

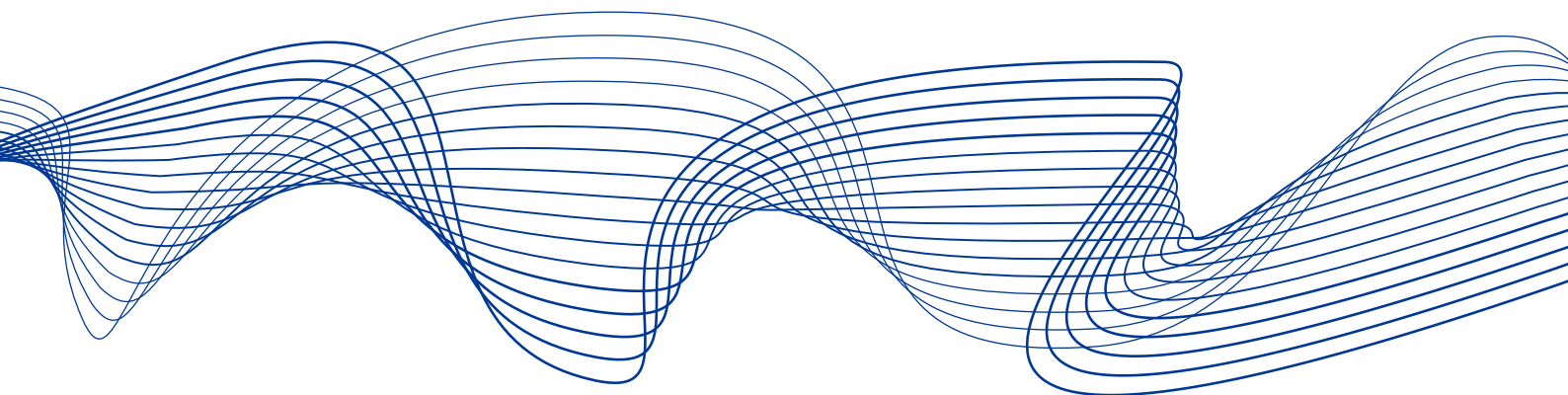


ESRB

European Systemic Risk Board

European System of Financial Supervision

ESRB Annual Report 2025



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Foreword



I am pleased to present the 15th Annual Report of the European Systemic Risk Board (ESRB), which covers the period from 1 April 2025 to 31 March 2026.

The ESRB has a statutory obligation to produce this report in the interest of transparency and accountability. The report demonstrates how the ESRB has fulfilled its mandate, which is to identify and mitigate systemic risks to financial stability in the European Union and to report on its activities to the European Parliament, the Council of the European Union and the wider public.

The global environment was exceptionally uncertain during the review period.

Geopolitical tensions, renewed trade frictions and heightened uncertainty regarding policy measures continued to shape macro-financial conditions in the European Union (EU). Nonetheless, the European economy and its financial system showed resilience in the face of these challenges. Preserving this resilience remains vital, as risks to financial stability persist at elevated levels. The ESRB focused on two key factors that could significantly challenge this resilience, these are macroeconomic risk and market risk.

The follow-up to the report of the High-Level Group on the ESRB Review marked a key milestone during the review period.

In June 2025, the ESRB General Board agreed to move towards a more holistic assessment of risks and vulnerabilities and to promote a system-wide approach to macroprudential policy. This meant focusing both on the entities themselves as well as on any activities that are key for financial stability. This change in approach includes developing a system-wide top-down stress-testing capability and interweaving the macroprudential stance analysis into the ESRB's regular assessments.

The ESRB published a report on crypto-assets and decentralised finance and their implications for financial stability. It also adopted a Recommendation on

third-country multi-issuer stablecoin schemes. There are inherent vulnerabilities in these types of scheme and they generate clear financial stability risks for the EU. It is therefore important that all relevant authorities, such as the European Commission, the European Supervisory Authorities and national supervisory authorities, act on this new ESRB Recommendation.

The ESRB takes a cross-sectoral and EU-wide approach to its analyses of risks to financial stability, as illustrated in several other ESRB reports published during the review period.

The EU Non-bank Financial Intermediation Risk Monitor 2025 provides a comprehensive system-wide assessment of vulnerabilities in the investment fund sector, pointing to elevated leverage, persistent liquidity risk and growing interconnectedness. Two ESRB reports prepared jointly with the ECB – on **financial stability risks from linkages between banks and non-bank financial intermediation**, and on **risks from geoeconomic fragmentation** – examine how shocks can spread across sectors and borders, and how geopolitical developments, policy uncertainty and fragmentation can amplify systemic risk. Furthermore, the Advisory Scientific Committee's report on artificial intelligence and

systemic risk gives forward-looking insight into how technological change could amplify existing vulnerabilities or create new sources of systemic risk.

The ESRB's work relies on the commitment and expertise of many individuals across its member institutions, advisory bodies and the ESRB Secretariat. I

should like to express my gratitude to the many contributors across the ESRB community. I should also like to express my sincere gratitude, and bid a warm farewell, to Pablo Hernández de Cos in his role as Chair of the Advisory Technical Committee. I should also like to thank Mário Centeno, Governor of the Banco de Portugal, and José Manuel Campa, Chair of the European Banking Authority, for their contributions to the work of the General Board and the Steering Committee. Finally, I should like to express my gratitude to Klaas Knot, President of De Nederlandsche Bank, for his valuable support and commitment as a member of the General Board.

Christine Lagarde

Chair of the European Systemic Risk Board

Executive summary

The review period for this Annual Report started on 1 April 2025 and ended on 31 March 2026.

During this period, the European Systemic Risk Board (ESRB) performed its regular activities identifying and assessing the vulnerabilities and risks to financial stability.

Risks to financial stability in the EU remained elevated throughout 2025 and into early 2026, but the financial system as a whole proved resilient. During the review period, the financial stability landscape in the EU was shaped by a highly uncertain external environment, with trade frictions and geopolitical tensions weighing on financial markets and the economy. While the resolution of some trade disputes and the conclusion of new trade agreements helped ease policy uncertainty in the second half of 2025, renewed geopolitical tensions in the Middle East in early 2026 exacerbated downside risks to economic growth. Despite global headwinds, financial and economic conditions in the EU remained fairly robust overall. This supported household and corporate balance sheets at the aggregate level and resulted in limited credit losses for a well-capitalised and profitable banking system. Non-bank financial institutions were able to absorb market volatility, and key financial infrastructures continued to operate smoothly, even in the face of heightened cyber and geopolitical risks. Nevertheless, while this resilience of the financial system underscores the benefits of strengthened post-crisis regulatory frameworks, it remains essential to closely monitor concentrated exposures (e.g. to specific sectors, asset classes and funding markets), market and liquidity risks, and the potential for sudden shifts in risk appetite.

Looking ahead, several adverse scenarios could challenge financial stability by amplifying existing vulnerabilities. Escalating conflicts in the Middle East or deteriorating global risk sentiment could trigger sharp and disorderly market corrections, which may be transmitted to the real economy through weaker confidence and higher financing costs. Pressures stemming from higher commodity prices and emerging supply chain fragmentation towards the end of the review period once again highlighted the sensitivity of the financial system to global shocks and the risk of abrupt repricing in financial markets and inflation expectations. Financial institutions could experience greater funding and liquidity constraints, owing partly to further potential interest rate repricing, alongside spillovers across borders and sectors. At the same time, subdued medium-term growth prospects, elevated public debt in some EU Member States and rising security-related spending are limiting fiscal space and adding to debt sustainability concerns. Furthermore, cyber risks could materially disrupt critical financial infrastructure and operational continuity. The risks to the macro-financial outlook are closely linked with vulnerabilities in the financial sector, which could be mutually reinforcing and increase overall systemic risk.

In 2025 the ESRB continued to monitor risks from the non-bank financial intermediation (NBFI) sector. The 2025 EU NBFI Risk Monitor highlighted rising cyclical and structural vulnerabilities, persistent systemic liquidity risk, elevated leverage and interconnectedness in parts of the NBFI sector, a growing concentration of exposures and cross-border linkages.¹ These were identified through in-depth analyses of the interdependencies between private finance markets and the banking sector, hedge fund leverage, real estate investment funds and captive financial institutions, as well as through topical work on recent episodes of market stress, pension system reforms and synthetic securitisation.

In the same year, the ESRB further developed its system-wide stress-testing toolkit. It provided the European Securities and Markets Authority (ESMA) with adverse scenarios for sectoral stress tests, namely the 2025 money market fund stress-testing guidelines and the 2026 central counterparty stress test. These adverse scenarios capture tail risks stemming from heightened geopolitical tensions, commodity price and inflation shocks, abrupt asset price corrections and associated liquidity strains. In parallel, the ESRB also decided to develop a top-down stress-testing tool for the EU financial system, expanding on the ECB's Interconnected System-wide stress test Analytics (ISA) model. This tool will be used to assess amplification mechanisms, both within and across sectors under common scenarios, and to support more frequent, flexible system-wide risk assessments.

The ESRB also continued to work on several important cross-sectoral and cross-border policy topics. In June 2025 the General Board emphasised the importance of a system-wide perspective in fulfilling the ESRB's mandate to conduct macroprudential oversight of the EU financial system, and thereby contribute to the prevention or mitigation of systemic risks to financial stability.^{2,3}

One of the ESRB's objectives is to help address the build-up of vulnerabilities and risks affecting the European financial system as a whole. To this end, the ESRB continued to actively participate in two pan-European groups set up to tackle cyber-related vulnerabilities that could affect the financial system. It also enhanced and refined its growth-at-risk model, which forms part of its toolkit for evaluating the macroprudential stance of its members.

In line with the activity-based approach to its work, the ESRB was also involved in a range of topics during the review period aimed at strengthening the regulatory framework, taking either a system-wide or a sector-specific perspective as appropriate. On the topics of securitisation and crypto-assets, it highlighted its concerns about the European Commission's proposal to allow (re)insurance companies to provide unfunded guarantees under the framework for simple, transparent and standardised synthetic securitisation. It also issued a recommendation on third-country multi-issuer stablecoin schemes, calling on the

¹ See ESRB, "EU Non-bank Financial Intermediation Risk Monitor 2025", No 10, ESRB, September 2025.

² For further details on the system-wide perspective, see Box 10.

³ For information on the ESRB's mandate, see Regulation 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ L 331, 15.12.2010, p. 1).

Commission to not consider the schemes as permissible under the current MiCAR⁴ framework, or otherwise to develop appropriate safeguards to mitigate the financial stability risks arising from such schemes. Regarding the topic of central clearing, the ESRB responded to two ESMA consultations. In the first, on clearing thresholds, it supported ESMA's general approach to recalibrating the clearing thresholds and welcomed the structured, data-driven approach underpinning the consultation. In the second, on margin transparency requirements, it supported enhancing transparency across the entire clearing chain. In addition, the ESRB provided advice to the European Insurance and Occupational Pensions Authority on guidelines on supervisory powers to remedy liquidity vulnerabilities. Lastly, it analysed the possibility of setting borrower-based measures for the commercial real estate market through three possible instruments, namely (i) a firm-level income-stretch measure intended to capture a borrower's capacity to service debt, (ii) a firm-level financing-stretch measure that could constrain excessive leverage, and (iii) a collateral-stretch measure that could take the form of loan-to-value (LTV) limits.⁵

The ESRB continued to play an oversight role in assessing macroprudential measures taken by national authorities, in some cases giving its opinion on their use and/or reciprocity. In the banking sector, on average, capital-based measures resulted in a tighter macroprudential stance in a number of countries in the European Economic Area, driven in particular by increases in countercyclical capital buffer rates. For other measures the picture is more nuanced, with some countries having loosened and others having tightened their stance. A number of borrower-based measures were also applied, albeit with no particular direction in terms of tightening or loosening the macroprudential policy stance. Looking at capital buffer requirements across the European Economic Area, systemic risk buffers have declined overall since the COVID-19 pandemic, but this has largely been offset by the build-up of countercyclical capital buffers of a similar magnitude on aggregate.

The ESRB complied with its accountability and reporting obligations to the European Parliament and the public. The ESRB Chair attended a public hearing before the European Parliament's Committee on Economic and Monetary Affairs (ECON) on 3 December 2025, and participated in two confidential meetings with the ECON Chair and Vice-Chairs to discuss risks to financial stability. In addition, the Head and Deputy Head of the ESRB Secretariat addressed the European Parliament at three thematic public hearings during the review period. In terms of its accountability to the public, the ESRB published its Annual Report 2024 in July 2025.

⁴ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023, p. 40).

⁵ For further details, see ESRB, "Addressing commercial real estate lending risks with borrower-based measures", *Occasional Paper Series*, No 29, ESRB, February 2026.

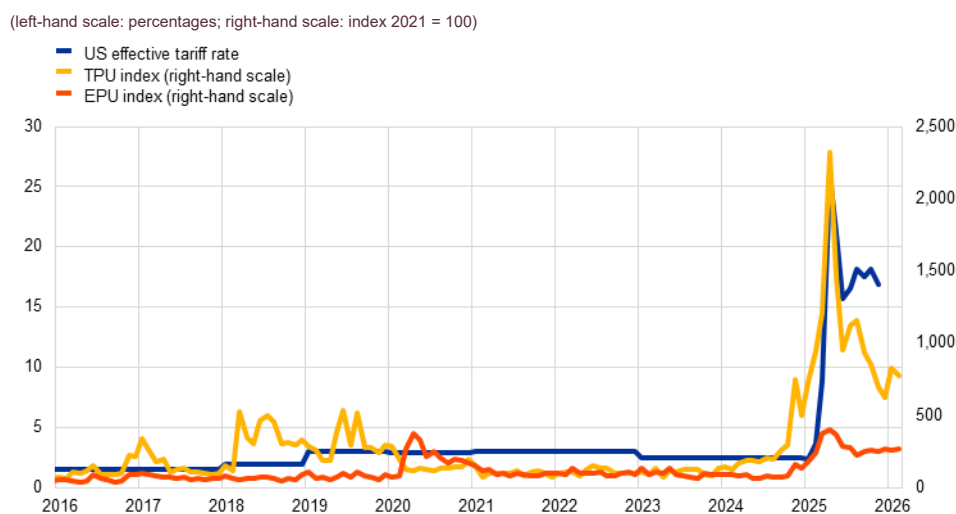
1 Systemic risks in the EU financial system

1.1 Overall risk assessment

Risks to financial stability remained elevated throughout 2025 and into early 2026 amid a highly uncertain external environment. The global financial stability landscape was challenged by increased trade and geopolitical uncertainties during the review period (Chart 1). In April 2025 the US Administration announced plans to raise tariffs on most of its trading partners, including the EU. By July 2025 an agreement had been reached that effectively capped tariffs on most EU exports, contributing to a notable reduction in trade policy uncertainty. In subsequent months the EU also concluded a series of trade agreements with key partners, including Australia, India and Mercosur. Notwithstanding this improvement, geopolitical tensions involving major regional and global powers, including Russia's ongoing invasion of Ukraine and unrest in the Middle East, continued to weigh on financial stability across the EU. In early 2026 escalations in the Middle East led to a sharp surge in oil and gas prices, renewed concerns about value chain fragmentation and heightened inflation expectations across key markets. Despite these external headwinds, market participants in the EU maintained a strong risk appetite throughout 2025, as reflected in rising stock prices and subdued corporate bond spreads. The economy also remained resilient, with real GDP in the EU growing 1.5% in 2025, supported by robust private consumption, government spending and investment.

Chart 1

US effective import tariff rate and policy uncertainty indicators



Sources: The Budget Lab at Yale and ESRB/ECB geoeconomic fragmentation database.

Notes: TPU stands for trade policy uncertainty and EPU stands for economic policy uncertainty. The US effective tariff rate is customs duty revenue as a percentage of the value of goods imported.

Households, non-financial corporations and the financial sector across the EU demonstrated resilience.

Low unemployment, more accommodative financing conditions and a cyclical real estate recovery supported household balance sheets. Non-financial corporations showed robustness in 2025, as evidenced by generally stable profitability and strong balance sheets, although some segments, such as highly export-dependent and smaller firms with greater cyclical sensitivity, faced higher stress. European banks sustained strong profitability, capital adequacy and liquidity despite macroeconomic headwinds and shifting interest rate dynamics. Credit risk remained contained but localised, requiring continued testing of lenders' portfolios for vulnerabilities tied to macro and credit risks. Beyond banks, the non-bank financial sector in the EU also proved resilient. Investment funds absorbed market shocks without major outflows, while insurers maintained strong solvency and profitability despite geopolitical uncertainties. Market infrastructures functioned smoothly despite rising cyber and geopolitical risks, supported by members who are better prepared and tools to combat procyclicality; concentrated derivative exposures and the risk of a sudden unwinding of positions warrant close monitoring, however.

As of March 2026 the ESRB highlights a number of key risks to EU financial stability.

Financial markets remain vulnerable to a sharp and disorderly correction. Valuations of many risky assets rose steadily over the review period, while growing optimism about artificial intelligence (AI) fuelled technology stocks and increased market concentration. Setbacks in AI or shifts in market expectations (potentially spurred by geopolitical or macroeconomic shocks) could result in widespread corrections across asset classes, which may be amplified by feedback loops in the non-bank financial sector. Several adverse scenarios may emerge over the risk horizon of three years. A prolonged or extended war in the Middle East could keep energy prices elevated, erode incomes, undermine confidence and discourage investment and consumption. Worsening global financial market sentiment or additional trade frictions could further dampen demand, disrupt supply chains and weaken activity. Financial institutions may also face higher liquidity, funding and interest rate risks, as well as stronger spillovers from external shocks. At the same time, subdued medium-term growth prospects, elevated public debt, and rising security-related expenditures are creating a more challenging industrial and fiscal backdrop. Strengthening EU competitiveness and securing large-scale investment remain central policy priorities. Cyber incidents or hybrid attacks may also trigger widespread operational disruptions, undermining the stability of the financial sector and infrastructure, impairing market confidence and causing significant repercussions across the real economy and society. These risks and vulnerabilities can interact and reinforce each other. The full set of risks is outlined in Figure 1 and discussed in more detail below.

Figure 1

ESRB risk assessment as of March 2026

Systemic risks		
1		Market risk Sharp and disorderly market correction, possibly amplified by the non-banking financial sector
2		Macro/Credit risk Balance sheet stress for the private sector, notably for the non-financial corporations
3		Sovereign risk Stress in sovereign debt markets due to re-emergence of sovereign debt sustainability concerns
4		Banking sector risk Deteriorating asset quality and materialisation of funding/liquidity risks in the EU banking sector
5		Real estate risk Materialisation of vulnerabilities in the real estate sector particularly affecting the CRE sector
6		Market infrastructure risk Disruptions in critical financial infrastructure, including central counterparties
Cross-cutting systemic risks		
1		Geopolitical risk Geopolitical tensions increase or generate financial stability risks through financial, real and operational channels
2		Cyber risk System-wide cyber incidents disrupt critical infrastructures, markets and/or institutions
3		Climate risk Financial stability risks stemming from exposures of the real economy and the financial system to climate change

Note: Red denotes severe systemic risk, orange denotes elevated systemic risk and yellow denotes systemic risk.

