



# KPMG SSM Insights

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## May 2024

Welcome to KPMG's first SSM Insights Newsletter of 2024.

This year will see the SSM celebrate its 10th anniversary. It was in November 2014 that the ECB took over direct supervision of the Euro area's significant institutions, marking the establishment of the first pillar of the banking union.

Moving forwards to the present, Claudia Buch was appointed as the new Chair of the ECB's supervisory board on 1 January 2024, for a five-year term. Claudia Buch's priorities include adapting supervision to the evolving environment, enhancing proactive supervision, and fostering closer cooperation with stakeholders.

February 2024 also saw another important milestone with the announcement that Frankfurt will host the newly created [Anti-Money Laundering Authority](#), which will begin operations mid-2025.

Even more recently, April saw the European Parliament adopt the EU Banking Package – which both implements and exceeds the [Basel IV](#) proposals - at its first reading. The Anti-Money Laundering Package was approved too. Both sets of legislation will require many future adaptations to banks' risk management frameworks.

In terms of current ECB supervisory activity, the early months of the year have seen key developments in a range of areas that reflect the [ECB's supervisory priorities for 2024-2026](#).

Supervisory activities continue to evolve, with increased focus on climate-related and environmental (C&E) factors in risk management frameworks. This is illustrated by new guidance on integrating these factors into internal models, recent speeches from the ECB, and the application of daily penalties for non-compliance with C&E risk management expectations. Indeed, recent language from the ECB suggests the use of sanctions may start to become more widespread in cases of persistent deficiencies.

Concerns about ICT resilience and cyberthreats are also among the leading drivers of supervisory thinking – evidenced by the approach of the DORA regulation, and the ECB's first ever cyber resilience stress test. Similar considerations also underpin European authorities' increasingly active preparations for the possibility of creating a Digital Euro.

The same goals lie behind the new supervisory expectations for board members' engagement with ICT and digital security, which entered force at the start of March. It's notable that management bodies should now include at least one non-executive member with recent, relevant knowledge in these areas.

Additionally, we are pleased to note the long-awaited release of the ECB's guide on effective risk data aggregation and risk reporting (RDARR). The guide addresses critical issues surrounding data governance, data quality, and reporting practices, offering valuable insights to institutions seeking to enhance their RDARR capabilities and achieve compliance with BCBS 2389 principles. As highlighted [in our article](#) from last year, this guide is a significant milestone that has been eagerly anticipated by industry stakeholders. Stay tuned for further analysis and implications.

All in all, 2024 promises to be another busy year for European banking supervision. We look forward to keeping you updated.



[Henning Dankenbring](#)  
Partner, Head of  
KPMG ECB Office

## Spotlight article: The EU Anti-money laundering (AML) reform package

The EU AML reform package, including the new AML Regulation and the establishment of the EU Anti-Money Laundering Authority (AMLA), marks a significant milestone in Europe's efforts to combat financial crime. Proactive compliance efforts and close monitoring of AMLA's regulatory framework are essential as banks prepare for these changes.

[Latest insights here](#)

## Latest Insights



### DORA

European banks must comply with DORA by January 2025, but KPMG research shows that many institutions currently fall short of its requirements. Banks need to address implementation challenges in areas including penetration testing, incident reporting, and third-party oversight.

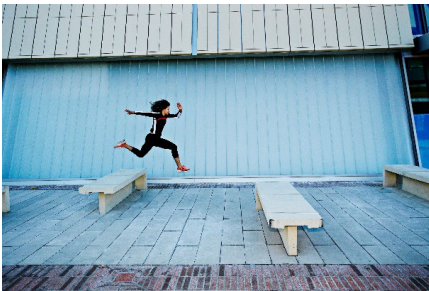
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### Internal models landscape

The ECB's latest guidance on internal models is now in force, requiring banks to immediately implement key new requirements – including around climate and environmental risks, model changes, and reversions to standardised or foundation-IRB approaches.

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### The Digital Euro

Amidst the rapid evolution of digital currencies, the ECB progresses with its digital euro plans. Recent publications outline key features and implications. Banks face uncertainties around deposits, costs, revenues, competition, and talent. Strategic planning becomes crucial.

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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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### 2024 ECB cyber stress test

The ECB's first ever cyber resilience stress test was a truly testing experience for banks. Our analysis identifies a number of key learnings that banks can apply to help them prepare for future tests – some of which will also contribute towards compliance with DORA.

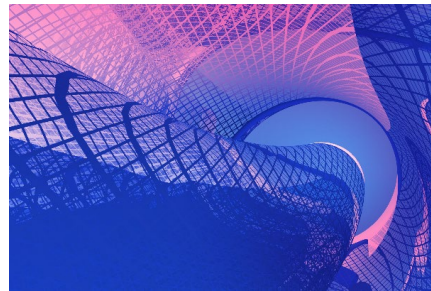
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### Single Resolution Board

The Single Resolution Mechanism is entering a new era of implementation, operationalisation and readiness testing. Banks should prepare for increasing hands-on supervision from the SRB, such as more frequent liquidity exercises and on-site inspections.

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### The EU AI Act

The EU AI Act introduces regulations for AI, targeting high-risk areas like credit scoring. Banks should ensure compliance by developing robust strategies, governance frameworks, and engaging with regulators proactively.

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