

TOWARDS THE EUROPEAN BANKING UNION: KEY CHALLENGES AND IMPLICATIONS

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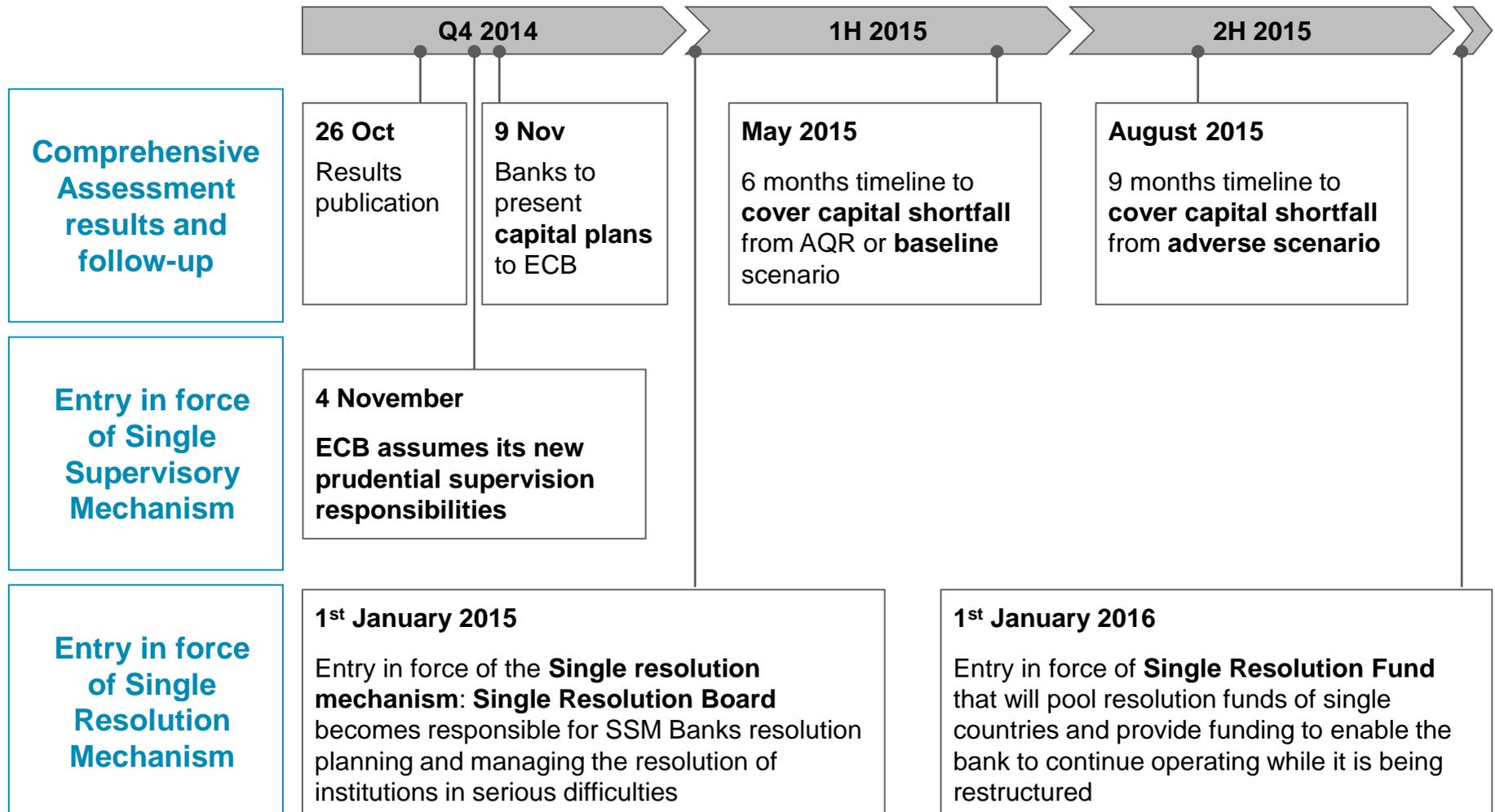
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Following the CA, prudential supervision responsibilities will be transferred to the ECB and resolution responsibilities to the SRB

