



Antonio Tajani
President of the European Parliament
European Parliament
Rue Wiertz 60
1047 Brussels
Belgium

Floor 46, One Canada Square,
London E14 5AA UNITED KINGDOM

t: +44(0) 20 7382 1776

f: +44(0) 20 7382 1771

info@eba.europa.eu

www.eba.europa.eu

EBA-2018-D-2176

17 December 2018

Decision by the EBA Board of Supervisors regarding an EU-wide stress test in 2019

Dear Mr Tajani,

The EBA is required, in cooperation with the European Systemic Risk Board (ESRB), to initiate and coordinate Union-wide stress tests based on Article 32 of the EBA regulation (Regulation (EU) No 1093/2010 of the European Parliament and of the Council). The same regulation stipulates that the EBA shall, at least annually, consider whether it is appropriate to carry out Union-wide assessments of the resilience of financial institutions, in accordance with Article 32, and shall inform the European Parliament, the Council and the Commission of its reasoning.

The results of the 2018 EU-wide stress test were published on 2 November 2018 and they demonstrated the ongoing progress EU banks are making in strengthening their capital position. The 2018 aggregate capital ratio at the starting point of the exercise was above the aggregate ratios reported by banks at the beginning of previous EU-wide stress test exercises, an evolution that reflects a continuous and significant strengthening of the capital position by the major EU banks since the end of 2010.

This year's exercise followed a prolonged timeline with respect to previous exercises; from January to November 2018. For this reason, the process of the analysis of lessons learnt, which is a crucial step in the preparation of a new stress test, has only been launched recently. The post-mortem analysis will require an extensive discussion on the way that the exercise may be improved, including potential adjustments in the timeline, methodology and process.

The recent stress test has generated a vast amount of quantitative and qualitative information. As it was the case in previous exercises, it will take some time for competent authorities as well as for market participants to analyse and use this information. Additionally, the requirement in Article 100 Capital Requirements Directive (CRD) to undertake annual supervisory stress tests will be met by supervisors requiring banks to undertake stress tests based on supervisory guidance in accordance with the EBA's Supervisory Review and Evaluation Process (SREP) Guidelines. Finally, risks and vulnerabilities in the EU-banking sector will be monitored by competent authorities and the EBA as part of the regular assessment of banks.

Based on the reasons aforementioned, the Board of Supervisors (BoS) of the EBA decided in its 12 December meeting not to conduct an EU-wide stress test in 2019 but to start preparations for the next stress test in 2020. This decision is in line with the EBA BoS' decision in June 2015 to aim for a biennial EU-wide stress test in the future. However, the regular annual transparency exercise will be carried out in 2019 as in previous years.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Jo Swyngedouw', is positioned below the text 'Yours sincerely,'.

Jo Swyngedouw
Alternate EBA Chairperson

For the EBA Board of Supervisors

CC: Roberto Gualtieri, Member of the European Parliament, Chair of the Committee on Economic and Monetary Affairs;
Valdis Dombrovskis, Vice-President of the European Commission, Financial Stability, Financial Services and Capital Markets Union
Hans Vijlbrief, President of the Eurogroup and of the Economic and Financial Committee, Council of the European Union