
SUPERVISORY CONVERGENCE 2024

EBA/REP/2025/31 OCTOBER 2025

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Abbreviations

AML/CFT	Anti-money laundering/countering the financing of terrorism	ESEP	European Supervisory Examination Programme
AMLA	Anti-Money Laundering Authority	ESMA	European Securities and Markets Authority
AT1	Additional Tier 1	EVE	Economic value of equity
BRRD	Bank Recovery and Resolution Directive, Directive	FoLTF	Failure or likely to fail
CA	Competent authority	FRTB-SA	Fundamental review of the trading book
CASP	Crypto-asset service provider	FSB	Financial Stability Board
CET1	Core equity tier 1	FX	Foreign exchange
CMDI	Crisis management and deposit insurance framework	HQLA	High-quality liquid assets
CRD	Capital Requirements Directive (Directive 2013/36/EU)	ILAAP	Internal liquidity adequacy assessment process
CSD	Central securities depositories	IRBA	Internal ratings-based approach
DGS	Deposit guarantee scheme	IRRBB	Interest rate risk in the banking book
DoD	Definition of default	JLT	Joint liquidity template
DORA	Digital Operational Resilience Regulation	KPI	Key performance indicator
DRM	Dynamic risk modelling	LSI	Less significant institution
EBA	European Banking Authority	MA	Market authority
ECB	European Central Bank	MBDT	Minimum bail-in data template
EIOPA	European Insurance and Occupational Pensions Authority	MiCA	Markets in Crypto-assets Regulation
EMI	Electronic money institutions	MIS	Management information systems
EMT	E-money token	ML/TF	Money laundering/terrorist financing
EREP	European Resolution Examination Programme	MREL	Minimum requirement for own funds and eligible liabilities
		NII	Net interest income
		NMD	Non-maturity deposit

NPE	Non-performing exposures	SRB	Single Resolution Board
NPL	Non-performing loans	SREP	Supervisory review and evaluation process
ORC	Overall recovery capacity	SSM	Single Supervisory Mechanism
PSD2	Payment Services Directive 2	T2	Tier 2
QIS	Quantitative impact studies	TLAC	Total loss absorbing capacity
RA	Resolution authority	TREA	Total risk exposure amount
RTS	Regulatory technical standards	TV	Trading venue
SDFA	Supervisory Digital Finance Academy	USSPs	Union-wide strategic supervisory priorities
SOTs	Supervisory outlier tests	VDR	Virtual data room

Executive Summary

A key way that the EBA contributes to simple, consistent, transparent and fair regulation is through its focus on supervisory convergence, reflecting its objective in Article 1(5) of its founding regulation to enhance supervisory convergence across the internal market as part of delivering an effective financial system.

That objective is supported by specific convergence tasks given to the EBA, including promoting convergence in relation to new and existing financial activities (Article 9(2) of the founding regulation), supervisory processes in anti-money laundering/countering the financing of terrorism (AML/CFT) supervision (Article 9a(4)), the supervisory review and evaluation process under the Capital Requirements Directive (Article 20a), a common supervisory culture and practices (Article 29(1)), technological innovation (Article 31(3)), together with assessing the degree of convergence in supervisory practices and enforcement (Article 30).

Through this work the EBA supports consistent and strengthened supervisory outcomes across all dimensions of its activities: prudential, resolution, consumer protection, digital finance and (until the end of 2025) AML/CFT.

Supervisory convergence helps prevent financial institutions from exploiting perceived or real differences in regulatory and supervisory frameworks across different jurisdictions. It promotes a unified supervisory culture and strengthens the EU's financial system through several mechanisms, including:

- ensuring all financial institutions meet the same standards, building trust among consumers and investors and reducing systemic risks;
- facilitating the ability to establish institutions, branches and provide services across the Union, giving effect to the internal market;
- contributing to a consistent level of protection for consumers across the EU, regardless of where responsibility for supervision lies.

The EBA is required to publish a report each year on the degree of convergence of the supervisory review processes in Chapter 2 of the Capital Requirements Directive (CRD). This has focused on implementation of the EBA's European Supervisory Examination Programme (ESEP) and on convergence in prudential supervisory colleges, as well as the EBA's training programme. These topics are covered in Chapter 1.

Further chapters provide an overview of the wider range of the EBA's supervisory convergence work in 2024, including the European Resolution Examination Programme (EREP), preparations for the regulation of issuers of asset reference tokens and e-money tokens, AML/CFT implementation

reviews, and our horizontal convergence tools such as peer reviews, Q&As and breach of Union law investigations.

As the report shows, the EBA already has an extensive range of supervisory convergence activities built into its daily work and uses them to ensure that EU-wide risks feed into supervisory planning, and to strengthen the supervisory system and resolution preparedness on a continual basis. With the single rulebook now well developed in a wide range of areas, the EBA will gradually increase the relative importance of its convergence work vis-à-vis policy development.

1. Prudential supervision

The EBA has been actively working on enhancing supervisory convergence through its 2024 ESEP. This year, the focus was on three critical areas: liquidity and funding risk, interest rate risk and hedging, and recovery operationalisation.

In 2024, the EBA closely monitored how competent authorities (CAs) addressed these priorities. For liquidity and funding risk, the emphasis was on evaluating banks' liquidity buffers and funding profiles. However, challenges like data quality, concentration of funding sources and inadequate stress testing scenarios emerged. CAs also mentioned the risk of potential outflows related to online deposit platforms, which were flagged as an area for follow-up in 2025 through further monitoring and analysis.

Interest rate risk and hedging saw supervisors examining how banks manage interest rate fluctuations and their impact on profitability. Among the main hurdles were inappropriate modelling assumptions, cases of exceeding thresholds for the Supervisory Outlier Tests (SOTs) and the continued volatility of interest rates. In 2025, the CAs will continue to monitor and ensure compliance with the SOTs on net interest income (NII).

When it came to recovery operationalisation, the focus was on the robustness of recovery plans. Issues related to the calibration of recovery indicators and the Overall Recovery Capacity (ORC) calculation, as well as the unconservative nature of recovery plan scenarios, were identified. CAs will further monitor the implementation of the EBA Guidelines on the ORC in the 2025 supervisory cycle.

Additionally, the EBA requested that eight supervisory colleges deliver action plans as a follow-up to the 2023 Key Performance Indicators (KPI) exercise. Five colleges submitted action plans, committing to specific measures to be implemented in the 2024–2026 cycle. These measures include enhancing cooperation, increasing the frequency of meetings, and improving the quality of college meetings and processes related to key deliverables.

Overall, the EBA's 2024 efforts highlight the need for continuous vigilance to ensure the banking sector's stability and resilience. By reflecting on these challenges and continuing to promote the convergence of supervisory practices and a consistent implementation of its policy products across the EU, the EBA aims to enhance prudential supervision and foster a more robust financial system.

1.1. Implementation and results of the 2024 European Supervisory Examination Programme (ESEP)

The topics identified as key for supervisors in 2024 have been considered in the supervisory activities of most authorities and closely monitored supervisory colleges.

Overall, risks were assessed as stable in 2024 compared to 2023 across all key topics.

Challenges identified by supervisors included the availability and reliability of data, the adequacy and severity of scenarios included in stress testing or recovery plans, the concentration of funding sources and the assessment of IRRBB modelling assumptions.

The need to monitor risks related to online deposit platforms and compliance with SOTs thresholds are among the areas mentioned by supervisors for follow-up in 2025.

1.1.1. Background

The EBA is mandated by its founding regulation to contribute to improving the functioning of the internal market, including a sound, effective and consistent level of regulation and supervision, and to contribute to enhancing supervisory convergence across the internal market. The EBA is also expected to play a key role in building a common supervisory culture and consistent supervisory practices, including by establishing Union-wide strategic supervisory priorities (USSPs)¹.

The CRD also foresees a role for the EBA in the assessment of the functioning of the supervisory review and evaluation process (SREP), including by reporting to the European Parliament and the Council on an annual basis on the degree of convergence of supervisory practices².

To fulfil its mandate in terms of supervisory convergence, as envisaged by its founding regulation and the CRD, the EBA makes use of several tools, including the ESEP, through which it annually identifies key topics for heightened supervisory attention in the coming year. These key topics offer refinement of the USSPs in terms of supervisory activities and actions, driving supervisory convergence in prudential supervision. Accordingly, they should be considered by the CAs when setting up their own priorities in the context of their supervisory activities.