1.2 Key risks to financial stability

1.2.1 Severe systemic risks

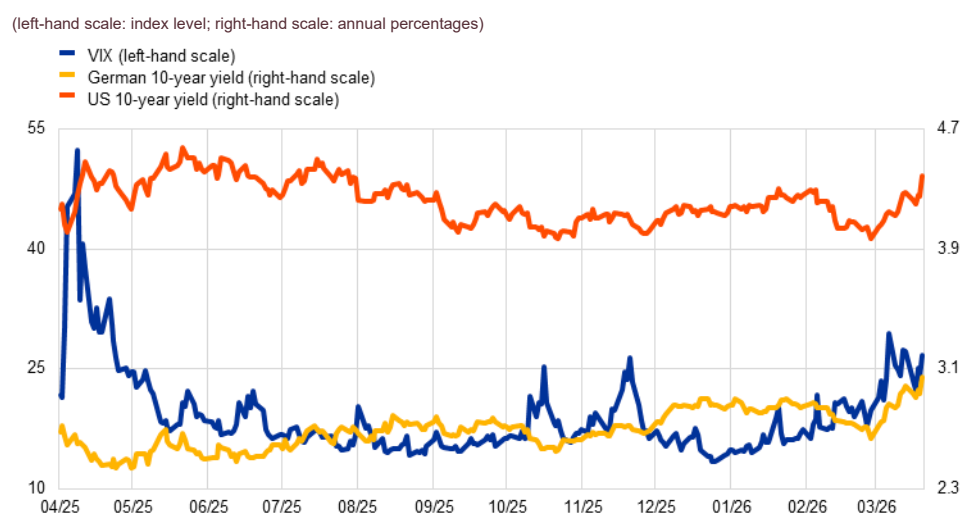
Risk 1. A sharp and disorderly market correction, possibly amplified by the non-bank financial sector

Risk appetite remained high in financial markets despite several periods of elevated stress driven by geopolitical tensions and policy shocks. Implied equity market volatility indices remained relatively low, apart from an initial spike following tariff announcements in April 2025 (Chart 2). US and EU stock prices rose over the review period, supported by a sharp recovery after the tariff-induced turmoil at the start of the period, continued optimism about AI and robust corporate earnings. These contributed to elevated valuations in key markets (see Box 1).

Similarly, gold prices appreciated considerably until the outbreak of the conflict in the Middle East, reflecting safe haven asset demand during episodes of market stress. In early 2026 volatility increased significantly due in part to investors liquidating their gold positions to cover losses elsewhere. Sovereign bond markets experienced significant volatility across major economies. Policy uncertainty and market concerns about rising government spending needs exerted upward pressure on long-term government bond yields across the EU. Market volatility intensified around the turn of the year, particularly following the outbreak of the war in Iran in late February. Higher short-term inflation expectations stemming from tensions in the Middle East and the impact on energy prices pushed bond yields up further and triggered an orderly correction in risky asset prices.

Chart 2

Stock market volatility and government bond yields



Sources: Haver Analytics and LSEG.

Note: The CBOE Volatility Index (VIX) uses implied volatilities from options on the S&P 500 index to estimate the stock market's expectation of volatility. It is commonly used as a "fear gauge" for the stock market.

The risk of sharp and disorderly asset price corrections remains severe given the uncertainty created by the war in the Middle East and its global economic consequences, as well as persistent signs of stretched valuations. A key trigger for this risk is a potential further escalation of the war in the Middle East, which could intensify strains on global energy supplies, drive up inflation and weigh on global economic activity. The historically high concentration of the S&P 500 in AI-related firms could accelerate a sharp correction in equity valuations, especially if investor sentiment towards the sector were to weaken. Finally, vulnerabilities in the non-bank financial sector (particularly among highly leveraged investment funds and private credit vehicles with limited liquidity buffers) could amplify adverse market dynamics through forced asset sales, liquidity strains and procyclical behaviour.

Box 1

Developments in US and EU stock market valuations

This box analyses a growing disconnect between valuations and fundamentals in the US and European equity markets. During the review period stock prices increased, with the S&P 500 and EURO STOXX 50 rising 19% and 7% respectively. This robust price performance contrasted with downward revisions to earnings expectations (Chart A).

Elevated valuation ratios and market concentration characterised the United States during the review period. This analysis employs the cyclically adjusted price-to-earnings ratio (CAPE), a key stock valuation metric which smooths earnings over the economic cycle (Chart B). Applying this metric to stock indices in the United States and Europe suggests that US stocks appear to be trading above long-term norms, while European equity valuations seem less elevated compared with their historical averages. A major driver of this divergence has been the high concentration of large-cap technology firms, known as “the Magnificent Seven”, in the S&P 500, dominating both market capitalisation and earnings growth (Chart C). In contrast, the European index is less concentrated, enabling it to better absorb sector-specific shocks.

Chart A

S&P 500 and EURO STOXX 50 index prices and earnings expectations

(index: 100 = 27 February 2024)

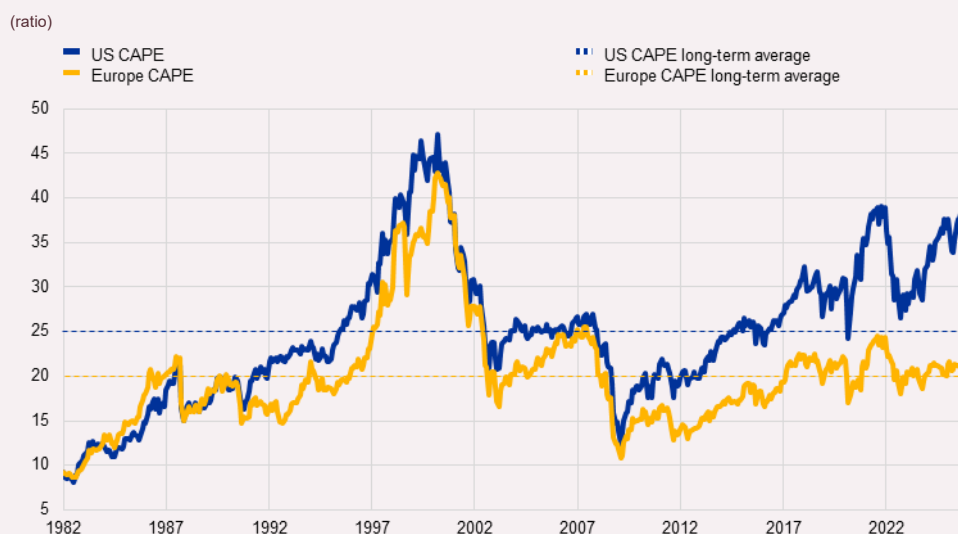


Sources: Bloomberg and Barclays Corporate and Investment Bank.

Note: The latest observations are for 25 February 2026.

Chart B

US and Europe and cyclically adjusted price-to-earnings ratios



Sources: Bloomberg and Barclays Corporate and Investment Bank.

Notes: Both long-term averages are for the period from 1982 to 2026. The latest observations are for 31 January 2026. CAPE stands for cyclically adjusted price-to-earnings ratio.

A stock market correction in the United States could spill over to Europe, given the strong financial and economic linkages between the two economies. Several factors could trigger a US-led market correction, including heightened policy uncertainty, shifting market perceptions of AI's impact on productivity and a reassessment of US equity valuations. The financial stability implications of such a correction could be significant and self-reinforcing. Employing the methodology of [Diebold and Yilmaz \(2012\)](#)⁶ to gauge the potential magnitude of spillovers between the S&P 500 and the EURO STOXX 50 indicates that cross-market transmission has trended higher since early 2025 (Chart D). This suggests that stock prices in Europe would likely not remain immune to a sharp US repricing. Instead, sizeable adjustments could also occur in Europe, with potential corrections amplified by fund redemptions, margin calls and tighter risk limits across the asset management sector, accelerating the sell-off.

⁶ For further details on the methodology, see Diebold, F.X. and Yilmaz, K., "Better to give than to receive: Predictive directional measurement of volatility spillovers", *International Journal of Forecasting*, No 28, 2012, pp. 57-66.

Chart C

Concentration of the Magnificent Seven in the S&P 500 index

(left-hand scale: USD trillion; right-hand scale: percentages)



Sources: Bloomberg and ESRB calculations following Diebold and Yilmaz (2012).

Note: The latest observations are for 27 February 2026.

Chart D

Bilateral volatility spillover index between S&P 500 and EURO STOXX 50

(left-hand scale: average forecast error variance share from spillovers)



Sources: Bloomberg and ESRB calculations following Diebold and Yilmaz (2012).

Note: The latest observations are for 30 January 2026.

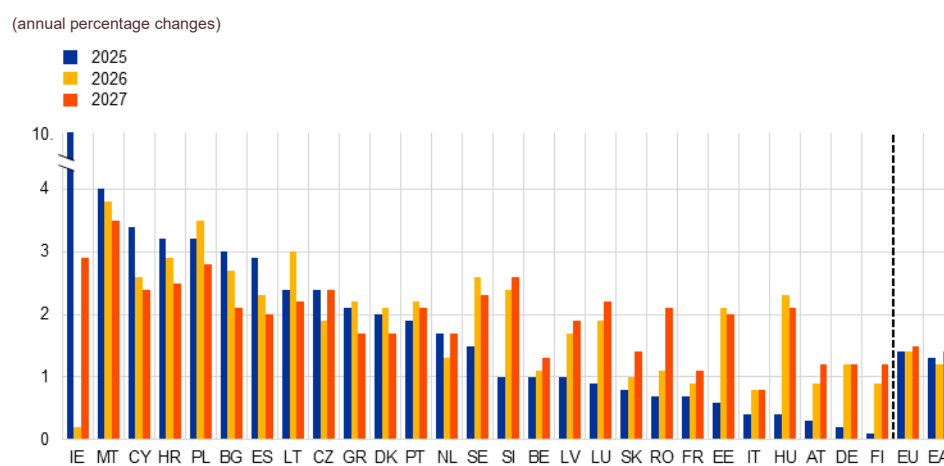
Risk 2. Balance sheet stress for the private sector, notably for the non-financial corporations

The euro area economy remained resilient in 2025, despite elevated economic uncertainty and trade policy shocks. EU real GDP grew at an annual rate of 1.5%, up from 1.1% in 2024. According to the European Commission's autumn 2025 economic forecast real GDP growth is projected to be 1.4% in 2026 and 1.5% in 2027 (Chart 3), supported by private consumption, a declining savings rate and

higher investment. However, the war in the Middle East in early 2026 prompted a downward revision to the short-term growth outlook, as higher energy prices and rising uncertainty weigh on households' purchasing power and confidence among consumers and firms. In the March ECB staff macroeconomic projections 2026 euro area real GDP growth was revised down 0.3 percentage points for 2026 and 0.1 percentage point for 2027 compared to the December forecast. In the accompanying adverse and severe scenarios growth over 2026-27 was 0.4 and 0.9 percentage points below the baseline respectively. Similarly, recent projections also indicate higher inflationary pressures as a result of the Middle East crisis. The March ECB staff macroeconomic projections indicated headline HICP inflation had been revised up 0.7 percentage points for 2026, mainly owing to the energy component, and 0.2 percentage points for 2027. Taken together, developments continue to pose risks to private-sector balance sheets.

Chart 3

Member State-level and aggregate real GDP growth forecasts for 2025, 2026 and 2027



Source: European Commission Autumn 2025 Economic Forecast.

Note: For Ireland, trade tariffs and related uncertainty contributed to strong fluctuations in economic statistics during the first half of 2025, with the frontloading of activity.

The financial position of the private sector remained robust over the review period, although vulnerabilities persisted. EU non-financial corporations maintained generally stable profitability, but their debt service burden remained elevated, leaving them more exposed to adverse cost or revenue shocks. Loans to small and medium-sized enterprises showed signs of mild deterioration in asset quality, while structural headwinds continued to weigh on parts of the European manufacturing sector. Households benefited from a strong labour market, sustained low unemployment and more favourable financing conditions. Residential real estate prices increased, contributing to stronger household balance sheets. However, household indebtedness remained elevated in some countries, with a high share of variable-rate loans and legacy fixed-rate loans nearing their repricing date. This leaves households vulnerable to interest rate shocks, especially if they occur in tandem with a general deterioration in economic developments.

Several intertwined downside risks could expose private-sector vulnerabilities and cause balance sheet stress.

The war in the Middle East has increased oil and gas prices, pushed up inflation expectations globally and weighed on the growth outlook. Higher input costs from persistently elevated energy prices or supply chain disruptions could dampen profitability and raise bankruptcy risks in the non-financial corporate sector. Deteriorating demand stemming from weaker private-sector sentiment, a shifting monetary stance or disorderly asset price corrections could further strain corporate balance sheets. Subdued performance in the corporate sector could also spill over to the labour market; higher unemployment or lower real incomes would put additional pressures on household balance sheets, especially if debt service burdens rise at the same time.

1.2.2 Elevated systemic risk

Risk 3. Stress in sovereign debt markets due to re-emergence of sovereign debt sustainability concerns

Elevated government debt-to-GDP ratios and large government deficits remain a key vulnerability in many EU countries. Member States' aggregate government debt-to-GDP ratio stood at 81.7% in 2025 (Chart 4), more than 4 percentage points higher than its level before the COVID-19 pandemic. The European Commission's 2025 Debt Sustainability Monitor projects that in the absence of new fiscal measures after 2026, Member States' government debt-to-GDP will increase over the next ten years to 100%. At the same time, many Member States are reporting government deficits, and, at the end of the review period, ten were subject to an excessive deficit procedure.

Public finances in the EU face significant challenges. First, higher geopolitical uncertainty, including Russia's war against Ukraine, has made it urgent for Europe to rebuild its defence capabilities and ensure its security. While targeted increases in defence spending can support growth, substantial and persistent increases in countries with limited fiscal space and high interest expenditure could undermine sovereign debt sustainability. To manage this risk, Member States should enhance the efficiency of public expenditure, including through synergies and joint procurement in defence capabilities.⁷ Second, budgetary resources are needed to tackle structural longer-term challenges associated with digitalisation, low productivity, population ageing and climate change. It is crucial for Member States to focus on growth-enhancing structural reforms and strategic investments and ensure fiscal prudence in expenditure categories that are not productive. These challenges also call for ensuring that public finances are sustainable and in line with the EU's economic governance framework.

⁷ By way of example, on 17 March 2026 the Netherlands, Finland and the United Kingdom (a non-EU Member State) announced their intention to consider joint defence financing and procurement. See their statement [here](#).

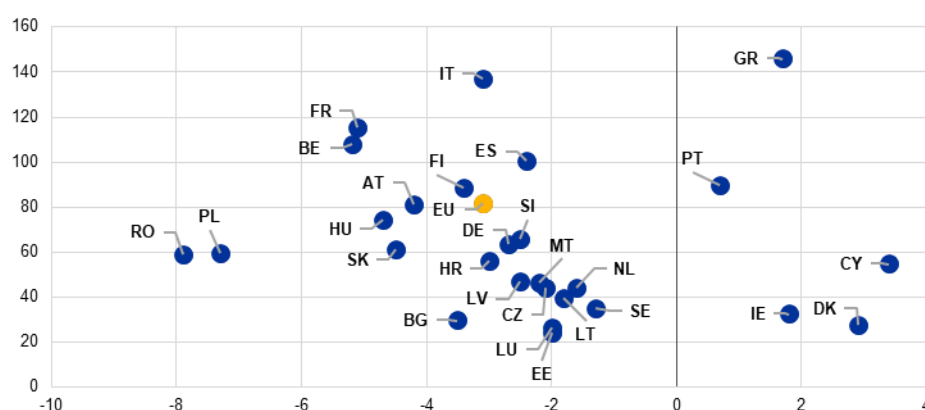
Concerns about expansionary fiscal policies in major advanced economies have occasionally triggered high volatility in global sovereign debt markets.

Over the review period investors became increasingly concerned about the fiscal outlook in major economies. In particular, expectations of more expansionary fiscal policies in the United States, the United Kingdom and Japan led to episodes of high volatility and spillovers into global sovereign debt markets. Such episodes illustrate how fiscal policies outside the EU can affect sovereign bond markets at a time when many Member States are already vulnerable due to high levels of government debt-to-GDP and elevated borrowing costs.

Chart 4

Government debt-to-GDP and government deficit/surplus-to-GDP in the EU in 2025

(x-axis: government deficit/surplus as a percentage of GDP; y-axis: government debt as a percentage of GDP)



Source: Eurostat.

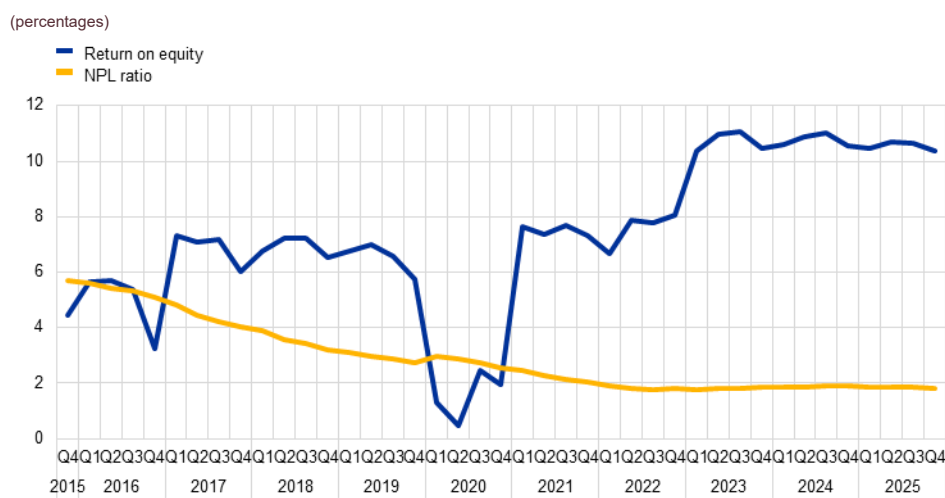
Risk 4. Deteriorating asset quality and materialisation of funding/liquidity risks for the EU banking sector

European banks remained resilient in 2025 and maintained strong profitability and robust capital and liquidity positions. Banks have earned record profits in recent years, benefiting from higher interest rates and a steep yield curve supporting maturity transformation. The aggregate return on equity in the EU has remained in double digits, at 10.4% in the fourth quarter of 2025 (Chart 5); net interest income has declined slightly while net fee and commission income have been stable. Capitalisation and liquidity ratios comfortably meet regulatory requirements and remain broadly stable.

