

# 2019 EBA POLICY RESEARCH WORKSHOP

## “The future of stress tests in the banking sector – approaches, governance and methodologies”

Paris, 27-28 November 2019

### **CALL FOR PAPERS**

Stress testing has been used by the banking sector for various purposes, from internal risk management to official micro- and macro-prudential surveillance, as a crisis management tool or as a diagnostic tool in normal times. The main purpose of stress testing in banking is the forward-looking identification of vulnerabilities either in individual financial institutions or in the banking sector as a whole, as well as to assess the resilience of the banks or the system to various types of shocks.

Past exercises of system-wide nature have raised several topics and lessons that deserve to be discussed in detail. While the use of stress testing is widespread and its importance is out of question, there is also debate on the optimal design of such exercises and how to better balance their costs and benefits. These include: are stress tests a good tool to determine a bank’s riskiness? Why were some previous stress tests not able to predict the financial difficulties in some banks? What measures could be taken by banks and by policy makers to further improve the stress tests? Which is the ideal approach?

In the 2019 EBA Policy Research Workshop, the EBA is seeking to explore the future of stress testing in the banking sector and what measures could be taken by policy makers to improve and reap further benefits after several years of stress test exercises in the banking sector.

The workshop aims at bringing together economists and researchers from supervisory authorities and central banks, as well as leading academics, to discuss the lessons learnt and possible areas for improvements in the development and implementation of stress test exercises.

The organisers are inviting submissions of policy-oriented, preferably empirical, research papers on the future of stress tests in the banking sector, their benefits, challenges and ways forward. Researchers from supervisory authorities and central banks are especially encouraged to submit their papers for presentation. Submissions of papers are particularly welcome on the following topics:

- Best practice principles, governance, concepts and frameworks
- Scenario design and calibration
- Development and calibration of models
- Interaction between quantitative analyses, qualitative information and expert judgement
- Top-down and Bottom-up approaches
- Methodologies, strengths and weaknesses

- Data requirements and data gaps
- Interaction between liquidity and solvency stress tests, reverse stress testing, cyber-risk stress testing, and incorporation of climate change risk in stress testing exercises
- Identification of relevant risk drivers and new risks such as the environmental, social and governance (ESG) risk
- Communication of stress test results

Interested parties should submit their draft papers and any queries to [research.conferences@eba.europa.eu](mailto:research.conferences@eba.europa.eu) at the European Banking Authority.

The submission deadline is **July 12, 2019**.

Contributors will be notified by early **September 2019**.

#### **PROGRAMME COMMITTEE**

Kim Abildgren, Danish Central Bank, Denmark

Matteo Aquilina, Financial Conduct Authority (FCA), United Kingdom

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