



ESRB

European Systemic Risk Board
European System of Financial Supervision

Addressing systemic risks to financial stability in the EU

CFA Institute Systemic Risk Council



22 November 2024

Olli Rehn First Vice-Chair of the ESRB, Governor of the Bank of Finland

Roadmap of today's talk

- 1 What is the European Systemic Risk Board?
- 2 Key risks in the EU financial system
- 3 Priorities in developing the ESRB



ESRB
European Systemic Risk Board
European System of Financial Supervision

Organisational Chart

General Board - GB
Chair: Christine Lagarde
Vice-Chairs: Olli Rehn, Verena Ross

High Level Group on ESRB Review
Chair: Olli Rehn

Steering Committee - SC
Chair: Christine Lagarde

Contact Group on Data
Chair: tbc

Advisory Technical Committee - ATC
Chair: Pablo Hernández de Cos
Vice-Chair: Aino Bunge

Advisory Scientific Committee - ASC
Chair: Thorsten Beck
Vice-Chairs: Stephen Cecchetti, Loriana Pelizzon

Analysis Working Group - AWG
Chairs: Paul Hiebert, Katja Taipalus

Instruments Working Group - IWG
Chairs: Carsten Detken, Tomas Garbaravicius,

Expert Groups and Task Forces

- Task Force on Stress Testing**
Chair: Jérôme Henry
- Expert Group on Insurance**
Chair: Patrick Darlap
- European Systemic Cyber Group**
Chairs: Francesco Mazzaferro, Andrew Nye,
- Exploratory Group on Accounting Developments and Financial Stability**
Chair: Luca Serafini
- Expert Group on Clearing**
Chair: Froukelien Wendt

Assessment Teams Permanent

- Macropprudential Policy Measures; Reciprocity of Macropprudential Policy Measures; Third-Country CCB rates**
Chair: Francesco Mazzaferro

Non-permanent

- Regular assessment of compliance of ESRB recommendations by the respective addressees**

Joint Expert Groups

- ATC-ASC Expert Group on Non-Bank Financial Intermediation**
Chairs: Steffen Kern, Richard Portes
- ATC-ASC Task Force on Crypto-Assets and Decentralised Finance (CATF)**
Chairs: Steffen Kern, Richard Portes
- ATC-ASC Joint Exploratory Group on Heightened Uncertainty and Emerging Macropprudential Risks**
Chairs: Thorsten Beck, Edouard Vidon
- Joint ATC-ASC Task Force on Credit Default Swaps markets**
Chairs: Loriana Pelizzon, Tuomas Peltonen
- Joint ATC-FSC and ASC Informal Network on Macropprudential Dimensions of Interest Rate Changes**
Coordinators: Ralf Jacob, Tuomas Peltonen

AWG Sub-Groups

- AWG/MPPG Agile Team on Systemic liquidity**
Chairs: Desislava Andreeva, Antoine Bouveret

IWG Sub-Groups

- Agile Team on Borrower-based measures for commercial real estate loans**
Chairs: Pawel Gasiorowski, Frauke Skudelny
- IWG-MPPG workstream on positive neutral CCyBs**
Chairs: Emily Beau, Petra Lennartsdotter, Mara Pirovano

Risk Analysis and Policy Priorities Team
Chair: Magnus Andersson

ESRB Secretariat
Head: Francesco Mazzaferro
Deputy Head: Tuomas Peltonen

Last updated: 13/11/2024
Source: ESRB Secretariat

Key risks in the European financial system

1. Materialisation of macro risks resulting in balance sheet stress for non-financial corporations and households
2. Disorderly market corrections possibly amplified by the non-banking sector
3. Deteriorating asset quality and consequent funding risk in the banking sector

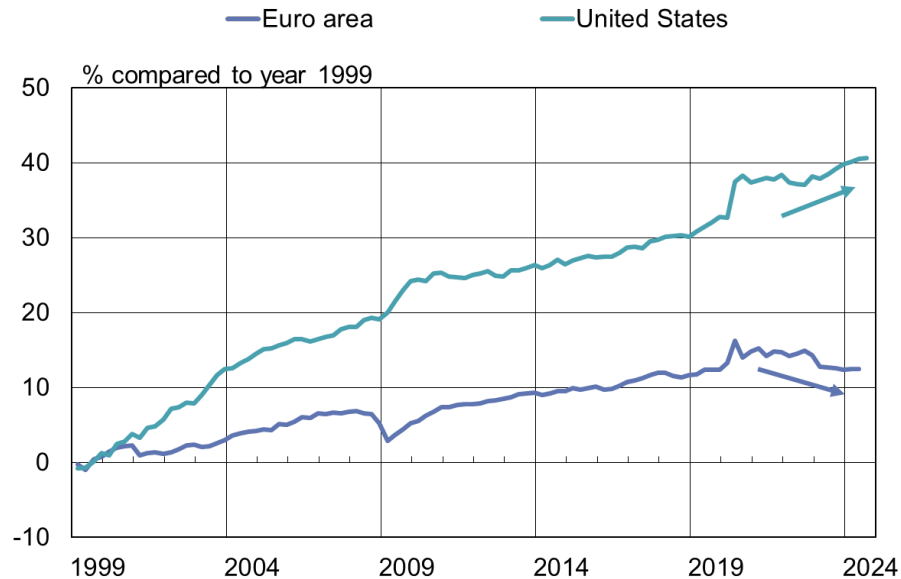
Macro risks: Pursuing growth while nurturing financial stability



Unstable Middle East: Israel, State of Palestine, Lebanon, Iran, Iraq, Syria and Jordan.
 Other Middle East: UAE, Saudi Arabia, Oman, Bahrain, Kuwait and Qatar.