Asset quality in 2025 remained generally sound, with EU banks' non-performing loans (NPL) ratios stable below 2% (Chart 5). NPL ratios across all sectors were below 6.5% in the fourth quarter of 2025. The IFRS 9 Stage 2 ratio (the share of loans that have experienced a significant increase in credit risk since inception) remained stable. The share of these loans covered by provisions fell over the same period, reflecting a shift towards less risky loans entering Stage 2 and corresponding adjustments in provisioning. Overall, strong capital and profitability provide substantial capacity against potential credit losses.

Chart 5

Return on equity and non-performing loans ratio for EU banks



Source: EBA Risk Dashboard.

Notes: For return on equity, the numerator is annualised and the denominator is an average over the four quarters. NPL stands for non-performing loans.

A weaker macroeconomic environment, geopolitical tensions and higher sovereign risks in some countries may weigh on banks' asset quality and profitability. Trade disputes could strain credit demand and impair credit quality in export-oriented sectors, while weaker growth and deteriorating public finances may negatively affect banks' balance sheets. Second-round effects from the war in the Middle East could hit energy-intensive and supply chain-dependent sectors, further worsening asset quality.⁸ Market volatility and heightened geopolitical uncertainties could also dampen risk appetite and increase banks' funding costs. In such an environment, some European banks may face rollover and liquidity risks, given their sizeable short-term US dollar funding,⁹ which is sensitive to geopolitical or policy shifts. Banks also need to adapt to a changing environment marked by AI, cyber threats and climate change.

The 2025 EBA stress test indicated a resilient EU banking system, even under an adverse scenario. This scenario, prepared by the ESRB as mandated by regulation, simulates a severe global downturn driven by deteriorating macro-financial conditions, renewed geopolitical tensions, entrenched trade fragmentation and persistent supply shocks, and includes a market stress component more severe than that seen after the war in the Middle East in early 2026. Although banks reported higher nominal losses under the adverse scenario (mainly from credit and market risks), they also displayed greater loss absorbing capacity supported by strong profitability and capital positions.

⁸ On the other hand, if expectations for higher interest rates as a result of the conflict in the Middle East are realised, net interest margins could grow substantially.

⁹ These short-term liabilities are mainly used for capital market activities, in particular repo intermediation in the United States between US-based money market funds and hedge funds.

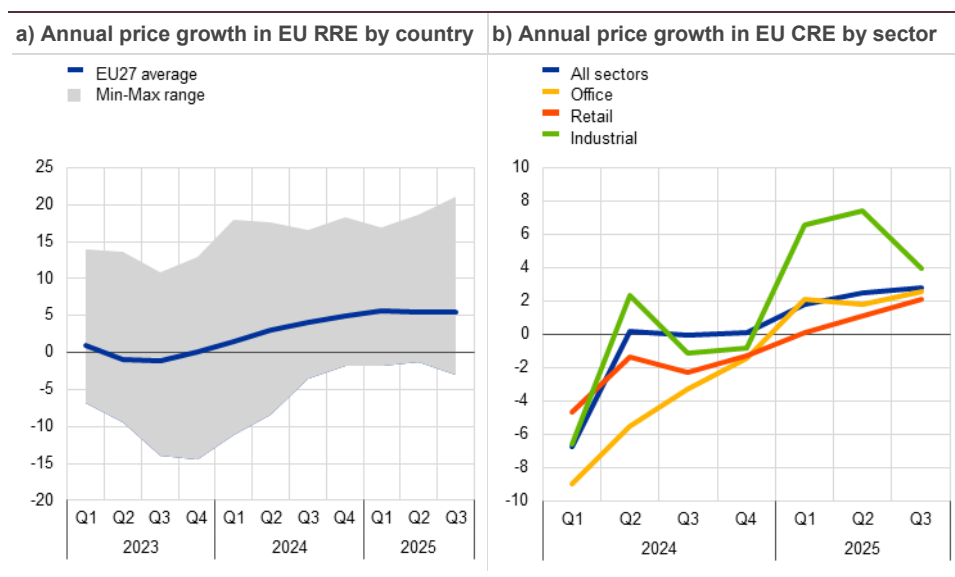
Risk 5: Materialisation of vulnerabilities in the real estate sector, particularly affecting CRE

The residential real estate (RRE) market in the EU moved into a renewed upswing after the orderly correction recorded in 2023. House prices accelerated to a robust pace, stabilising at 5.5% year-on-year growth at the EU level by the fourth quarter of 2025. The recovery was broad-based, but with significant divergence in the speed of recovery across countries (Chart 6, panel a). Mortgage markets regained momentum as loan demand picked up, supported by stabilising interest rates and easing credit conditions. On the supply side, construction activity remained limited and fell short of pre-pandemic levels, which partially accounts for the rebound in prices in several countries.

With the housing market on an upward trend, cyclical risks are building up in RRE. Rising house prices coupled with several structural vulnerabilities may sow the seeds for risks to materialise. Household indebtedness remains high in several EU countries, and some still hold a legacy portfolio of mortgages originated under riskier lending standards. This configuration occurs amid an uncertain macro environment with elevated geopolitical tensions that may push building costs higher and constrain supply. The sector's sensitivity to an economic slowdown, especially via higher unemployment, implies that credit risk from over-indebted households could rise quickly if trigger events materialise.

Chart 6

EU real estate annual price growth



Sources: Panel a): Eurostat. Panel b): ECB and BIS.

Note: Panel b) displays the median growth rate across a selection of EU Member States, depending on data availability. For the industrial sector: Denmark, Ireland, Spain, France, Italy, Netherlands and Sweden; for the retail sector: Germany, Ireland, Spain, France, Italy, Netherlands, Slovenia and Sweden; for the office sector: Germany, Ireland, Spain, France, Italy, Netherlands, Slovenia and Sweden; for all sectors: Denmark, Germany, Ireland, Spain, France, Italy, Netherlands and Sweden.

Conditions in the EU commercial real estate (CRE) market showed signs of stabilisation in 2025, but the recovery remains slow, fragile and vulnerable to downside risks. Price increases were recorded in a number of countries and sectors in 2025. However, the recovery was uneven across sectors: the industrial

sector outperformed, while the office and retail segments recorded only modest growth (Chart 6, panel b). Prime assets saw strong price increases, whereas non-prime segments lagged under pressures from sustainability requirements, energy efficiency standards and shifting preferences linked to teleworking. Transaction volumes remained largely on a par with 2024. With easing financing conditions, the largest CRE companies in the EU experienced an improvement in operational profitability and reduced leverage and interest expenses.

Systemic risks associated with the CRE sector remained elevated. The average EU NPL ratio on CRE loans has stabilised at around 4.3%, still more than twice the average for the overall loan book of EU banks. Real estate investment funds face intensifying challenges, and significant outflows and liquidity pressures have prompted some open-ended funds to limit redemptions. An adverse scenario including higher geopolitical risks, rising construction costs, the prospect of higher long-term rates and an economic slowdown is likely to dampen investment and demand in vulnerable CRE segments. Materialisation of such a scenario would amplify existing vulnerabilities and increase credit risks for CRE firms.

Risk 6. Disruptions to critical financial infrastructure, including central counterparties

Financial market infrastructure remained resilient despite high financial market volatility stemming from geopolitical and policy uncertainties. The EU clearing ecosystem proved to be resilient in response to several geopolitical events over the review period. Temporary bouts of market volatility and heightened uncertainty led to some large initial and variation margin calls, highlighting liquidity risks in central clearing, particularly for clearing members with concentrated positions. Overall, however, these calls were met and there were no defaults by clearing members.

The potential for a procyclical feedback loop when liquidity needs increase significantly at short notice remains a key concern. Under this scenario, following an asset price shock, some market participants might need to close out positions rapidly by selling assets, potentially further fuelling the downward asset price spiral. The tools EU CCPs must apply to combat procyclicality are intended to mitigate possible knock-on effects. However, it is important that international initiatives on margin transparency and preparedness be implemented. Overall, aggregated prefunded waterfall resources of EU CCPs at quarter-end dates remained stable over the review period and no operational disruptions were reported.

The extent to which important financial system actors are dependent on large foreign product and service providers implies a vulnerability for the EU financial system. Examples are the dependencies on US cloud services and card payment systems. Moreover, the inherent interconnectedness of the financial system and its components can make the entire system vulnerable, even to problems relating to seemingly peripheral components. Data integrity and confidentiality can also lead to a rapid deterioration of trust in the financial system.

Geopolitical developments emphasise the risks to physical infrastructure.

Elevated geopolitical tensions go hand in hand with a rise in cyber risks and hybrid threats. Lack of access to foreign ICT services, cyber incidents and hybrid attacks can severely impact the access, integrity and confidentiality of critical financial infrastructure systems and data. The rapid development of AI accentuates these risks.

1.2.3 Cross-cutting financial stability risk

Geopolitical risk

Geopolitical risks remained elevated over the review period amid an increasingly complex and fragmented global environment. The volatile global situation, marked by trade restrictions, escalating tensions in the Middle East and higher geopolitical fragmentation, has become a key source of macro-financial uncertainty which poses material risks to financial stability. Structural vulnerabilities in the EU's economic and financial architecture (including dependencies on critical infrastructure, strategic sectors and a global value chain) are being exacerbated by the volatile environment. This interaction aggravates existing systemic risks, such as intensifying security demands to counter hybrid threats and increasing fiscal pressures to enhance the scale and coordination of European defence investments. Market risk sentiment appears vulnerable to sharp reversals, particularly given signs markets are having difficulties pricing tail risks. An escalation of current geopolitical conflicts could increase financial and commodity market volatility and trigger a repricing in financial markets, weighing on consumption, investment, trade and confidence. Higher uncertainty could also raise financing costs for banks and firms through bond spreads, equity valuations and other adverse financial conditions. In an adverse scenario, the global financial system could face broad-based asset price corrections, tighter market and funding liquidity, and disruptions to supply chains. These shocks could propagate through regional, sectoral and financial linkages, market spillovers, and reliance on cross-border services and infrastructure. This underlines the multiple channels and risk categories through which geopolitical developments can affect the financial system, influencing financial markets, the real economy, operational continuity and broader societal stability (see also Box 3).

Cybersecurity financial stability risks

Risks to financial stability from cyber and hybrid incidents have remained elevated over the past year. Although 24% of significant institutions (SIs) under the Single Supervisory Mechanism (SSM) reported at least one major cyber incident in 2025, overall financial sector resilience remained stable, with no critical cyber incidents reported. At the same time, the accelerating digitalisation of financial services and growing adoption of AI are transforming the cybersecurity landscape, with multiple reports during the review period citing AI tools as a key enabler for

successful attacks. Sophisticated attacks once limited to state sponsored actors are increasingly available to less sophisticated cybercrime groups. The deeper integration of AI into financial systems and increasing use of agentic AI tools expand institutions' attack surfaces and complexity. Similarly, AI with cyber security capabilities might reach an inflection point and substantially and instantaneously change the threat landscape, allowing advanced attacks to be carried out by threat actors with limited overall capabilities. Ongoing geopolitical tensions, including wars in the Middle East and Ukraine, have kept the cyber threat landscape elevated. The deep interconnectedness of the EU and US financial systems requires continued vigilance, as cyber operations increasingly integrate with kinetic warfare, raising concerns for critical infrastructure globally.

Although the European financial system was not directly affected by hybrid threats, it remains exposed through its interconnectedness with critical infrastructure. Financial entities and critical infrastructure faced persistent hybrid pressure, particularly in the Nordic-Baltic region. While no systemically relevant financial entities reported major incidents, the close links between financial systems and critical infrastructure underscore the sector's vulnerability to hybrid operations, making enhanced resilience measures and coordinated EU responses essential for mitigating these evolving threats.

Climate-related financial stability risks

Risks to financial stability stemming from climate change remain pertinent; 2025 was the third-warmest year on record, surpassed only by 2023 and 2024.¹⁰ Although climate-related risks have so far evolved more gradually than other cross-cutting risks identified, the ESRB assesses that climate change nevertheless poses a systemic risk to the financial system. It can have a direct negative impact on financial stability through climate-related natural disasters that lead to large economic losses, which eventually reach financial institutions through, for example, high payouts by insurers or credit losses experienced by banks. The short-term scenarios of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) provide an estimate of the potential impact, with EU GDP potentially declining by 1.7% by 2030 due to extreme weather events.¹¹ The impact could also be indirect. For example, the transition to a greener economy may depress the value of certain assets, such as less energy-efficient real estate, leading to lower returns from exposed assets for financial institutions and reduced collateral values for loans backed by such exposed real estate.

¹⁰ See [Global Climate Highlights 2025](#).

¹¹ According to the Diverging Realities scenario, see [NGFS Short-term Climate Scenarios for central banks and supervisors](#).

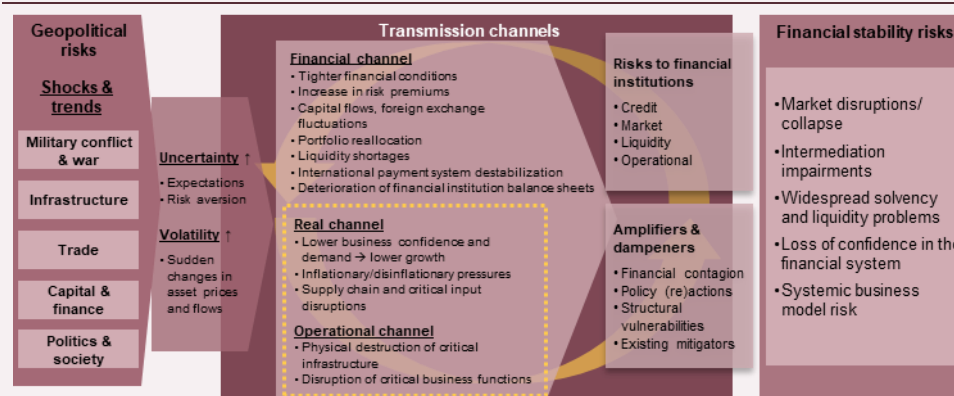
Box 2

The ECB/ESRB report on risks from geoeconomic fragmentation

The recent ECB/ESRB publication “Financial stability risks from geoeconomic fragmentation” assesses how rising geopolitical risk and policy uncertainty affect EU financial stability and through which channels these effects are transmitted. Adopting a broad notion of geopolitics encompassing military conflict, hybrid warfare, critical infrastructure, trade, capital flows and sociopolitical unrest, the report maps both abrupt shocks and gradual trends to their implications for the real economy and the financial system (see Figure A). Geopolitical shocks can affect economic and financial conditions through operational, trade and production channels, with the financial transmission channel generating potential adverse feedback loops, cross-border contagion and systemic risks. Heightened uncertainty and volatility dampen investor sentiment, raise risk premia and trigger flight-to-safety dynamics, market sell-offs with shifts in capital flows and exchange rates. These shocks can rapidly propagate by altering interconnectedness across asset classes, tightening financing conditions and prompting a repricing of risk that strains financial institutions’ balance sheets, especially where leverage is high or exposures concentrated.

Figure A

EU geopolitical risks and fragmentation analysis framework



Source: ECB/ESRB workstream on financial stability risks from geoeconomic fragmentation.

Note: The transmission channels in the dashed box were not the focus of the analysis conducted in the ECB/ESRB report.

The report develops a monitoring framework that integrates geopolitical indicators into financial stability analysis, reflecting their growing role in shaping Europe’s economic and risk outlook. Drawing on news and event data, economic statistics and model or market-based metrics, it documents a more fragmented world in which the process of globalisation has stalled or partially reversed, trade disputes have intensified, and policy uncertainty has reached historic highs. At the same time, financial market volatility has remained short-lived and broader financial imbalances in the EU contained, pointing to a fragile equilibrium with elevated uncertainty and risks from adverse events. The report employs time series, quantile and scenario methods to trace how geopolitical shocks are

transmitted to macro-financial conditions, financial stress, systemic vulnerabilities and growth as well as potential amplification mechanisms. Geopolitical risks are estimated to have increasingly weighed on the lower tail of the GDP growth distribution and to have widened uncertainty around future outcomes, with economic policy uncertainty a key driver of downside risks to GDP growth since 2015. Its impact has been heterogeneous across countries and financial institutions. Granular evidence on financial institutions shows that geopolitical shocks prompt them to cut foreign exposures, weakening diversification, cross-border risk sharing, credit provision and market functioning. In an era of growing geoeconomic fragmentation, the findings underscore the importance of improved data, scenario analysis, regular monitoring and stress testing to detect, assess and manage geopolitical risks.

1.3 Regular risk monitoring and risk assessment activities

The ESRB continued its regular monitoring activities and provided adverse scenarios for the stress-testing exercises carried out by the European supervisory authorities (ESAs). Section 1.3.1 describes the adverse scenarios the ESRB provided to the European Securities and Markets Authority (ESMA) that were published during the review period of this Annual Report. Section 1.3.2 includes several boxes summarising the ESRB's risk monitoring and/or assessment of certain non-bank financial institutions (see Box 3), risk monitoring in the EU securitisation market (see Box 4) and a report by the ESRB's Advisory Scientific Committee on AI and systemic risk (see Box 5).

1.3.1 Stress test scenarios

Stress tests help assess the resilience of the financial system. They simulate the resilience of financial institutions under hypothetical adverse economic and financial conditions, aiding in risk management and crisis prevention. In accordance with their mandates, the ESAs are required to coordinate, in conjunction with the ESRB, the stress-testing exercises at the EU level falling within their remit. These exercises help regulators and supervisors test the resilience of individual financial institutions, while they also help identify risks and vulnerabilities in the financial system as a whole. As part of this cooperation, the ESRB, in collaboration with the ECB, provides the adverse scenarios for these exercises. Each scenario reflects the ESRB's assessment of the risks and key vulnerabilities in the financial system at the relevant point in time.

The ESRB provided two adverse scenarios for the sectoral stress tests over the review period, each tailored to the needs of the ESA coordinating the stress test.¹² Each scenario is tailored to encompass the business models and risk profiles of the various types of financial institution covered by the specific stress-testing exercise. Reflecting this, each scenario was designed in close cooperation with the relevant ESA and extensively discussed with the ESRB member institutions.

In January 2026 the ESRB provided ESMA with the adverse scenario for the 2025 money market fund (MMF) stress-testing guidelines. The narrative of the scenario reflects the materialisation of tail risks amid elevated geopolitical uncertainty stemming from global trade tensions and multiple conflicts worldwide. These geopolitical events amplify trade disruptions and lead to a sharp rise in commodity prices, causing disruptions in supply chains and ultimately triggering inflationary pressures. In turn, resurgent inflation expectations cause a spike in risk-free rates. The tightening of financing conditions, combined with expectations of subdued economic growth, results in heightened asset price volatility and significant disruptions in financial markets. Corporate and sovereign bond spreads widen, reflecting weakened debt servicing capacity and renewed concerns about sovereign debt sustainability, exacerbated by high interest rates. Overall, this environment leads to an abrupt slowdown in market activity and significant liquidity stress, forcing markets to suddenly re-evaluate financial assets and real estate. The impact of heightened exchange rate volatility (with the euro either weakening or strengthening against the dollar) on trade, debt obligations and capital flows, further magnify global financial instability.

