



KPMG's European Central Bank Quarterly Update

February 2016



We got a route map for 2016 with the publication of the ECB's priorities during the first week of the New Year. It is clear that the ECB is taking a transparent line on substantive issues with institutions, with in-depth analysis of business models, non-performing loans, and the quality of data as well as preparedness for cyber security. While not explicitly listed in its priorities, KPMG believes that the ECB's AnaCredit Initiative has the potential to bring about significant change for banks in the gathering of supervisory information.

Among the many questions KPMG member firms hear from the boards of banks and clients is 'Where do we stand against our peers?' The ECB Office is making this a core objective, which is one reason why we publish this newsletter, however next month we are going a step further with a new benchmarking tool that is designed to offer statistics and benchmarks, allowing for various analysis.

The second leg of the banking union is now live with the Single Resolution Board (SRB) up and running in Brussels. Once The European Deposit Insurance Scheme is in place, it will be interesting to see how the trinity of the Banking Union comes together to go above supervision and to deliver on the greater economic agenda of supporting jobs and growth across Europe.

This quarterly newsletter seeks to cover the key issues that the ECB are talking about, and the questions and topics that KPMG member firms are discussing among banks and others in the industry

The ECB's supervisory priorities for 2016

One of the most significant announcements each year from the ECB is the formal confirmation of the supervisory priorities. Understanding these priorities, that were approved by the Supervisory Board, is essential to know where the ECB will direct their efforts in 2016.

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Business model analysis – an ECB top priority

The Single Supervisory Mechanism (SSM) has announced its top priorities for 2016: reviewing and challenging the Business Models of European banks. It will do this through a combination of peer-groupings, quantitative benchmarking and on-site missions. Many directly supervised banks will not have experienced such an examination before.

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Non Performing Exposures

The ECB considers that levels of Non Performing Exposures (NPE) on Banks under its supervision are too high, therefore they set this topic as a priority for 2016. In seeking a sustainable and viable business model, the ECB is clear that this issue must be dealt with head on and prevarication only serves to delay the reestablishment of profitable business models.

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AnaCredit – a 'slow burner' for now

One of the recurring concerns of the SSM that is confirmed once more in this year's supervisory priorities is the issue of data quality. The ECB has imposed considerable additional reporting requests on banks, and have confirmed that they require assurance on the accuracy of these reports. One of the more innovative reactions to these concerns is the Analytical Credit Dataset (AnaCredit) project.

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Options and national discretions: for the rule books

The long-debated issue of options and national discretions was finally settled in December 2015. After a full year in review and development, 122 of 150 options and national discretions have been sorted into regulations and guidelines under the ECB's mandate.

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Strategic implications of ECB supervision: a blessing in disguise?


The new supervisory burden on banks combined with competitive pressures on business models have brought about new challenges for banks. How should banks use these stresses as a means to get ahead?

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Single Resolution Board – what we know so far

The second pillar of Banking Union, Single Resolution, became an operational reality on 1 January 2016, when the Single Resolution Board (SRB) took on full powers to resolve failing banks.

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How does my bank compare with others?

How does my bank compare with others? This question commonly occupies bank management and other stakeholders (e.g. analysts and rating agencies among others). The interest in this topic has only increased with the ECB's focus on peer analysis, prompting a desire for benchmark studies and information.

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