The ESEP for 2024 was published in October 2023, to allow CAs to take key topics into account in the planning of their 2024 supervisory activities³. A questionnaire to the CAs was launched at the end of 2024 to follow up on the implementation of the ESEP. The main goal of this questionnaire was to assess if and how the key topics identified were considered in the supervisory work performed by CAs throughout the year.

The questionnaire was answered by 26 CAs and it covered 11 questions on different aspects of the ESEP implementation, including whether the key topics had been incorporated into the CAs' supervisory priorities, the type and scope of the supervisory actions and tools used, main challenges

¹ Articles 1(5), 29 and 29a of the Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

² Article 107 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

³ See:

https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2023/1062939/European%20Supervisory%20Examination%20Programme%20for%202024.pdf.

identified for each key topic and aspects where follow-up would be needed in the subsequent supervisory cycle.

In addition to the questionnaire among CAs, the EBA also followed up on the implementation of the ESEP for 2024 in the context of its monitoring of supervisory colleges. Specifically, the EBA assessed the implementation of the key topics in the supervisory examination programmes of the colleges it closely monitors by considering the discussions within the college, the interactions with the institutions and the supervisory assessments carried out as part of the colleges' activities.

For 2024, three topics had been identified by the EBA as key for supervisors' attention (Figure 1).



Figure 1 - Key topics included in the ESEP for 2024

The topics were selected based on the EBA's risk analysis work on the EU banking sector, the EBA's policy work aiming to further enhance the convergence of supervisory practices, particularly in the context of the SREP, and the practical experiences of CAs that enabled the EBA to identify the most pressing themes for supervisors. The selection also considered the USSPs applicable to the 2024–2026 supervisory cycle, namely the need to monitor and address financial stability and sustainability in a context of evolving interest rates⁴.

The key topics were selected in 2023 amidst the following context:

- The end of the abundant liquidity in the system due to the phasing out of the TLTRO-3, which impacts banks' funding plans/structure and requires active management of the transition.
- The increased interest rate environment, which influences the liquidity and funding sources of banks, as well as depositors' behaviour and the implementation of the Interest Rate Risk in the Banking Book (IRRBB) package in the EU.
- Bank failures in the US and the case of Credit Suisse, which increased the generic importance of adequate asset-liability management and crisis preparedness.

⁴ In June 2023, the EBA Board of Supervisors adopted the USSPs that shall be considered by the CAs in the 2024–2026 supervisory cycle. These include: (1) Monitoring and addressing financial stability and sustainability in a context of evolving interest rates; and (2) Developing an oversight and supervisory capacity for DORA and MiCA.

- Energy and food markets' volatility, maintaining inflationary pressures and weighing on economic and lending growth.

1.1.2. Results

All the key topics (liquidity and funding risk and interest rate risk and hedging) have been fully or at least partially embedded into the supervisory priorities of most CAs (around 90%, as shown in Figure 2). Two CAs did not include liquidity and funding risk as a key topic in their supervisory priorities, justifying the exclusion by the maintenance of strong liquidity positions of institutions in their jurisdictions. Regarding interest rate risk and hedging, two CAs also reported not including the topic in their supervisory priorities despite still assessing it as part of their regular supervisory actions.

Fewer CAs (around 75%) have included the topic of recovery operationalisation in their supervisory priorities either in full or partially. Four out of the six CAs that reported not having included the topic still considered it in their supervisory activities (with recovery plans assessed on an annual or bi-annual basis for less significant institutions (LSIs) with simplified obligations).

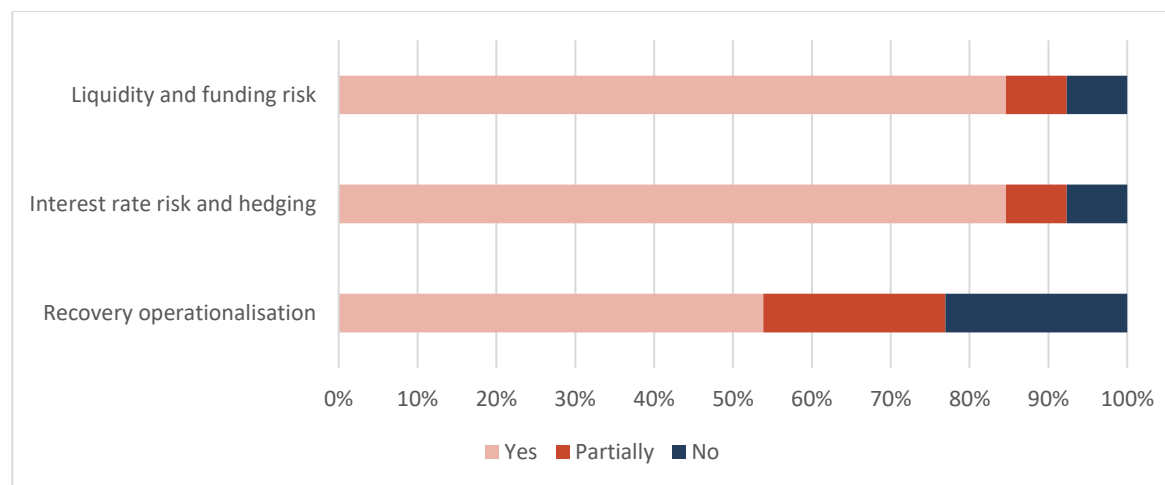


Figure 2 - Key topics incorporated into CAs' supervisory priorities in 2024 (% of CAs)

Most CAs saw risks remaining stable in 2024 across all the key topics (88.5% for liquidity and funding risk, 69.2% for interest rate risk and hedging and 91.7% for recovery operationalisation). For interest rate risk and hedging, the percentage of CAs pointing to a decreasing risk in 2024 was 23.1%.

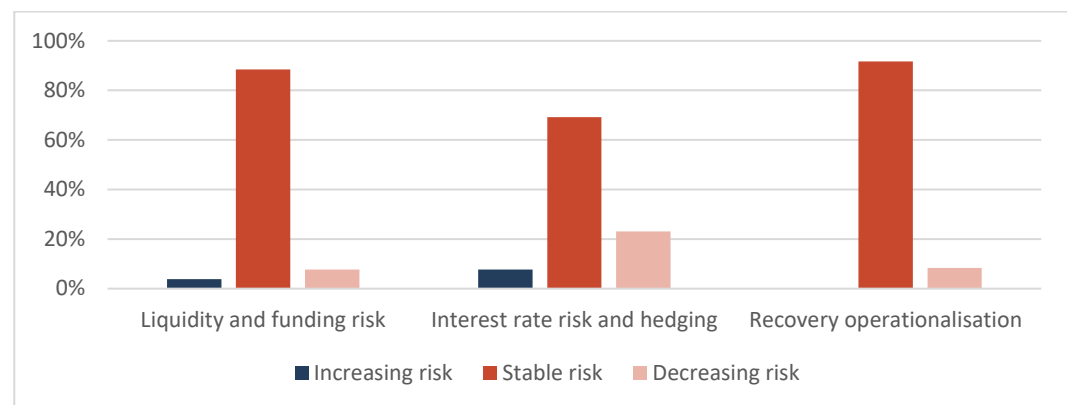


Figure 3 - Level of net risk (i.e. considering inherent risk and the institutions' risk management and control) as assessed by CAs compared to 2023 (% of CAs)

1.1.2.1. Liquidity and Funding Risk

The 2024 ESEP identified attention points for supervisors for each key topic. For liquidity and funding risk, these attention points can be summarised as follows:

- The assessment of institutions' short- and medium-term liquidity risk and their maintenance of adequate liquidity buffers.
- The review of the appropriateness of the institutions' funding profile and funding plans.
- The assessment of the risks arising from wholesale/retail counterparties for on-balance sheet items and funding concentrations.
- The assessment of institutions' internal liquidity adequacy assessment process (ILAAP).
- The assessment of practical impediments to selling securities accounted at amortised costs.

Most CAs reported having considered the identified attention points in their supervisory activities, either in full (72%) or partially (24%), as shown in Figure 4(a). One CA reported not having included the attention points in its supervisory work due to the maintenance of high liquidity buffers in its jurisdiction. Six CAs reported partially considering the attention points in their supervisory work as part of the regular SREP assessment, with the depth of the analysis depending on proportionality and risk-based considerations.

Off-site analysis and desk-based reviews were the supervisory actions/tools mostly used by CAs to assess liquidity and funding risk and the corresponding attention points, followed by on-site inspections and thematic and horizontal reviews (Figure 4(b)). The majority of CAs organised these activities for all banks, with only eight CAs reporting they organised them for a sample of banks. The choice to focus on a sample of banks, either for all supervisory activities or for activities involving more intensive monitoring through, for example, on-site inspections, was reportedly based on proportionality considerations, such as the institutions' risk profile, systemic importance and size.