In March 2026 the ESRB prepared the adverse scenarios for the 2026 EU-wide CCP stress test. The narrative of the scenario assumes a worsening in geopolitical tensions in an environment already characterised by low risk premia and stretched equity valuations. Simultaneously, the exacerbation of trade frictions leads to renewed uncertainty about trade flows. This triggers supply disruptions, which translate into bottlenecks in commodity markets, particularly for oil, gas and other key energy inputs. Fears about constraints in commodity supply push spot and futures prices sharply higher very quickly. These shocks reduce industrial production, trade volumes and shipping activity. The commodity price shock triggers a rapid reassessment of equity market valuations, particularly in the highly valued AI and tech segments, as investors readjust to worse earnings outlooks. This leads to a broader market sell-off. Institutional investors, banks and funds accelerate their sales of risky assets, while hedge funds and other leveraged market participants face margin calls and liquidity pressures, forcing them to liquidate positions into a falling market. The result is a sharp and disorderly adjustment in equity valuations, mechanically amplified by algorithmic and volatility-targeting strategies.

The ESRB also decided that it will develop a top-down (“desktop”) system-wide stress test tool for the EU financial system to conduct regular or ad hoc systemic risk assessments. This decision, taken by the General Board at its meeting in June 2025, follows on from the report of the High-Level Group on the ESRB Review published in 2024 and discussed in the last Annual Report. The

¹² The ESRB publishes all the scenarios used for such regulatory stress tests on its website.

development will build on the ECB's existing tool for top-down system-wide stress tests: the ISA model.¹³ In contrast to the stress tests conducted by the ESAs, which focus on the resilience of individual financial intermediaries to sector-specific scenarios, these assessments will focus on amplification effects within and across sectors of the financial system that might arise from interactions between intermediaries in markets under a common scenario. As these assessments are based on a tool that combines granular data regularly reported by financial institutions to authorities with behavioural assumptions of how financial intermediaries react to stress, they do not require the involvement of individual financial institutions. As a result, they can be deployed more flexibly and frequently. They will benefit from the insights gained from complementary system-wide bottom-up exercises like the system-wide exploratory scenario being jointly undertaken by the Banque de France, the ACPR and the AMF.¹⁴

1.3.2 Monitoring certain non-bank financial institutions and securitisation markets

The ESRB monitors and assesses risks in certain non-bank financial institutions and is mandated by law to monitor risks to financial stability from securitisation markets. These activities complement the broader risk monitoring outlined in Section 1.1. The boxes in this section describe these activities in greater detail.

Box 3 Monitoring risks relating to non-bank financial intermediation

The 2025 EU NBF Risk Monitor summarises the ESRB's monitoring of systemic risks and vulnerabilities relating to non-bank financial intermediation (NBF) over 2024, also covering the short-lived bout of market turbulence following the announcement of large US tariffs in April 2025. The size of the monitoring universe reached a new high of €50.7 trillion in assets at the end of 2024, with investment funds and other financial institutions accounting for around 42% of total EU financial sector assets. Non-banks' role in financing euro area non-financial corporations continued to grow, with market-based and non-bank credit roughly twice their pre-global financial crisis shares. The report highlights several key risks. First, cyclical risks increased, including those stemming from the possible materialisation of macroeconomic vulnerabilities and elevated sovereign risk in some euro area countries. These risks could trigger balance sheet stress for firms and households,

¹³ See, for example, Rodriguez d'Acri, C. and Shaw, F., "Beyond the single bank: macroprudential insights from the 2025 EU-wide stress test and its extensions", *Macroprudential Bulletin*, No 32, ECB, 19 November 2025.

¹⁴ See "The Banque de France, the ACPR and the AMF launch a first system-wide stress test on interconnections within the financial system", *press release*, 2 October 2025.

while stretched valuations in certain market segments – notably US equities and AI-related technology stocks – raise the risk of disorderly asset price corrections. Second, systemic liquidity risk remains high. Episodes of market turmoil in 2024 and 2025 (including the August 2024 sell-off of US equities and the April 2025 tariff shock) underscored how the interaction of market and funding liquidity, large margin and collateral calls, and thin market liquidity can amplify shocks, particularly where highly leveraged non-banks with limited liquidity buffers are involved. Third, structural vulnerabilities (liquidity and maturity mismatches, leverage and interconnectedness) remain pronounced in parts of the NBFIs sector, including in investment funds, private finance and certain crypto-asset activities. The growing concentration of EU non-bank portfolios in a small set of US technology stocks and their deepening links with global markets and banks increase the risk that shocks could propagate rapidly across sectors and borders.

To support risk identification, the NBFIs Risk Monitor includes five special features and three topical boxes. Four special features are related to leverage, including the build-up of leverage in hedge fund carry trades and its amplification of the August 2024 market turmoil, and the provision of bank credit to highly leveraged and often liquidity-mismatched real estate investment funds. Another special feature focuses the role of captive financial institutions in facilitating intra group liquidity management and financing. These analyses underscore how multi-layered leverage, concentration risks, interconnectedness and ownership ties can increase the potential for negative spillovers to the banking system and the wider financial sector. They also highlight that data gaps complicate the assessment of risk. The topical boxes focus on i) the April 2025 market volatility around US tariff announcements, which revealed vulnerabilities in US Treasury and swap markets and their transmission to NBFIs entities, ii) the Dutch pension system's transition to a defined contribution model and its implications for interest rate hedging and market liquidity, and iii) the growth of EU synthetic securitisation under the simple, transparent and standardised framework and its potential financial stability implications.

Box 4

Monitoring risks in the EU securitisation market

In May 2025 the ESRB published a report considering the financial stability implications of on-balance sheet securitisation, with a focus on those that meet the criteria for simple, transparent and standardised securitisations. The General Board had discussed and approved the report in March, and the content of the report is summarised in Box 5 of the ESRB Annual Report 2024. Based on the findings of the report, the ESRB engaged with the EU co-legislators on the review to the prudential rules covering securitisations. This is described in Section 2.

Box 5

Report on artificial intelligence and systemic risk

In a report published on December 2025 the Advisory Scientific Committee of the ESRB examined the interplay between artificial intelligence (AI) and the main sources of systemic financial risk. The corporate and financial sectors are integrating AI into their processes rapidly. AI has huge transformative potential and could benefit society. However, it could also amplify or alter existing systemic risks in finance, as well create new ones. The report focuses on this question, by considering five sources of systemic financial risk: liquidity mismatch, common exposures, interconnectedness, lack of substitutability and leverage.

The report argues that certain features related to AI – particularly concentration and entry barriers, model uniformity, monitoring challenges, over-reliance and excessive trust, and speed – might significantly amplify systemic risks in the financial system. Other features that are also expected to affect systemic risk include opacity and concealment, malicious uses, hallucinations and misinformation, its history-constrained nature, untested legal status, and complexity and inscrutability. The report also considers two hypothetical features of AI. First, a lack of control over it in the financial system could result in high interconnectedness and common exposures, which would not be visible to humans. Second, complete reliance on AI could leave the financial system dependent on the preferences of the providers of these tools, which need not coincide with those of society.

To address potential risks, the report proposes combining competition and consumer protection policies, complemented by specific adjustments to prudential regulation. Among the latter, the report finds that the most pressing task is a recalibration of capital and liquidity requirements to account for the speed, scope and scale factors that AI introduces. Looking at financial markets, circuit breakers, insider trading, and disclosure represent three important areas where AI-stimulated increases in the speed, scope and scale with which the financial system may operate need to be addressed. Furthermore, “skin-in-the-game” requirements for AI providers and “level of sophistication” requirements for institutions deploying AI could be a way to avoid excessive risk-taking in its use.

The report also finds that supervisory activities may need to adjust, as regulation alone will not be enough to contain the systemic risks arising from AI. It is essential that authorities have adequate resources (IT and staff) to keep pace with developments in supervised entities and markets. Ideally, supervisors should be able to develop their own AI infrastructures and strengthen their analytical capabilities to monitor interconnectedness and leverage. Should supervisors fail to keep pace with developments in supervised institutions, they may not be able to properly monitor risk-taking activities and there could be an increase in the frequency and severity of financial crises.

Within the EU, cross-border cooperation and pooling of resources is critical for effective market surveillance of AI, as mandated by the Artificial Intelligence Act¹⁵, and the supervision of financial institutions that are using AI. Keeping up with the private sector will be very costly and resource-intensive. One way to mitigate costs for individual authorities is to pool resources, taking advantage of what are almost surely major economies of scale in developing, maintaining and implementing effective monitoring. The report acknowledges the difficulty of ring-fencing the provision of AI services to a given jurisdiction and so argues in favour of a centralised or, at least, pooled approach to the surveillance and supervision of AI activities.

¹⁵ Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (Artificial Intelligence Act) (OJ L, 12.7.2024).

2 ESRB policies addressing systemic risk

In 2025 the General Board emphasised the importance for the ESRB of further pursuing a system-wide perspective in discharging its mandate of macroprudential oversight of the EU financial system.^{16,17}

This implies addressing holistically the build-up of vulnerabilities and risks affecting the EU financial system as a whole. One example of this approach is the ESRB's participation in two pan-European groups designed to tackle cyber-related vulnerabilities that could potentially affect the financial system. Another is the development and refinement of the ESRB's growth-at-risk modelling approach, part of its macroprudential stance analysis toolkit. These are covered in Section 2.1 below.

Consistent with implementing an activity-based approach to its work, during the review period the ESRB also addressed a range of regulatory issues from the point of view of cross-system risk amplification. In particular, the ESRB focused on risk propagation from certain aspects of crypto-assets and considered how synthetic securitisation can reduce or transmit risks between banks and protection sellers. It also responded to two consultations on central clearing topics, and provided advice to EIOPA on Guidelines on supervisory powers to remedy liquidity vulnerabilities. Lastly, it analysed the possibility of setting borrower-based measures (BBMs) for the CRE market, implementing an activity-based regulation approach. This work is described in Section 2.2.

2.1 Addressing the build-up of vulnerabilities and risks across the financial system

This section refers to cases where the systemic-wide approach has been implemented as part of an effort to detect and possibly pre-empt the build-up of vulnerabilities.

2.1.1 Cyber risk

During the review period the ESRB participated in the pan-European Systemic Cyber Incident Coordination Framework (EU-SCICF), which had been set up in January 2025. This was established by the three ESAs following a Recommendation by the ESRB in 2021.¹⁸ The main goal of the EU-SCICF is to

¹⁶ For further details on the system-wide perspective, see Box 10.

¹⁷ For information on the ESRB's mandate, see Regulation 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (OJ L 331, 15.2.2010, p. 1).

¹⁸ See Recommendation ESRB/2021/17 and the accompanying report "Mitigating systemic cyber risk", European Systemic Risk Board, January 2022.

strengthen the financial system's overall digital operational resilience by acting as coordination framework across all European financial authorities. The EU-SCICF is composed of representatives from ESMA, the EBA, EIOPA, the ESRB, the ECB, the SSM, national central banks and national competent authorities. In April 2025 the Iberian peninsula faced a major power blackout which affected mainland Portugal and most of Spain and left more than 50 million people without electricity for up to ten hours. This incident, although ultimately found not to have been caused by a cyberattack, successfully tested the EU-SCICF's alert and information dissemination system for the first time.

Since 2025 the ESRB has been a participant in the Oversight Forum for critical ICT third-party providers established by the three ESAs. This was set up to monitor the activities of ICT service providers that are critical for the financial system. The Oversight Forum is a key governance body created under the Digital Operational Resilience Act (DORA)¹⁹ to support the Joint Committee of the ESAs. It functions as an advisory sub-committee made up of senior representatives from European and national competent authorities, the ECB and the ESRB. The Oversight Forum is central to the process of designating ICT third-party service providers as critical to the financial system.²⁰ It also provides advice on the annual review of monitoring activities, drafts joint positions and common acts for the Joint Committee, and fosters coordination to strengthen the digital operational resilience of the EU financial sector. Its work is supported by the Joint Oversight Network and Joint Examination Teams, which facilitate cross-sectoral coordination and information exchange among the ESAs.

2.1.2 Growth-at-risk

Monitoring how macro-financial conditions and different policies shape downside risks to economic growth is an important input for evaluating macroprudential policy stance. The growth-at-risk (GaR) framework forms part of the ESRB's analytical toolkit, providing quantitative metrics to help policymakers assess whether banking sector resilience is commensurate with prevailing risks. Developed by the ESRB's [report](#) of the Expert Group on Macroprudential Stance (2021) and the [report](#) of the Contact Group on Macroprudential Stance (2024), GaR links macro-financial conditions, systemic risks, financial stress, structural factors and macroprudential policies to the distribution of future GDP growth outcomes across EEA countries and the EEA as a whole, with a focus on the lower tail to estimate downside risks. While economic growth is not a direct objective of macroprudential policy, elevated systemic risks threatening financial stability increase the likelihood of deep recessions. GaR provides a forward-looking perspective for gauging adverse growth outcomes, assessing risks and contributions

¹⁹ Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (OJ L 333, 27.12.2022, p. 1).

²⁰ See the [list of designated critical ICT third-party service providers](#) published on 18 November 2025.

to GDP growth in evolving macro-financial environments, and informing financial stability policies.

Recent ESRB work builds on and refines the experience gained in applying the GaR framework to systemic risk assessment and macroprudential analysis, with a focus on data aspects and analytical applications. On the data side, the set of explanatory variables has been expanded to include measures such as bank capital, the debt service ratio and the economic sentiment indicator, drawing on the literature.²¹ In addition, the empirical specification has been extended to account for emerging and cross-cutting sources of risk by incorporating geopolitical risk indicators and their interaction with domestic vulnerabilities. Methodological work has focused on setting up sensitivity analyses across scenarios and methodologies to examine how shocks to risk factors may affect growth outcomes over time.

Over the past year the model has supported ESRB analytical work by providing quantitative insights into tail risks and their key drivers. The ESRB macroprudential commentary “*Navigating tail risks: assessing euro area economic growth and equity market vulnerabilities*” (2025) uses the GaR to quantify how prevailing macro-financial conditions influence downside risks to euro area growth and to explore stress scenarios in which financial turmoil or policy uncertainty increase sharply. The ECB/ESRB report “*Financial stability risks from geoeconomic fragmentation*” (2026) applies the GaR specification to an analysis of the transmission of geopolitical shocks to the distribution of economic growth over time (see Box 2) and obtains quantitative implications for systemic risks at EEA and country level.

Further developments of the framework will focus on consolidating its role as a core element of the regular ESRB risk monitoring and stance assessments. This could include refining existing metrics and developing complementary tools to strengthen the cross-country and cross-sector perspective of the ESRB’s macroprudential measurement and assessment, in line with the updated approach to delivering on its mandate (see Box 10). A related objective is to improve the analysis of the balance between systemic risks and financial resilience by exploring alternative scenarios and policy assumptions, and integrating the impact of other policies (monetary and fiscal in particular). These efforts also reflect the framework’s inherent limitations; being based on historical data and relationships, it should be used as an informative input into policy discussions within a broader risk analysis incorporating expert judgement, rather than a mechanical rule.

²¹ See, for example, Lang, J.H., Rusnák, M. and Greiwe, M., “*Medium-term growth-at-risk in the euro area*”, *Working Paper Series*, No 2808, ECB, Frankfurt am Main, April 2023.

2.1.3 Interlinkages between banks and non-bank financial institutions

Box 6

Linkages between banks and the non-bank financial intermediation sector

During the review period, the ESRB and the ECB analysed how connections between EU banks and NBFIs can transmit and amplify shocks. The findings were published in a joint ECB/ESRB report entitled “Financial stability risks from linkages between banks and the non-bank financial intermediation sector”. The analysis focuses on three main activities through which banks are linked to NBFIs: liquidity management, provision of leverage and market-making. These activities give rise to (i) funding of banks by NBFIs, (ii) banks’ provision of leverage and credit to NBFIs, and (iii) banks’ derivatives exposures to NBFIs. Interactions between EU banks and NBFIs are taking place at a global level, and are concentrated among EU G-SIBs.

The report finds that around 15% of euro area banks’ balance sheets are funded by NBFIs, mainly via deposits, repos and debt securities. A large share of this funding is short-term, often in euro and US dollars, and concentrated among a small number of NBFIs and large specialised banks. A negative and systemic price shock in asset markets could trigger redemption requests to NBFIs and margin calls on derivatives and repo trades. This in turn could potentially result in a broad-based decline in NBFIs funding to banks. Long-term holdings of bank debt by insurers and pension funds support banks’ stable funding and loss absorbing capacity, but can also generate cliff-edge risks if rating downgrades trigger forced sales.

Bank credit to NBFIs is somewhat smaller, at about 10% of total bank assets. About a quarter of banks’ credit exposure to NBFIs is to potentially leveraged entities. Hedge funds and securities firms borrow from banks via repo transactions and use the leverage for short-term trading. For example, reverse repo lending to hedge funds has more than doubled over the past four years. These funds are often domiciled outside the euro area and active in US dollar markets. The linkages may increase vulnerability to asset price shocks, potentially leading to unwinding of positions and fire sales. Such dynamics could amplify market movements and generate losses for both banks and NBFIs. Banks also extend term loans and credit lines to potentially leveraged NBFIs investing in illiquid, long-term assets, such as commercial real estate funds and non-bank lenders. These exposures could be vulnerable to shocks affecting the underlying assets, potentially leading to credit losses for banks.

To support risk identification, the report draws on newly integrated granular datasets. It shows that the authorities need to access to granular, firm-to-firm and transaction-level data and, crucially, link different datasets across sectors and

jurisdictions to understand bank-NBFI interconnections. The report builds on AnaCredit, securities holdings statistics, securities financing transaction and EMIR derivatives data. However, the analysis highlights the constraints arising from limited availability of data on the balance sheets and risk of NBFI entities, restricted geographic coverage of transaction-level data, and fragmented data access. Better information sharing through a centralised mechanism could remedy some of these constraints.

2.2 Strengthening the regulatory framework

Consistent with implementing an activity-based approach to its work, during the review period the ESRB worked on a range of topics, some of which cut across several sectors of the financial system. These are detailed in the following sections.

2.2.1 Securitisation

During the review period the ESRB contributed a financial stability perspective to the legislative review of the EU securitisation framework. The [report](#), which was published in May 2025,²² concluded that extending simple, transparent and standardised (STS) criteria to on-balance-sheet securitisations does not pose a significant risk to financial stability. In view of forthcoming amendments to the Securitisation Regulation,²³ the report stressed that any changes to the STS criteria should be carefully examined from a financial stability perspective to ensure that no sources of systemic risk are introduced. For example, it cautioned that allowing (re)insurers to act as eligible providers of unfunded credit protection under the STS framework could create a contagion channel from the (re)insurance sector to the banking sector via concentration and counterparty risk.