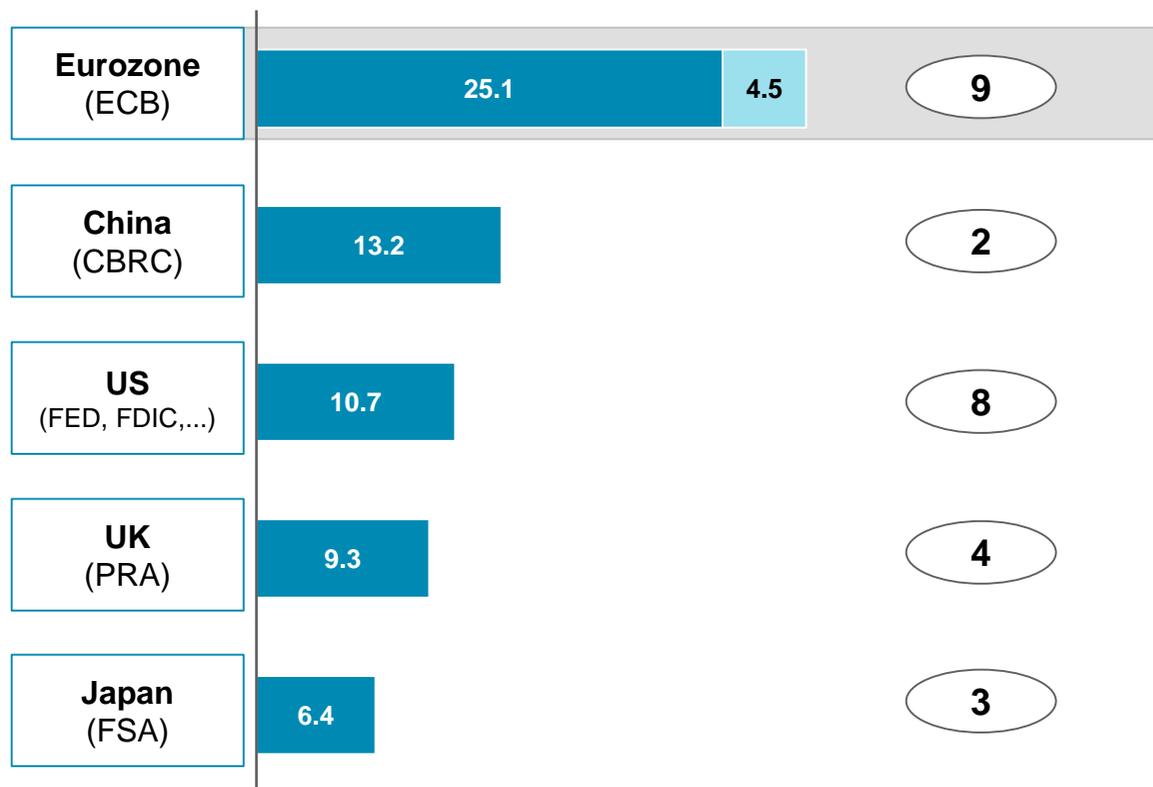


The ECB supervises more assets and more global systemically important institutions than any other regulator

Bank Assets under supervision, € TN

of G-SIFI¹

Details on institutions supervised by ECB



- Direct supervision of:
 - **120 Banking Groups²**
 - Located in **19 countries**
 - Corresponding to 1,258 Legal Entities – some of which located outside of the Eurozone
- Through the indirect supervision mechanism, the ECB supervises additional 3,500 institutions

Direct supervision
 Indirect supervision

Source: ECB; EBA credit register; 1. Global systemically important financial institutions as per FSB definition; 2. ECB direct supervision perimeter does not match exactly with the preliminary institutions selection subject to Comprehensive assessment

We expect three forms of response to the Comprehensive Assessment from the Financial Services industry

1

Strategic and tactical reshaping

- Capital raising as a result of both the CA and other concurrent regulatory developments (eligibility of capital instruments for fully loaded Basel III capital ratios)
- Consolidation and divestments, especially in the most affected countries
- Recognition of the results of CA in underwriting standards, provisioning, pricing (assets and liabilities) and capital allocation

2

Capabilities upgrade

- Scenario planning and enhanced stress testing capabilities
- RWA calculation upgrades
- NPL management
- Upgrade to data infrastructure and management

3

Regulatory interface

- SSM – banks will need to respond to the different (and in many cases more onerous) demands of the joint supervisory team
- National regulators – creation of two-layered regulatory system likely to increase regulatory focus on topics such as conduct risk

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