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NEWS FROM THE ECB

Stress test 2019 - ECB publishes results of its sensitivity analysis of liquidity risk

7 October 2019 - The European Central Bank (ECB) has published the final results of its sensitivity analysis of liquidity risk, which assessed the ability of ECB-supervised banks to handle idiosyncratic liquidity shocks. This analysis constituted the ECB's supervisory stress test of 2019 under Article 100 of the Capital Requirements Directive (2013/36/EU) (CRD IV).

The report highlights that, overall, ECB-supervised banks have comfortable liquidity positions with half of the 103 participating banks reporting a survival period (the number of days a bank can continue to operate using available cash and collateral without accessing funding markets) of more than six months. However, the ECB identified a number of vulnerabilities, including that:

- survival periods calculated on the basis of cash flows in foreign currencies are often shorter than those reported at the consolidated level;
- on a stand-alone basis, subsidiaries of euro area banks domiciled outside the euro area typically display shorter survival periods than those within the euro area;
- banks may underestimate the negative impact on liquidity that could result from a credit rating downgrade; and
- collateral management practices in a number of banks could be improved.

The ECB intends to discuss the results with banks as part of its annual review and evaluation process and use the results to inform the assessment of banks' governance and liquidity risk management.

ECB report: Sensitivity analysis of liquidity risk – Stress test 2019 is [here](#).
Press release is [here](#).

Supervised entities as of 1 September 2019 – ECB publishes updated list of supervised entities

7 October 2019 - The ECB has published an updated list of significant supervised entities, which are directly supervised by the ECB, and less significant supervised entities, which are indirectly supervised by the ECB.

List of supervised entities as of 1 September 2019 is [here](#).

Statistics on the money markets - ECB Regulation published in the Official Journal

8 October 2019 - Regulation (EU) 2019/1677 of the ECB of 27 September 2019, which amends the minimum standards applied by reporting agents under the Money Market Statistical Reporting Regulation (1333/2014/EU), has been published in the Official Journal of the European Union. It will enter into force on 28 October 2019.

Official Journal: Regulation (EU) 2019/1677 of the ECB is [here](#).

Working group on euro risk-free rates - ECB updates webpage

22 October 2019 - The ECB has updated a webpage on its working group on euro risk-free rates to include a 'communication toolkit' section, detailing materials which interested parties can use in their own communication and education efforts in relation to euro risk-free rates. The toolkit contains:

- FAQs on the function and importance of benchmarks and euro risk-free rates;
- information outlining how market participants can prepare for the interest rate benchmark reforms and the transition from the euro overnight index average (EONIA) to the euro short-term rate (€STR); and
- a checklist detailing key information relating to the transition from EONIA to €STR.

Updated ECB webpage on its working group on euro risk-free rates is [here](#).

FAQs on benchmarks and euro risk-free rates are [here](#).

Slides on preparing for the transition from the EONIA to the €STR are [here](#).

Checklist on the transition from the EONIA to the €STR is [here](#).

Transition from EONIA to €STR - ECB working group publishes report on risk management

October 2019 - The ECB industry-led working group on euro risk-free rates has published a report on the risk management implications of the transition from the EONIA to the €STR. The report focuses on the overall implications for managing interest rate risk, particularly during the implementation phase of the transition period.

ECB working group report on the risk management implications of the transition from EONIA to the €STR is [here](#).

Press release is [here](#).

TARGET2 - ECB publishes amending Guideline

25 October 2019 - The ECB has published an amending Guideline, dated 4 October 2019, amending Guideline ECB/2012/27 on the trans-European automated real-time gross settlement express transfer system (TARGET2). The Guideline is intended to clarify: (i) the conditions for participation in TARGET2; and (ii) the adherence of participants' component systems with TARGET2 self-certification and endpoint security requirements.

The amending Guideline will apply from 17 November 2019.

ECB Guideline amending TARGET2 Guideline (ECB/2012/27) is [here](#).

Press release is [here](#).

