



EUROPEAN CENTRAL BANK

EUROSYSTEM

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PRESS RELEASE

ECB STARTS COMPREHENSIVE ASSESSMENT IN ADVANCE OF SUPERVISORY ROLE

- Large banks to undergo risk assessment, asset quality review and stress test
 - Exercise starts in November and will take 12 months
 - Aims to foster transparency, to repair and to build confidence

The ECB is today announcing details of the comprehensive assessment to be conducted in preparation of assuming full responsibility for supervision as part of the single supervisory mechanism. The list of banks subject to the assessment is also being published. The assessment is an important step in the preparation of the single supervisory mechanism and, more generally, towards greater transparency of the banks' balance sheets and consistency of supervisory practices in Europe.

The assessment will commence in November 2013 and will take 12 months to complete. It will be carried out in collaboration with the national competent authorities (NCAs) of the Member States that participate in the single supervisory mechanism, and will be supported by independent third parties at all levels at the ECB and at the national competent authorities.

The exercise has three main goals: *transparency* – to enhance the quality of information available on the condition of banks; *repair* – to identify and implement necessary corrective actions, if and where needed; and *confidence building* – to assure all stakeholders that banks are fundamentally sound and trustworthy.

The assessment will consist of three elements: i) a supervisory risk assessment to review, quantitatively and qualitatively, key risks, including liquidity, leverage and funding; ii) an asset

quality review (AQR) to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions; and iii) a stress test to examine the resilience of banks' balance sheet to stress scenarios. These three elements are closely interlinked. The assessment will be based on a capital benchmark of 8% Common Equity Tier 1, drawing on the definition of the Capital Requirements Directive IV/Capital Requirements Regulation, including transitional arrangements, for both the AQR and the baseline stress test scenario. The details concerning the stress test will be announced at a later stage, in coordination with the European Banking Authority.

The comprehensive assessment will conclude with an aggregate disclosure of the outcomes, at country and bank level, together with any recommendations for supervisory measures. This comprehensive outcome will be published prior to the ECB assuming its supervisory role in November 2014, and will include the findings of the three pillars of the comprehensive assessment.

ECB President Mario Draghi said, "A single comprehensive assessment, uniformly applied to all significant banks, accounting for about 85% of the euro area banking system, is an important step forward for Europe and for the future of the euro area economy. Transparency will be its primary objective. We expect that this assessment will strengthen private sector confidence in the soundness of euro area banks and in the quality of their balance sheets."

Further details of the exercise are provided in the attached overview of the key features of the comprehensive assessment.

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