(a) Attention points embedded in the supervisory work (% of CAs) (b) Supervisory actions/tools used to assess the key topics/attention points (number of CAs)

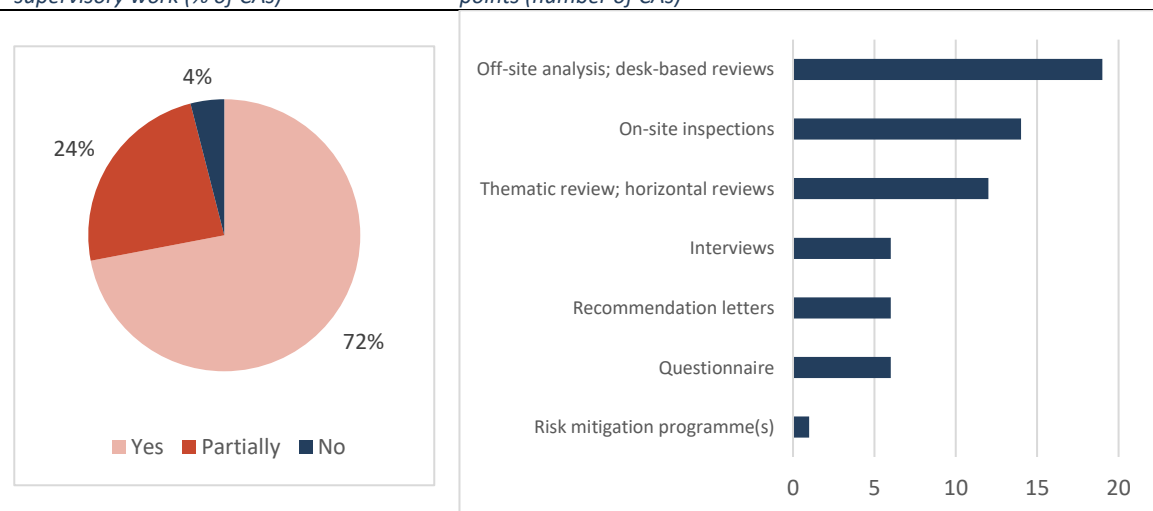


Figure 4 - Assessment of liquidity and funding risk by CAs in 2024

The main challenges identified by CAs in the context of their supervisory work on liquidity and funding risk include data quality in liquidity and funding reporting, and deficiencies and lack of formalisation in the funding plans and ILAAP. Challenges related to stress testing have also been reported, namely with regard to the sufficiency of liquidity reserves under severe scenarios, and the poor design or unconservative assumptions of stress scenarios. Another challenge mentioned refers to the concentration of institutions' funding sources, in particular the reliance on market funding or deposits not covered by guarantee schemes, which may be more volatile during liquidity stress periods.

Regarding new aspects emerging during the year and not covered in the ESEPs for 2024 and 2025, CAs mentioned the implications of less stable deposits and potential outflows related to online deposit platforms. The risks related to online deposit platforms are also flagged by three CAs as a specific area (beyond business as usual) where follow-up would be needed in the 2025 supervisory cycle, with plans for further monitoring and analysis.

This key topic has also been reflected in the work of the colleges of supervisors that were closely monitored by the EBA in 2024, usually as part of the group/individual risk assessments (including risk discussions at the college meetings). All the attention points have been considered in the college activities, with only two colleges not assessing the practical impediments to selling securities accounted at amortised costs. Most colleges assessed the level of net risk as stable compared to 2023, with challenges reported by only a few colleges, namely on the concentration of funding sources and deficiencies related to the scenarios included in the liquidity stress testing frameworks.

1.1.2.2. Interest Rate Risk and Hedging

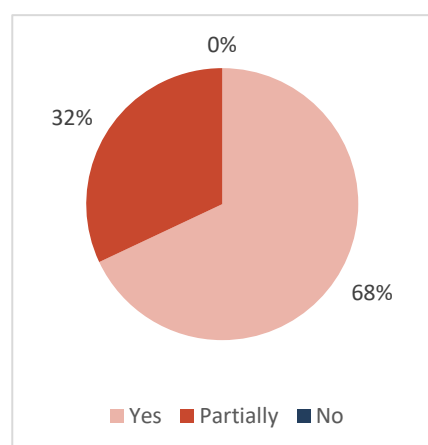
The attention points identified for supervisors in the 2024 ESEP under the topic of interest rate risk and hedging can be summarised as follows:

- the assessment of institutions’ organisational framework and responsibilities for IRRBB management;
- the understanding of the main features of the institutions’ assets and liabilities as well as off-balance sheet exposures;
- the assessment of how changes in interest rates can have an adverse impact on an institution’s NII and economic value of equity (EVE) to understand the possible threat to capital adequacy;
- the assessment and challenging of the modelling assumptions of banks; and
- the assessment and challenging of banks’ hedging approaches and policies.

All supervisors reported having considered the attention points under interest rate risk and hedging in their supervisory activities, either in full (68%) or partially (32%), as shown in Figure 5(a). Eight CAs reported having considered the attention points only partially, which in most cases meant assessing them as part of the SREP, with a more detailed analysis carried out as needed based on a proportionate and risk-based approach.

To assess interest rate risk and hedging, most CAs made use of off-site analysis and desk-based reviews, followed by thematic and horizontal reviews and on-site inspections (Figure 5(b)). For most CAs these activities covered all banks, with only five CAs covering a sample of banks. In the latter case, the selection was based on proportionality considerations related to size, risk and systemic importance.

(a) Attention points embedded in the supervisory work (% of CAs)



(b) Supervisory actions/tools used to assess the key topics/attention points (number of CAs)

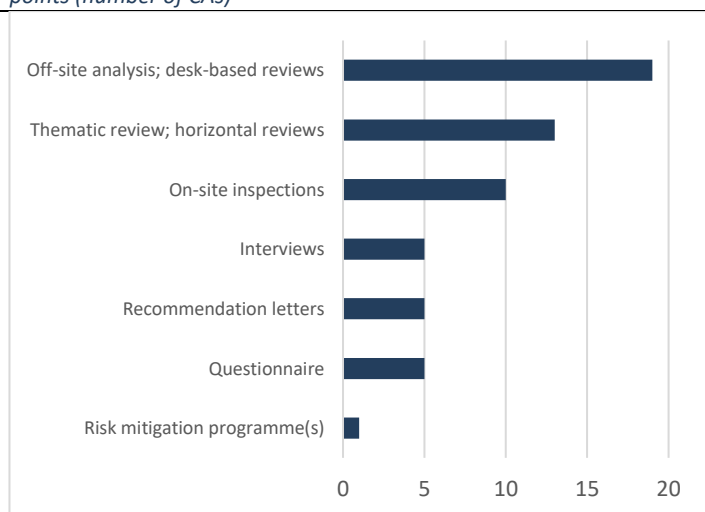


Figure 5 - Assessment of interest rate risk and hedging by CAs in 2024

Among the challenges mentioned by CAs under this topic are the assessment and appropriateness of the behaviour modelling assumptions of institutions (including for non-maturity deposits

(NMDs)), of their hedging approaches and policies, as well as of their general IRRBB strategy. A few CAs also mentioned the state of implementation and readiness of the new regulatory products for IRRBB, cases of exceeding thresholds for the SOTs on NII, and the impact of continued interest rate volatility on IRRBB.

Points (beyond business as usual) mentioned for follow-up by CAs in the 2025 supervisory cycle included the cost of funding and its impact on profitability, the need to review compliance with the SOTs on NII, the monitoring of the quality of IRRBB reporting in COREP, the analysis of banks using internal measurement systems (IMS) and the follow-up on updated/new NMD models.

The interest rate risk and hedging topic has also been reflected in the work of the supervisory colleges closely monitored by the EBA, as part of the individual/group risk assessments, even though not all the attention points seem to have been considered (e.g. the assessment of the organisational framework and responsibilities for IRRBB management, the analysis of how changes in interest rates can impact NII/EVE, the challenging of modelling assumptions, hedging approaches and policies). All colleges assessed the level of net risk as stable compared to 2023, with challenges remaining in terms of data quality and the use of behaviour modelling.

