



KPMG SSM Insights

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November 2021

Welcome to KPMG's latest SSM Insights Newsletter. It offers a range of articles covering the latest supervisory thinking this autumn – and the related challenges for European banks.

After much anticipation, the European Commission published a proposal on the revised Capital Requirements Directive and Capital Requirements Regulation (the CRD6/CRR3 package) and the Bank Recovery and Resolution Directive. This package implements the international Basel III agreement, while taking into account specific features of the banking sector in the European Union. Perhaps most importantly, the EU has made concessions to banks' calls for more time to [implement the final Basel reforms](#). The Commission proposes to start implementing the new rules from 1 January 2025, two years later than the (already deferred) 1 January 2023 Basel Committee timeline.

Apart from regulatory breaking news, the ECB continues to be active in the space of banking supervision. Always at this time of year, SREP dialogues with supervisors are keeping banks busy. Internal Governance and Risk Management remain high on the agenda but, overall, we expect SREP scores to remain broadly stable. Other key SREP themes are likely to include credit risk management and provisioning in the context of the COVID-19 pandemic, IT risk, anti-money laundering (AML) and Environmental, Social and Governance (ESG) factors. However, we would expect ESG to become relevant for SREP scores and Pillar 2 requirements as of next year, not only because of the upcoming climate stress test.

In October, we were very pleased to publish the fourth and final instalment of our 'SSM beyond COVID-19' series of research reports. Our thought leadership on [climate-related and environmental risks](#) highlights the rapid advance of green priorities within banking – just one of the many ways in which the pandemic has transformed our collective world view.

Keeping our eyes on 2022, we expect the SSM Priorities for the year to include credit risk, market risk, digitalization, profitability and business model resilience, IT risks and climate risks. Other topics such as AML and operational resilience are also likely to be the subject of supervisory focus.



Henning Dankenbring

Partner, Head of
KPMG ECB Office

Report: Climate-related and environmental risks

KPMG's latest report explores the supervisory and regulatory expectations and how banks can build and maintain a more sustainable future.

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Latest Insights



2022 ECB climate risk stress test: ready, steady, go

The new year's climate risk stress test will be the first of its kind for many European banks. The next few months will see some elements clarified, but it's clear that banks will face major challenges, especially around data.

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Credit risk: a focal point of SREP 2021 dialogues

Credit risk is a key focus of current SREP dialogue and will remain at the top of the ECB's agenda in 2022. Banks need to ensure their data and processes are ready to respond as supervisory thinking evolves in the post-COVID world.

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An evolving anti-money laundering landscape: seven actions for banks

A new pan-European enforcement framework, including a new AML Authority, is approaching. Other regulatory changes could affect areas including client onboarding and crypto-assets. Banks should start preparing now.

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EU regulatory focus on non-performing loans

Alert to the possibility of higher NPLs, European authorities are proposing new mechanisms to increase the quality and depth of secondary NPL markets. The changes could have major implications for the buyers and sellers of distressed debt.

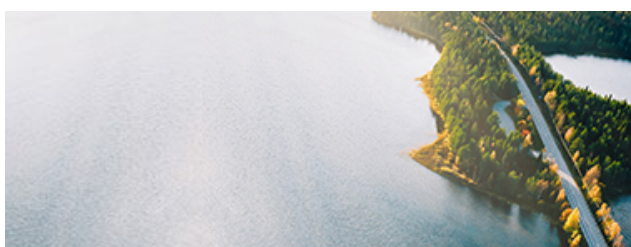
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Central Bank Digital Currencies – the Digital Euro takes centre stage

The ECB's formal investigation of a digital euro means this radical innovation is moving closer. The potential implications could be of huge long-term significance. Banks should monitor the concept closely and prepare for future developments.

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ICLAAP – understanding supervisory expectations

ICLAAPs have a critical role to play in developing banks' post-COVID-19 recovery, ensuring a sound basis for decision-making, and preparing for scrutiny by investors and supervisors. How can banks improve ICLAAP performance?

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Register: Demo session on KPMG Peer Bank

KPMG Peer Bank has been built using over 5 million data points from the EBA transparency exercises. Discover comparative peer-to-peer banking insights and register for a demo session with the experienced team.

Latest insights available [here](#)

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Find all our latest insights [here](#) and practical expertise to help you dealing with the ECB supervisory approach under the Single Supervisory Mechanism (SSM).

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