Sources: European Central Bank AnaCredit and Bank of Finland. 42773_chart2(en)

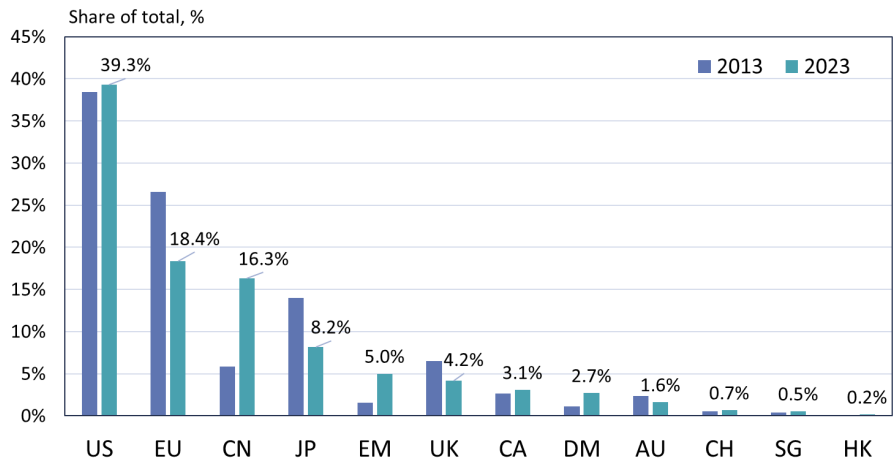
Labour productivity (per hours worked)



Sources: BLS, BEA, Eurostat and by the calculations of Bank of Finland.
 *Log-percentage change 32429@TuottQ_EA-USA_log_en

Market risks: Promoting CMU while managing NBFIs sector systemic risks

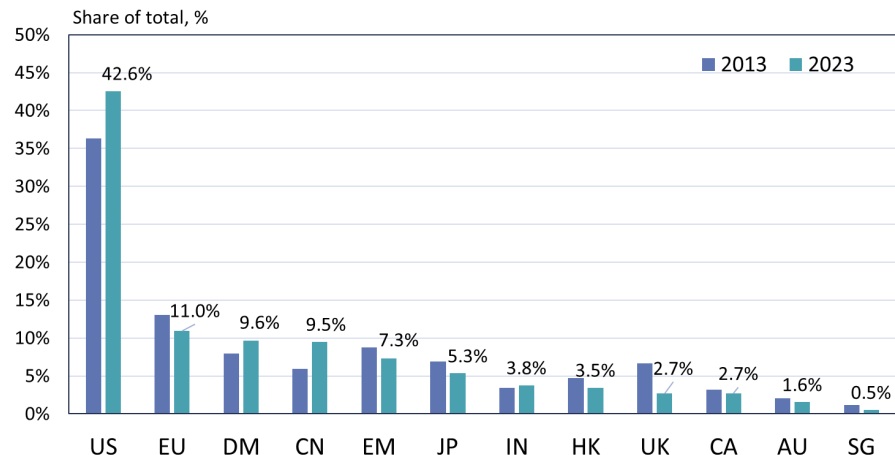
Global fixed income market outstanding



Source: SIFMA

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Global equity market capitalization



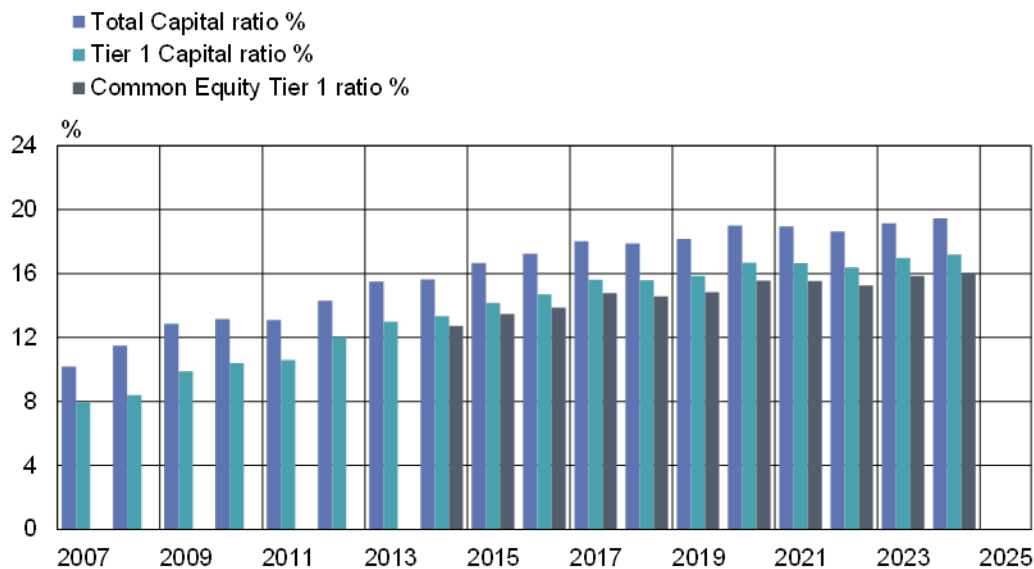
Source: SIFMA

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Bank risks: Sturdy capital buffers provide resilience but new threats need to be addressed

- Understanding the effects of AI and quantum computing is essential
- Climate change is already here – not a “long term risk” any more
- Operational systemic vulnerabilities and cyber risks are rising with geopolitical uncertainty

Capital adequacy of euro area banking sector, 2007–2024/Q2



Source: European central bank.

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Priorities in developing the ESRB

- Focus on holistic assessment of systemic risks in the EU
- For systemic risk assessment, comprehensive and sufficiently granular EU-wide data needed
- Enhanced analysis of national macroprudential policy measures could be fed into the EU Macroeconomic Imbalance Procedure
- Strengthening communications on financial stability

Thank you!