1.1.2.3. Recovery Operationalisation

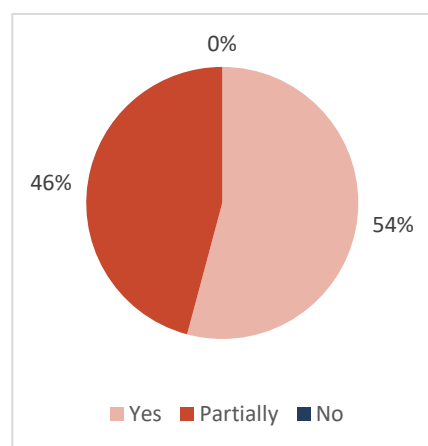
The attention points for supervisors identified in the 2024 ESEP under the topic recovery operationalisation can be summarised as follows:

- *the adequacy and severity of scenarios in the recovery plan;*
- *the appropriateness of the calibration of recovery plan indicators;*
- *the adequacy and quality of the ORC determination;*
- *the adequate usability and testing of recovery plans, including by means of dedicated dry-run exercises; and*
- *the suitability of communication arrangements in the recovery plan.*

Despite six CAs having reported that they had not included recovery operationalisation in their supervisory priorities in 2024, all CAs reported embedding the attention points under this topic in their supervisory work in 2024, either in full (54.2%) or partially (45.8%), as shown in Figure 6(a). This is because all CAs analyse the recovery plans submitted by institutions, even if they do not include them explicitly as a priority for 2024. Most CAs that reported considering the attention points only partially justified this by the fact that the implementation of the EBA Guidelines on the ORC in recovery planning was still in its early stages in 2024, as it would only be applicable for recovery plans submitted from the end of 2024.

Off-site analysis and desk-based reviews have been the preferred means of CAs assessing this key topic and corresponding attention points, followed by thematic and horizontal reviews and the issuance of recommendation letters (see Figure 6(b)). Most CAs reported organising these activities for all banks, with only seven reporting that they covered a sample of banks. Among the latter, four CAs reported selecting the sample of banks based on an assessment of their size or risk profile, while two CAs considered the banks that had to submit a recovery plan in 2024, and one CA covered the LSIs that had been selected for on-site inspections.

(a) Attention points embedded in the supervisory work (% of CAs)



(b) Supervisory actions/tools used to assess the key topics/attention points (number of CAs)

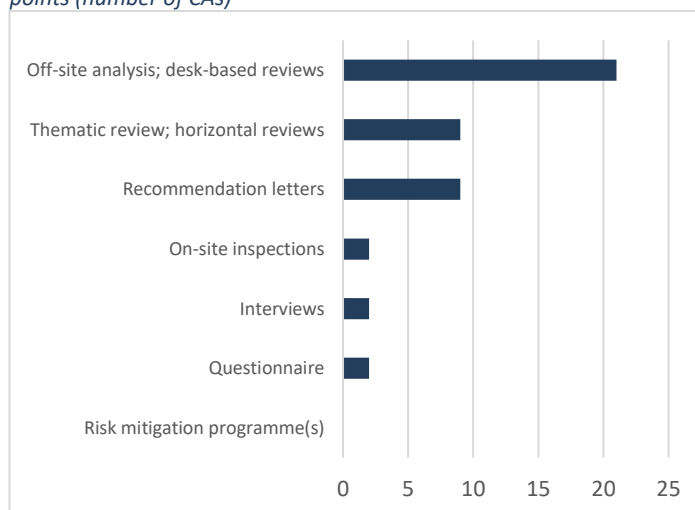


Figure 6 - Assessment of recovery operationalisation by CAs in 2024

Among the main challenges identified by CAs with regard to this topic is the lack of sufficiently severe scenarios in the recovery plan. Some CAs also mentioned challenges related to the calibration of recovery plan indicators and the ORC determination. Examples mentioned included issues with data quality, quantification and overall appropriateness of the ORC calculation, the plausibility of recovery options, and the adequate calibration of indicators' thresholds, particularly with regard to liquidity metrics. CAs also reported diverse approaches to the testing of recovery plans (e.g. via dry-run exercises) and issues in ensuring an adequate testing frequency.

Most CAs have not identified any specific (beyond business as usual) follow-up needed in the 2025 supervisory cycle with regard to recovery operationalisation, with only two CAs mentioning the need to monitor the implementation of the EBA Guidelines on the ORC in recovery planning.

The topic of recovery operationalisation has been reflected in the work of the colleges of supervisors that are closely monitored by the EBA either as part of the assessment of recovery plans, the group/individual risk assessments, or as a thematic review or other form of off-site supervisory activity. No specific challenges have been identified with regards to this topic in the context of the college monitoring activities.

1.2. Follow-up to the EBA Key Performance Indicators (KPIs) stocktake exercise for supervisory colleges

The EBA requested that eight supervisory colleges deliver action plans as a follow-up of the 2023 KPI exercise.

For five of these colleges, action plans were submitted to the EBA and discussed in the college, while three colleges went into restructuring, thereby not submitting the plans.

The five colleges committed to specific measures to be implemented in the 2024–2026 cycle.

The founding regulation of the EBA mentions as one of its tasks promoting and monitoring the consistent and coherent functioning of the colleges of supervisors (Articles 8(1)(i) and 21)⁵. The same task is also envisaged for the EBA in the Capital Requirements Directive (CRD, Article 116)⁶.

In order to further promote the functioning of the supervisory colleges, in 2022 the EBA introduced four qualitative KPIs, which are: the level of cooperation, quality of college meetings, quality of key deliverables and college processes related to the key deliverables and their measurement points (see Table 1 for a complete overview of the associated measurement points). The KPIs have been introduced for all supervisory colleges for implementation in the 2023 supervisory cycle.

Table 1 - Overview of the KPIs for supervisory colleges and their measurement points

KPI	Measurement points
Level of cooperation	Proactive sharing of information
	Effective identification of early warning signs
	At least one joint supervisory activity per year
Quality of college meetings	The supervised institution is invited for relevant issues
	Expectations on host competent authorities' contributions are communicated clearly and in a timely manner
	Consolidating supervisor actively facilitates discussion in the college
	All college members are active and willing to share information
	Multilateral discussions showing mutual interest
	Feedback from college members is sought
Quality of key deliverables	Key deliverables are complete
	Key deliverables are detailed enough and well reasoned
	Key deliverables are clear and coherent
	Key deliverables are in line with legal requirements
	Key deliverables are consistency across entities and in assessment/measures
College processes related to the key deliverables	A joint decision timeline is prepared in a timely manner

⁵ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

⁶ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

Key deliverables are shared well in advance of discussions

Discussion is organised following key risk drivers, rather than on an entity-by-entity basis

A healthy level of mutual challenging exists

The EBA conducted a stocktake exercise through a self-assessment questionnaire in 2023 to analyse the KPIs for all supervisory colleges. The main conclusions of the stocktake were that the ‘annual’ college cycle is functioning well, and that the key deliverables are of good quality. Potential improvements were found with regard to the sharing of information (in particular on early warning signs, potential risks and vulnerabilities) and the organisation of joint supervisory activities, in addition to the official college meetings.

As a follow-up to the exercise, the EBA provided feedback to all individual colleges in the form of an individual benchmark analysis and the sharing of good practices. For eight supervisory colleges, consolidating supervisors were requested to come up with an action plan to introduce and settle improvements during the 2024–2026 period. Five colleges prepared and submitted such an action plan to the EBA, while three did not due to a restructuring of the group affecting the membership or existence of the college. The EBA has analysed the information received from the consolidating supervisors and concluded that most supervisors have made efforts to provide planned actions to effectively address the identified gaps, with a timeline for the implementation.

Several measures are described by the consolidating supervisors in the action plans. To further enhance the level of cooperation, colleges have committed to enhance risk-by-risk discussions while sharing and discussing information about risk indicators and potential risks, including the topics covered in the EBA’s ESEP. Colleges have also committed to increase the frequency of meetings with supervised entities or college members. To improve the quality of college meetings, consolidating supervisors of these colleges have also started encouraging more frequent sharing of information between college meetings, asking for feedback from college members and observers. Furthermore, when it comes to college processes related to the key deliverables, colleges have planned to establish Q&A sessions and roundtables by agenda item and by tabling discussions on the results of the risk assessment organised on a risk-by-risk basis instead of an entity-by-entity basis.

The implementation of the proposed actions is being monitored as appropriate by the EBA, including through its direct participation in colleges’ activities⁷.

⁷ A limited but diverse number of colleges is selected for close monitoring by the EBA for every three-year period. The involvement of the EBA in these colleges encompasses attending the college meetings and following the group risk assessment and joint decisions on capital and liquidity processes, as well as the process for the assessment of the group recovery plan and the relevant joint decision.

