

# TOWARDS THE EUROPEAN BANKING UNION: KEY CHALLENGES AND IMPLICATIONS

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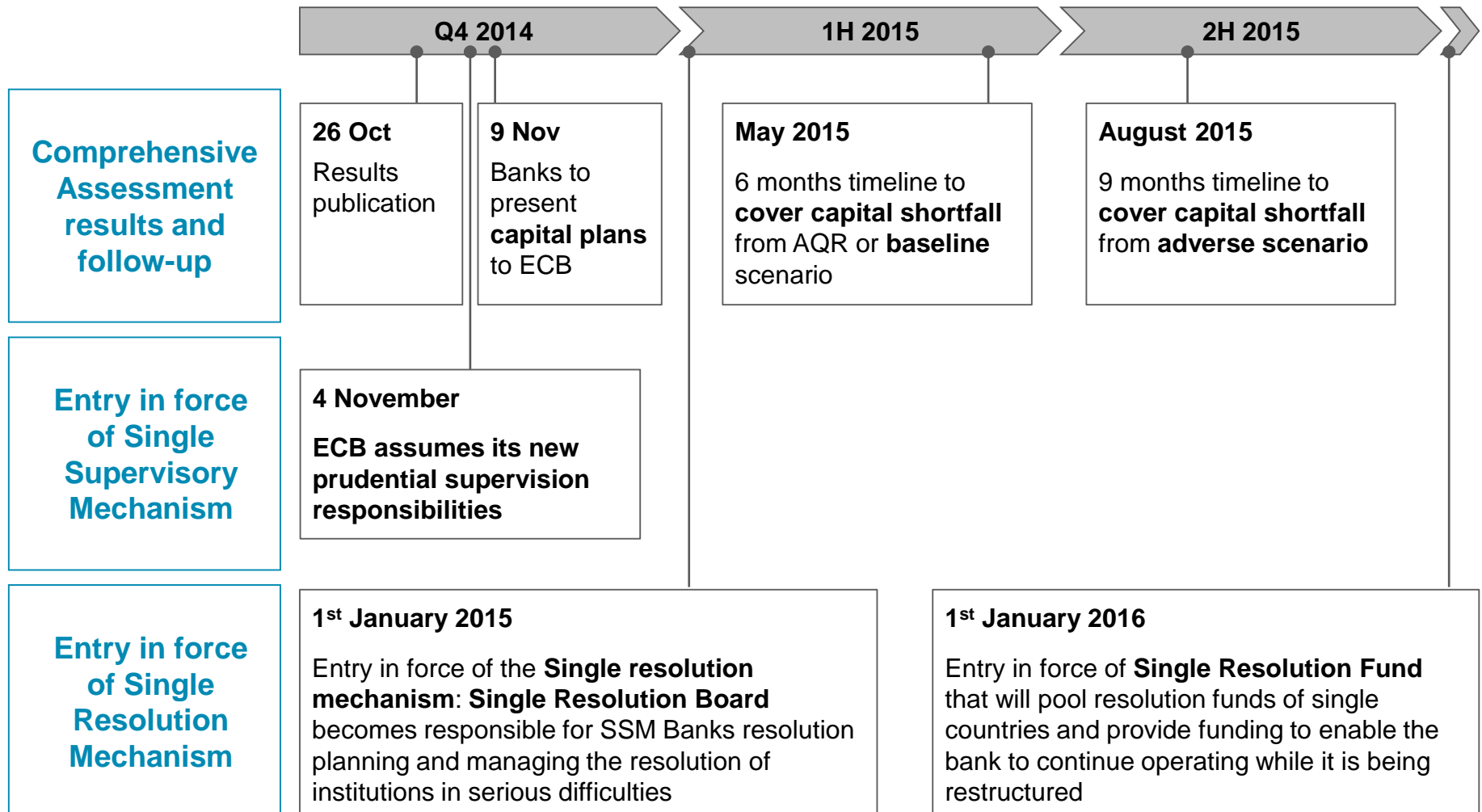
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# Following the CA, prudential supervision responsibilities will be transferred to the ECB and resolution responsibilities to the SRB

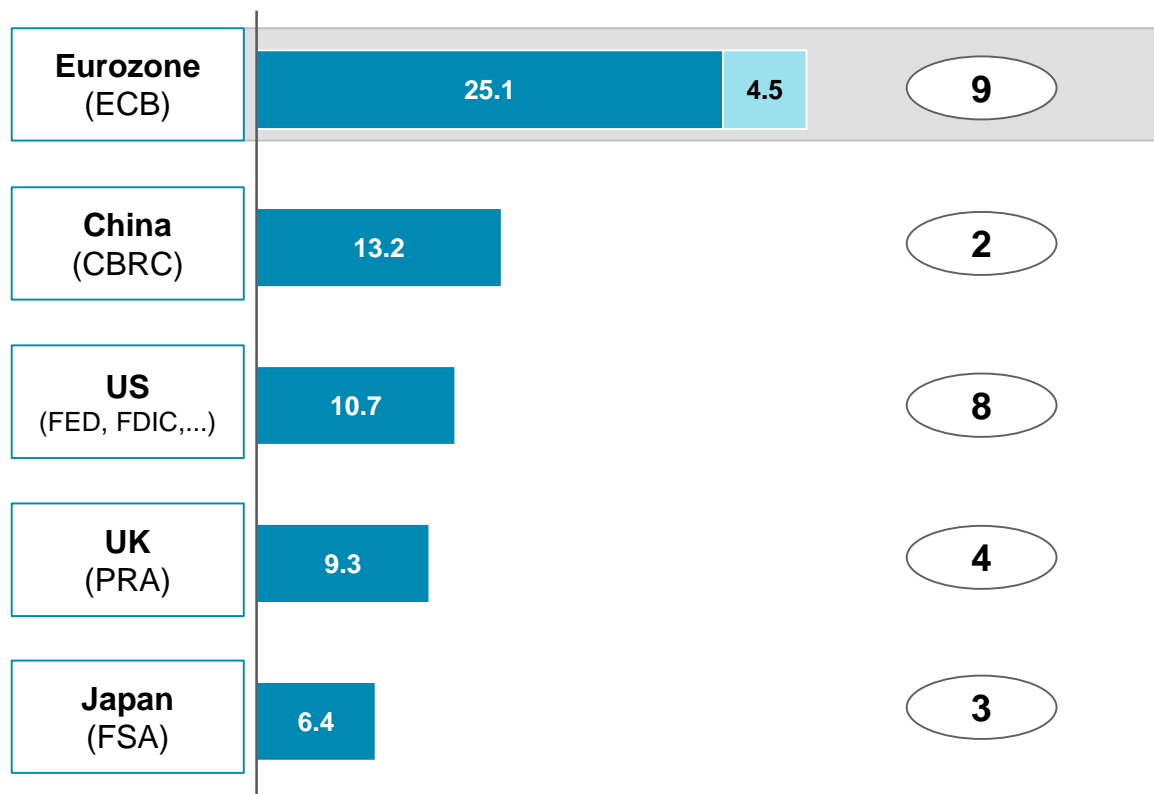


# The ECB supervises more assets and more global systemically important institutions than any other regulator

Bank Assets under supervision, € TN

# of G-SIFI<sup>1</sup>

Details on institutions supervised by ECB



- Direct supervision of:
  - **120 Banking Groups<sup>2</sup>**
  - 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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