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Commission

Directorate-General for

STRUCTURAL REFORM SUPPORT

**Financial sector and
access to finance**



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INTRODUCING THE DIRECTORATE-GENERAL FOR **STRUCTURAL REFORM SUPPORT**

The Directorate-General for Structural Reform Support (DG REFORM) helps EU Member States carry out reforms to stimulate job creation and sustainable growth. EU Member States can ask DG REFORM for support, which is then delivered in the form of tailor-made expertise.

Today, DG REFORM is engaged in **over 1 000 reform projects in all 27 EU Member States.**

PROGRAMME AND BUDGET

Since 2017, DG REFORM has been managing a dedicated programme – the Structural Reform Support Programme – with a budget of **EUR 222.8 million** for 2017 to 2020.

The programme is the main source of funding for **technical support projects** in EU Member States and does not require co-financing.

Member States can request help from the programme to implement the following:

- **reforms identified by the European Commission**, for example in its annual economic policy recommendations (the ‘European Semester’ process);
- measures they have to take to **implement EU priorities and EU law**;
- reforms undertaken on their **own initiative**.

HOW IT WORKS

DG REFORM provides Member States with expertise, which can take the form of:

- expert and fact-finding missions on the ground to assess the situation;
- diagnostic analyses and recommendations on ways to address the situation;
- sharing relevant best practices through seminars, conferences and workshops;
- developing and implementing targeted solutions to address the situation.

To deliver this support, DG REFORM uses a **wide range of experts** from national administrations (including through the TAIEX-SRSP Peer 2 Peer instrument), international organisations, private firms and consultancies, or expertise directly from the European Commission.



FINANCIAL SECTOR AND ACCESS TO FINANCE

The financial sector has been under considerable pressure in the past decade. Businesses, citizens and national authorities have been affected by the financial crisis. Challenges on development of new technologies, the fragmentation of the EU markets and climate change continue to exist. More recently, re-emerging risks for the financial sector will need to be addressed as part of the EU economic recovery efforts.

To address the current challenges and to seize new opportunities, the EU has adopted various initiatives. These initiatives have resulted in new and complex legal frameworks requiring implementation at national level. DG REFORM provides technical support to EU Member States across a broad spectrum of **reforms in the financial sector**. The technical support is focused on strengthening the sector's oversight, responding to the quickly changing market and supporting broad financing options for the real economy.



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BANKS

Maintaining an **efficient and reliable banking system** is important for achieving sustainable economic growth. The market environment is shaped by new digital technologies, dynamic consumer preferences, increasing competition and changing regulations. Supervisors therefore regularly assess and adjust supervisory practices to ensure effective stimulus and monitoring of the banking sector. In doing so, they have to strike the difficult balance of strengthening the institutions' resilience without undermining their business sustainability.



DG REFORM supported the Bank of Slovenia in developing two models, one for liquidity and one for interest rate risk management of non-maturing deposits, to assess the bank's asset liability management. The main goal of the project was to propose a supervisory tool and a challenger model to verify modelling assumptions used by banks. The development of the models included different phases:

- collecting and analysing data;
- developing the model, including the methodological set-up and model calibration;
- validating and recalibrating the final design of the solutions and model documentation;
- implementing the tool, including training and manuals.



EXAMPLES OF SUPPORT

- **Prudential supervision**
Implementation of the European Banking Authority's guidelines, supervisory manuals and training; development of models supporting supervisory assessment.
- **National Development Banks (NDBs)**
Developing internal assessment tools, improving organisational structures, capacity building.
- **Consumer protection**
Setting up and upgrading national credit registries in compliance with the EU's General Data Protection Regulation.
- **Data management and software infrastructures**
Improving software infrastructure and analysis and enhancing prudential reporting set-ups.
- **Payment systems**
Assessing payment infrastructures, developing e-payment strategies.
- **Non-performing loans**
Developing supervisory tools to reduce the level of non-performing loans and assisting in the establishment of asset management companies.

