

ECB Supervisory Priorities

Operating environment, risks and opportunities



EUROPEAN CENTRAL BANK
EUROSYSTEM

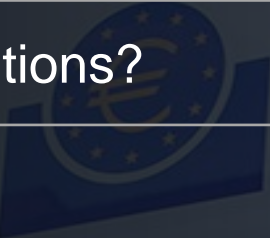
Context

Priorities and vulnerabilities


Supervisory priorities work programme

Why Management Solutions?

Abbreviations



EUROPEAN CENTRAL BANK
EUROSYSTEM

The background of the slide is a photograph of the European Central Bank building in Frankfurt. The building is a modern skyscraper with a glass facade that reflects the sky. The text and logo are overlaid on the left side of the image. The logo is a blue circle with a white Euro symbol and twelve white stars. The text "EUROPEAN CENTRAL BANK" and "EUROSYSTEM" is written in a blue, sans-serif font. The text is arranged in a list format with horizontal lines separating the items. The overall color scheme is blue and white.

1 Context

The ECB Banking Supervision has reviewed its strategic priorities for the next three years to reflect the challenges and more structural vulnerabilities in the sector



Stress in the US and Swiss banking sectors

The European banking sector demonstrated its high resilience to external shocks when the stress in the US and Swiss banking sectors in March 2023 triggered only limited and temporary spillover effects. European banks proved to be strong in terms of capital, liquidity and asset quality, and could also draw on well-diversified funding sources and customer bases.



Geopolitical context

The growth outlook for the euro area remains subject to high uncertainty in the context of tighter financing conditions and heightened geopolitical tensions, while future energy and food price paths are subject to upside risks. Inflationary pressures are further shaping the challenging environment.



Inflationary pressures

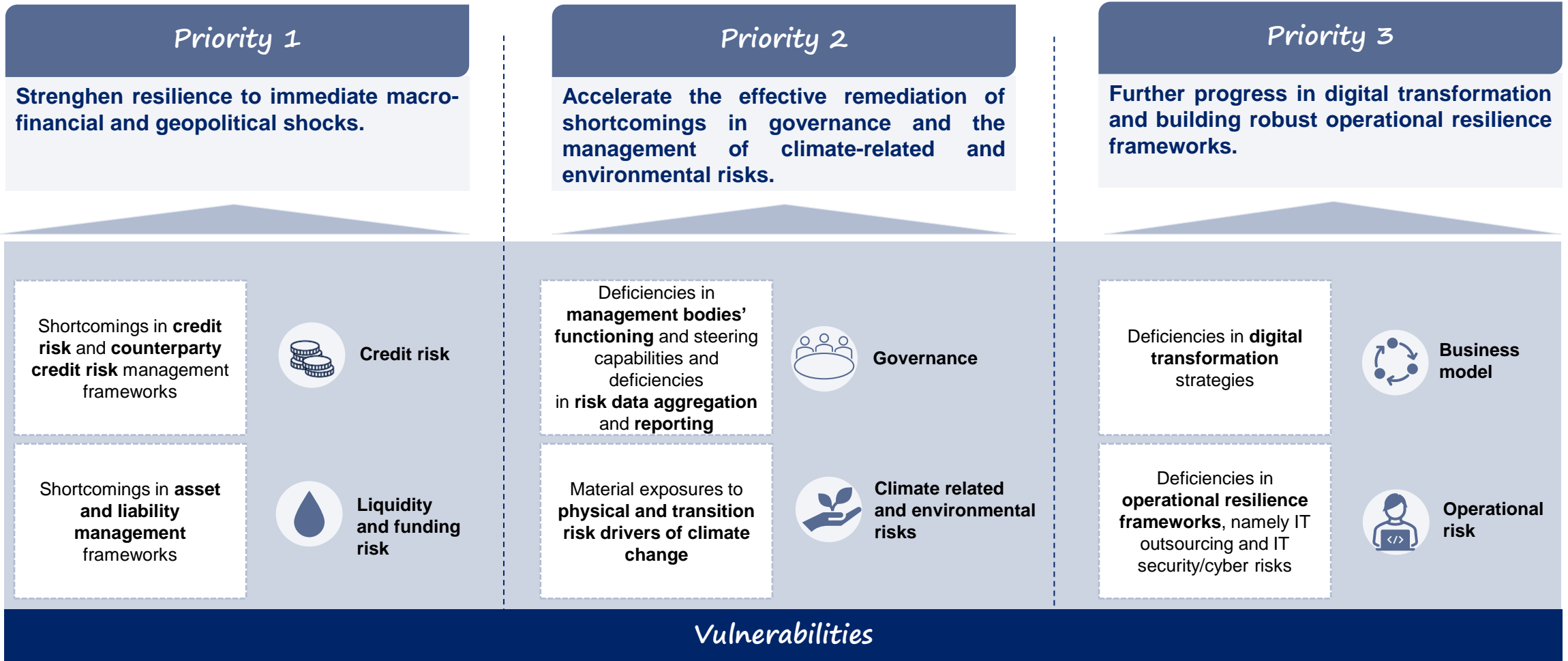
Headline inflation in the euro area is projected to continue on a downward path over the medium term, while core inflation is expected to fall more gradually. If monetary policy requires further tightening, or if interest rates stay at higher levels for longer in a scenario of persistently high inflation, the economic growth outlook may deteriorate.