The ESRB wrote to the co-legislators pointing to areas where the proposed amendments to the Securitisation Regulation could result in risks to financial stability. In letters addressed to the [Council of the European Union](#) and the [Members of the European Parliament](#) in July 2025 it expressed concerns over the European Commission's proposal to allow the inclusion of unfunded guarantees provided by (re)insurance companies under the STS synthetic securitisation framework. The letters pointed to the risk that unfunded guarantees could heighten concentration risk and counterparty risk for banks, with the former also increasing the risk of procyclicality. For insurance corporations, the risk would stem from heightened concentration and credit risk, exacerbated by reduced capital

²² The contents of the report are summarised in Box 5 of the ESRB Annual Report 2024.

²³ Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).

requirements under the Solvency II reforms, weakening their ability to absorb financial shocks. In addition to highlighting these concerns, the letters also pointed to the need to ensure that the ESRB can continue to fulfil its mandate effectively. To this end, the letters requested that the co-legislators add a reference to the ESRB to be included in the article that establishes the framework for cooperation between competent authorities and the ESAs.

In October 2025 the Head of the ESRB Secretariat echoed these points during an exchange of views on the EU securitisation framework organised by the Committee on Economic and Monetary Affairs of the European Parliament.²⁴

He underscored the significance of a robust and well-functioning EU securitisation market in enhancing the EU's economic competitiveness and financial resilience. At the same time, he cautioned that securitisation, while opening space for lending, has limitations as to the capacity to foster equity investment. In particular, he noted that securitisation is not designed to (i) channel capital towards highly innovative start-ups, (ii) mobilise household savings for productive investment in the real economy or (iii) address the fragmentation of the EU's capital markets or contribute to the development and strengthening of its equity markets. Welcoming the positive aspects of the European Commission's proposal to enhance the securitisation framework, he reiterated the concerns regarding the inclusion of insurers providing unfunded guarantees.

2.2.2 Crypto-assets and decentralised finance

In October 2025 the ESRB published a report addressing key issues within the crypto-asset ecosystem, focusing on stablecoins, crypto-asset investment products and multi-function groups. The report highlights the rapid growth of the global stablecoin market, which has more than doubled since May 2023, driven partly by US policies encouraging the adoption of dollar-denominated stablecoins. This expansion underscores the increasing interconnection between stablecoins and traditional finance, particularly through reserve assets held at commercial banks.

Additionally, the report notes the rising accessibility of crypto-asset investment products to institutional and retail investors, signalling deeper integration into mainstream finance. Multi-function groups, which offer crypto-related services alongside other financial and non-financial activities, pose significant supervisory challenges due to their opaque structures and the potential for cross-border regulatory arbitrage, especially when operating outside the EU. To address these risks, the ESRB calls for enhanced supervisory cooperation and for reporting requirements to be set at group level.

Lastly, the report describes the financial stability vulnerabilities associated with stablecoins jointly issued by EU and third-country entities which are presented as interchangeable according to a “multi-issuer” model. The report

²⁴ See Mazzarferro, F., “Review of the EU securitisation framework”, speech at the Exchange of views of the Committee on Economic and Monetary Affairs of the European Parliament, Brussels, 13 October 2025.

highlights risks arising from redemption runs and jurisdictional restrictions to transfer of assets during stress periods. Crucially, MiCAR does not currently address these joint issuance cross-border models. To address such concerns, the ESRB has issued a Recommendation to public authorities, urging regulatory adjustments and supervisory action to tackle these risks effectively (see also Box 6).

Crypto-markets remain very fragile and volatile, as illustrated by the lasting impact of the events of October 2025. Operating 24/7 and frequently without any gatekeeper or circuit breakers, these markets react swiftly and intensely to negative developments. On 10 October 2025 a threat by the US government to impose tariffs on China triggered a crypto-market crash, leading to the liquidation of over USD 19 billion in leveraged positions within a single day, the largest event of its kind in crypto-market history. The combination of excessive leverage and exchanges' automatic-deleveraging mechanisms intensified the sell-off, creating a self-reinforcing liquidation cascade. During the turmoil, the synthetic stablecoin USDe briefly but significantly depegged, trading at USD 0.65 on a major exchange while holding near parity on other platforms. The crisis exposed significant vulnerabilities in the structure of crypto-asset markets; Bitcoin entered a sustained bear market, calling into question its alleged role as a store of value.

The fragmentation of global regulatory approaches to digital assets remains a significant challenge. Despite the cross-border nature of crypto-assets, the global regulatory landscape in 2025 remains fragmented, with considerable opportunities for regulatory arbitrage. The General Board noted at its meeting in June 2025 that the EU had fully implemented the Financial Stability Board (FSB) recommendations on global stablecoins through MiCAR. However, it also observed that, beyond the EU, not all jurisdictions had implemented the FSB recommendations in full.

Box 7

ESRB Recommendation on third-country multi-issuer stablecoin schemes

Third-country multi-issuer stablecoin schemes emerged in mid-2024 and currently include the second-largest stablecoin issuer in the world. These schemes consist of a Union-based stablecoin issuer collaborating with a non-Union issuer to jointly issue electronic money tokens (EMTs), a type of stablecoin defined in MiCAR. The EMTs issued by both entities share the same technical characteristics and are presented by the issuers as being interchangeable. However, each issuer operates under a different legal framework, and the reserves backing the EMTs are distributed across different jurisdictions.

Owing to the specific structure of this business model, third-country multi-issuer stablecoin schemes amplify financial stability risks and pose significant vulnerabilities for the EU. First, a redemption run could prompt holders to direct redemptions requests to the EU issuer first, given the protections afforded them in MiCAR, putting strain on its reserves, delaying redemptions and further amplifying

runs within the bloc. Second, there is a risk that restrictions could be imposed by third-country authorities on the transfer of reserves between jurisdictions. MiCAR does not explicitly mention these schemes and therefore cannot address the associated risks; in particular, MiCAR does not include any mechanism for assessing the equivalence of a third country's regulation, which is a pre-requisite for establishing supervisory cooperation between the EU and the authority in that country.

To mitigate these risks, given market dynamics and the limitations of the current legal framework, the General Board adopted a Recommendation on third-country multi-issuer stablecoin schemes (ESRB/2025/9) in September 2025. In this the ESRB sets out a two-pronged strategy;

- First, it recommends that the Commission should not consider such schemes as being permitted within the current MiCAR framework.
- Second, if the Commission does not provide this clarification, the ESRB urges relevant authorities (such as the Commission, the European supervisory authorities and national supervisory authorities) to mitigate the financial stability risks arising from such schemes through appropriate safeguards. These include enhanced supervisory measures, closer international cooperation and the introduction of necessary legal amendments. Most of the safeguards are to be implemented by the end of 2026, with the rest to follow by end-2027.

In line with the applicable legal framework, the ESRB is monitoring the implementation of this Recommendation. Its addressees are asked to communicate the actions undertaken in response to the Recommendation to the European Parliament, the Council, the Commission and the ESRB, or to justify inaction.

2.2.3 Central clearing

In June 2025 the ESRB responded to the ESMA consultation on the draft regulatory technical standards to further detail the new EMIR clearing thresholds regime.²⁵ The level of the clearing thresholds has several consequences. First, it determines which counterparties fall under the clearing obligation. Second, it determines which counterparties must use risk mitigation techniques, including exchange of margins, for their bilaterally cleared transactions. Third, it influences which entities are required to hold active accounts at EU CCPs for derivatives contracts related to clearing services identified by ESMA as being of substantial systemic importance for the financial stability of the EU or one or more Member States. In its response the ESRB supported ESMA's general approach to recalibrating the clearing thresholds and welcomed the structured, data-driven

²⁵ See "ESRB response to the ESMA consultation on the draft technical standards to further detail the new EMIR clearing thresholds regime", ESRB, June 2025.

approach underpinning the consultation. It also encouraged the use of a data update before finalisation. The ESRB further welcomed ESMA's intention to keep the threshold framework simple and proportionate, particularly with respect to commodity derivatives, and proposed that further indicators triggering a review of the clearing thresholds should be added.

In September 2025 the ESRB Secretariat responded to ESMA's consultation paper on draft regulatory technical standards on margin transparency requirements.²⁶ Consistent with its response to the BCBS, CPMI and IOSCO consultation on transparency and responsiveness of initial margin in centrally cleared markets,²⁷ the Secretariat's response to ESMA supported enhancing transparency of margin requirements across the entire clearing chain. It also emphasised that such transparency requires efforts by both CCPs and clearing members to improve margin call predictability and liquidity management. It cautioned, however, that while transparency and preparedness are essential for mitigating instability, these measures alone will not be sufficient to prevent destabilising feedback loops between margin requirements and market liquidity, particularly within concentrated markets.

Box 8

The ESRB's participation in the Joint Monitoring Mechanism

During the review period, the ESRB participated in the Joint Monitoring Mechanism (JMM) set up in April 2025. The third review of the European Market Infrastructure Regulation (EMIR)²⁸ introduced the JMM as a new body. It was established by ESMA to strengthen joint monitoring of developments related to EU CCPs, clearing members, and clients. The JMM is composed of representatives from ESMA, the EBA, EIOPA, the ESRB, the ECB, the SSM and the central banks of issue, as well as several observers including the European Commission. The Head of the ESRB Secretariat represents the ESRB, and one staff member is appointed as their alternate.

The JMM has several tasks and responsibilities; Article 23b EMIR defines most of them. One of the key ones is to monitor implementation of the requirements governing active accounts and the provision of clearing services. The review of EMIR 3 requires certain financial and non-financial counterparties to hold active accounts at EU CCPs for derivatives contracts related to the clearing services identified by ESMA as being of substantial systemic importance for the financial stability of the EU or one or more Member States. Another key task is to monitor the

²⁶ See "ESRB Secretariat's response to ESMA's consultation paper on EMIR 3 draft RTS on Margin Transparency requirements", ESRB, September 2025.

²⁷ See "ESRB response to the consultative report by the BCBS, CPMI and IOSCO on transparency and responsiveness of initial margin in centrally cleared markets – review and policy proposals", ESRB, April 2024.

²⁸ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27.7.2012, p. 1).

cross-border implications of client clearing relationships, including portability, and clearing members' and clients' interdependencies and interactions with other financial market infrastructures. The JMM must also contribute to the development of EU-wide stress tests of CCPs and is tasked with identifying concentration risks, in particular in client clearing, due to the integration of EU financial markets, including where several CCPs, clearing members or clients use the same service providers. In addition, the JMM will monitor the effectiveness of measures aimed at improving the attractiveness of EU CCPs, encouraging clearing at EU CCPs, and enhancing the monitoring of cross-border risks. The JMM has been designed to facilitate the exchange of relevant information, and it will coordinate input by its members to ESMA's reports or assessments in accordance with EMIR. Finally, the JMM must notify ESMA if it identifies a situation where financial stability risks are likely to materialise in the EU in the context of the active account requirement as a result of specific circumstances triggering an event with systemic implications in accordance with Article 7a(10) EMIR.

The ESRB actively contributed to the meetings of the JMM. It provided input to the assessment framework for the active account requirement the JMM needs to develop. The main objective of this requirement is to reduce exposures to substantially systemically important clearing services in third countries. The proposal of the ESRB for a qualitative framework was structured around three types of characteristics: too big to fail, lock-in power and rulebook power. Furthermore, the ESRB presented its macroprudential risk monitoring framework of the clearing ecosystem to the JMM (this is partly available in Section 8 of the [ESRB Risk Dashboard](#), which is publicly available). The ESRB outlined how the CCP risk indicators are calculated based on data published by CCPs under the CPMI-IOSCO public quantitative disclosures. The framework covers CCP resilience, procyclical liquidity stress and concentration risk, amongst other things.

2.2.4 Insurance

In January 2026 the ESRB provided advice to EIOPA on the Guidelines on supervisory powers to remedy liquidity vulnerabilities.²⁹ Article 144b of the Solvency II Directive³⁰ grants supervisory authorities powers to require an insurer to reinforce its liquidity position³¹ when material liquidity risks or deficiencies are identified. To ensure that supervisors apply these powers consistently, EIOPA was

²⁹ See "ESRB advice to EIOPA on the Guidelines on supervisory powers to remedy liquidity vulnerabilities", ESRB, 7 January 2026.

³⁰ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast) (OJ L 335, 17.12.2009, p. 1).

³¹ The ESRB had previously shared its perspectives on the importance of the supervisory measures provided for under Articles 144a to 144d of the Solvency II Directive, including measures for monitoring and addressing liquidity vulnerabilities. See "ESRB advice to EIOPA on the criteria for identification of exceptional sector-wide shocks", ESRB, 19 December 2024.

tasked with developing guidelines³² in consultation with the ESRB (Article 144b (8) Solvency II) that support harmonisation and consistent application of Article 144b. As part of this consultation, the ESRB provided advice for the draft Guidelines prepared by EIOPA. The ESRB's advice supports EIOPA's proposed Guidelines and preferred policy options. In particular the ESRB's advice welcomes the fact that the EIOPA Guidelines (i) elaborate on the form, calibration and activation of supervisory powers to reinforce the liquidity position; (ii) include a non-exhaustive list of plausible supervisory actions that an insurer could be required to implement; (iii) outline that the criteria to identify exceptional circumstances should consider both macro- and micro economic factors as well as market-specific conditions and entity-specific developments; (iv) promote strong cooperation and information exchange between supervisory authorities.

In March 2026 the ESRB published its advice to EIOPA on Guidelines on the range of scenarios to assess the credibility and feasibility of insurers' pre-emptive recovery plans (PRPs). A PRP is one of the tools included in the Insurance and Recovery Resolution Directive (IRRDR)³³ that can help reduce the likelihood of failure of an insurer. Article 5(7) IRRDR requires an insurer to check if its PRP is fit for purpose by assessing the credibility and feasibility of its PRP against a range of scenarios that could affect its asset and liability profile. Against this background, Article 5(11) IRRDR requires EIOPA to develop Guidelines, in cooperation with the ESRB on the range of scenarios for assessing a PRP. The ESRB advice to EIOPA values the fact that the draft guidelines (i) provide the minimum set of events for the categories of scenarios (idiosyncratic, system-wide, and a combination of both) that an insurer should consider; (ii) include slow and fast-moving events and highlight the importance of scenarios covering a reasonable period or time horizon. This is helpful to insurers and supervisors. The ESRB's advice also identified a suggestion that EIOPA enhance the guidelines by including reputational risk as an idiosyncratic event an insurer should consider. This will make the scenarios used to assess a PRP more comprehensive. Furthermore, the ESRB believes reputation should ideally be one of the dimensions (alongside solvency, liquidity, profitability and operational capability) that an insurer uses to assess the impact of each of its scenarios. The ESRB is, however, mindful that quantifying the impact of a scenario on the reputation of an insurer can be difficult to implement at this stage.

³² The EIOPA Guidelines under Article 144b(8) of the Solvency II Directive specify (a) the measures to address deficiencies in liquidity risk management and the form, activation and calibration of powers that supervisory authorities may exercise to reinforce the liquidity position of undertakings where liquidity risks are identified and not adequately remedied by those undertakings; (b) the existence of exceptional circumstances that justify the temporary suspension of redemption rights; and (c) the conditions for ensuring the consistent application of the temporary suspension of redemption rights as a last resort measure across the Union and the aspects to consider for equally and adequately protecting policy holders in all home and host jurisdictions.

³³ Directive (EU) 2025/1 of the European Parliament and of the Council of 27 November 2024 establishing a framework for the recovery and resolution of insurance and reinsurance undertakings and amending Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 and Regulations (EU) No 1094/2010, (EU) No 648/2012, (EU) No 806/2014 and (EU) 2017/1129 (OJ L, 8.1.2025).

2.2.5 Borrower-based measures addressing commercial real estate lending risks

One example of the ESRB's activity-based approach is the work on BBMs to address CRE risks, as explained in Box 9.

Box 9

Addressing commercial real estate lending risks with borrower-based measures

The CRE sector poses significant financial stability risks owing to its size, high leverage, pronounced cyclicity and deep interconnectedness with the financial system and the real economy. ESRB Recommendation [ESRB/2022/9](#) calls on the European Commission to assess and, if deemed necessary, develop a proposal for activity-based macroprudential tools applicable consistently across all financial institutions engaged in CRE lending. While BBMs have proven effective in curbing excessive credit growth and strengthening lender resilience in the RRE market, there is currently no EU-wide framework for them for CRE.

In an occasional paper, the ESRB analyses the possibility of setting BBMs for the CRE market and proposes three complementary instruments for consideration by the European Commission:

- First, a firm-level income-stretch measure intended to capture a borrower's capacity to service debt. The paper proposes floors on the interest coverage ratio (ICR) or debt service coverage ratio (DSCR), defined as EBITDA divided by annual interest costs or total debt service obligations respectively.
- Second, a firm-level financing-stretch measure to constrain over-leveraging and ensure borrowers maintain sufficient equity. The paper proposes limits to aggregate indebtedness, expressed as limits to debt-to-equity or debt-to-EBITDA.
- Third, a collateral-stretch measure could take the form of LTV limits.

The paper recommends calculating income- and indebtedness-based metrics at firm or consolidated group level, since this aligns with existing market practice and indirectly covers all debt sources by including a firm's total liabilities in the calculation.

The BBMs would apply directly to loans granted by, and bonds purchased by, EU-supervised financial institutions, with other debt sources covered indirectly through the firm-level calculation. National competent authorities would hold the primary responsibility for calibrating, activating and monitoring these measures within their jurisdictions. Some exposures, such as social housing, owner-occupied properties and subordinated inter-company loans, could be excluded. A “comply or explain” requirement would allow limited deviations, and a proportionality

threshold could be applied. Cross-border leakages could be partially mitigated through reciprocity decisions.