The banking union: A personal view on its past, present and future - speech by Andrea Enria, Chair of the Supervisory Board of the ECB

30 October 2019 - Andrea Enria (Chair of the Supervisory Board of the ECB) has delivered a speech addressing several aspects of the banking union. In particular, Mr Enria discusses:

- the rationale behind, and the development of, the banking union;
- the supervisory developments made under reforms implemented in the banking union, including in relation to the quality of capital and non-performing loans; and
- the future work of, and regulatory challenges facing, the banking union, including clarifying post-Brexit supervisory arrangements with the UK, implementing the European deposit insurance scheme and increasing the integration of the banking union and the EU.

Speech by Andrea Enria (Chair of the Supervisory Board of the ECB) on the past, present and future developments of the banking union is [here](#).

NEWS FOR THE SINGLE SUPERVISORY MECHANISM (SSM)

SSM - ECB publishes its supervisory priorities for 2020

7 October 2019 - The ECB has published its key supervisory priorities for 2020 in relation to the supervision of significant banks in the Euro area under the Single Supervisory Mechanism (SSM). The ECB's key priorities include:

- continuing balance sheet repair, including addressing supervisory expectations in relation to non-performing loans and ensuring the adequacy of banks' internal models used to calculate their regulatory capital requirements;
- strengthening future resilience, including assessing credit underwriting criteria; improving banks' internal capital adequacy assessment process and internal liquidity adequacy assessment processes; conducting supervisory stress tests and monitoring banks' governance frameworks and IT and cyber risks; and
- monitoring the implementation of banks' Brexit plans and their adherence to relevant supervisory expectations.

The ECB has also published its risk assessment for 2020, outlining key sources of risk in the banking sector.

ECB SSM supervisory priorities for 2020 is [here](#).

ECB SSM risk assessment for 2020 is [here](#).

Internal models under the SSM - ECB publishes guide

October 2019 - The ECB has published a guide on the use of internal models under the SSM. The guide aims to facilitate a common and consistent approach to certain aspects of the regulation of internal models for banks supervised by the ECB and contains a chapter on general topics and specific chapters on credit, market and counterparty credit risk.

ECB guide to internal models is [here](#).

NEWS FOR THE SINGLE RESOLUTION MECHANISM (SRM)

Single Resolution Mechanism - SRB launches consultation on its Expectations for Banks document

October 2019 - The Single Resolution Board (SRB) has launched its first public consultation on its 'Expectations for Banks' document, which outlines best practice on key areas of resolvability. The consultation is stated to be part of the SRB's commitment to listening to the views of banks and other stakeholders, and being transparent about its approaches and decisions. The Expectations for Banks document sets out the capabilities that the SRB expects banks to demonstrate in order to show that they are resolvable. It reflects best practice in, and sets benchmarks for, assessing resolvability. The document is intended to provide clarity to the market on the actions that the SRB expects banks to take.

The deadline for comments is 4 December 2019.

SRB consultation on its expectations for banks is [here](#).

Press release is [here](#).

2020 work programme - published by the Single Resolution Board

October 2019 - The SRB has published its work programme for 2020, setting out its priorities for the coming year to strengthen the resolvability of banks under its remit. Key priorities for 2020 include the development of resolution plans, including minimum requirements for own funds and eligible liabilities (MREL) determinations, and further operationalising the Single Resolution Fund.

SRB work programme for 2020 is [here](#).

Press release is [here](#).

EFIG GROUP

Our European Financial Institutions Group, consisting of 'Best Friends' BonelliErede, Bredin Prat, De Brauw Blackstone Westbroek, Hengeler Mueller, Slaughter and May and Uría Menéndez, brings together market-leading lawyers with corporate and financing experience and financial regulatory skills.

We have unrivalled coverage of regulatory developments in the EU, which enables us to provide pure regulatory advice on the interpretation and application of EU directives and regulations. We also have strong connections with the best financial institutions lawyers in the United States, Asia and South America.

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 contact.



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