ESRB
European Systemic Risk Board
European System of Financial Supervision

Press release

29 September 2022

The General Board of the European Systemic Risk Board held its 47th regular meeting on 22 September 2022

At its meeting on 22 September 2022, the General Board of the European Systemic Risk Board (ESRB) issued a warning on vulnerabilities in the financial system of the European Union (EU). The General Board concluded that risks to financial stability in the EU and the probability of tail-risk scenarios materialising have increased. The identified risks pertain to**:** (i) the deterioration of the macroeconomic outlook, (ii) risks to financial stability stemming from a (possible) sharp asset price correction, and (iii) the implications of such developments for asset quality.

The General Board noted that the resilience of the EU financial sector is already being supported by the actions of both microprudential and macroprudential authorities. In its warning, the General Board calls for these authorities to preserve or enhance this resilience so that the financial sector can continue to support the real economy if and when financial stability risks materialise. According to the General Board, it is necessary for private sector institutions, market participants and relevant authorities to continue preparing for scenarios in which tail risks materialise. The General Board also calls for close coordination between relevant authorities and prudent risk management practices across all financial sectors and market participants, as these remain key to effectively addressing vulnerabilities, and for the avoidance of market fragmentation and negative externalities for other EU Member States.

In addition, the General Board discussed two reports prepared by the Advisory Scientific Committee that will be published in the coming months. The first report focuses on two specific instruments that central banks around the world have used: enhanced lending operations and direct interventions involving purchases of illiquid financial instruments. It explains the design and potential costs of both instruments as well as the rationale behind them. The second report analyses whether bank capital requirements can be an effective tool for reducing carbon emissions and dealing with prudential risks arising from climate change. The report concludes that while bank capital requirements can effectively address prudential risks arising from climate change, they are not likely to be the most effective tool for reducing carbon emissions.

Lastly, today the ESRB released the 41st issue of its risk dashboard. The ESRB risk dashboard is a set of quantitative and qualitative indicators of systemic risk in the EU financial system.

For media queries, please contact William Lelieveldt, tel.: +49 69 1344 7316.