Press release

28 March 2024

The General Board of the European Systemic Risk Board held its 53rd regular meeting on 21 March 2024

At its meeting on 21 March 2024, the General Board of the European Systemic Risk Board (ESRB) acknowledged the resilience of the banking system but concluded that financial stability risks in the EU remain elevated amid high geopolitical uncertainty. The General Board members agreed that the lower inflation over the past year has reduced risks to the non-financial private sector. At the same time, macro risks have remained elevated on the back of heightened geopolitical tensions, which could further disrupt global trade and slow down economic activity. Further escalation of geopolitical tensions could also lead to higher commodity prices, with possible adverse implications for households and firms in the EU. The General Board also considered whether the EU could draw lessons from last year's bank runs in the United States and Switzerland. In this context, the General Board acknowledged that the robust profitability and low level of non-performing loans observed in 2023 have increased the EU banking sector's resilience to future shocks. The subdued economic growth outlook might, however, gradually weigh on banks' profitability and asset quality. Regarding financial markets, the General Board took note of investors' strong risk appetite and high asset valuations in some market segments and concluded that the risk of disorderly adjustments in financial markets remains severe. Possible market corrections could be amplified by high credit and liquidity risks in the non-bank financial intermediation sector.

Regarding the macroprudential policy stance, the General Board noted that countries are taking measures to enhance banking sector resilience. In this respect, the Board welcomed the fact that 27 European Economic Area countries have built up – or are building up – releasable capital buffers in the form of countercyclical capital buffers and/or systemic risk buffers. However, there may still be scope to increase the share of releasable capital buffers without necessarily raising current capital levels. Having a sufficient releasable capital buffer is key to permit enabling macroprudential policymakers to react when risk materialises.

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Furthermore, the General Board exchanged views on a number of macroprudential issues.

- **Risks to financial stability posed by changes in inflation and interest rates, including the role of macroprudential policy and its interactions with monetary policy in addressing these risks.** By fostering resilience, limiting the build-up of vulnerabilities and accumulating releasable buffers in good times, sound macroprudential policymaking can support monetary policy in achieving its goal of price stability while limiting the potential for negative externalities.
- **Risks and vulnerabilities related to non-bank financial intermediation, including those stemming from leverage and interconnectedness in the financial system.** The use of leverage and interconnectedness can amplify cyclical risks such as those related to tighter financing conditions. The ESRB will publish its findings in the ninth edition of the EU Non-bank Financial Intermediation Risk Monitor. Besides the regular assessment of risks and vulnerabilities, the Monitor will also include three special features on (i) ownership structures of EU asset managers, (ii) vulnerabilities in private finance, and (iii) global interlinkages of EU money market funds.
- **Cyber threats and operational policy tools for cyber resilience**. The ESRB encourages financial institutions and authorities to improve their information management and information-sharing efforts. It also advocates national and EU-level crisis management and coordination practices, such as the timely implementation of a pan-European systemic cyber incident coordination framework (EU-SCICF). The ESRB further notes that system-wide contingency options and back-up arrangements need further consideration and a careful evaluation of their benefits and potential implications. The ESRB's views will be set out in a forthcoming report. The ESRB continues to work on cyber resilience and acts as a central hub for authorities that advance their analytical toolkits in this area.

As regards appointments:

- the electoral body composed of national General Board members with voting rights elected Governor Madis Müller (Eesti Pank) as member of the Steering Committee for another term;
- the General Board re-appointed Professor Bo Becker (Stockholm School of Economics) and appointed Professor Hans Degryse (KU Leuven) as members of the Advisory Scientific Committee.

The ESRB today released the 47th issue of its risk dashboard. The risk dashboard is a set of quantitative and qualitative indicators measuring systemic risk in the EU financial system.

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