INSURANCE UNDERTAKINGS AND PENSIONS

DG REFORM supports supervisors across the EU to design and implement various parts of Solvency II, the well-known regulatory regime for insurance undertakings. In doing so, it takes into account the needs and specificities of the local insurance market.

DG REFORM aims to contribute to **best-in-class insurance supervision** while ensuring convergent application across the EU. These efforts improve financial stability and enhance the role of the insurance and pension funds industry in funding our economy in a sustainable way.



EXAMPLES OF SUPPORT

- Improving **prudential supervision** in core areas such as solvency, stress testing and risk management.
- **Capacity building** in the area of conduct supervision.
- Addressing **emerging risks**, such as digitalisation or sustainable investments.



STRENGTHENING INSURANCE SUPERVISION IN ITALY

The Italian insurance supervisor requested support to further enhance its market conduct supervision. Work is underway to design, prepare and implement a framework for mystery shopping to enhance the point of sale supervision and strengthen consumer protection for Italian policyholders.

The project aims to devise a sound methodology and implement this in the processes and procedures of the Italian supervisor contributing to its supervisory assessment. The European Insurance and Occupational Pensions Authority (EIOPA) is also providing expertise in the project, which will contribute to the development of European-wide good practices.



CAPITAL MARKETS

The **Capital Markets Union** is an economic policy initiative that aims to further develop and integrate EU capital markets. The goal of the Capital Markets Union is to promote cross-country risk sharing and to enable companies and projects to obtain diverse funding, regardless of their location in the EU. DG REFORM helps EU Member States remove barriers at national level that stand between investors' capital and investment opportunities. It provides technical support in collaboration with the Directorate-General for Financial Stability, Financial Services and Capital Markets Union.



EXAMPLES OF SUPPORT

- Providing domestic **capital market diagnostics** with in-depth analysis of impediments to capital market development.
- Designing multi-year **capital market growth** strategies.
- Developing appropriate **market infrastructures** and market-friendly public policies.
- Designing and implementing a **capital market development accelerator fund** or a small and medium-sized enterprise (SME) equity support instrument.
- Developing **supervisory manuals** for capital market supervision.

CAPITAL MARKETS IN THE BALTIC STATES

The finance ministries of the three Baltic States jointly requested technical support from DG REFORM to help design a regional Baltic capital market development accelerator fund. The objective of the fund is to enhance domestic SMEs' access to finance. The support focuses on the definition of the fund's key parameters such as SME target group, eligible beneficiaries, management guidelines and investment policy. The project will contribute to the emergence of a true pan-Baltic capital market.



GREEN FINANCE

The European Green Deal and the EU's **sustainable finance** strategy define the operational strategies for achieving a climate-neutral EU economy by 2050. DG REFORM plays a key role in supporting EU Member States throughout the whole spectrum of reform actions that are needed to implement these strategies. The ultimate objectives are to reorient capital flows towards sustainable activities and to address climate-related risks faced by the financial sector.



EXAMPLES OF SUPPORT

- Helping to prepare **sustainable finance action plans** to identify barriers to sustainable finance and build the right capacity.
- Enhancing **sustainability proofing** for national promotional institutions.
- Implementing sovereign **green bond frameworks**.
- Supporting national authorities in the coherent implementation of **reporting and disclosure obligations**.
- Integrating **climate risks into supervision**.
- Providing **capacity building**, including training programmes.




GREEN FINANCE IN SPAIN

The Spanish government has put the fight against climate change at the core of its priorities. In order to achieve Spain's climate and energy objectives, the Instituto de Crédito Oficial will play a key role. DG REFORM is supporting the institute in the reform process by helping with the adaptation of its business model. The technical support will contribute to a comprehensive categorisation of its financing activities following the EU taxonomy. The project will also deliver a proposal for redirecting its activities to new sectors and financial instruments. In addition, the technical support will help identify the processes and procedures that are needed to improve its green and social bonds programmes as well as a methodological approach for creating a system for measuring the impact of sustainable financing operations.