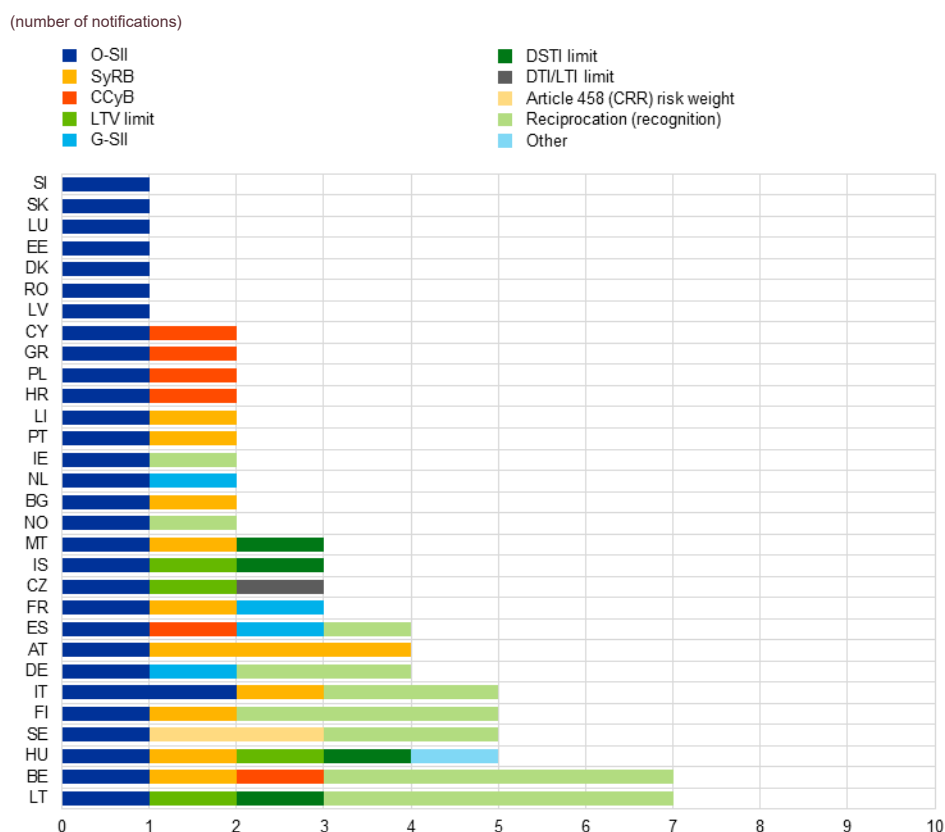
The paper acknowledges several limitations to the proposed approach. CRE lending is far more complex than residential lending, given the heterogeneity of asset types, financing structures, and the layering of ownership through SPVs. Significant data gaps persist regarding private credit and non-bank lending, as do data limitations regarding the definition of CRE-related bank loans in AnaCredit. Limits on LTV ratios can be procyclical, as inflated boom-period valuations may undermine their effectiveness in reducing loss given default during downturns. Also, the DSCR is sensitive to differences in amortisation schedules and the level of interest rates, therefore limits on it may amplify monetary policy tightening effects. These challenges mean that data issues would have to be addressed and careful calibration and monitoring of implementation will be essential.

3 Review of national measures

This section provides an overview of macroprudential policy measures taken by EEA countries and notified to the ESRB during the review period.³⁴ In line with its broad mandate and EEA-wide perspective, the ESRB acts as an information hub for macroprudential measures adopted by its member countries. The ESRB maintains the database of macroprudential measures adopted by EEA countries notified to the ESRB. During the review period, all EEA countries notified the ESRB of at least one macroprudential action. Actions notified to the ESRB are ordered by type of instrument.

Chart 7

Notifications received by the ESRB between April 2025 and March 2026, broken down by type of measure and country



Source: ESRB.

Notes: Only measures adopted or publicly announced during the review period have been included. Reciprocity (recognition) measures are decisions made by countries on the reciprocity of other countries' measures. CCyB stands for countercyclical capital buffer; SyRB stands for systemic risk buffer; O-SII denotes the buffer for other systemically important institutions; G-SII denotes the buffer for global systemically important institutions; LTV is the loan-to-value limit; DSTI stands for the debt service-to-income limit; DTI/LTI denotes the debt-to-income/loan-to-income limits; and CRR stands for Capital Requirements Regulation.

³⁴ This refers to measures that were notified and announced during the review period, i.e. between 1 April 2025 and 31 March 2026. O-SII notifications are submitted by countries once a year and there is therefore one entry per country per year. In the case of Italy, a second O-SII exercise was needed to take into account consolidation operations carried out in 2025 that were completed only after the first identification procedure had been initiated.

3.1 Overview of national measures

Over the review period, continued application of macroprudential policy measures resulted in effective increases rather than decreases in buffers in a number of EEA countries (Chart 8). This was mainly due to several countries increasing their countercyclical capital buffer (CCyB) rates. In some cases, these increases took place under a positive neutral approach under which authorities aim for a positive CCyB rate when risks are judged to be neither subdued nor elevated. For other measures, the picture is more balanced. Two countries introduced a new sectoral systemic risk buffer (SyRB), one reduced the rate of its existing sectoral SyRB and two deactivated their existing SyRB in response to decreasing systemic risks, and in one instance, this was because the authority considered it preferable to capture the remaining sectoral risk through the CCyB.

A number of BBMs were also taken, although with no clear overall direction as regards the impact on the macroprudential policy stance. Some countries loosened, others tightened existing BBMs either generally or for a specific group of borrowers, while others made simplifications or changes to existing BBM calculation methods.

Finally, one country extended two existing stricter risk weight measures on RRE and CRE exposures. These were implemented pursuant to Article 458 of the Capital Requirements Regulation (CRR).³⁵

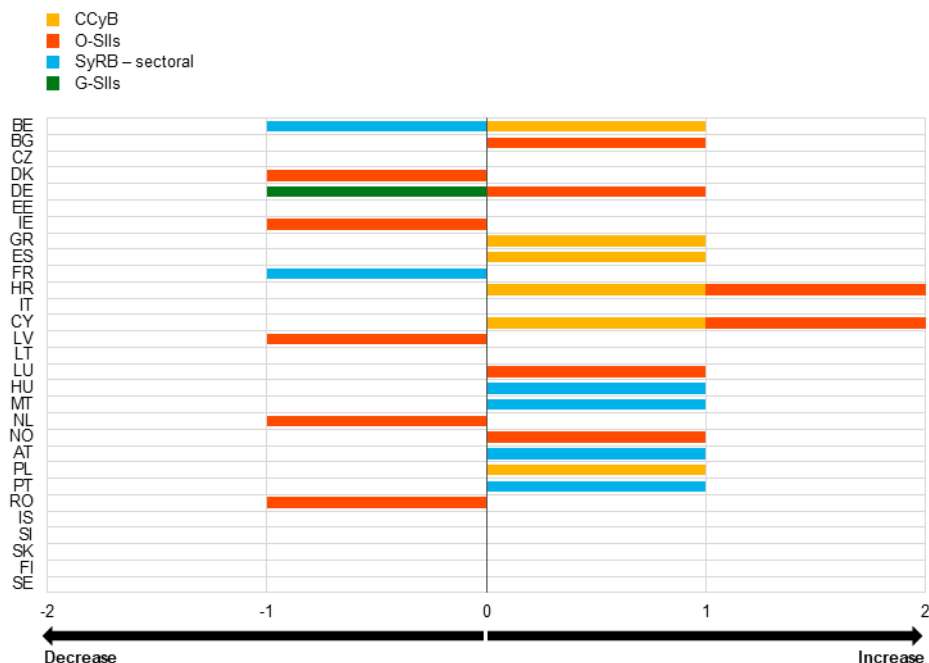
³⁵ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27/06/2013, p. 1).

Chart 8

Overview of changes to capital-based measures and tightening or loosening of borrower-based measures between April 2025 and March 2026

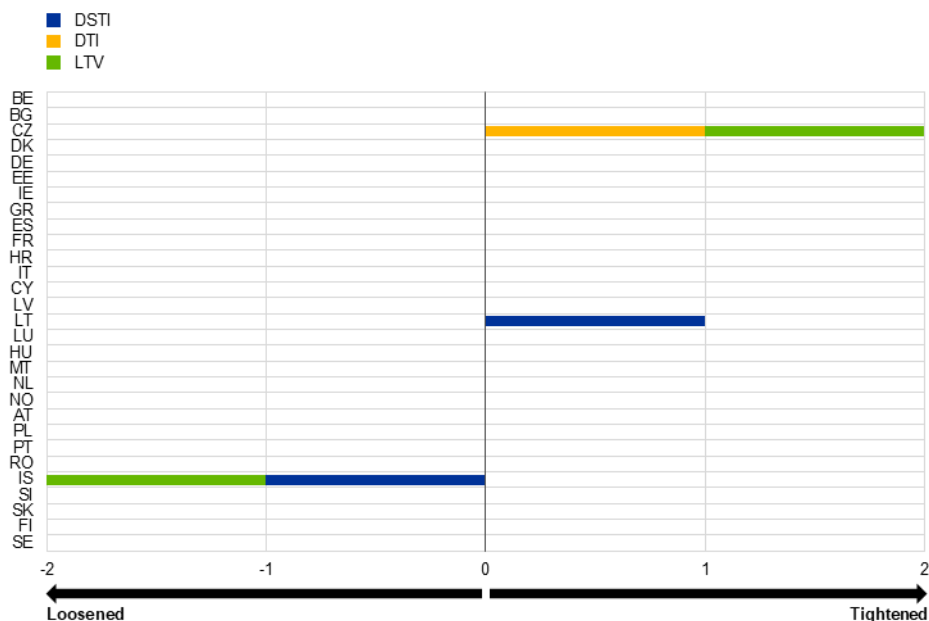
a) Capital-based measures

(number of measures)



b) Borrower-based measures

(number of measures)



Source: ESRB.

Note: CCyB stands for countercyclical capital buffer; SyRB stands for systemic risk buffer; O-SII denotes the buffer for other systemically important institutions; G-SII denotes the buffer for global systemically important institutions; DSTI stands for the debt service-to-income; DTI denotes the debt-to-income; and LTV is the loan-to-value. The technical amendments made to existing LTV and DSTI limits for Hungary, which were made with the aim of maintaining the effectiveness of the BBM framework, have not been considered as a "loosening" or "tightening" of measures for the purposes of this Chart but are described further in Section 3.6 below.

3.2 Countercyclical capital buffer

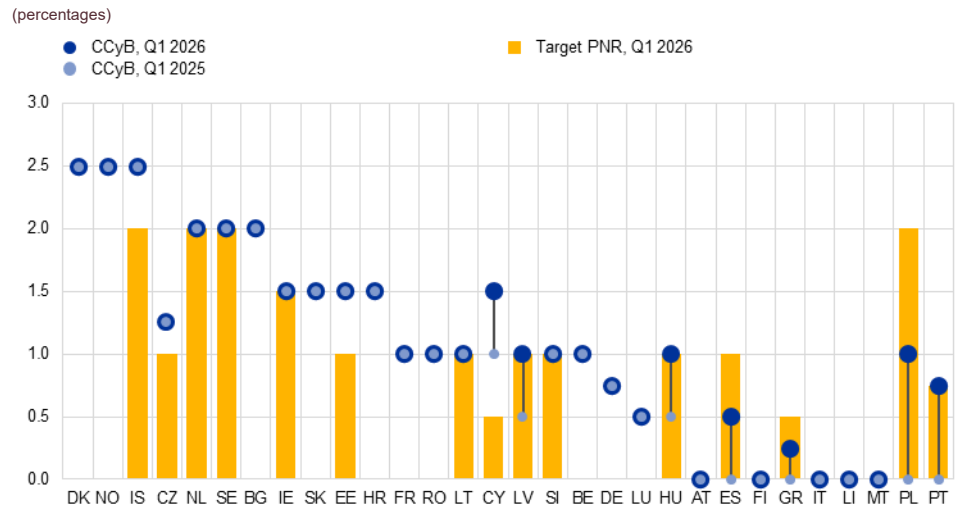
During the review period, six countries announced a change in their CCyB rates, in all cases tightening their stance, some within a positive neutral environment. Belgium, Croatia, Cyprus, Greece, Poland and Spain increased their CCyB rates to levels between 0.5% and 2%. By 31 March 2026 a positive CCyB rate had either been announced or was in effect in a total of 25 countries. As last year, overall, 17 countries had adopted a positive neutral rate approach as at 31 March 2026, including countries with a positive rate that had not yet come into effect but had been announced (Chart 9).

In some countries the CCyB increases related to addressing broad-based cyclical risks. Belgium decided to increase its CCyB rate to 1.25% from the third quarter of 2026, while simultaneously deactivating the sectoral SyRB applicable to domestic residential real estate exposures of banks using the IRB approach for the calculation of capital requirements. This reflects a persistent reduction in mortgage-related risks and a preference for a simpler, broad-based buffer framework that preserves banks' overall resilience to cyclical systemic risks (see Section 3.3 below on the deactivation of the SyRB applied to Belgian mortgage loan portfolios). Bulgaria also announced an increase to its CCyB rate to 2.25%, effective from the second quarter of 2027. This increase was in response to sustained strong credit growth dynamics and heightened uncertainty in the external environment. Croatia decided to increase its CCyB rate to 2% from January 2027 due to the already elevated cyclical vulnerabilities and expanding domestic financial cycle. Cyprus further increased its CCyB rate to 1.5% in response to rising cyclical systemic risks amid heightened macroeconomic and geopolitical uncertainty.

In other countries the increases were implemented to reach the announced target positive neutral CCyB rate. The aim of this approach is to ensure sufficient capital is available for release early in the cycle, to absorb losses and allow credit institutions to fulfil their key economic functions during downturns. In Greece, while cyclical systemic risks remain limited, the CCyB rate was further increased in a gradual build-up of two steps to 0.5%, to the level of the target positive neutral rate, applicable from October 2026. The Greek authority highlighted that the positive macroeconomic and banking environment in the country favours the creation of macroprudential space that will safeguard financial stability over the medium term. Poland also raised its CCyB rate to 1% effective from September 2025, and (in a subsequent step) to 2% to reach the target positive neutral rate, applicable from September 2026, to strengthen banks' loss-absorbing capacity throughout the financial cycle and improve preparedness for unforeseen shocks. Spain increased its CCyB rate from 0.5% to 1%, applicable from October 2026, reaching the target rate associated with a standard cyclical risk environment.

Chart 9

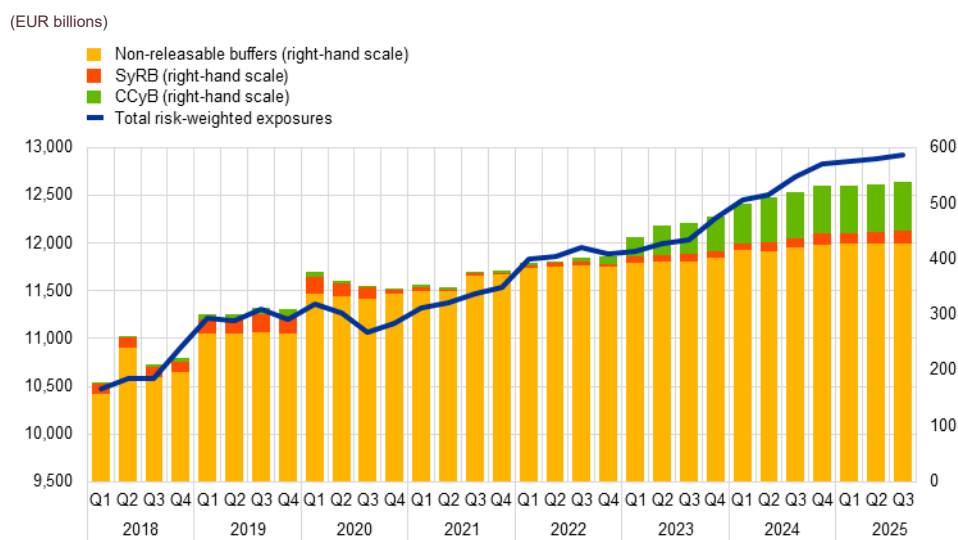
Implemented CCyB rates and target positive neutral rates in EEA countries as at 31 March 2026



Source: ESRB.

Notes: CCyB stands for countercyclical capital buffer and is the actual implemented rate. PNR stands for positive neutral rate. The chart shows the CCyB rates in effect at the end of the first quarter of 2025 and the first quarter of 2026, as well as the target PNRs. Cyprus has set a minimum target PNR of 0.5%. Denmark and Norway have not explicitly set a PNR but are included in the 17 countries adopting a positive neutral approach. Denmark has adopted an "early and gradual" approach to setting its CCyB, and Norway has stated that the rate should normally be in the upper part of the 0% to 2.5% range.

Across the euro area, non-releasable macroprudential buffers (the buffers for G-SIIs and O-SIIs, and the capital conservation buffer) still account for most of the total buffers (Chart 10). Non-releasable buffers ensure the resilience of banks to risks that are not expected to vary over time. While banks can dip into these buffers in times of stress, they are not expected to be lowered during stress periods and therefore cannot provide banks with capital relief to cushion shocks. When macroeconomic and macro-financial conditions so allow, proactively increasing releasable buffers in some countries during periods of normal activity could therefore be beneficial, as a way of ensuring the resilience of the banking sector during times of crisis.

Chart 10**Releasable and non-releasable macroprudential buffers for euro area banks**

Source: ECB statistical data warehouse.

Notes: The non-releasable buffers include the following elements of the macroprudential capital stack: the capital conservation buffer and the higher of two buffers, namely the buffer for other systemically important institutions or the buffer global systemically important institutions. From the third quarter of 2022 to the third quarter of 2025, there was a €82.4 billion increase in the capital amounts held as CCyBs (shown here by the increase in the solid green stacks). CCyB stands for countercyclical buffer. SyRB stands for systemic risk buffer.

EU capital rules for banks also allow authorities to set higher CCyB rates on exposures to third countries. Given the very large number of third countries to which this measure could apply, the ESRB, ECB and Member States share the responsibility for this task and focus on identifying and monitoring only those countries to which the banking system of the EEA as a whole, or of any individual EEA country, has material exposures. In order to implement a consistent EU-wide approach, the ESRB has provided details of its approach in Recommendation ESRB/2015/1³⁶ and Decision ESRB/2015/3.³⁷ In particular, the ESRB establishes a list of third countries that are material for the EEA banking system as a whole and monitors developments in those countries. Since 2020 the identification sample – banks whose exposures to third countries are taken into account – has been extended from the EU to encompass the whole of the EEA.³⁸

During the review period, the ESRB updated the list of material third countries for the EEA as a whole and left it unchanged from the previous year. That list comprises Brazil, China, Hong Kong, Mexico, Russia, Singapore, Switzerland, Türkiye, the United Kingdom and the United States. In line with Recommendation

³⁶ Recommendation of the European Systemic Risk Board of 11 December 2015 on recognising and setting countercyclical capital buffer rates for exposures to third countries (ESRB/2015/1) (OJ C 97, 12.3.2016, p. 1).

³⁷ Decision of the European Systemic Risk Board of 11 December 2015 on the assessment of materiality of third countries for the Union's banking system in relation to the recognition and setting of countercyclical buffer rates (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 23).

³⁸ The definition of a third country in Decision ESRB/2015/3 (i.e. any country outside of the EEA), combined with the fact that the macroprudential tools of the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR) have been applicable to Iceland, Liechtenstein and Norway since 1 January 2020, means that all EEA countries should now be included in the identification sample. See the Decision of the EEA Joint Committee No 79/2019 of 29 March 2019 amending Annex IX (Financial services) to the EEA Agreement [2019/2133] (OJ L 321, 12.12.2019, p. 170).