1.3. Monitoring and benchmarking

1.3.1. Own funds, MREL/TLAC monitoring

An update to the EBA report on the monitoring of AT1, T2 and TLAC/MREL instruments was published in July 2024 and thus the monitoring activity focused on its follow-up in September and October, especially on certain accounting aspects related to the prudential valuation of capital and the timely reflection of FX effects on AT1 instruments classified as equity.

A steady decline in the outstanding amount and number of legacy instruments due to the continuous EBA monitoring and related support provided to CAs was observed. In September and October 2024, the EBA continued to scrutinise outstanding legacy instruments, including three legacy instruments issued by Banque Fédérative du Crédit Mutuel which were then referred to the EBA's attention by a law firm. The EBA answer to the law firm was published on EBA's website on 20 December 2024, including a general message recalling the underlying objective of the EBA Opinion on legacy instruments.

In the context of the mandate under Article 26(3) CRR, an update of the list of CET1 instruments was published on 20 November 2024. The new list includes some new types of instruments (including two new instruments issued by investment firms), two instruments have been deleted (one following the exclusion of the issuing institutions from the scope of the monitoring and the other is no longer used), and the amendments have been reflected in the relevant national frameworks.

1.3.2. Interest rate risk in the banking book (IRRBB) monitoring

Following the change in interest rate environment and the publication of the EBA's various regulatory products (e.g. regulatory technical standards (RTS) on SOT), the EBA published a Heatmap on IRRBB in January 2024 with short/medium-term priorities (until Q2 2025) and longer-term priorities. The work on the short/medium-term priorities has advanced very well (based on advanced data collection/QIS and work with the EBA's subgroup on IRRBB/based on supervisory input and an industry roundtable). Currently, the EBA is finalising a short and targeted report covering NMD indicators, complementary dimensions on SOT NII assessment, commercial margins, and hedging strategies. In addition, the work will help positioning of the EBA in the BCBS's work programme on IRRBB and in the area of IASB's project on dynamic risk modelling (DRM). The report was published in January 2025.

1.3.3. Benchmarking exercises

The EBA conducts its annual benchmarking exercise of internal models, in accordance with Article 78 of the CRD. The extension of IFRS9 has been running through the last three years and was recently extended in the Banking Package proposal. For credit risk, it can be noted that the exercise is actively used by supervisors in the model review performed by CAs. For market risk, the extension to cover the Standardised Approach for the Fundamental Review of the Trading Book (FRTB-SA) will continue and is key to ensuring harmonised implementation of FRTB-SA in the EU.

2. Resolution and crisis management

For 2024, the EBA set four key priorities for resolution authorities under its EREP, continuing its focus on fostering convergence in resolution practices across the EU:

- operationalisation of the resolution strategy;
- management information systems for valuation;
- MREL monitoring;
- operationalisation of liquidity strategy in resolution.

Monitoring the implementation of these priorities is the EBA's primary supervisory convergence effort in the resolution and crisis management area. Subsequent sections of this chapter set out in detail the EBA's assessment of the significant efforts and challenges being made by resolution authorities in operationalising resolution tools, particularly in a cross-border context. However, the key findings can be summarised as follows:

- *Resolution authorities have made significant progress in streamlining processes and enhancing coordination with central securities depositories (CSDs) and other stakeholders.*
- *Resolution authorities have been proactive in publishing their bail-in mechanisms and engaging with stakeholders through workshops and bilateral meetings, which has improved procedural elements and cooperation.*
- *Resolution authorities are actively testing the operationalisation of bail-in tools through simulations and requiring institutions to conduct their own tests, highlighting the importance of data quality and coordination.*
- *Substantial hurdles remain in executing bail-ins, particularly concerning third country liabilities. Resolution authorities are seeking legal opinions and engaging with foreign counterparts to ensure enforceability.*
- *Data availability and management information systems (MIS) are critical for effective implementation. Institutions are working on improving their MIS capabilities, but challenges remain in terms of data quality and timeliness.*
- *Institutions are developing strategies to meet liquidity needs in resolution, but concerns remain about the feasibility of these strategies during actual resolution events.*

Three core priorities from 2024 remain central in 2025, reflecting the multi-year nature of the challenges in operationalising resolution and their strategic importance. MREL monitoring, while remaining important in resolution activity, is considered achieved for the purposes of EREP.

As with supervisory colleges, the EBA continued to closely monitor a limited but diverse list of seven resolution colleges, attending seven college meetings organised by three lead resolution authorities. The meetings focused on groups' resolution plans, their resolvability and on monitoring and setting MREL. There has been noted progress in terms of resolution colleges' involvement of members in the works, as well as progress in the groups' resolvability. The EBA focused its

observations from attending resolution colleges on proposing an update to the RTS on resolution colleges⁸.

The EBA also played an important role in September 2024 in the Nordic-Baltic Stability Group's crisis simulation exercise, the largest simulation exercise conducted in the EU: more than 450 participants, from 8 countries and more than 40 authorities. The simulation scenario included the simultaneous failure of three mock cross-border groups.

The EBA assisted with the set-up by creating a copy of the EBA college platform to enable secure and efficient sharing of confidential information to the intended recipients, customised to the needs of organisers and players. The simulation exercise demonstrated the benefits of and need for a secure system to share information, with the EBA Colleges platform proving itself as a solid solution. With the EBA's role in crisis management expected to grow with the planned reform of the crisis management and deposit insurance framework (CMDI), the EBA will take into account lessons from this one-off exercise in its future work, including the proposal from some participants in the exercise to have a platform available for regular use in crisis simulation exercises.

2.1. Operationalisation of resolution tools

2.1.1. Potential impediments to effective execution of the bail-in tool in a cross-border environment

As work continues to stay focused on the operationalisation of bail-in in a cross-border context, three main areas of work are covered by RAs: (i) governance and coordination; (ii) legal and procedural aspects; and (iii) technical aspects (e.g. data availability, MIS).

Given that the bail-in tool remains the preferred resolution tool for most systemic EU institutions, with a solid layer of MREL, RAs continue to focus on its operationalisation and potential obstacles to its effective and enforceable implementation.

In the area of coordination with other authorities and stakeholders in executing a bail-in, RAs identified operational challenges such as lengthy processes due to the number of stakeholders that are part of the process, and the need to set up specific templates and procedures for some of them, such as CSDs. Complexity increases in proportion to the number of stakeholders and the number of jurisdictions in which MREL instruments are issued.

Continuous work is deployed by RAs and institutions in the area of cross-border bail-in, especially in respect of the bail-in of third country liabilities⁹. Some RAs are asking institutions to present a legal opinion from independent legal advisers to support the eligibility assessment of MREL instruments. Some RAs have directly sought local legal advice as to whether their bail-in of an institution's third country liabilities will be effective and enforceable in the particular jurisdiction.

⁸ <https://www.eba.europa.eu/publications-and-media/press-releases/eba-consults-simplify-and-streamline-its-technical-standards-resolution-plans-and-functioning>

⁹ Liabilities governed by third country law or issued to third country investors.

Authorities are engaging with foreign counterparts, both bilaterally and within international fora like the Financial Stability Board (FSB), to address these challenges and enhance preparedness¹⁰.

With regard to instruments issued to US investors, RAs are working on how to address compliance with applicable US securities laws while executing the bail-in tool¹¹. This includes working with institutions and US authorities to determine whether exemptions from US registration (prospectus) requirements are available to an institution undergoing bail-in, or how to structure bail-in mechanisms so as not to trigger those requirements. In addition, work is being undertaken to determine how an institution under resolution can best comply with any applicable US disclosure requirements while being resolved.

In addition, RAs also continue to work on preparation for their cross-border bail-in being recognised in jurisdictions (e.g. US, JP) with judicial recognition procedures that may be lengthier than administrative recognition processes available in the UK, CH and the EU.

2.1.2. Disclosure of bail-in mechanisms by RAs

While almost all authorities complied with the EBA guidelines for publishing their bail-in mechanisms, several RAs have also organised workshops and testing with relevant parties, allowing for the improvement and increased efficacy of these operational documents.

Almost all RAs have published their bail-in mechanisms, as required by the EBA guidelines¹². One RA is expected to publish their bail-in mechanisms in the course of 2025. The RAs' publications are referenced on the EBA website¹³.

In addition to the publications, a majority of RAs undertook other actions, such as organising bilateral meetings and workshops with various stakeholders, including institutions. RAs often developed the bail-in mechanisms together or in consultation with institutions, other RAs, market authorities (MAs) and other stakeholders such as CSDs, clearing agents, trading venues (TVs), commercial courts and third country stakeholders (including MAs, TVs and CSDs).

