



Press release

27 June 2024

The General Board of the European Systemic Risk Board held its 54th regular meeting on 20 June 2024

At its meeting on 20 June 2024, the General Board of the European Systemic Risk Board (ESRB) acknowledged the positive macroeconomic developments in the EU given the improved growth and inflation outlook. At the same time, the General Board agreed that tail risks have increased, amid elevated geopolitical tensions and higher political uncertainty following the EU elections.

The General Board discussed a unified framework for monitoring systemic liquidity risks in the financial system as a whole. The proposed framework covers two key dimensions of liquidity: (i) funding liquidity, capturing the ability of financial institutions to obtain funding, and (ii) market liquidity, capturing the ability of market participants to trade financial assets quickly, in potentially large amounts, without triggering large changes in price. The framework also captures the interactions between these dimensions and aims to measure the risk that liquidity stress affecting individual financial intermediaries or markets spreads with increasing intensity across the financial system. Its scope includes banks, non-bank financial intermediaries and several essential financial markets. A report outlining this monitoring framework will be published in the autumn and the framework itself will be tested and further refined by the ESRB and its members.

In addition, the General Board agreed on proposals on how to implement tools to address risks in certain types of investment fund.

- First, structural liquidity mismatches in real estate funds could be reduced by ensuring closer alignment between the funds' redemption terms and their investment strategies, by lengthening notice periods and by lowering redemption frequencies.
- Second, the use of anti-dilution liquidity management tools by investment funds would reduce first-mover advantage, by passing on some of the cost of transacting to investors.

- Third, a liquidity stress-testing framework for investment funds could incorporate liquidity risk stemming from margin and collateral calls more effectively than is currently the case.

The ESRB will submit its considerations to the European Securities and Markets Authority (ESMA) as an input to the forthcoming [ESMA consultations](#) on draft Regulatory Technical Standards and Guidelines for liquidity management tools.

Finally, the General Board highlighted that enhanced data sharing among EU authorities is key for the ESRB to deliver on its broad financial stability mandate. The General Board took note of the ongoing legislative process initiated with the European Commission's proposal regarding reporting requirements in the fields of financial services and investment support (Regulation [2023/0363 \(COD\)](#)). The General Board also acknowledged the [European Parliament's](#) and [Council's](#) first readings of that proposal, as well as the [opinion of the ECB](#). In view of the announcement by the Hungarian Presidency of the EU to start the negotiations between the Parliament and the Council in the second half of the year, the General Board will present its views in a letter to the EU co-legislators in the coming weeks.

The ESRB today released the [48th 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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