

# PRESS RELEASE

9 November 2018

## ECB publishes final guides for banks on their capital and liquidity management

- Final guides inform banks about the ECB's expectations relating to their internal capital and liquidity management
- ECB to use guides from 1 January 2019 when assessing bank internal capital and liquidity adequacy assessment processes (ICAAPs and ILAAPs)

The European Central Bank (ECB) today published its expectations regarding institutions' internal capital and liquidity adequacy assessment processes ([ICAAPs](#) and [ILAAPs](#)). The guides, which are not legally binding, will be applied from 1 January 2019 and replace the expectations published in January 2016. They aim to assist banks in strengthening their ICAAPs and ILAAPs, and to encourage the adoption of best practices.

Adequate levels of capital and liquidity are essential for the resilience of individual banks. Banks are expected to assess the risks they face and, in a forward-looking manner, ensure that all material risks are identified, effectively managed and covered by adequate capital and liquidity levels at all times.

ECB Banking Supervision reviews the quality of institutions' ICAAPs and ILAAPs as a fundamental part of the Supervisory Review and Evaluation Process (SREP). ICAAPs and ILAAPs are assessed annually by Joint Supervisory Teams and feed into the assessments of all SREP elements. The ECB aims to incentivise banks to improve their ICAAPs and ILAAPs. In this context, it will intensify its supervisory assessments and it will further increase the role the ICAAP and ILAAP play in the SREP. For example, the ICAAP will play an enhanced role in the determination of Pillar 2 own funds requirements on a risk-by-risk basis, following an individual assessment of each bank.

In 2016 the ECB published its expectations regarding the ICAAPs and ILAAPs of supervised institutions. Following a careful assessment, it identified significant differences in the approaches taken by individual banks and a need for improvements at all banks. It therefore launched a multi-year plan for ICAAPs and ILAAPs in early 2017. The plan sets out a more detailed set of supervisory expectations, taking into account two rounds of feedback from institutions and other industry participants. In total, the ECB received around 800 comments on the guides, which were assessed and subsequently used to clarify the ECB's expectations regarding institutions' ICAAPs and ILAAPs. A [feedback statement](#) on the comments

received during the 2018 consultation has been published on the ECB's banking supervision website, together with the final guides and a document containing frequently asked questions.

**For media queries, please contact [Esther Tejedor](#), tel.: +49 69 1344 95596.**

## Notes

- [Multi-year plan on SSM Guides on ICAAP and ILAAP](#)
- [Supervisory expectations on ICAAP and ILAAP and harmonised information collection on ICAAP and ILAAP](#)
- Article 73 of the Capital Requirements Directive (CRD IV) requires institutions to have in place sound, effective and comprehensive strategies and processes, i.e. an ICAAP, to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. The corresponding requirements for the ILAAP are set out in Article 86 of the CRD IV.
- The ECB guides on the ICAAP and ILAAP follow a principles-based approach with a focus on selected key aspects from a supervisory perspective. They derive seven principles from the CRD IV ICAAP and ILAAP provisions that are to be considered, inter alia, in the assessment of institutions' ICAAPs/ILAAPs as part of the SREP from 2019. They are not meant to provide complete guidance on all aspects relevant to sound ICAAPs and ILAAPs.
- The ICAAP and ILAAP are, in the first instance, internal processes that should be tailor-made by each institution. The implementation of an ICAAP and ILAAP that are appropriate for an institution's particular circumstances therefore remains the responsibility of the institution. The ECB assesses institutions' ICAAPs and ILAAPs on a case-by-case basis.
- Once adopted, the guides will not replace or supersede any applicable law implementing Articles 73 and 86 of the CRD IV.