The feedback received from these engagements generally emphasised the importance of collaboration between the relevant TVs, CSDs and MAs. In particular, it helped to refine procedural elements and better detail the terms of cooperation between authorities.

A few institutions reported, in testing, some challenges of a technical nature in implementing the bail-in mechanism. Examples of such challenges are: operational capabilities (MIS) of some institutions to follow the required process, coordination of the write-down and conversion of

¹⁰ Many NRAs and EU authorities participated in a workshop arranged by the FSB in 2024 which also involved market authorities and considered cross-border bail-in execution in compliance with applicable securities laws. From the workshop, the FSB developed a series of findings and recommendations that may also assist EU RAs: [2024 Resolution Report: From Lessons to Action: Enhancing Resolution Preparedness](#).

¹¹ See Section IV of the FSB's [Principles on Bail-in Execution](#).

¹² EBA/GL/2023/01

¹³ <https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/resolution/guidelines-resolution-authorities-publication-their-approach-implementing-bail-tool>.

bearer securities held in international central securities depositories, and communication between local and international CSDs regarding redeemed bondholders/owners of new equity. The RAs concerned are active in finding solutions with the identified parties, with one RA reporting that, for example, the CSD changed its rules of operation to accommodate its bail-in mechanism, evidencing the importance of disclosure and communication in the planning phase.

2.1.3. Variant resolution strategies and optionality/flexibility

While bail-in remains the predominant resolution tool, almost all RAs report progress on optionality, contemplating the use of transfer tools as part of their preferred or variant strategies.

Almost all RAs indicate that they contemplate using transfer tools with a preference for the sale-of-business tool, followed by the bridge institution tool, as part of the preferred resolution strategy or the variant resolution strategy. More than a third of the RAs indicate bail-in as the only preferred tool, meaning that transfer tools, in these cases, are envisaged as variant tools only.

The factors that are considered for determining the choice of the tools include structure, size and complexity, as well as the business model of the institution, the type of crisis scenario, and the impact on resolution objectives. The interconnectedness of the parent with its subsidiaries, and the feasibility and effectiveness of the tools, including the speed of execution, are also considered. In addition, market considerations such as the availability of potential buyers and market conditions also play a role in determining the appropriate resolution tools.

2.1.4. Guidance about transfer perimeters

More than half of the RAs worked during 2024 on providing guidance about transfer perimeters to institutions. Achieving clarity on this area helps to expedite the execution of the transfer tool.

Institutions and RAs worked intensively on advancing separability analyses and transfer playbooks for resolution plans, which were used to: (i) define preliminary transfer perimeters and assess capabilities to separate and to market; (ii) outline steps for applying the sale-of-business tool, including the set-up of virtual data rooms (VDR) for due diligence, and interactions with stakeholders; (iii) conduct assessments of tax impacts and liquidity needs as well as aspects of governance, implementation timelines, mitigation strategies and communication plans.

With regard to the bridge institution tool, several RAs indicated that they worked on the authorisation (licensing) of a bridge institution, also acknowledging the need for further work on operationalising this tool.

Some RAs have started or planned to start work on this topic in 2025 or 2026.

2.1.5. Operationalisation of the transfer tools and challenges to their effective execution

Most RAs worked to develop and operationalise at least one transfer tool. The focus was on developing handbooks, manuals, documenting operational steps, creating templates and preparing

specialised VDRs. Some RAs discussed with institutions their potential abilities to acquire a competitor in case of resolution.

Almost all RAs worked to develop and operationalise at least one of the transfer tools. The work focused on developing and updating handbooks and manuals and, in some cases, documenting operational steps, creating templates and preparing specialised VDRs.

Some very concrete advancements in this area include, as examples: updating national legislation regarding the authorisation/licensing of a bridge institution, the set-up of shell companies to accelerate establishment of the bridge institution, and some RAs had discussions with the industry on their abilities to acquire a competitor in case of resolution.

In this work, most RAs indicated they cooperated and consulted with other authorities to enhance the implementation of transfer tools. Some RAs noted technical support and funding from the European Commission via DG Reform, while others are contracting private consultants to help with the development of these operational documents.

2.1.6. Testing of tools and strategies

More than half of RAs engaged in testing the operationalisation of the bail-in tool by both requiring institutions to test their bail-in procedures and conducting RA internal simulation exercises. Several challenges, such as timeliness of data availability and insufficient data quality, were common.

One third of the RAs performed simulation exercises for at least one resolution tool. A few of those RAs also involved institutions in the transfer tool simulation exercises.

A majority of RAs took actions to test the bail-in tool by requiring institutions to conduct internal tests of their bail-in procedures and technical capabilities (e.g. MIS) and by carrying out their own simulations of bail-in procedures at RA level, sometimes with the support or involvement of other relevant authorities and stakeholders. More specifically:

- Institutions were asked to perform testing exercises, such as dry runs, usually focusing on data quality and delays in accessing VDRs, producing bail-in-specific data, and generating specific accounting reports.
- RAs, together with other authorities and relevant stakeholders in the execution of a bail-in process, conducted simulations to test the operationalisation of the bail-in tool, for example simulating the generation of the new International Securities Identification Number (ISIN) and testing communication and coordination between these parties.

Based on the outcomes of the institutions' testing exercises, most RAs concluded that institutions have an adequate ability to deliver bail-in data. Still, the completeness, timeliness and quality of the data points vary across institutions, depending on the institutions' MIS infrastructure. Some RAs consider that significant improvements are still needed in this respect.

Additionally, the usability of data outputs poses challenges due to the lack of standardisation of taxonomy and format. In this respect, RAs are working to develop more advanced tools to assess data quality from the authority side. As an example of a solution aimed at overcoming these challenges and automating the data management process, the Single Resolution Board (SRB) introduced the Minimum Bail-in Data Template (MBDT).

Almost a quarter of the RAs developed an internal tool (bail-in calculator) to help them in executing the bail-in, with several other RAs currently developing such a tool. The bail-in calculator can have several modules, aimed at, among other things, validating input data, calibrating decision parameters and executing the calculations, and can be used to assess the expected identified loss and recapitalisation amount, to identify the potential range of write-down and conversion after expected loss is applied, to check if capital requirements are met after write-down and conversion of capital instruments, etc.

With regard to the sale-of-business tool, the main challenge evidenced by RAs linked to its implementation is finding a buyer in a short timeframe. Other key challenges faced by RAs in implementing transfer strategies include availability of high-quality data in a timely manner, completing valuations within a constrained timeframe, and operational continuity of the transfer perimeters through robust service level agreements and coordination between stakeholders. Legal challenges concerning the transfer of assets, rights and liabilities not directly owned by the resolution entity, and obstacles due to national specificities were also identified.

Furthermore, applicable to both bail-in and transfer tools, several RAs emphasised, as main lessons learned from these testing and simulation exercises, the importance of coordination between all authorities involved and the need for precise communication and close collaboration to ensure the smooth execution of resolution strategies. In addition, a clear allocation of roles and responsibilities was also considered key to successful execution.

2.2. Management information systems

Institutions' MIS for valuation have been a top priority for resolution authorities since 2022. Resolution authorities expected that most institutions would have adequate capabilities in place by 2024, in line with the requirements under the EBA Guidelines on resolvability. This expectation is largely met and RAs are looking to achieve broader MIS capabilities beyond targeted valuation ones.

2.2.1. Institutions' main challenges in developing satisfactory IT systems

Despite significant progress in establishing MIS for valuation, institutions face varied challenges due to the heterogeneity of their IT systems. Authorities have set deadlines for compliance, with some institutions struggling with automation, data extraction and resource limitations. The resolution authorities continue to engage actively with institutions to address these issues.

Almost all RAs qualified progress on MIS for valuation during 2024 as adequate.

Overall, while most institutions are meeting the requirements imposed by the EBA guidelines on resolvability¹⁴ and RAs at adequate levels, there is also a variance between institutions due to the heterogeneity of IT systems and the need for valuation capabilities to be integrated into the larger MIS set-up such as reporting capabilities, IT requirements for bail-in or other resolution tools operationalisation, and the set-up of VDRs.

RAs are intensifying their testing requirements of institutions' MIS for valuation capabilities.

In general, the main issues identified by RAs include timeliness of data availability, insufficient data points, insufficient data quality, and difficulty in processing ad hoc requests. While there is overall improvement compared to previous years, the areas in need of development remain the same as the root causes – such as insufficient automation, difficulties in extracting data from various sources and limited IT department resources.

