



# KPMG SSM Insights

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## March 2022

Welcome to KPMG's SSM Insights Newsletter. As I write, the eyes of the world are being irresistibly drawn to the tragic struggle unfolding in Ukraine. Our thoughts are with everyone affected by these terrible events, and above all with the people of Ukraine.

The crisis is changing by the hour, reshaping the geo-political landscape of Europe at an astonishing speed. The implications for European banks and businesses are huge. Western sanctions, intended to reduce Russia's economic power, are exposing many institutions to major financial and reputational risks. As the ECB has recently warned, financial institutions could also be at heightened risk of retaliatory cyber-attacks.

Looking further ahead, the economic pressures unleashed by the conflict seem certain to have profound effects on the European economy. Higher inflation, weaker growth and increasing protectionism are among the likely side-effects. All will have important effects on the region's banks.

This disturbing and fast-changing backdrop only underlines the importance of the [ECB's supervisory priorities for 2022-2024](#), which aim to increase the strength and stability of Europe's banking sector. The ECB's focus on institutional health, effective digitalisation and emerging risks could hardly be more timely.

My colleagues and I hope you will find this edition of the Newsletter helpful, and we wish all our readers well at this exceptionally unsettling time.



### Henning Dankenbring

Partner, Head of  
KPMG ECB Office

### SSM supervisory priorities 2022 to 2024

KPMG's latest insights explores the supervisory priorities for the next three years and the key implications for banks.

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## Latest Insights



### 2022 ECB climate risk stress test: let's keep the ball rolling

The stress test is now up and running. Despite some areas of uncertainty, banks have had very little time to source the data they need and to make their credit risk projections. The quality of submissions is likely to be factored into the SREP.

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### Credit risk management: SSM supervisory focus remains strong for 2022

Banks have a packed credit risk agenda in 2022. As well as addressing weaknesses identified by JSTs and complying with the EBA's latest Guidelines, they face a thematic review of leveraged finance and supervisory scrutiny of vulnerable sectors.

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### Embedding AI in banking business models

Digital technologies are crucial to the future success of Europe's banks, and AI offers huge transformative potential. Banks not only need to monitor the potential risks of AI, but also changing supervisory views of this fast-evolving technology.

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### Towards further harmonisation of the European NPL market

The Directive on NPLs introduces a number of key changes. Credit servicers face new governance, conduct and authorisation requirements, but NPL sellers and investors should also be aware of fresh rules and expectations, especially on data.

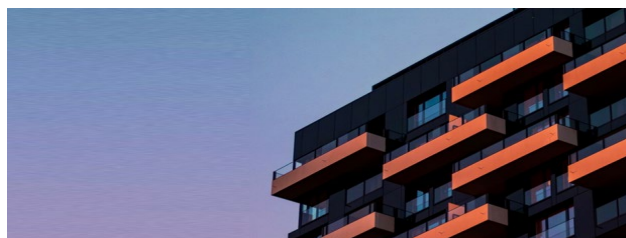
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### EU Banking Package: meet the challenges head-on

The EU's final implementation of Basel III is taking shape. The Commission's proposals for CRR3 and CRD6 make some amendments to the Basel framework - but introduce other requirements too. Implementation starts now.

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### Shining the light on the fit and proper framework

The recent enhanced approach to fit and proper supervision shows that the ECB is serious in their efforts to promote diversity within banks' management bodies. But what does this mean for banks?

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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 on business model resilience available [here](#).

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## Further KPMG ECB Office Insights

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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