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EUROPEAN CENTRAL BANK (ECB)

Climate-related and environmental risks – ECB publishes results of 2022 Thematic Review

2 November 2022 – The European Central Bank (ECB) has published the results of its 2022 Thematic Review on climate-related and environmental risks of 186 banks with total combined assets of €25 trillion. The review is aimed at fostering the alignment of the banking sector with the ECB's supervisory expectations, as set out in the ECB's guide on climate-related and environmental risks published in November 2020.

The ECB notes that there is broad acknowledgement within the banking sector of the materiality of physical and transition risks within the current business planning horizon. In particular, the review found that:

- most institutions have devised institutional architecture to address climate-related risks, evidently having built up their capabilities compared with 2021;
- approximately 10% of institutions are lagging behind and have not shown any material progress in the past year;
- some institutions have started to use transition planning tools, along with targeted client engagement to enhance the resilience of their business models, but a 'wait and see' approach is still widespread; and
- the ECB expresses significant supervisory concern regarding the execution capabilities of around half of the institutions.

Following this review, the ECB has set institution-specific remediation deadlines for achieving full alignment with its expectations by the end of 2024. These deadlines will be closely monitored and, if necessary, enforcement action will be taken. As a first step, the ECB expects banks to adequately categorise climate and environmental risks and to conduct a full assessment of their impact on the banks' activities by March 2023 at the latest.

ECB results of 2022 Thematic Review: Walking the talk: Banks gearing up to manage risks from climate change and environmental degradation

Observations from 2022 Thematic Review: Good practices for climate-related and environmental risk management

Press release

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2023 EU-wide stress test - EBA publishes methodology and draft templates

4 November 2022 – The European Banking Authority (EBA) has published the final methodology, draft templates and guidance and milestone dates for the 2023 EU-wide stress test. This will require participating banks to estimate the evolution of a common set of risks (credit, market, counterparty and operational risk) under an adverse scenario and to project the impact of those scenarios onto their main sources of income.

The EBA will launch the stress test at the end of January 2023 and publish its results in mid July 2023.

[Methodological note](#)

[Template guidance](#)

[Press release](#)

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EBA Opinion – EBA clarifies the operationalisation of intermediate EU parent undertakings of third country groups

7 November 2022 – The EBA has published an Opinion to clarify the framework applicable to the set-up and operationalisation of intermediate EU parent undertakings (IPUs) by third country groups (TCGs) operating in the EU. The Opinion is addressed to national competent and resolution authorities and aims to ensure a harmonised and effective application of the requirement introduced by Article 21b of the revised Capital Requirements Directive ((EU) 2019/878) (CRD V).

The Opinion provides guidance for those cases where a TCG intends to have in place two IPUs, rather than one IPU, either because it is subject to segregation activities imposed by mandatory third country law, or because having single IPU would make resolution less effective. The Opinion clarifies the process, as well as the information requirements and the assessment criteria for the approval of the IPUs' structure by the national competent authority. It also emphasises the importance of adequate and effective arrangement to ensure the safety and soundness of the IPU and its subsidiaries, addressing internal governance, outsourcing, risk management, liquidity and funding arrangements.

[EBA Opinion](#)

[Press release](#)

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BRRD – EBA publishes Consultation Paper on amendments to guidelines on improving resolvability

15 November 2022 – The EBA has published a Consultation Paper (CP2022/12) on amendments to its guidelines (Guidelines) about improving resolvability under the Banking Recovery and Resolution Directive (2014/59/EU) (BRRD). In particular, the proposed amendments to the Guidelines would:

- introduce a requirement for institutions to submit an annual resolvability self-assessment, setting out how they will meet the resolvability capabilities outlined in the Guidelines and how they have gained assurance of their adequacy;
- require authorities to develop a multi-annual testing programme for institutions under their remit, to obtain assurance of firms' resolvability while providing sufficient visibility to banks; and
- introduce a master playbook for the most complex banks to ensure a holistic approach to resolution planning.