ESRB/2015/1, individual EEA countries identified third countries that were material from the perspective of their national banking systems and reviewed their lists in 2025 on the basis of their respective existing methodologies. The ESRB made no recommendations over the review period for higher CCyB rates for EEA bank third-country exposures, nor did any EEA country take any such action on its own initiative.

3.3 Systemic risk buffer

A new sectoral SyRB was introduced in Austria and Hungary on a subset of sectoral real estate exposures. A decision was made to activate a sectoral SyRB of 1% for all exposures in Austria to non-financial corporations operating in the construction and real estate sectors. This rate will not apply to exposures to limited-profit housing associations. The measure aims to enhance the risk-bearing capacity of this specific segment within the Austrian banking system. According to the Austrian authority, the CRE sector is more at risk of credit defaults and the banking sector's exposure to CRE remains significant compared with other sectors and EU economies. A high incidence of credit defaults could erode trust in the Austrian banking system, leading to higher refinancing costs for banks, which would ultimately impact the broader economy. Hungary also introduced a new sectoral SyRB of 1% for RRE and CRE exposures. According to the authority, notable sector-specific risks have emerged in both the RRE and CRE sectors in Hungary. In the RRE sector, a persistent and significant overvaluation of house prices has been observed since 2020, further amplified by rapid credit growth and state-subsidised lending schemes. In the CRE market, rising vacancy rates and consistently low levels of investment point to elevated risk aversion. The sectoral SyRB is expected to enhance the resilience of the banking sector by increasing the volume of releasable macroprudential capital buffers and providing the necessary risk absorption capacity against the entire stock of existing and future real estate RWA.

By contrast, Germany reduced the existing sectoral SyRB rate that applies to all institutions. The country lowered the currently applicable sectoral SyRB from 2% to 1%. According to the German authority, this was due to the observed stabilisation in the national RRE market. The buffer applies to all exposures secured by residential property. The reduced buffer rate entered into force in May 2025.

Belgium and France deactivated their existing sectoral SyRB rates. Belgium announced its intention to deactivate the sectoral SyRB from 6% to 0% from July 2026. According to the Belgian authority, this was due to the observed reduction in risks in the RRE sector since 2020, thanks to supervisory measures and positive developments in the mortgage loan market. Additionally, they assessed that maintaining two separate buffers (one for Belgian mortgage loans and one for other cyclical systemic risks) was not as beneficial as using a single, broader CCyB that includes the recalibrated mortgage loan buffer. Hence the buffer required to cover the risk is captured in the CCyB buffer (see Section 3.2 above). In France the decision to deactivate the SyRB was based on the reduction in underlying risks. The sectoral SyRB was introduced in 2023 to address bank exposures to highly

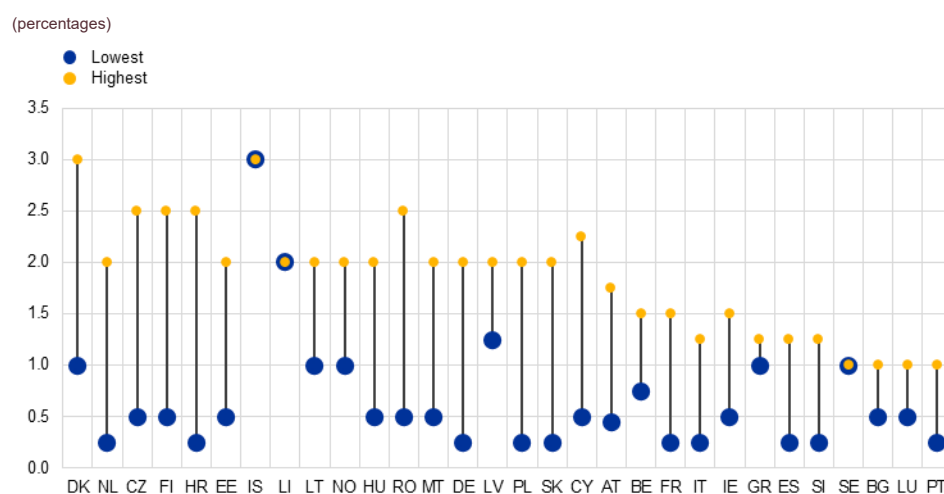
leveraged, large non-financial corporations in a context of rising interest rates and concerns about procyclicality. Since then, the leverage of these corporations has decreased, not least given the monetary tightening, while banks have reduced or limited their exposures to the riskiest firms, such that the additional capital required by the SyRB had become non-significant.

3.4 Buffers for systemically important institutions (O-SIIs and G-SIIs)

As at 1 January 2026, 177 O-SIIs had been identified in the EEA, eight fewer than in the previous year. The highest O-SII buffer rates applied to individual institutions in each EEA country ranged from 1% to 3% (Chart 11). The long-observed heterogeneity in buffer-setting for O-SIIs persisted (i.e. authorities in different countries applied different buffer rates to banks with comparable scores for systemic importance).

Chart 11

Highest and lowest O-SII buffer rates as at March 2026, broken down by country



Source: ESRB.

Note: O-SII stands for other systemically important institution.

Seven G-SIIs were identified across four EEA countries for 2025. Based on the globally systemic banks (G-SIB) list published in November 2025 by the FSB, four G-SIIs were identified in France, while Germany, the Netherlands and Spain each had one. This number is unchanged from the previous year. Five of these seven banking groups were assigned a G-SII buffer rate of 1%, while two were assigned a buffer rate of 1.5%. With the exception of one banking group, whose rate was decreased from the previous year, no other changes were made to the rates applied to G-SIIs identified previously.

3.5 Risk weight measures

During the review period one ESRB member country increased a risk weight measure on RRE exposures and two extended stricter risk weight measures that already existed, for RRE and CRE exposures respectively. These were implemented pursuant to Article 458 of the CRR. For these measures, the national authorities considered that the related systemic risk could not be addressed through other macroprudential tools.

Norway increased and extended the application of their stricter national measures implemented under Article 458 of the CRR. The stricter measure which was extended related to a 35% risk weight floor targeting asset bubbles in the CRE sector. The extension was implemented owing to persistent systemic risks from high debt and falling CRE prices and is set to run for a minimum of two years from 31 December 2024. Norway also increased the risk weight floor targeting asset bubbles in the RRE sector from 20% to 25% from 1 July 2025 until 31 December 2026. The reciprocation procedure for both these measures is outlined in Section 3.8 below.

Sweden extended the application of existing stricter national measures implemented to address risks in the RRE and CRE sectors, for two years. The measures under Article 458 of the CRR related to (i) a 25% risk weight floor for Swedish retail mortgage loans and (ii) a risk weight floor of 35% for certain corporate exposures secured by commercial properties and 25% for certain corporate exposures secured by residential properties. Both requirements are applicable to credit institutions that use the IRB approach for calculating regulatory capital requirements. Vulnerabilities in the Swedish RRE market remain high, despite the recent levelling off in the market and CRE systemic risks in Sweden remain elevated. As such, both measures aim to ensure that credit institutions hold sufficient own funds to tackle these risks, should they materialise. Following an assessment, the ESRB considers that the measures should further maintain the resilience of Swedish banks to shocks in their home real estate market. It therefore agreed that the measures should be extended. At the same time, the ESRB invited the Swedish authorities to closely monitor developments regarding vulnerabilities in the real estate market and to monitor potential interactions with other capital measures, including the output floor, to avoid unintended overlaps. It added that the Swedish authorities should reassess the need for the measure once the review of banks' internal models has been completed and the output floor becomes binding.

3.6 Borrower-based measures

A few countries adjusted their BBMs over the review period. National authorities in five EEA countries took a range of actions, including amending LTV and DSTI measures. Specifically, some countries tightened while others loosened the requirements (either generally or for a specific group of borrowers), while in another case changes were made in the calculation methods for existing BBMs.

As mentioned in the ESRB Annual Report 2024, Austria changed the legal status of its BBMs last year from binding to non-binding, effective from July 2025. While maintaining the same limits, it changed the loan maturity limit of 35 years, the LTV limit of 90% and 40% DSTI limit, all initially introduced in June 2022, from legally binding to non-binding.

Iceland and Lithuania loosened their existing LTV limit on mortgages for specific borrowers. Iceland increased its LTV limit from 85% to 90% for first-time buyers, while the LTV limit for other borrowers was maintained at 80%. At the same time, other BBMs were amended, as described below. Lithuania introduced a new 90% LTV limit for first-time home buyers, while tighter requirements were introduced for other borrowers, as described below.

The Czech Republic and Lithuania tightened requirements, the latter for second and subsequent mortgages by narrowing the current exemption. In the Czech Republic, in addition to the existing general LTV cap of 80% (or 90% for applicants under the age of 36 purchasing owner-occupied housing), a specific recommended cap on the LTV ratio was introduced for mortgage loans granted for the acquisition of residential property for investment purposes,³⁹ set at 70%. In Lithuania an LTV requirement of 70% has applied since 1 February 2022 to those acquiring second and subsequent housing loans, subject to certain exemptions. Under the amended measures, borrowers are exempt from this limit in the following cases: (i) if they are taking out a second or subsequent housing loan and have repaid more than 50% of the principal of each of their previous mortgage loans; in this case, the LTV ratio must be below 85%, or (ii) they have only one housing loan and wish to increase the amount without providing additional collateral, or by pledging their own real estate as collateral; in this case, an LTV limit of 85% applies.

With regard to BBMs related to borrowers' income and debt servicing ability, the Czech Republic, Hungary, Iceland and Lithuania made simplifications or amendments to calculation methods, thresholds and the flexibility of certain limits. In the Czech Republic a specific recommended DTI cap of 7 was introduced for mortgage loans granted for the acquisition of residential property for investment purposes. In Hungary the nominal income threshold above which higher indebtedness is allowed was increased from HUF 600,000 to HUF 800,000. The *de minimis* nominal limits of the regulation above which it should be applied was increased to HUF 550,000 from 1 January 2026. Hungary also repealed the age limit of 41 years for the 90% LTV limit for first-time home buyers, effective from September 2025. Additionally, starting in December 2025, first-time home buyers who qualify for the higher LTV limit will need to be identified by lenders only through property registry queries. Iceland amended the flexibility on existing DSTI limits. In particular, the exemption allowing lenders to issue loans in excess of the maximum DSTI ratio was increased from 5% to 10% of the total amount of consumer mortgages issued the previous quarter. Lithuania notified a simplification to be made to the DSTI framework under which DSTI thresholds will be amended. The amended

³⁹ Residential property for investment purposes is defined on the basis of the client's declaration, the inclusion of rental income in the assessment of the applicant's borrowing capacity, or the fact that the applicant is acquiring a third or subsequent residential property.

requirements will come into force on 1 August 2026 and will be applicable to new housing loans. The amendment replaces the current dual requirement limits that are in place by introducing a single DSTI requirement of 50%, calculated using an interest rate of no less than 6%. According to the Lithuanian authority, these DSTI adjustments aim to improve borrowers' resilience to substantial interest rate changes, provide greater protection against excessive indebtedness in a low interest environment, and ensure a more even impact as interest rates vary.

Malta gave notice of its intention to revise the current stressed DSTI at loan origination limit applicable to legal persons. A distinct stressed debt service limit is applied to legal persons engaged in RRE lending. A stressed debt service coverage ratio at origination (sDSCR-O) of 1.3 times, equivalent to a stressed debt-service-to-income at origination (sDSTI-O) limit of around 77%, is being applied specifically to legal persons engaged in RRE lending, to replace the existing limit of 40%. According to the Maltese authority, the revision does not stem from a reassessment of underlying risks but rather an acknowledgment of the distinct characteristics of this borrower segment, which merit differentiated regulatory treatment. The sDSTI-O limit for natural persons will remain unchanged at 40%.

3.7 Other measures

Hungary introduced several modifications to its Mortgage Funding Adequacy Ratio (MFAR) Regulation, which is designed to reduce banks' maturity mismatches. The MNB regularly reviews the MFAR requirement and under the latest amendment, from 1 November 2025 onwards the *de minimis* limit which exempts non-material banks from complying was increased from HUF 40 billion to HUF 100 billion. In addition, from 1 October 2026 the MNB decided to introduce bank cross-ownership limits, a requirement for new covered bonds to be traded on regulated markets, and an expansion of the range of funds acceptable to the MFAR.

3.8 Reciprocation

The aim of reciprocation is to ensure that the same macroprudential measure applies to all financial institutions within the EU exposed to the risk targeted by the measure in question, regardless of where the institutions are located. Macroprudential measures adopted in one Member State often apply only to the financial institutions domiciled in that Member State. Such measures do not generally apply, therefore, to the exposures of financial institutions authorised in other Member States. Reciprocation occurs when the relevant authority in the reciprocating Member State applies a macroprudential measure that is the same as, or equivalent to, a measure taken in the activating Member State. Hence, reciprocity is a policy instrument that ensures that these measures, or equivalent ones, also apply to institutions domiciled in another Member State for the relevant exposures located in the activating Member State, which would not otherwise be covered. The reciprocation of macroprudential measures enhances the effectiveness and

consistency of macroprudential policy in the EU and contributes to a level playing field in the Single Market. At the end of 2015 the ESRB put in place a **framework of voluntary reciprocity for macroprudential policy measures**.⁴⁰ The reciprocity framework lays the foundations for a coordinated approach to the reciprocation of those macroprudential measures for which EU legislation does not foresee mandatory recognition. The reciprocation process is initiated by means of a formal request submitted to the ESRB by the authority that activated the initial measure. If it is deemed justified, the ESRB will issue a recommendation to reciprocate the measure.

The ESRB decided to continue recommending reciprocation of the sectoral SyRB measures set by Germany. The measure concerns a recalibrated sectoral SyRB, changing the level from 2% to 1% from May 2025 for all exposures secured by residential property. According to the German authority, this was due to the observed stabilisation and declining risks in the German RRE market. The ESRB decided to continue recommending reciprocation of the measure and adjust the recommended sectoral SyRB rate in accordance with the German authority's request.

The ESRB also continued to recommend reciprocation of two risk weight measures under Article 458 of the CRR, for retail and corporate exposures respectively, that have been extended for a further two years in Sweden. The measures comprise stricter risk weights implemented to address risks in the RRE and CRE sectors as described in Section 3.5 above. The materiality thresholds for reciprocating the risk weight measures were maintained at a risk-weighted exposure amount of SEK 5 billion, both for retail and corporate exposures. The ESRB recommended reciprocation of the measures on a consolidated, sub-consolidated and individual basis.

During the review period the ESRB also recommended reciprocation of a stricter risk weight floor of 25% in Norway for RRE exposures. The measure would increase the existing (exposure-weighted) floor of 20% to 25% from 1 July 2025 until 31 December 2026, targeting asset bubbles in the RRE sector. The measure was initially implemented with effect from 31 December 2020 and extended once in 2022 and again in 2024. The materiality thresholds for reciprocating the measures were NOK 37.8 billion for the RRE risk weight floor and NOK 9.3 billion for the CRE risk weight floor. Reciprocity was now recommended on an individual, sub-consolidated and consolidated basis.

The ESRB also recommended reciprocation of a new sectoral SyRB measure introduced by Austria. In May 2025 the Austrian authority notified the ESRB of its intention to activate a sectoral SyRB of 1% for all relevant exposures to non-financial

⁴⁰ The reciprocity framework is outlined in the following documents: (i) Recommendation ESRB/2015/2 of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (OJ C 97, 12.3.2016, p. 9); (ii) Article 5 of the Decision of the European Systemic Risk Board of 16 December 2015 on a coordination framework for the notification of national macroprudential policy measures by relevant authorities, the issuing of opinions and recommendations by the ESRB, and repealing Decision ESRB/2014/2 (ESRB/2015/4) (OJ C 97, 12/03/2016, p. 28); and (iii) Chapter 11 ("Cross-border effects of macroprudential policy and reciprocity") of the ESRB Handbook on operationalising macroprudential policy in the banking sector.

corporations in the construction and real estate sector located in Austria from 1 July 2025. The measure was complemented by a materiality threshold to steer the potential application of the *de minimis* principle by the relevant authorities reciprocating the measure, which was set at an institution-specific level of EUR 100 million.

Finally, on 16 October 2025 the Nationale Bank van België/Banque Nationale de Belgique notified the ESRB of its intention to deactivate the sectoral SyRB from 1 July 2026. The ESRB has therefore decided to remove the Belgian measure from the list of macroprudential policy measures which it recommends should be reciprocated under Recommendation ESRB/2015/2. This decision does not affect the ESRB's other recommendations for reciprocation currently in place.

4 Institutional framework: implementation and accountability

This section provides an overview of the action taken to enhance the ESRB's accountability. First, it explores the outcomes of the assessments of compliance with ESRB recommendations carried out in the review period. Second, it gives an account of the ESRB's reporting to the European Parliament and describes some of the events that the ESRB organised over the period.

4.1 Assessment of compliance with ESRB recommendations

The main tools used by the ESRB for the purpose of fulfilling its mandate of preventing and mitigating risks to financial stability are warnings and recommendations. ESRB recommendations stipulate remedial actions to address risks and set deadlines for their implementation by the addressees. Although not legally binding, these recommendations are subject to a “comply or explain” regime in accordance with Article 17 of the ESRB Regulation. Therefore, addressees of recommendations – i.e. the EU as a whole, Member States, the ESAs, national authorities, designated authorities, resolution authorities, the ECB (in its capacity as banking supervisory authority), the Single Resolution Board and the European Commission – shall report to the ESRB, the European Parliament, the Council and the Commission either the actions that they have taken to comply with a recommendation or provide adequate justification in the case of inaction.

Assessing compliance with ESRB recommendations is key to the effective implementation of ESRB measures. In recent years, the ESRB has issued several recommendations designed to address various sources of cross-sectoral and sector-specific systemic risk. Given the diversity of the topics concerned, the ESRB assesses the level of compliance with each recommendation through dedicated Assessment Teams. These teams, composed of experts from ESRB member institutions, are established under the auspices of the Advisory Technical Committee and supported by ESRB Secretariat staff. The assessment procedure provides opportunities for dialogue with the addressees. The compliance reports are approved by the General Board and published on the ESRB's website under the **recommendations** concerned.

Over the review period there was a high level of compliance with ESRB recommendations, the implementation of which was examined by the Assessment Teams. Specifically, between April 2025 and March 2026, the teams completed three assessments of compliance referring to two ESRB

recommendations.⁴¹ Most of the addressees were assessed as being “fully compliant” or “largely compliant” across the recommendations. For one recommendation, a large number of addressees were assessed as “inaction sufficiently explained”.

