



ESRB

European Systemic Risk Board

European System of Financial Supervision

Addressing systemic risks to financial stability in the EU

CFA Institute Systemic Risk Council

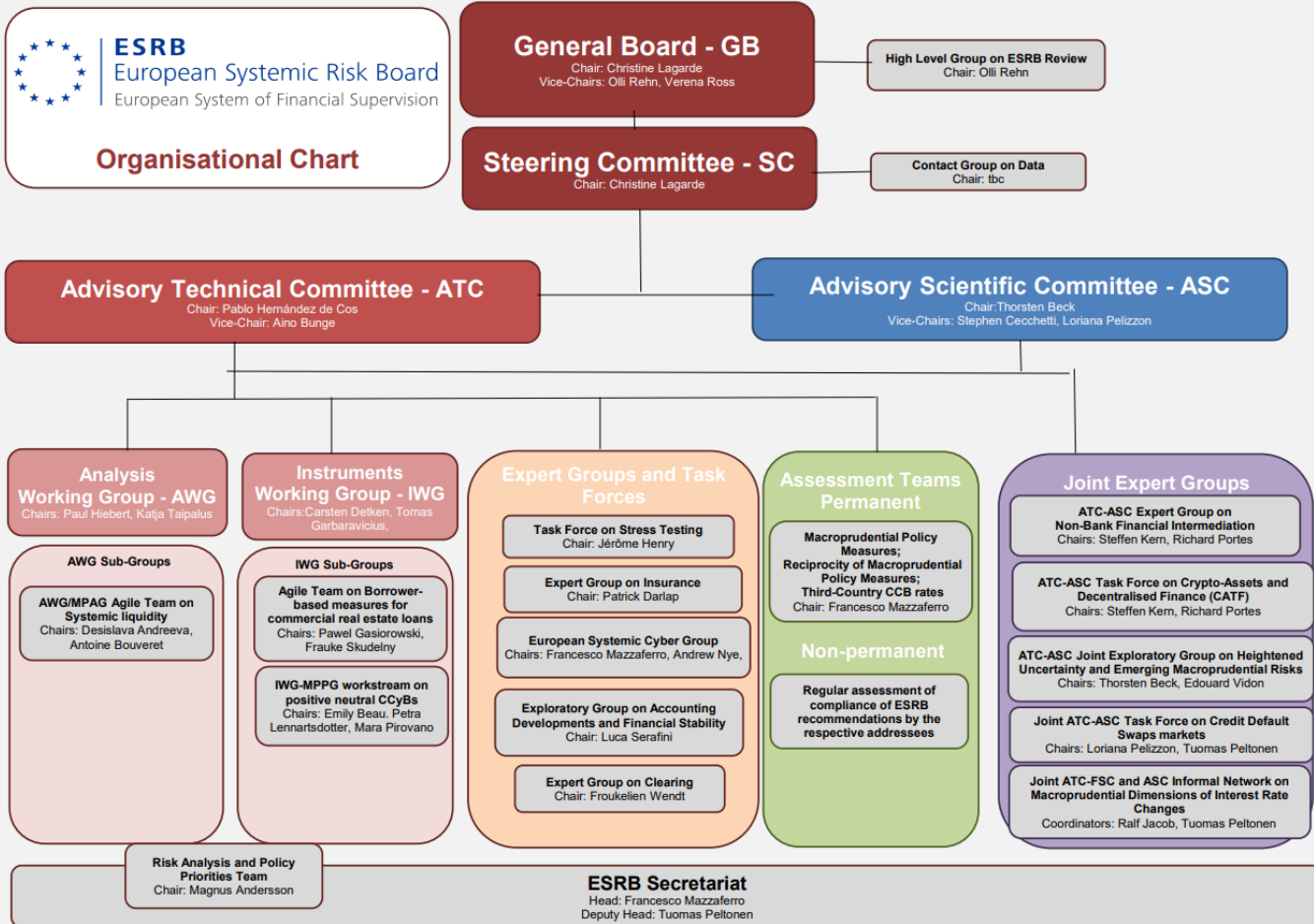


22 November 2024

Olli Rehn First Vice-Chair of the ESRB, Governor of the Bank of Finland

Roadmap of today's talk

- 1 What is the European Systemic Risk Board?
- 2 Key risks in the EU financial system
- 3 Priorities in developing the ESRB

