



EUROPEAN CENTRAL BANK

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## PRESS RELEASE

### ECB BANKING SUPERVISION PUBLISHES SUPERVISORY PRIORITIES FOR 2017

- Three key risk areas remain core priorities for 2017: business model and profitability risks, credit risk with a focus on NPLs and risk management
- New emphasis on effects stemming from Brexit and competition from the FinTech sector
- Spotlight also on banks' outsourced activities and associated risks

The European Central Bank (ECB) has today published its 2017 priorities for supervising significant banks in the euro area. The main focus is on the key risks currently faced by banks, such as the need to adapt to financial conditions such as lacklustre economic growth in the euro area and geopolitical uncertainties, while at the same time addressing legacy assets. As a result, ECB Banking Supervision will focus on business model and profitability risks as well as credit risk – with a focus on non-performing loans – and risk management. These were also priorities in 2016 but supervisors will now focus on new areas within each risk.

“Supervising banks is a dynamic business. The world has changed around us and so has the economic and regulatory sphere. We will be taking a closer look at the effects on banks emanating from Brexit, the FinTech sector and banking activities outsourced by banks,” said Danièle Nouy, Chair of the Supervisory Board of the ECB.

The ECB will also focus more on specific asset classes and adopt a new approach combining on-site and off-site elements for example when examining shipping loans. In addition, the supervisor will launch a new thematic review to take stock of banks' outsourced activities and scrutinise how they manage associated risks. Such reviews may take more than one year.

The ECB will also complete several ongoing thematic reviews, including its reviews of the potential impact of the International Financial Reporting Standard 9 (IFRS 9) on banks and of banks' compliance with the Basel Committee's principles for aggregating risk data and reporting risks. IFRS 9 is a new accounting standard for financial instruments that will become effective in 2018.

Also under way is a targeted review of internal models to assess whether Pillar 1 internal models are being used appropriately. Pillar 1 refers to the minimum capital banks are required to hold by law. The review covers credit, market and counterparty credit risks for which the related on-site missions will be launched in the first half of 2017.

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