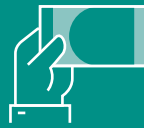
INSOLVENCY AND DEBT RESTRUCTURING

Enhancing the robustness of insolvency frameworks is one of the EU's main objectives to continue the integration of capital markets in the EU. **Well-functioning insolvency frameworks** are essential for the efficient allocation of capital in an economy. A solid insolvency framework is crucial for a good business environment. It supports trade and investment and helps economies to effectively manage non-performing loans. DG REFORM supports EU Member States in their efforts to design and implement reforms to ensure the effectiveness and efficiency of their insolvency legal frameworks.



PREVENTIVE RESTRUCTURING AND EARLY WARNING TOOLS IN ESTONIA

DG REFORM provided technical support to strengthen the preventive restructuring framework and to introduce a system of early warning tools in Estonia. The support on preventive restructuring consisted of a legal and implementation analysis, providing specific recommendations to amend the legislative framework. The support also included an in-depth analysis of different options for setting up an early warning tool, considering the data available, datasets and indicators. The new system should allow for an early detection of signs of distress in businesses and triggering of control mechanisms to avoid insolvency.



EXAMPLES OF SUPPORT

- Modernising **insolvency legislation** and benchmarking national systems with other jurisdictions and international best practice.
- Introducing **early warning tools**, designing preventive restructuring frameworks and strengthening the framework for out-of-court settlements.
- Improving the **institutional framework** so that court systems can handle insolvency and restructuring procedures more quickly.
- Reviewing **national frameworks for insolvency practitioners**, enhancing enforcement, data collection and cross-border insolvency.



ANTI-MONEY LAUNDERING

Risks of **money laundering and the financing of terrorism** remain major concerns for the integrity of the EU's financial system and the security of EU citizens. The fifth anti-money laundering directive increases the transparency of beneficial information, gives financial intelligence units wider access to information, enhances the cooperation between supervisors and regulates virtual currencies and pre-paid cards. DG REFORM supports EU Member States in their efforts to transpose and implement the EU's legal anti-money laundering framework in line with their national needs.



EXAMPLES OF SUPPORT

- Assessing risks for **market licensing and registration systems**.
- Preparing risk-based approaches for **monitoring anti-money laundering** and/or combating the risks of financing terrorism.
- Preparing national or sectoral **risk mitigation action plans**.
- **Awareness-raising** workshops and campaigns about anti-money laundering and the risks of financing terrorism.
- Preparing functional requirements for support **software for anti-money laundering supervisors**.



FIGHTING MONEY LAUNDERING AND TERRORIST FINANCING IN ROMANIA

DG REFORM is helping the Romanian authorities to better understand internal and external money laundering and terrorist financing threats, and to align its anti-money laundering policies accordingly. This is done by carrying out a national risk assessment that feeds into a national risk mitigation plan. Project activities include training for stakeholders on risk assessment, support in preparing a national risk mitigation plan and workshops for supervisory and law enforcement entities.



FINANCIAL LITERACY

The European Union's capital markets are still relatively underdeveloped and remain fragmented across the EU. **Financial education and literacy** help to develop and deepen the Capital Markets Union. They are indispensable elements for improving consumer protection. The European Commission and international organisations strongly encourage the development of financial literacy and education in EU Member States. DG REFORM helps national administrations to diagnose the levels of financial literacy amongst population target groups and to identify and address the needs demonstrated by these diagnostics. DG REFORM also supports EU Member States in creating dedicated programmes for improving financial literacy and education.