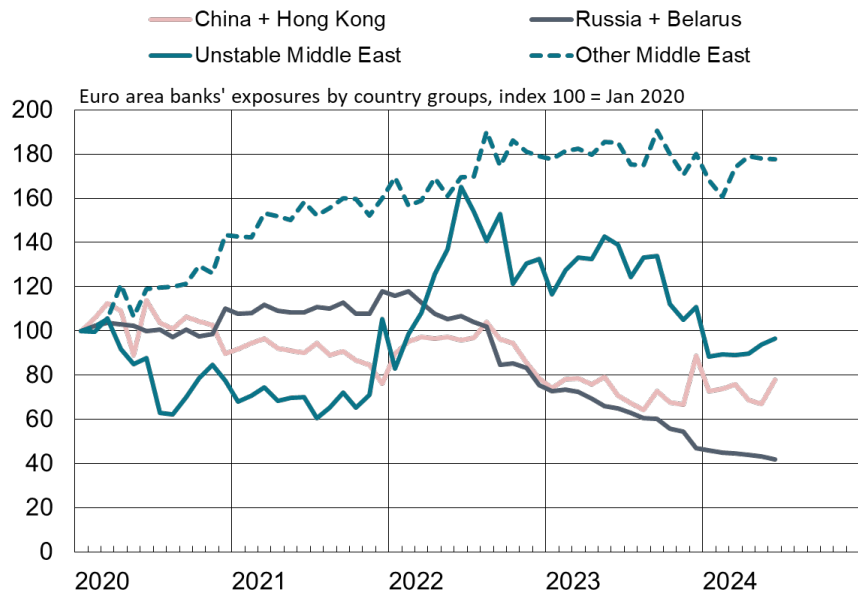


Last updated: 13/11/2024
Source: ESRB Secretariat

Key risks in the EU financial system

1. Materialisation of macro risks resulting in balance sheet stress in the private sector
2. Disorderly market corrections possibly amplified by the non-banking sector
3. Deteriorating asset quality and consequent funding risk in the banking sector

Macro risks: Pursuing growth while nurturing financial stability

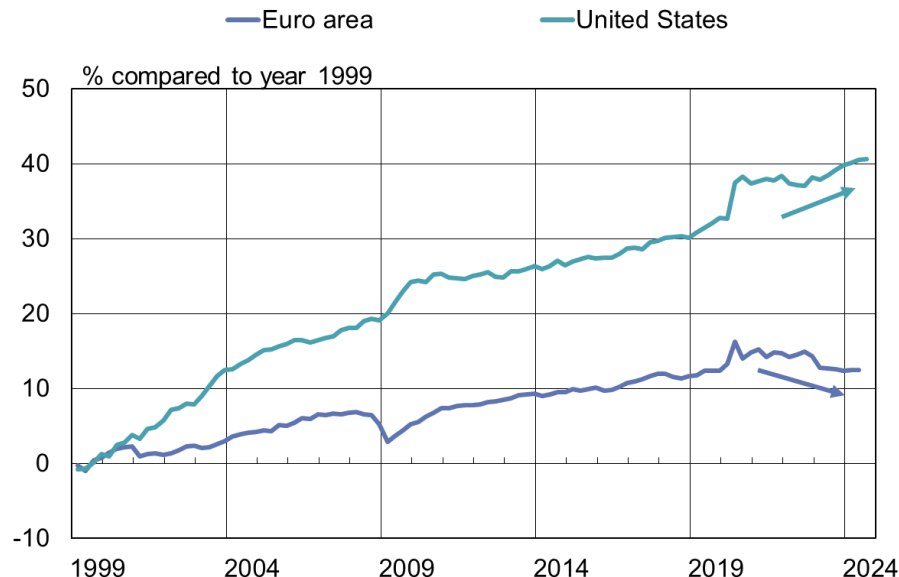


Unstable Middle East: Israel, State of Palestine, Lebanon, Iran, Iraq, Syria and Jordan.

Other Middle East: UAE, Saudi Arabia, Oman, Bahrain, Kuwait and Qatar.

Sources: European Central Bank AnaCredit and Bank of Finland. 42773_chart2(en)

Labour productivity (per hours worked)



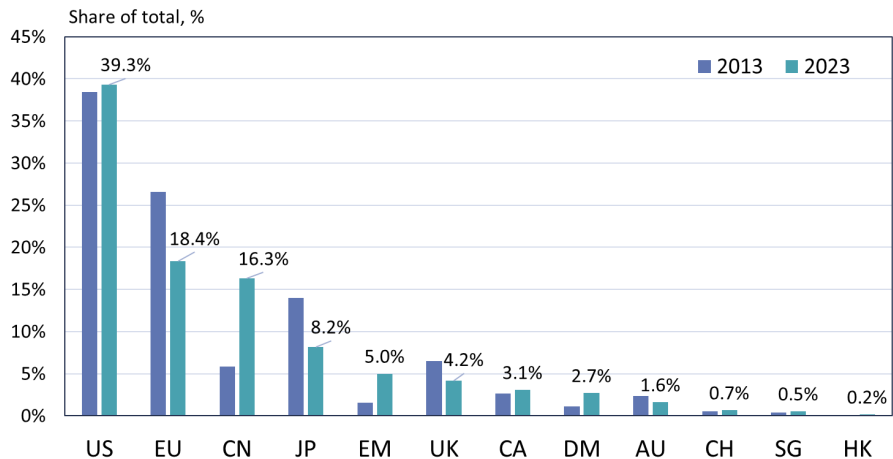
Sources: BLS, BEA, Eurostat and by the calculations of Bank of Finland.

