

Press release

17 April 2023

ECB welcomes expert group recommendations on European banking supervision

- Expert group finds supervisory practices now sufficiently mature to make processes leaner, recommends enhancing risk-based prioritisation
- Report recommends ECB focus on qualitative measures tackling weak business models and governance
- Insights to flow into ECB review of supervisory processes planned for 2024

The European Central Bank (ECB) today published the results of an external assessment of the Supervisory Review and Evaluation Process (SREP), which includes recommendations to become more efficient and effective.

The SREP is one of the most important activities of ECB Banking Supervision – its bread and butter – during which supervisors assess the risks banks face and check that banks are managing those risks properly.

The [report](#) was drafted by a group of independent experts [appointed in September 2022](#). They had access to ECB documentation for seven months and consulted with numerous stakeholders in over 70 meetings.

“I would like to thank Sarah Dahlgren, Ryozo Himino, Fernando Restoy and Carolyn Rogers for their outstanding work. Their valuable input strengthens our conviction that supervision needs to become more adaptable, intrusive and risk-focused. This will help us reflect on how to keep delivering state-of-the-art supervision as we approach our tenth anniversary,” said Andrea Enria, Chair of the ECB’s Supervisory Board.

The report confirms that since 2014, ECB Banking Supervision has successfully established itself as an effective and respected supervisor and integrated a wide variety of national supervisory approaches thanks to its detailed methodologies. The report finds that the organisation is now

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sufficiently robust and mature to make processes leaner and enhance risk-based prioritisation, which would allow greater freedom to rely on supervisory judgement.

The report acknowledges that European banking supervision has made good progress in ensuring that banks maintain sufficient capital levels and notes that the current level of capital requirements for supervised banks looks broadly adequate. The report also invites the ECB to reform risk scores and the process of determining Pillar 2 capital requirements. Considering that capital alone cannot address all risks, the report also recommends that the ECB make full use of all the instruments in its toolbox, including impactful qualitative measures encouraging banks to tackle weak business models and governance practices.

European banking supervision has already been focusing on the need to target specific risk areas during the SREP and to prioritise follow-up actions. This will enable to start implementing some of the recommendations of the report as early as in the 2023 cycle. For example, supervisors will apply a new risk tolerance framework to all significant banks to better focus on strategic priorities and key vulnerabilities, with more flexibility in planning activities based on a multi-year SREP.

The Supervisory Board of the ECB will continue to strengthen supervisory practices. In this spirit, it will evaluate the report's input as part of a review of supervisory processes planned for 2024.

For media queries, please contact [François Peyratout](#), tel.: +49 172 8632 119.

Notes

- The members of the expert group were:
 - Sarah Dahlgren, former Executive Vice President, Federal Reserve Bank of New York; Partner, McKinsey & Company
 - Matthew Elderfield, former Deputy Governor, Central Bank of Ireland; former Chief Risk Officer, Nordea
 - Ryozyo Himino, former Commissioner, Financial Services Agency of Japan (JFSA); former Secretary General, Basel Committee on Banking Supervision
 - Fernando Restoy, Chair of the Financial Stability Institute, Bank for International Settlements; former Deputy Governor, Banco de España
 - Carolyn Rogers, former Secretary General, Basel Committee on Banking Supervision; Senior Deputy Governor, Bank of Canada

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- Ryozo Himino was the Chair of the expert group until 19 March 2023, when he stepped down to take over the position of Deputy Governor of the Bank of Japan as of 20 March 2023.
- Matthew Elderfield was a member of the expert group until 5 December 2022, when he stepped down to pursue other professional opportunities.
- Other reviews of European banking supervision are ongoing: the European Commission is expected to soon publish a second report on the functioning of European banking supervision, and the European Court of Auditors is currently carrying out an audit of the ECB's operational efficiency in supervising banks' management of non-performing loans.

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