Under the draft Guidelines attached to the consultation, firms would be expected to submit their first self-assessment report by 31 December 2024, and, where applicable, their first master playbook by 31 December 2025. Resolution authorities would have to communicate the first resolvability testing programme by 31 December 2025.

The deadline for responses is 15 February 2023.

[EBA Consultation Paper: Guidelines amending guidelines on improving resolvability for institutions and resolution authorities](#)

[EBA resolvability testing guidelines: Background and key measures](#)

[Webpage](#)

[Press release](#)

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Green loans and mortgages – EBA publish a call for advice

22 November 2022 – The EBA has published a call for advice on green loans and mortgages at the European Commission's request.

The EBA notes that the market for green retail loans and mortgages is developing based on a range of market practices, and credit institutions are starting to apply and test the EU Taxonomy as a basis for originating retail green loans and mortgages. As a result, the EBA has issued the call for advice in order to:

- provide an overview of current market practices and the prevalence of green loans in the banking market;
- propose and consider the merits of an EU definition of green loans and mortgages; and
- consider measures to encourage the uptake or access to green finance by retail and small and medium-sized enterprise (SME) borrowers.

The EBA's advice will allow the European Commission to consider measures to encourage the development of the green loans and mortgages market. The deadline for submissions of advice is 29 December 2022.

[Call for evidence to the EBA on green loans and mortgages](#)

[Request for advice to the EBA regarding green loans and mortgages](#)

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SRB publishes MREL dashboard Q2.2022

4 November 2022 – The Single Resolution Board (SRB) has published its minimum requirement for own funds and eligible liabilities (MREL) dashboard for Q2 2022. The dashboard now provides more transparency by category of bank and resolution strategy. It shows that banks have kept the pace in relation to MREL-build-up. The main key findings include:

- the average MREL final target including the combined buffer requirement (CBR) for resolution entities, to be respected by 1 January 2024, remained stable compared to Q1 2022;
- the average MREL shortfall with respect to the final 2024 targets, when considering the CBR, declined to EUR 32.2 bn (or 0.4% of the total risk exposure amount (TREA));
- almost all banks met the MREL intermediate 2022 targets (including the CBR); and the few shortfall cases are being closely monitored.

[Press release](#)

[MREL dashboard](#)

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SRB Annual Work Programme – Programme 2023 marks ‘end of transition phase’ for banks

17 November 2022 – The SRB has published its 2023 Annual Work Programme, setting out its objectives and priorities for 2023. It is the final year of the Multi-Annual Programme (MAP), running from 2021 to 2023.

The SRB indicates that its Work Programme is set against the current challenging geopolitical and economic environment. The reforms, put in place after the financial crisis, have more than ever prepared banks for the challenges ahead and the SRB, together with national resolution authorities, is committed to ensuring their resolvability and its own crisis readiness.

The SRB’s priorities remain unchanged, in line with the MAP. The focus for 2023 will be on achieving resolvability of SRB entities and less significant institutions, fostering a robust resolution framework, carrying out effective crisis management, operationalising the Single Resolution Fund, and targeting improvements to areas such as IT and organisational structure.

[Press release](#)

[SRB Work Programme 2023](#)

SRB appointments - Council Implementing Decision published in OJ

29 November 2022 – The Council Implementing Decision (EU) 2022/2331 has been published in the Official Journal of the European Union (OJ) confirming the appointments of the new Chair and Director for Resolution Planning of the SRB.

The decision states that Mr Dominique Laboureix has been appointed as the second Chair of the SRB, succeeding Elke König, and will serve a five-year term with effect from 22 March 2023. He is currently Head of the ACPR, France’s national banking supervisory and resolution authority, and served as an SRB board member from 2015–2019. Ms Tuija Taos has also been appointed as the SRB’s new Director for Resolution Planning, which will also take effect from March 2023, succeeding Bostjan Jazbec. Ms Taos is currently the Director-General of the Finnish national resolution authority, the RWV.

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Our many years of experience of advising a diverse range of major financial institutions allows us to offer the most incisive advice available.

If you would like to discuss any of the developments in this update, or any other financial regulatory matter, please contact one of the following or your usual EFIG contacts.

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