

A. Introduction

In 2021, the economic recovery was faster than expected in Belgium and elsewhere in Europe, although there are some persisting uncertainties, particularly concerning the latent risk of renewed waves of the COVID-19 pandemic. In these circumstances, the Bank's prudential activities have progressively returned to normal and certain exceptional support measures specific to the crisis have been gradually withdrawn.

While 2020 had brought the need for adjustments to the regulatory and legal framework concerning crisis-related aspects, in 2021 it became possible to refocus on matters relating to structural developments which had begun or been announced before the pandemic erupted. At microprudential level, the Bank is responsible for the supervision of credit institutions under the single supervisory mechanism (SSM), investment firms, insurance undertakings, financial market infrastructures and payment institutions. Changes in the regulatory and legal framework specific to certain sectors are described in chapter B, which also deals with developments applicable to all sectors. Among other things, the Bank continues to devote increasing resources and attention to checking compliance with the provisions on the prevention of money-laundering and the risks connected with climate change.

In this context with prudential activities steadily returning to normal, the priorities for the operational surveillance of institutions subject to the Bank's supervision are gradually undergoing a shift of focus from a policy of managing the repercussions of the crisis towards management of the more

structural risks facing the financial sector, notably those relating to digitalisation, the low interest rate environment and the climate transition. The operational aspects relating to the supervision of financial institutions in 2021 are presented in chapter C.

The digitalisation of financial services gained further importance in 2021. Innovative developments, in particular, generate opportunities for the financial sector so long as financial institutions make the necessary investment, otherwise they will start lagging behind their competitors in that regard. These developments also create risks which justify the adoption of appropriate measures at regulatory and prudential level. Chapter D deals with the aspects of regulation and prudential supervision specifically connected with the digitalisation of financial services.

Finally, the Bank is also the national resolution authority in Belgium. In 2021, one of the main advances in this respect was the transposition of the second Bank Recovery and Resolution Directive (BRRD2) into Belgian law. Details of the action taken under this mandate are given in chapter E.

In 2021, it became possible to refocus the Bank's prudential activities on more structural risks for the financial sector

Apart from its microprudential missions, the Bank also exercises a macroprudential mandate, the Law of 24 April 2014 having officially designated the Bank

as the macroprudential authority in Belgium. Recent initiatives pursuant to that mandate are described in box 5 of the section of the Report on "Economic and financial developments". The Macroprudential Report published annually by the Bank describes the macroprudential framework in more detail.