*Log-percentage change

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Market risks: Promoting CMU while managing NBFI sector systemic risks

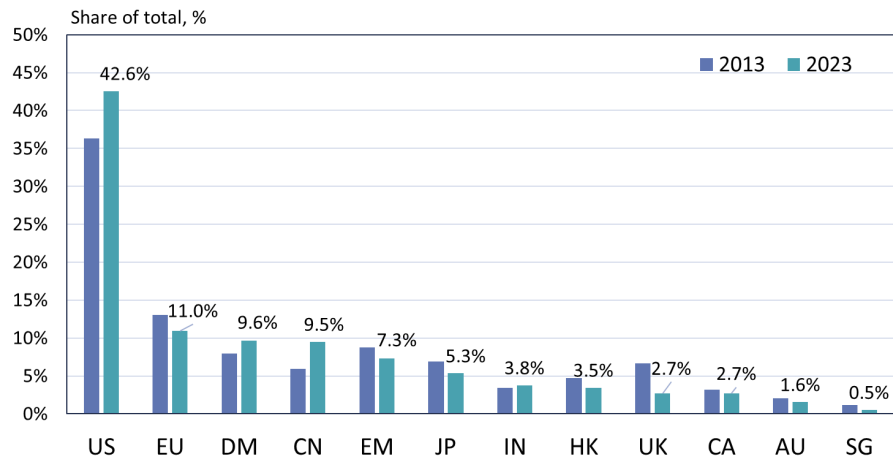
Global fixed income market outstanding



Source: SIFMA

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Global equity market capitalization



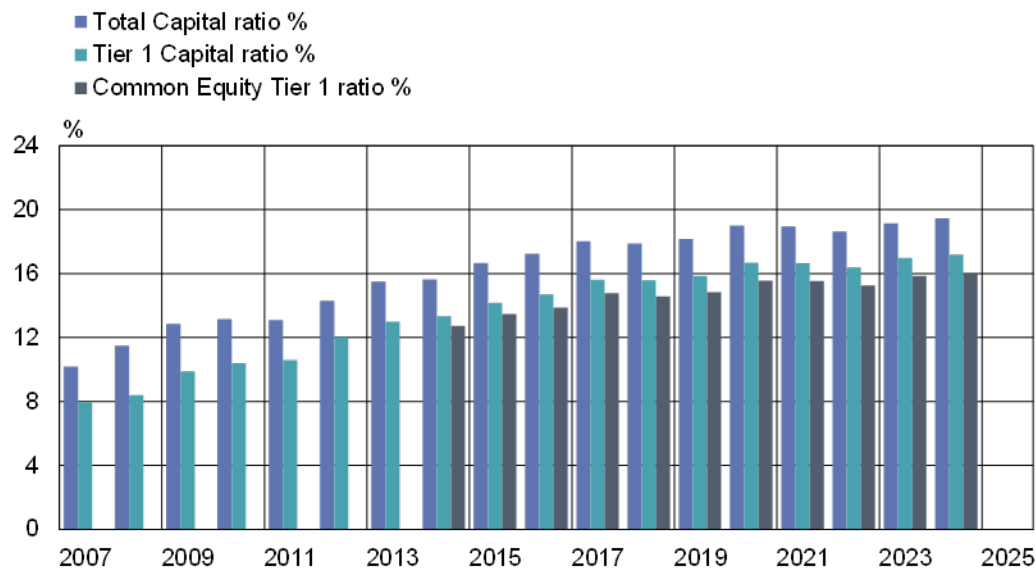
Source: SIFMA

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Bank risks: Sturdy capital buffers provide resilience but new threats need to be addressed

- Understanding the effects of AI and quantum computing is essential
- Climate change is already here – not a “long term risk” any more
- Operational systemic vulnerabilities and cyber risks are rising with geopolitical uncertainty

Capital adequacy of euro area banking sector, 2007–2024/Q2



Source: European central bank.

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Priorities in developing the ESRB

- Focus on holistic assessment of systemic risks in the EU
- For systemic risk assessment, comprehensive and sufficiently granular EU-wide data needed
- Enhanced analysis of national macroprudential policy measures could be fed into the EU Macroeconomic Imbalance Procedure
- Strengthening communications on financial stability

Thank you!