

ECB sets 2019 priorities for Single Supervision Mechanism

November 14, 2018

The European Central Bank has identified several key drivers of banking sector risks for 2019 and has set the three following priority areas for the Single Supervision Mechanism (SSM): credit risk; risk management; and activities comprising multiple risk dimensions. These priority areas are largely a continuation of the ECB's 2018 priorities, but the supervisory initiatives to be carried out per area in 2019 are somewhat different. In terms of risk management, for instance, particular attention will be paid not only to the targeted review of internal models, ICAAP and ILAAP, but also to IT, cyber risk and to the liquidity stress test. Business models will no longer be a priority, since the corresponding supervisory activities (such as the thematic review of banks' business models and profitability drivers) have now ended.

The ECB publication provides useful insights to supervised banks on the supervisors' focus during theme-based reviews, investigations, on-site inspections, etc.

The twelve areas where supervised banks face challenges, as identified by the ECB, are:

- geopolitical uncertainties;
- the stock of non-performing loans (NPLs) and potential for a build-up of future NPLs;
- cybercrime and IT disruptions;
- potential repricing in financial markets;
- the low interest rate environment;
- banks' reaction to new and existing regulations;
- euro area economic and fiscal conditions;
- cases of misconduct;
- developments in real estate markets;
- structural business challenges;
- non-bank competition; and
- climate-related risks.

The priority areas for supervision in 2019 build on the assessment of these twelve sources of banking risk. By focusing supervisory efforts, the ECB aims to ensure that banks effectively address such risks. As was the case for 2018, full implementation of the various activities planned for 2019 may take more than one year.

We have highlighted part of the SSM supervisory priorities for 2019 only. To view the complete document, click [here](#). To view the ECB's 2018 priorities for the SSM, click [here](#).

In a separate development, the European Supervisory Authorities (ESAs) have also recently published their annual work programmes for 2019:

- [the Joint Committee of the ESAs 2019 Work Programme](#);
- [the European Banking Authority \(EBA\) 2019 Work](#)

Programme;

- [the European Securities and Markets Authority \(ESMA\) 2019 Annual Work Programme](#); and
- [the European Insurance and Occupational Pensions Authority \(EIOPA\) Single Programming Document 2019-2021 with Annual Work Programme 2019](#).