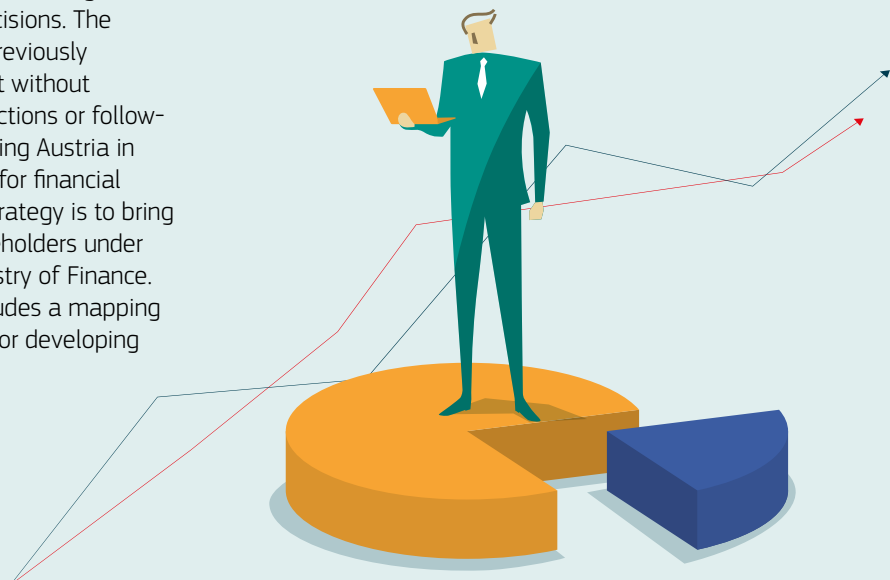
EXAMPLES OF SUPPORT

- Developing national strategies aiming at **strengthening financial literacy**, fostering responsible financial behaviour and increasing financial resilience.
- Implementing financial **literacy strategies** through the development of specific educational and/or communication tools.



STRATEGY ON FINANCIAL LITERACY IN AUSTRIA

Recent studies also show that the Austrian population lacks financial knowledge when making financial decisions. The Austrian authorities had previously led different initiatives, but without subsequent coordinated actions or follow-up. DG REFORM is supporting Austria in the creation of a strategy for financial literacy. The goal of the strategy is to bring together all relevant stakeholders under the leadership of the Ministry of Finance. The technical support includes a mapping exercise and a road map for developing the strategy.



CRISIS MANAGEMENT

The financial crisis showed that some areas of the financial sector were not sufficiently regulated and that supervisors did not have adequate tools to deal with failing institutions. To improve cross-border coordination and reduce future dependence on public money, the Bank Recovery and Resolution Directive (BRRD) fully reformed the EU framework for managing the failure of financial institutions. DG REFORM supports EU Member States in the design and implementation of reforms to ensure the effectiveness and efficiency of **national recovery and resolution frameworks for financial institutions**.



SUPPORT FOR THE CREATION OF A CRISIS MANAGEMENT MANUAL IN CZECHIA

DG REFORM is supporting the national resolution authority in drafting a detailed crisis management manual. This manual will enable the resolution authority to fully operationalise all the necessary steps, processes and procedures that are needed if a financial institution is determined to be failing or likely to fail. The technical support includes identifying missing procedures and processes in the national resolution framework, providing step-by-step guidance on the implementation of all possible resolution tools and preparing notification and decision templates. The project also includes a resolution simulation exercise.



EXAMPLES OF SUPPORT

- Developing **crisis management manuals** to provide resolution authorities with step-by-step guidance on the use of resolution tools at national level and/or in a cross-border context.
- Carrying out **crisis simulation exercises** to test the operational preparedness of the national authorities for resolution.
- Helping to prepare adequate **bank insolvency legal frameworks** to ensure appropriate tools for swift and efficient procedures.
- Design of policy and legal measures for addressing legal and operational weaknesses and challenges, in the functioning of its **deposit guarantee schemes**.



CONTACT DETAILS



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Find out more

- DG REFORM:
https://ec.europa.eu/info/departments/structural-reform-support_en
- Structural Reform Support Programme:
https://ec.europa.eu/info/funding-tenders/overview-funding-programmes/structural-reform-support-programme-srsp_en