSTRUCTIONS

Instruction 2020-I-01	on documents to be produced in connection with notifying the ACPR of a proposal to provide the services of an occupational pension institution in another EU Member State or another State party to the EEA Agreement
Instruction 2020-I-02	amending Instruction 2011-I-14 of 29 September 2011 on the supervision of risks to home loans in France
Instruction 2020-I-03	amending Instruction 2016-I-16 of 27 June 2016 on annual prudential reports to be submitted by institutions under the ACPR's supervision covered by the "Solvency II" regime
Instruction 2020-I-04	on monitoring the profitability of home loans in France
Instruction 2020-I-05	repealing Instruction 2018-I-12 of 11 July 2018 on the prudential documents to be provided annually and quarterly by supplementary occupational pension institutions, amended by Instruction 2020-I-14 of 16 December 2020
Instruction 2020-I-06	amending Instruction 2017-I-19 of 22 November 2017 on the submission of financing plans by credit institutions
Instruction 2020-I-07	amending Instruction 2016-I-07 of 11 March 2016 on information to be submitted to the ACPR on statutory auditors, amended by Instructions 2018-I-03 of 5 March 2018 and 2018-I-04 of 7 June 2018
Instruction 2020-I-08	amending Instruction 2018-I-17 on the submission to the ACPR of prudential documents by insurance and reinsurance institutions not covered by the "Solvency II" regime
Amendment to the annexes of Instruction 2018-I-16	on annual prudential reports to be submitted by institutions under the ACPR's supervision and not covered by the "Solvency II" regime
Instruction 2020-I-09	amending Instruction 2019-I-06 of 15 March 2019 on the prior notification of the ACPR in the event of the outsourcing of activities or important or critical functions or of material changes affecting these arrangements
Instruction 2020-I-10	on reporting prudential financial information linked to exposures subject to measures applied in response to the Covid-19 crisis
Instruction 2020-I-11	amending Instruction 2019-I-22 of 23 April 2019 on the forms for licences and simplified licences for payment institutions, for registration as an account information service provider, for reporting a payment services provider agent and requesting a licence exemption under the terms set down in Articles L. 521-3-1 and L. 525-6-1 of the Monetary and Financial Code
Instruction 2020-I-12	amending Instruction 2013-I-09 of 12 July 2013 on the forms for licence applications, agent disclosures, notification under the freedom of establishment and the freedom to provide services, notification of use of an agent or distributor in a Member State of the European Union or in another State party to the European Economic Area Agreement, for electronic money institutions, amended by Instructions 2018-I-01 and 2018-I-02 of 21 February 2018 and by Instruction 2019-I-16 of 23 April 2019
Instruction 2020-I-13	on the submission of information needed to calculate contributions to guarantee schemes for deposits, securities and bank guarantees
Instruction 2020-I-14	amending Instruction 2020-I-05 of 9 April 2020 on the European prudential documents to be provided annually and quarterly by supplementary occupational pension institutions
Instruction 2020-I-15	amending Instruction 2016-I-17 of 27 June 2016 on the submission to the ACPR of prudential documents by insurance and reinsurance institutions covered by the "Solvency II" regime
Instruction 2020-I-16	amending Instruction 2016-I-16 of 27 June 2016 on annual prudential reports to be submitted by institutions under the ACPR's supervision covered by the "Solvency II" regime

POSITIONS

Amendment to Position 2013-P-01 on application of the Order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sector subject to ACPR supervision and on intermediation in banking transactions and payment services.

GUIDELINES

Guidelines on the consolidated management of group AML/CTF systems

Guidelines on preventing money laundering and terrorist financing in wealth management.



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