



Press release

24 July 2024

ECB consults on governance and risk culture

- ECB invites comments from banks and other stakeholders on draft Guide on governance and risk culture
- Guide replaces 2016 supervisory statement, clarifies supervisory expectations and shares good practices for banks' internal governance
- ECB expects banks to continue strengthening their governance standards
- Consultation ends 16 October 2024

The European Central Bank (ECB) today launched a public consultation on its new draft [Guide on governance and risk culture](#).

The Guide reflects the ECB's focus on diverse and effective management bodies, which is a [supervisory priority](#) of the Single Supervisory Mechanism (SSM) and sets out supervisory expectations regarding the governance and risk culture of supervised banks.

The Guide, which replaces the 2016 [SSM supervisory statement on governance and risk appetite](#), provides banks with a roadmap to a more effective internal governance and risk culture.

In particular, the Guide clarifies supervisors' expectations regarding how management bodies and committees should be composed and function, spells out the roles and responsibilities of the internal control functions, emphasises the importance of risk culture and outlines expectations regarding the risk appetite frameworks of banks.

The Guide reflects recent updates to standards set by, among others, the European Banking Authority (EBA) and provides examples of good practices collected by the ECB over a number of years. It aims to serve as a practical reference point for banks.

Both the global financial crisis and idiosyncratic bank failures have shown that deficiencies in internal governance and risk culture can lead to difficulties for banks. Poor decision-making processes can

European Central Bank

Directorate General Communications
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.bankingsupervision.europa.eu

Reproduction is permitted provided that the source is acknowledged.

result in imbalances between risk-taking and risk control, which can ultimately pose risks to capital and undermine banks' operational resilience.

Despite the progress already made, banks need to continue to work on implementing governance standards, while the ECB will continue to intensify its scrutiny of banks and take timely action to ensure that they implement concrete improvements. Where relevant, the ECB will use all available supervisory tools to address supervisory findings that have not yet been remediated.

The public consultation on the Guide on governance and risk culture starts today and ends on 16 October 2024. The ECB will subsequently publish the comments received, together with a feedback statement and the final Guide.

As part of the consultation process, the ECB will organise a stakeholder meeting on 26 September 2024, bringing together relevant experts from supervised institutions and other interested parties. Further information about the meeting and registration can be found on the ECB's Banking Supervision website.

For media queries, please contact [Ettore Fanciulli](#), tel.: +49 69 1344 95012.

Notes

- Governance has been a priority for European banking supervision since its inception, with a more recent focus on management body effectiveness and diversity (2022-2024). The importance of governance was reiterated by former Chair of the ECB's Supervisory Board Andrea Enria in a [keynote speech](#) at the 22nd Annual International Conference on Policy Challenges for the Financial Sector.
- Between 2022 and 2023 the ECB carried out a targeted analysis of management body effectiveness and diversity, as described in a [blog post](#) by Supervisory Board Vice-Chair Frank Elderson.
- Other examples of the ECB's focus on governance relate to [internal audit functions](#), [risk data aggregation](#), [risk culture](#) and the [governance of smaller banks](#).
- The Guide is further referenced in a recent [blog post](#) by Frank Elderson.

European Central Bank

Directorate General Communications

Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.bankingsupervision.europa.eu

Reproduction is permitted provided that the source is acknowledged.