To overcome these challenges, institutions are investing in IT systems, engaging with external advisers, and increasing engagement with resolution authorities. RAs are engaging more with institutions by answering specific questions, organising workshops and meetings, and sharing best practices and detailed guidance.

2.2.2. Approaches to testing valuation capabilities

Resolution authorities employ diverse testing methods, including self-assessments and dry-run tests to evaluate institutions' MIS for valuation capabilities. While most authorities find the testing results adequate, the approaches vary, with some requiring specific scenarios and others focusing on data reporting and VDR functionalities.

In general, to check how institutions meet requirements, RAs requested self-assessments, imposed dry-run type tests, and required progress reports. These approaches were complemented by institutions with auditors' declarations and internal auditor reviews.

The tests focused on reporting capabilities (17 authorities) and VDRs (11 authorities). Some tests combined data reporting and VDR functionalities. In the case of dry-run tests, only six RAs requested specific scenarios for the tests, since those tests also included dry runs on the application of bail-in.

Where tests were conducted, institutions usually received several months' advance notice (in some cases more than six months, and in other cases between three and six months). The test itself usually requires data production within 24 hours.

In the tests for valuation data sets, resolution authorities required either the full data set (in most cases) or only a partial data set.

¹⁴ EBA/GL/2022/01 – (77. Institutions should have capabilities (including MIS and technological infrastructure) to support the timely provision of valuation data at a sufficient level of granularity to enable valuations to be performed within a suitable timeframe. Those capabilities are set out in the MIS chapter of the EBA valuation handbook.)

Authorities used various methods to assess the quality of valuation data, including tools for data analysis and validation and quality checks. Institutions' internal auditors were involved as observers or assessors.

Most RAs qualified the testing result as adequate, meaning that the institutions met RAs' expectations to a large extent. One authority considered the outcome poor, while nine authorities did not assess or run tests.

2.2.3. Resolution authorities' ability to perform valuation in a rapidly evolving environment

Resolution authorities have improved their preparedness for quick valuations, relying on framework agreements with valuers and enhanced internal processes. However, some authorities indicate that further improvements can be made.

In the previous resolution convergence report, the EBA assessed RAs' ability to perform valuation in a rapidly evolving environment, including cases where a provisional valuation would be required. The challenges identified in this assessment led to the development of the EBA Handbook on Independent Valuers, to assist authorities in this area.

Compared to the previous cycle, 10 RAs updated their preparedness and capacity to handle quick valuation needs. The focus of this increased preparedness was focused on having ready lists of valuers and framework contracts, with several authorities actively working in this direction. Several authorities indicated that their recent work benefited from the guidance set out in the EBA Handbook on Independent Valuers¹⁵.

Most RAs would rely on framework agreements and streamlined internal processes for a rapid appointment of valuers. Some authorities indicated that they would not be required to apply public tender processes, thus expediting the process.

Eight authorities have a dedicated valuation team in-house, six authorities have developed internal manuals, and five authorities used external consultants to develop their internal capabilities. One authority provided training to its staff to conduct valuations internally.

Almost half of the RAs are comfortable or very satisfied with their ability to perform provisional valuations. But one third of authorities are still of the view that their ability to perform a provisional valuation in a short timeframe should be improved.

In terms of limitations beyond their own capabilities to perform a provisional valuation, almost two thirds of RAs identified issues in obtaining good quality data from institutions in a short timeframe.

¹⁵ <https://www.eba.europa.eu/publications-and-media/press-releases/eba-published-handbook-independent-valuers-resolution-purposes>

2.3. MREL monitoring

RAs have introduced deep dives regarding MREL eligibility and further data quality checks. Third country liabilities are the main area of focus of RAs to understand potential obstacles and solutions.

Generally, RAs follow a quarterly monitoring format and dedicate specific attention to MREL compliance for new issuances. RAs have started introducing deep dives regarding MREL eligibility and further data quality checks of the information used in reports from institutions. Some RAs have developed new tools that leverage big data and automatic data analysis capabilities.

Eligibility checks as required by Article 45b of the Bank Recovery and Resolution Directive¹⁶ (BRRD) (eligible liabilities for resolution entities) include external legal opinions for instrument eligibility, assessment of CRR grandfathering provisions, policies on liabilities issued under a third country law, list of investors, and assessment of the elements set out in the EBA report¹⁷ on monitoring MREL-eligible liabilities. In addition, some RAs require written confirmation that private individuals meet investor criteria pursuant to Article 44a BRRD as transposed into national law. Some RAs focus their qualitative assessment on instruments governed by third country laws, sold to third country investors, or sold to retail investors.

The MREL qualitative assessment is generally performed in-house by RAs and based on institutions' self-assessment, full instrument documentation and, in some cases, legal opinions requested to institutions. On-site inspections are also performed in some cases. Some RAs have asked institutions to include draft assessments in their bail-in playbooks regarding discretionary exclusions.

Generally, RAs indicate that non-covered, non-preferred deposits can be MREL-eligible if they meet the eligibility criteria outlined in the CRR or BRRD. For example, deposits should not be redeemable prior to maturity, while in practice, in some cases, RAs note that depositors can withdraw before maturity with a penalty. This is one of the reasons why several RAs generally advise against institutions using deposits for MREL.

Several authorities imposed higher restrictions (e.g. minimum denominations of EUR 100k, 150k or 200k) than foreseen in the BRRD on instruments sold to retail investors. Several RAs require stricter disclosure obligations from issuers if instruments are sold to retail investors.

¹⁶ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190, ELI: <http://data.europa.eu/eli/dir/2014/59/oj>).

¹⁷ EBA/REP/2022/23, October 2023
https://www.eba.europa.eu/sites/default/files/document_library/Publications/Reports/2022/1040363/TLAC-MREL%20instruments%20nd%20Monitoring%20Report.pdf.

2.3.1. Addressing MREL breaches

With the compliance date passed (1 January 2024), institutions are currently meeting their MREL targets, and only very few institutions benefit from a deadline extension or have a longer deadline due to a recent switch to a resolution strategy.

Generally, RAs do not anticipate or project breaches or shortfalls, except for a very small number of institutions and for small amounts.

With the general compliance date having been reached (1 January 2024), institutions are now meeting final MREL requirements. Breaches affect only very few institutions for reference date 31.12.2024; however, these breaches have been closed as of this report. Potential shortfalls are therefore projected only to institutions that recently had a change of strategy towards resolution. The primary reasons for breaches and potential shortfalls are, as identified in previous years, the lack of rating and expertise in issuing debt securities in wholesale markets for small institutions, and the limited possibility of selling internationally due to small home markets.

Institutions have deployed a mix of measures to address potential shortfalls or breaches, similar to previous years. These measures include issuing new MREL instruments, retaining profits, and reducing the total risk exposure amount (TREA).

During 2024, three RAs exercised the powers referred to in Article 45k¹⁸ BRRD against a total of four institutions (six in 2023). All three RAs reported that the application of these powers was successful. The powers used were those in Article 45k(b) (powers referred to in Article 16a BRRD, i.e. the power to prohibit certain distributions) and those in Article 45k(c) (measures referred to in Article 104 of Directive 2013/36/EU - Supervisory powers).

Only five RAs reported changes in the nature of engagement with CAs during 2024, to address specific MREL matters, compared to the previous year. These changes involved more intense and/or more frequent exchanges.

Increased interaction between the RA and CA was triggered by specific institution situations, i.e. affecting dividend distribution and permission regimes.

Generally, Memorandums of Understanding (MoUs) are in place for information exchange between RAs and CAs. Technical teams from RAs and CAs have regular meetings to share information and discuss, sometimes having joint meetings with institutions.

Some RAs are exploring the implications in the specific cases of mergers on MREL targets, especially when the merging institutions are compliant but the new entity would not be compliant.

¹⁸ Breaches of the minimum requirement for own funds and eligible liabilities.

2.3.2. Using powers to extend deadline

Ten RAs reported having dedicated policies for extending MREL compliance deadlines beyond 1 January 2024. These policies provide objective elements for assessing BRRD criteria and provide standardised indicators for assessment within the jurisdiction of criteria to grant an extension and also provide standardised lengths for extensions.

Seven RAs provided deadlines beyond 1 January 2024 for a total of 27 institutions. The majority of extended deadlines fell during 2024, while 10 institutions have a deadline during 2026 and three more should be compliant by April 2027. The extended deadlines were for seven retail banks, with total combined assets of approximately EUR 33.66 billion, and for 13 cooperative banks with total combined assets of approximately EUR 3.71 billion. The reasons for extension, judged on a case-by-case basis, included reliance on deposits, CET1 instruments, access to adequate capital markets, recent changes in strategy, and higher MREL requirements.

