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KPMG SSM Insights

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Welcome to the latest edition of KPMG's SSM Insights Newsletter.

As we approach the summer holiday season, European supervisors show no signs of slowing their pace of work. The delayed effects of the COVID-19 pandemic, together with the ongoing disruption caused by the Ukraine crisis, show that the ECB's supervisory priorities for 2022-2024 are more relevant than ever. The coming months will inevitably see higher food and energy costs and rising interest rates have some impact on the economic outlook and banks' asset quality. This summer will also see European banks receive preliminary feedback from the current SREP cycle.

Over the past week, banks received the long-awaited results of the first ECB climate risk stress test. The climate risk stress test has already taught us that more and better data, as well as additional bottom-up analyses, are required to better understand scenarios and banks' potential exposures. The test has been presented as a learning exercise for banks and supervisors. The ECB will begin conducting on-site inspections this year, and some banks have already had some OSIs scheduled for the second half of 2022. Climate-related and environmental risks will clearly remain high on the agenda for years to come. Although the current test will merely have a qualitative impact on the SREP, climate risks could eventually have an effect on banks' minimum capital requirements.

Despite the rapid pace of regulatory change, my colleagues and I hope that all our readers will find some time to enjoy a break over the summer months. We hope you find this edition of the newsletter interesting. We would of course be happy to discuss any of the issues it raises.

Henning Dankenbring

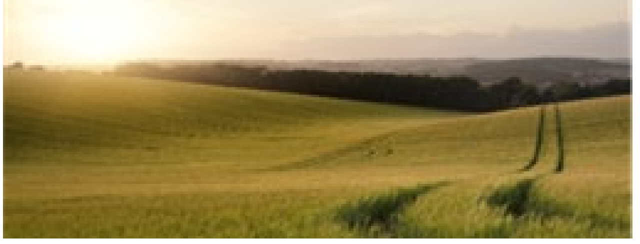
Partner, Head of KPMG ECB Office

Basel 4

Read KPMG's insights on the ECB Opinion on the European Commission's October 2021 proposal for amendments to the Capital Requirements Regulation (CRR3).

Download now | Visit the Basel 4 homepage

Latest Insights



Environmental risks

The EBA is consulting on integrating environmental risks into Pillar I capital requirements. It favours a risk-based approach but is open to forward-looking methodologies. Banks can join the debate, and should act now to prepare for change.

Read more

Risk culture and ECB expectations

Banking supervisors, aware of the links between culture and behaviour, are making increasing use of culture audits. There is a strong business case for a robust risk culture, and quantitative frameworks give banking leaders proven tools to achieve this.

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Anti-money laundering

The ECB has issued opinions on the proposed a new European Anti-Money Laundering Authority (AMLA). The ECB's input could give AMLA a greater supervisory impact than initially anticipated. Banks should monitor the proposal's continuing evolution.

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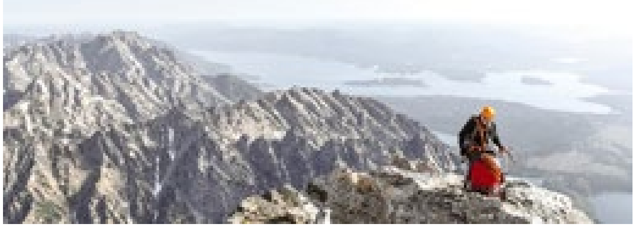
Credit risk management

The ECB's recent assessment of the impact of the Ukraine crisis suggests that risks to asset quality are rising. Banks should expect even greater scrutiny of potential credit risks, with especial supervisory focus on leveraged transactions.

Read more



The EU's Digital Operational Resilience Act (DORA)

DORA, a unifying financial regulation covering ICT and operational resilience, is moving closer to reality. Potential overlaps with other rules, and scope for national interpretations, could pose challenges for banks.

Read more

Non-performing loans (NPLs)

The EBA has published its draft Implementing Technical Standards for NPL transaction templates. Banks should review the suggested data requirements for NPL sellers and consider their potential impact on future transactions.

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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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