[Access to Document](#)







2 | Priorities and vulnerabilities

The ECB set its supervisory priorities for 2024-2026 and has targeted a set of vulnerabilities in the banking sector for each of these priorities



3 Supervisory priorities work programme

For each vulnerability, the ECB has set dedicated strategic objectives and has developed work programmes in order to mitigate the underlying risks

Priority 1	Priority 2	Priority 3
<p>Credit risk </p> <ul style="list-style-type: none">Targeted reviews focusing on the resilience of portfolios that are more sensitive to the current macro-financial situation.Follow-up on the IFRS 9 targeted review, monitoring progress on the ability of banks' expected credit loss models to capture emerging risks, with a focus on overlays.Extension of the deep dives on forbearance and UTP policies, extension of the OSIs, internal model investigations and follow-up by JSTs.Follow-up on the targeted review of CCR management conducted in 2022.Targeted OSIs on specific aspects of CCR management.	<p>Governance </p> <ul style="list-style-type: none">Targeted review of the effectiveness of banks' management bodies and targeted OSIs.Update and external publication of supervisory expectations and best practices regarding banks' governance and risk culture.Refinement of supervisory expectations related to the implementation of RDAR principles and publication of the Guide on effective RDAR.Targeted reviews and OSIs of RDAR practices. <p>Climate related and environmental risks </p> <ul style="list-style-type: none">Targeted follow-up on shortcomings identified in the context of the 2022 climate risk stress test and thematic review, to assess full alignment to supervisory expectations by end 2024.Review of banks' compliance with Pillar 3 disclosure requirements related to C&E risk, and benchmarking of banks' practices against supervisory expectations.Deep dives on banks' capabilities of addressing reputational and litigation risk associated with C&E related commitments.Targeted OSIs on climate-related aspects.	<p>Business Model </p> <ul style="list-style-type: none">Targeted reviews focusing on the impact of banks' digital transformation on their business model complemented by JSTs' follow-up with banks where material deficiencies are identifiedTargeted OSIs on digital transformation.Publication of supervisory expectations and sharing of best practices on digital transformation strategies. <p>Operational risk </p> <ul style="list-style-type: none">Data collection and horizontal analysis of outsourcing registers to identify interconnections among supervised institutions and third-party providers and potential risk concentrations in certain providers.Targeted reviews and OSIs of outsourcing and cyber security management.System-wide cyber resilience stress test in 2024 focusing on the response and recovery capabilities of banks after a cyber security incident, and their ability to contain the impact.
<p>Liquidity and funding risk </p> <ul style="list-style-type: none">Targeted reviews of the soundness and reliability of funding plans, contingency planning, and ALM governance and strategies.Targeted OSIs assessing funding and recovery plans. Follow-up on findings.OSIs campaign on IRRBB.		

4 Why Management Solutions?

Management Solutions has in-depth knowledge of financial regulation and extensive experience in supporting OSIs through different types of collaboration, adapting to the needs of each entity and making available the profiles that make up the Firm

REGULATORY EXPERTS

MS has a **Regulatory Observatory** that provides in depth knowledge of the regulatory requirements of financial and non financial institutions at the European level.

MS PROFILES



Functional profiles



Data scientist profiles (data processing and modelling)



Technical profiles

POSSIBLE TYPES OF COLLABORATION



PMO SUPPORT

- **Stakeholder** coordination
- Development and monitoring of the OSI **work plan**
- Preparation of **meetings with the supervisor**



AREAs SUPPORT

- Support in the preparation of **documentation** associated with each area
- Support for necessary **qualitative and quantitative analyses**
- Support in the **Loan Tapes file**



DOCUMENTATION IMPROVEMENT

- **QA** support for **updating and improving existing documentation**
- Collecting and challenging **evidence**



SUPPORT FOR REMEDIATION PLANS

- **Support in the identification and execution of remediation plans.**
- **PMO support for plan execution tracking**

A

Abbreviations

ALM	Assets and Liabilities Management
CCR	Counterparty credit risk
C&E	Climate related and environmental
ECB	European Central Bank
IFRS	International Financial Reporting Standard
IRRBB	Interest Rate Risk in the Banking Book
IT	Information Technology
JST	Joint Supervisory Teams
PMO	Project Management Office
RDAR	Risk Data Aggregation and Reporting
OSIs	On-site inspections
UTP	Unlikelihood to pay

MS Management Solutions

Making things happen



International
One Firm



Multiscope
Team



Best practice
know-how



Proven
Experience



Maximum
Commitment

EUROPEAN CENTRAL BANK
EUROSYSTEM

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