



## Press release

5 December 2024

# The General Board of the European Systemic Risk Board held its 56th regular meeting on 28 November 2024

**At its meeting on 28 November 2024, the General Board of the European Systemic Risk Board (ESRB) concluded that, overall, risks to financial stability in the European Union (EU) have increased over the past three months amid high political uncertainty and elevated geopolitical tensions.** This is reflected in the emergence of a number of plausible triggers for tail risk scenarios. These triggers include major new trade restrictions, the escalation of Russia's war in Ukraine and the conflict in the Middle East. In this connection, the EU is being affected by cyberattacks and acts of hybrid warfare. Together these factors may intensify macroeconomic, credit and market risks and make financial markets and commodity prices more volatile, leading to higher balance sheet stresses for firms, sovereigns and, to a lesser extent, households.

**The General Board also acknowledged the potential for a disorderly adjustment in global financial markets.** Stretched valuations in certain assets, such as US stocks, crypto-assets and high-yield debt instruments, should be monitored closely. In this respect, the General Board noted a disconnect between these developments and its own assessment of systemic risks. Moreover, potentially looser regulatory standards in some non-EU jurisdictions are likely to increase risk-taking by banks and non-banks, also in new areas of finance such as crypto-assets.

**The General Board emphasised that the changing environment requires the EU to redefine its own needs.** This includes fostering the EU's preparedness and cooperation and continuing to build up the resilience of the EU financial system. Maintaining or even strengthening its high regulatory and supervisory standards and reinforcing crypto-asset regulation are some of the ways the EU could achieve this.

### European Systemic Risk Board

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**The General Board also discussed cyber risks, noting high concentration risk from the use of third-party providers and hybrid threats to critical infrastructure with their implications for systemic risk.** The General Board called for greater focus on data collection and coordination among regulators on cyber-related risks. The General Board looks forward to the [Digital Operational Resilience Act](#) becoming applicable as of 17 January 2025. Importantly, this EU Regulation will also benefit from the creation of a pan-European systemic cyber incident coordination framework in implementation of [Recommendation ESRB/2021/17](#).

Moreover, the General Board:

- **Discussed the ESRB's adverse scenario for the European Banking Authority's (EBA) 2025 EU-wide stress test.** The adverse scenario will be finalised by the General Board in mid-January 2025 and published when the EBA launches the EU-wide stress test.
- **Approved the publication of a joint ESRB/ECB report entitled "Using the countercyclical capital buffer (CCyB) to build resilience early in the cycle"**. Since 2017 an increasing number of European Economic Area (EEA) macroprudential authorities have revised their strategies for setting the CCyB, with a positive buffer rate being set early in the financial cycle, when cyclical systemic risks are neither subdued nor elevated. Such strategies are often described as positive neutral CCyB approaches. The report analyses the implementation of these approaches in 16 EEA countries. The report finds that the EEA countries' approaches have several elements in common. ESRB members do not view a positive neutral rate as a new buffer, but an earlier and more proactive use of the CCyB to ensure its timely activation and bolster resilience to a broad range of shocks. The report will be published in the coming weeks.
- **Exchanged views on the conclusions drawn by the High-Level Group<sup>1</sup> on the ESRB Review.** The General Board had established this High-Level Group to provide strategic advice for the second review<sup>2</sup> of the ESRB Regulation. With the aim of strengthening the ESRB's macroprudential oversight, the Group evaluated the institution's work and experiences over the past decade and the regulatory framework underpinning its functions. The Group emphasised that the ESRB's unique advantage lies in its ability to monitor and assess systemic risks and vulnerabilities across the entire EU financial system. Consequently, the Group concentrated on

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<sup>1</sup> The High-Level Group is composed of First Vice-Chair of the ESRB Olli Rehn (Chair), Advisory Scientific Committee Vice-Chair Professor Stephen Cecchetti, ECB Vice-President Luis de Guindos and Advisory Technical Committee Chair Pablo Hernández de Cos.

<sup>2</sup> In accordance with Article 20 of the ESRB Regulation, the European Commission will have to report to the European Parliament and Council by 31 December 2024 on "whether it is necessary to review the mission or organisation of the ESRB, also considering possible alternative models to the current one". The Regulation requires the Commission to consult "the members of the ESRB". This will be the second time the ESRB Regulation has been reviewed. The first review was concluded in 2019, with targeted changes to the ESRB's mandate and governance. The ESRB contributed to the first review through a [High-Level Group Report in March 2013](#).

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enhancing the ESRB's holistic assessment of systemic risk. Its proposals are detailed in a report that will be submitted to the European Commission, the European Parliament and the Council and published on the ESRB's website in December 2024. While the General Board has discussed the conclusions, the report remains the sole responsibility of the Group.

- **Discussed the findings of an ESRB liquidity stress test covering the entire financial system.** This preliminary exercise reveals that an adverse liquidity stress scenario, reflecting tensions observed in recent years, might exert downward pressure on asset prices and further exacerbate liquidity tensions, amplifying the initial stress. A deeper understanding of cross-sectoral and cross-asset exposures within the EU financial system will provide the ESRB with a better insight into conditions that could lead to an abrupt liquidity shortfall in financial markets and its wider economic repercussions.
- **Appointed Professor Sascha Steffen as a new member of the Advisory Scientific Committee (ASC) for a four-year term.** Sascha Steffen replaces Professor Christian Gollier, Director of the Toulouse School of Economics, who resigned from the ASC in October this year. The General Board thanked Professor Gollier for his insights.

**The ESRB today released the 50th issue of its [risk dashboard](#).** The risk dashboard is a set of quantitative and qualitative indicators measuring systemic risk in the EU financial system.

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