The compliance report for sub-recommendation A(1) of Recommendation ESRB/2021/17 on a pan-European systemic cyber incident coordination framework for relevant authorities⁴² presents the outcome of the second⁴³ and final assessment of compliance concerning the implementation of this sub-Recommendation. This concerns a final report from the ESAs on preparation for a gradual development of an effective EU-level coordinated response in the event of a major cross-border cyber incident or related threat that could have a systemic impact on the EU financial sector (EU-SCICF). The report shows that the overall level of compliance among the addressees (ESAs) is “largely compliant”. While the measures identified in the ESAs’ report permitted the conclusion that compliance criteria were largely met, shortcomings were identified concerning i) the necessary resources, and ii) the need to ensure the EU-SCICF can be activated and operational from January 2025 onwards and further developed in a timely manner to ensure a robust framework that supports an effective EU-level response in the event of a cross-border major cyber incident or related threat that could have a systemic impact on the EU’s financial sector.

The compliance report for sub-recommendation A(2) of Recommendation ESRB/2021/17 on a pan-European systemic cyber incident coordination framework for relevant authorities observed that its addressees were “largely compliant” with this sub-recommendation. This recommends that the ESAs, in consultation with the ECB and the ESRB, undertake a mapping and subsequent analysis of current impediments, legal and other operational barriers for the effective development of the EU-SCICF. The compliance report appreciates the progress achieved thus far in developing the EU-SCICF, acknowledges the limitations of the ESAs’ final report in identifying all potential obstacles, and supports the proactive recommendations aimed at addressing hurdles to ensure the framework meets its intended purpose.

The compliance report for Recommendation ESRB/2019/18 on exchange and collection of information for macroprudential purposes on branches of credit institutions having their head office in another Member State or in a third country shows a high level of compliance across each of Recommendations A, B and C. This was the second assessment of compliance concerning this

⁴¹ Recommendation of the European Systemic Risk Board of 2 December 2021 on a pan-European systemic cyber incident coordination framework for relevant authorities (ESRB/2021/17) (OJ C 134, 25.3.2022, p. 1) – sub-recommendation A(1) and B; and Recommendation of the European Systemic Risk Board of 26 September 2019 on exchange and collection of information for macroprudential purposes on branches of credit institutions having their head office in another Member State or in a third country (ESRB/2019/18 (OJ C 412, 9.12.2019, p. 1).

⁴² Compliance report on sub-recommendation A(1) of Recommendation of the European Systemic Board of 2 December 2021.

⁴³ See also the initial report from June 2024 entitled “Summary Compliance report on sub-recommendation A(1), Recommendation B and Recommendation C of the Recommendation of the European Systemic Risk Board of 2 December 2021 on a pan-European systemic cyber incident coordination framework for relevant authorities (ESRB/2021/17)”.

Recommendation, following the initial assessment concluded in 2021. Both the European Commission and the EBA were assessed as “fully compliant” (FC) as the addressees of recommendations B and C, respectively.

Furthermore, assessments of compliance with the following ESRB

Recommendations are expected to take place in the course of 2026: i)

Recommendation ESRB/2014/1 on guidance for setting countercyclical buffer rates (third assessment round); ii) Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (fourth assessment round); iii) Recommendation ESRB/2022/9 on vulnerabilities in the commercial real estate sector in the European Economic Area (first assessment round), and iv) Recommendation ESRB/2016/14 on closing real estate data gaps (third assessment round).

4.2 Reporting to the European Parliament and other institutional aspects

In line with the ESRB’s accountability and reporting obligations, ESRB Chair Christine Lagarde attended a public hearing before the Committee on Economic and Monetary Affairs of the European Parliament (ECON) on 3 December 2025, and participated in two confidential meetings with the ECON Chair and Vice-Chairs to discuss risks to financial stability. Additionally, the Head and Deputy Head of the ESRB Secretariat addressed the European Parliament at three thematic public hearings during the review period.

At the hearing on 3 December 2025, the ESRB Chair welcomed the European Parliament’s report on safeguarding financial stability and highlighted that that it closely reflects the ESRB’s priorities. The Chair emphasised the need for a system-wide approach to macroprudential policy, including the development of a top-down stress test. She also called for closing regulatory gaps, particularly in non-bank financial intermediation and crypto-assets. Streamlining reporting frameworks should not undermine the availability of comprehensive, high-quality data needed to monitor systemic risks. The Chair asked for the Committee’s support in maintaining this critical balance. Finally, she reported on the latest risk assessment discussed by the **General Board on 20 November**.

Francesco Mazzaferro, Head of the Secretariat of the ESRB, addressed the ECON Committee on 13 October 2025 to discuss the review of the EU securitisation framework. He underscored the significance of a robust and well-functioning EU securitisation market in enhancing the EU’s economic competitiveness and financial resilience. At the same time, he cautioned that securitisation is equipped to potentially increase lending, but not equity investment. In particular, he noted that securitisation is not designed to (i) channel capital towards highly innovative start-ups, (ii) mobilise household savings for productive investment in the real economy, (iii) address fragmentation of the EU’s capital markets or contribute to the development and strengthening of its equity markets. Welcoming the positive aspects of the European Commission’s proposal to enhance

the securitisation framework, he reiterated the concerns regarding the inclusion of draft proposals enabling (re)insurers to provide unfunded guarantees as STS synthetic securitisations.

The Head of the ESRB Secretariat also addressed the ECON Committee on 3 December 2025, discussing the transformative impact of digital assets on the financial system. He highlighted an urgent ESRB recommendation to mitigate risks from third-country multi-issuer stablecoin schemes, and cautioned on potential liquidity issues and contagion risks from permitting such business models in the EU. He also explored the financial stability implications of tokenisation, noting its potential to improve efficiency but also to concentrate risks and exacerbate conflicts of interest.

The Deputy Head of the ESRB Secretariat, Tuomas Peltonen, spoke at a public hearing at the European Parliament's Special Committee on the Housing Crisis in the European Union (HOUS) on 3 July 2025, emphasising housing's critical role in financial stability due to its links to household wealth, bank lending and economic activity. He recalled that the ESRB had issued 18 country-specific **Warnings** and eight **Recommendations** dedicated to residential real estate risks. He also stressed the need for vigilance as cyclical risks in residential real estate markets are building up, alongside structural risks like high household indebtedness, which remain persistent across many Member States. He advocated for integrating borrower-based measures into EU law to ensure consistency while preserving national flexibility.

The Head and the Deputy Head of the ESRB Secretariat regularly update the Economic and Financial Committee on the ESRB risk assessment. The Economic and Financial Committee is an EU committee set up to promote policy coordination among Member States. In addition, the Head and the Deputy Head of the ESRB Secretariat regularly represent the ESRB in meetings of the Boards of Supervisors of the ESAs.

Finally, the General Board agreed a strategic approach to implement the High-Level Group on the ESRB Review Recommendations, as set out in the Box below.

Box 10

Strategic priorities for the ESRB: the General Board's June 2025 response to High-Level Group recommendations

The High-Level Group recommendations

In 2024 the High-Level Group (HLG) on the ESRB Review set out a strategic direction for reinforcing the ESRB's role in safeguarding EU financial stability. The recommendations were published in a report entitled **Building on a decade of**

success.⁴⁴ The HLG emphasised the ESRB's comparative advantage in providing a holistic, EU-wide and cross-sectoral view of systemic risk. It made eight recommendations to strengthen this aspect of the ESRB's work. Central to these recommendations were: (i) the development of a framework for holistic systemic risk assessment across sectors and countries; (ii) the further embedding of a system-wide approach to macroprudential policy, including beyond the banking sector; (iii) the development of a robust analytical basis for assessing the macroprudential policy stance; and (iv) more effective communication on financial stability. Other recommendations focused on enabling conditions, notably data and knowledge sharing, governance and the alignment of resources with strategic priorities.

Strategic approach endorsed by the General Board

In June 2025 the General Board agreed on the way to implement the HLG recommendations. It endorsed a prioritised approach, focusing on HLG recommendations 1, which aims to strengthen holistic systemic risk assessment, and 2, which seeks to further embed a system-wide approach to macroprudential policy. At the same time, the General Board recognised that progress on communication, data and knowledge sharing, and organisational efficiency will support delivery of these recommendations.

The agreed approach is therefore structured around two closely linked priorities:

1. **Strengthening holistic systemic risk assessment.** The General Board agreed to prioritise the development of an integrated analytical framework for assessing systemic risks across sectors and countries, underpinned by two key analytical tools. First, a system-wide stress test, providing a top-down assessment of vulnerabilities and amplification mechanisms across the EU financial system, and complementing existing sectoral stress-testing exercises. Second, the macroprudential stance assessment, developed as an analytical tool building on established ESRB work, supporting ESRB risk and policy discussions, including at country level.
2. **Further embedding a system-wide approach to macroprudential policy.** The General Board agreed to expand the application of a system-wide approach to macroprudential policy, building on the ESRB's cross-sectoral and EU-wide perspective. This conceptual approach combines a focus on entities with a focus on activities that are key for financial stability (asset management, clearing and lending).

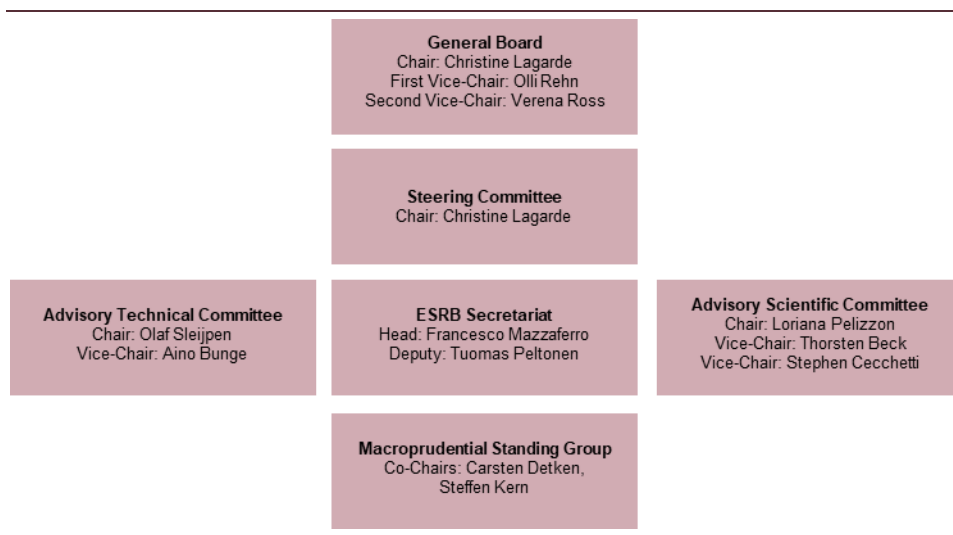
At the end of the review period the ESRB began implementing these decisions, establishing workstreams to deliver on these priorities.

⁴⁴ The High-Level Group on the ESRB Review was composed of the First Vice-Chair of the ESRB, Governor Olli Rehn (Chair), the Vice-Chair of the Advisory Scientific Committee, Professor Stephen Cecchetti, the Vice-President of the ECB, Luis de Guindos, and the Chair of the Advisory Technical Committee, Pablo Hernández de Cos.

4.3 Organisational structure of the ESRB

The ESRB organisational structure was reorganised in line with the General Board's strategic priorities. The revised organisational structure is depicted in Figure 2 below.

Figure 2
ESRB Organisational Chart



4.4 ESRB public events

Each year the Advisory Scientific Committee awards the Ieke van den Burg Prize in recognition of outstanding research by young scholars on topics related to the ESRB's mandate. The prize was established in 2014 in memory of Ieke van den Burg, who was a member of the Advisory Scientific Committee (2011-14) and a member of the European Parliament (1999-2009). In 2025 the prize was awarded to the co-authors Arved Fenner (University of Münster), Philipp Klein (University of Münster) and Carina Schlam (Deutsche Bundesbank and University of Münster) for the paper entitled "Better Be Careful: The Replenishment of ABS backed by SME Loans". The paper was presented during the ESRB ninth annual conference, on 3 September.

The ninth ESRB Annual Conference took place on 3 September 2025 as a hybrid event and was dedicated to Broadening horizons: ESRB's next decade of impact. The conference was opened by the ESRB Chair, Christine Lagarde and Maria Luís Albuquerque (Commissioner for Financial Services and the Savings and Investment Union) addressed the conference participants via a pre-recorded video. It included two panels. The first was chaired by Olli Rehn (ESRB First Vice-Chair, Governor of Suomen Pankki – Finlands Bank) and focused on The EU financial system amidst new threats. The second concerned System-wide stress testing and was chaired by Aino Bunge (Vice-Chair of the ESRB Advisory Technical Committee,

Deputy Governor of Sveriges Riksbank). Two keynote speeches were also given. The first, by Adam Posen (President, Peterson Institute for International Economics) was entitled “[The EU in a changing geopolitical landscape](#)”. The second, “[The future of AI - and considerations for systemic risks](#)”, was delivered by Yoshua Bengio (Professor, Université de Montréal). Finally, Francesco Mazzaferro, in his capacity as Head of the ESRB Secretariat, concluded the conference with [closing remarks](#). The [recording of the conference](#) is available on the ESRB’s website.

On 9 and 10 October 2025 the ESRB held its annual meeting with the Committee of European Auditing Oversight Bodies and statutory auditors of EU-based global systemically important financial institutions (G-SIFIs). This meeting is mandatory under EU law in order to inform the ESRB of sectoral developments or any significant developments relating to G-SIFIs. The meeting took place in a hybrid format. After the parties had summarised their activity throughout the year, the discussion focused first on the role of banks in funding recent EU initiatives such as the saving and investment union and increased military spending. The next topics of discussion revolved around the impact of artificial intelligence on finance, which was then followed by a discussion on cyber risks in the EU banking system. The last item of discussion touched upon on the insurance protection gap for natural catastrophes. Finally, in terms of other risks, participants mentioned geopolitical risks amidst an unpredictable environment, finance transformation and existing business models, sustainability reporting and regulation, and the regulatory landscape.

Annex: Publications on the ESRB's website from 1 April 2025 to 31 March 2026

Working papers

Digitalisation, social media and bank deposit dynamics: evidence from the recent euro area monetary tightening
17/11/2025

Price dislocations: insights from trade repository data
03/11/2025

Riding the rate wave: interest rate and run risks in euro area banks during the 2022-2023 monetary cycle
16/05/2025

Occasional papers

Addressing commercial real estate lending risks with borrower-based measures
11/02/2026

Containing risks posed by leverage in alternative investment funds
10/12/2025

Three extensions of the map of the euro area financial system
15/08/2025

ESRB reports

Financial stability risks from linkages between banks and the non-bank financial intermediation sector
12/02/2026

Financial stability risks from geoeconomic fragmentation
22/01/2025

Credit default swaps – analysis and policies
04/11/2025

Crypto-assets and decentralised finance
20/10/2025

EU Non-bank Financial Intermediation Risk Monitor 2025

01/09/2025

Unveiling the impact of STS on-balance-sheet securitisation on EU financial stability

05/05/2025

Risk dashboards

ESRB risk dashboard, March 2026 (Issue 55)

Annex I

Annex II

31/03/2026

ESRB risk dashboard, November 2025 (Issue 54)

Annex I

Annex II

27/11/2025

ESRB risk dashboard, September 2025 (Issue 53)

Annex I

Annex II

02/10/2025

ESRB risk dashboard, June 2025 (Issue 52)

Annex I

Annex II

03/07/2025

ESRB risk dashboard, March 2025 (Issue 51)

Annex I

Annex II

03/04/2025

Stress testing

Adverse scenario for the 2025 European Securities and Markets Authority's money market fund stress-testing guidelines

14/01/2026

Adverse scenarios for the 2025 European Insurance and Occupational Pensions Authority's EU-wide pension fund stress test exercise

07/04/2025

Opinions

Opinion of the European Systemic Risk Board of 22 September 2025 regarding the existing systemic risk buffer pursuant to Article 133 and the Norwegian notification of the setting of an O-SII buffer pursuant to Article 131 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions (ESRB/2025/8)

Report

22/09/2025

Opinion of the European Systemic Risk Board of 27 May 2025 regarding the Swedish notification of the extension of the period of application of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions (ESRB/2025/3) - Residential Real Estate

Report

30/06/2025

Opinion of the European Systemic Risk Board of 27 May 2025 regarding the Swedish notification of the extension of the period of application of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions (ESRB/2025/2) - Commercial Real Estate

Report

30/06/2025

Opinion of the European Systemic Risk Board of 7 May 2025 regarding the Norwegian notification of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions (ESRB/2025/1)

Report

17/06/2025

Advisory Scientific Committee reports

Artificial intelligence and systemic risk

04/12/2025

Compliance reports

Recommendation of the European Systemic Risk Board of 26 September 2019 on exchange and collection of information for macroprudential purposes on branches of credit institutions having their head office in another Member State or in a third country (ESRB/2019/18) – Summary Compliance Report

23/01/2026

Compliance report on sub-recommendation A(1) of Recommendation of the European Systemic Risk Board of 2 December 2021 on a pan European systemic cyber incident coordination framework for relevant authorities (ESRB/2021/17) - Compliance Report
12/08/2025

Recommendations

Recommendation of the European Systemic Risk Board of 5 December 2025 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2025/11)
05/12/2025

Recommendation of the European Systemic Risk Board of 4 November 2025 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2025/10)
04/11/2025

Recommendation of the European Systemic Risk Board of 25 September 2025 on third-country multi-issuer stablecoin schemes (ESRB/2025/9)
25/09/2025

Recommendation of the European Systemic Risk Board of 9 July 2025 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2025/5)
09/07/2025

Recommendation of the European Systemic Risk Board of 9 July 2025 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2025/6)
09/07/2025

Recommendation of the European Systemic Risk Board of 27 June 2025 amending Recommendation ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2025/4)
27/06/2025

Responses and letters

ESRB advice to EIOPA on the Guidelines on the range of scenarios to assess the credibility and feasibility of insurers' pre-emptive recovery plans
31/03/2026

ESRB advice to EIOPA on the Guidelines on supervisory powers to remedy liquidity vulnerabilities (Article 144b(8) Solvency II)
08/01/2026

Proposal for simplification of ESRB tasks through legislative amendments
11/12/2025

ESRB response to ESMA's Call for evidence on a comprehensive approach for the simplification of financial transaction reporting
15/09/2025

ESRB Secretariat's response to ESMA's consultation paper on EMIR 3 draft RTS on Margin Transparency requirements
08/09/2025

Letter to European Parliament on European Commission's legislative package on securitisation
25/07/2025

Letter to Council Working Party on European Commission's legislative package on securitisation
25/07/2025

ESRB response to the ESMA consultation on the draft technical standards to further detail the new EMIR clearing thresholds regime
06/06/2025

ESRB Secretariat's response to the European Commission's targeted consultation on review of the functioning of commodity derivatives markets and certain aspects relating to spot energy markets
22/04/2025

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For specific terminology please refer to the [ESRB glossary](#) (available in English only).

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