



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

PRESS RELEASE

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ECB launches public consultation on draft guides for banks on their capital and liquidity management

- Draft guides inform banks about the ECB's expectations relating to their internal capital (ICAAP) and liquidity management (ILAAP)
- Supervisory experience shows that banks may need to improve quality of their internal capital and liquidity adequacy assessment processes
- Consultation runs until 4 May 2018

The European Central Bank (ECB) today launches a public consultation on the draft principles underlying its expectations for banks' internal capital adequacy assessment processes (ICAAPs) and internal liquidity adequacy assessment processes (ILAAPs).

Adequate levels of capital and liquidity are essential for the resilience of individual banks. Banks are expected to assess the risks they face, and in a forward-looking manner ensure that all material risks are identified, effectively managed and covered by adequate capital and liquidity levels at all times. Banks submit ICAAP and ILAAP information packages to their Joint Supervisory Teams (JSTs) on a yearly basis. The JSTs take those packages into account in the annual assessments of ICAAPs and ILAAPs they conduct as part of the Supervisory Review and Evaluation Process (SREP).

In 2016, the ECB published its expectations for ICAAPs and ILAAPs for supervised banks. After careful assessment, the ECB identified significant differences in the approaches taken by individual banks and a need for improvements at all banks.

In early 2017, the ECB launched a multi-year plan for ICAAPs and ILAAPs to foster improvements. The ECB's objective is to develop a more detailed set of supervisory expectations, taking into account

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comments received from institutions and other industry participants. After a first round of feedback between February and April 2017, the ECB updated the guides and now is inviting financial industry and other interested parties to provide feedback on them.

Institutions are encouraged to address any gaps or weaknesses in their ICAAPs and ILAAPs, in close dialogue with their Joint Supervisory Team at the ECB, which will start using the guides as from 2019 when assessing ICAAPs and ILAAPs.

The consultation runs from 2 March to 4 May 2018. The two draft guides and a list of frequently asked questions are available on the ECB's banking supervision website. The ECB will hold a public hearing on 24 April 2018 via telephone conference. Information on how to submit comments on the updated guides and how to register to participate in the hearing can also be found on the website. The ECB will publish the comments received, together with a feedback statement.

For media queries, please contact Ronan Sheridan, tel.: +49 69 1344 7416.

Notes:

- Article 73 of the Capital Requirements Directive IV requires institutions to have an ICAAP, i.e. sound, effective and comprehensive strategies and processes to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. The corresponding requirements for the ILAAP are set out in Article 86 of the CRD IV.
- The ECB guides on ICAAP and ILAAP follow a principles-based approach with a focus on selected key aspects from a supervisory perspective. They are not meant to provide complete guidance on all aspects relevant to sound ICAAPs and ILAAPs.
- The ICAAP and ILAAP are, in the first instance, internal processes that should be tailor-made by each institution. The implementation of ICAAPs and ILAAPs that are appropriate for a bank's particular circumstances therefore remains the responsibility of the institution. The ECB assesses institutions' ICAAPs and ILAAPs on a case-by-case basis.
- Once adopted, the guides will not replace or supersede any applicable law implementing Articles 73 and 86 of the CRD IV. The guides derive seven principles from the CRD IV ICAAP and ILAAP provisions that will be considered, inter alia, in the assessment of institutions' ICAAPs / ILAAPs as part of the SREP as from 2019.