Only one extension was granted to an institution that had already benefited from an extension. Two RAs shortened the deadline for two institutions that had previously extended deadlines, while one RA shortened the deadline for three institutions.

2.4. Liquidity needs

While institutions have made progress on strategies to meet liquidity needs in resolution, especially on the identification of eligible collateral and considering resolution-specific and more severe scenarios, some concerns still remain. These relate to the feasibility of these strategies during actual resolution events, coupled with persisting challenges in producing full data points in short timeframes and the need for improvement of methodologies for mobilising non-standard collateral.

RAs continue to focus on assessing institutions' strategies and on other potential options, such as resolution financing arrangements based on national arrangements with central banks and the operationalisation of resolution funds.

2.4.1. Strategies, arrangements and addressing possible impediments to ensuring liquidity in resolution

The core strategies institutions adopt to meet their liquidity needs in resolution

Institutions have developed more detailed strategies to meet their liquidity needs in resolution, with progress in operational steps and scenarios. However, concerns remain about the feasibility of these strategies during actual resolution events, particularly regarding collateral availability for central bank facilities and market confidence.

Several RAs noted progress in strategies proposed by institutions for meeting their liquidity needs in resolution. Progress was noted primarily in the development of more detailed operational steps to implement the proposed strategies. Additionally, some RAs observed that the scenarios used are more severe compared to previous cycles where several institutions would not reach the point of

failure (FoLTF). Additionally, a couple of RAs observed more institutions working on identifying and using collaterals other than High-Quality Liquid Assets (HQLA) or collateral eligible for central bank operations.

One third of RAs expressed concerns about the feasibility or effectiveness of certain strategies proposed by institutions for a potential resolution event. In particular, concerns around collateral availability for central bank facilities, as the proposed strategies are mostly the same as those proposed for recovery actions. More than two thirds of the RAs expressed concerns regarding market confidence following a resolution decision, potentially affecting strategies that would rely on market liquidity or funding.

To address these concerns, RAs increasingly asked institutions to identify and be able to mobilise non-standard collateral, explore additional options other than those used in recovery plans, and enhance MIS for timely collateral identification and availability. In addition, RAs reported having discussions with central banks to identify possibilities and conditions for broadening the collateral base beyond eligible assets in specific cases.

In general, RAs indicated that other areas for improvement in terms of capacities and operationalisation of liquidity strategies include governance, reporting capabilities, and liquidity forecasting methodologies.

Institutions' modelling and testing on their capacity to meet their liquidity and funding needs in resolution

Most RAs found the modelling results satisfactory, but some identified issues such as non-resolution-specific stress scenarios. Institutions performed testing of their anticipated capacity to meet liquidity and funding needs, identifying key liquidity drivers and simulating their behaviour under different scenarios.

Almost two thirds of RAs performed an assessment of the modelling tools/methods adopted by institutions. Most RAs found the results satisfactory, while some observed issues such as non-resolution-specific scenarios, unclear assumptions, or incomplete balance sheet analyses.

The EBA will continue to monitor how RAs are assessing the modelling tools and methods used by institutions, as this assessment is an important element for RAs to understand the ability of institutions to meet their liquidity and funding needs in resolution.

Around half of the RAs indicated that institutions within their remit performed testing of their anticipated capacity to meet liquidity and funding needs in resolution during 2024, which is an increase compared to the previous cycle. While the overall outcomes were satisfactory, RAs indicated a need for enhanced testing methodologies, particularly with more severe assumptions regarding deposit withdrawals and less liquid assets as options for collateral.

In particular, while around half of the RAs report that the scenarios used by institutions are mostly specific to the institution's business models, in some cases the scenarios were still considered too

generic and not resolution-specific, while in others they were rather slow (more than one month) to deplete cash and liquid collateral. RAs indicated that their assessment showed some scenarios are still not severe enough (e.g. not triggering FoLTf) and do not follow RAs' requirements (e.g. bucketing, periods, main currencies, key liquidity entities levels, exhaustion of recovery options, etc.).

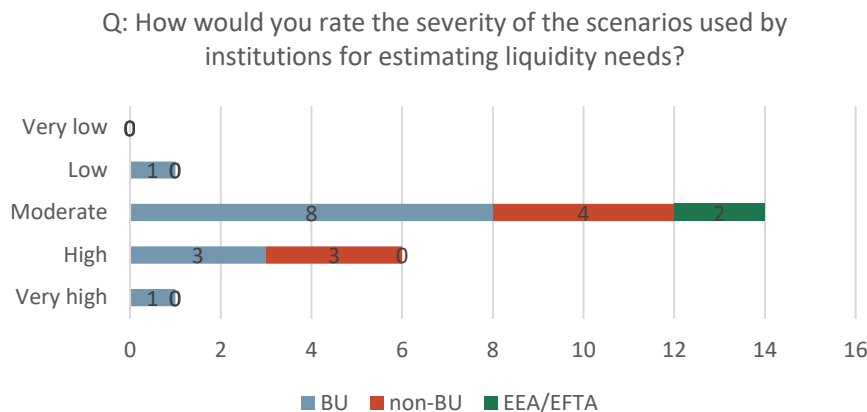


Figure 7 – RAs' qualification of the severity of the scenarios used by institutions

The arrangements put in place by institutions to ensure that they can measure and report their liquidity position and funding needs in resolution, including the outcome of testing exercises

Institutions face limitations in reporting, with challenges in producing complete data points or delivery in short timeframes. RAs are starting to require institutions to prepare specific liquidity reports or indicators and perform testing exercises, with plans for enhanced data quality checks in the coming years.

In 2024, a few RAs started to require institutions to report specific data points related to liquidity to better capture the resolution dimension. Such reports include the Joint Liquidity Template (JLT) developed by the European Central Bank (ECB) and SRB, Asset Encumbrance and Maturity Ladder reports developed by the EBA, as well as specific short-term liquidity indicators. This work indicates RAs' growing collaboration and complementary work with CAs.

Testing increased in 2024 compared to 2023, with more than a quarter of the RAs requiring testing of the specific templates expected to be used for liquidity reporting in resolution. In general, institutions face limitations in reporting, either in producing all the required data points or in producing the report within a specific short timeframe. Some institutions do not have the capability to include resolution-specific input in their systems, such as the starting point of the crisis, which affects certain liquidity estimates capabilities. RAs are actively providing feedback to institutions to address these shortcomings and improve future tests.

Institutions' capabilities for identifying standard-eligible collateral are advanced while not fully developed for identifying and mobilising non-standard collateral. Main issues are due to lack of automation and insufficient data quality.

While capabilities for identifying standard-eligible collateral are satisfactory, several RAs indicated that some institutions do not have fully developed methodologies and technical capabilities to identify and mobilise non-standard collateral.

RAs consider that the main issues stem from lack of automation to allow rapid calculation of the data points and regularly updated information in the system.

2.4.2. RAs work on liquidity in resolution

Beyond assessing institutions' strategies, RAs also work on ensuring that resolution financing arrangements are available and actionable when needed. Increased activity in liquidity work is noted, with plans to concentrate on national arrangements with central banks and operationalisation of resolution funds.

During 2024, more than a quarter of the RAs developed crisis management plans specifically addressing funding and liquidity in resolution scenarios. In addition, to test the availability and operational readiness of financing arrangements under Article 100 BRRD, several RAs conducted simulation exercises and workshops with different stakeholders. These simulations enhanced RAs' ability to ensure funding and liquidity from an operational standpoint.

For 2025, in the area of liquidity in resolution, RAs plan to concentrate more on developing operational national arrangements with central banks and the operationalisation of resolution funds under Article 100 BRRD. In addition, as indicated above, RAs are discussing with central banks to understand whether, under certain scenarios or conditions, the collateral base can be widened.

3. Digital finance

Supervisory convergence work in the digital finance field focused, in 2024, on preparing the EBA and other supervisors for the implementation of the EU's markets in crypto-assets supervisory framework (MiCA¹⁹), in particular through the work of the Crypto-asset Supervision Coordination Group established in September 2023.

3.1. Priorities for the supervision of ART and EMT issuers

The EBA established priorities for the supervision of asset reference token (ART) and e-money token (EMT) issuers in July 2024, covering 1) internal governance and risk management; 2) financial resilience; 3) technology risk management; 4) financial crime risk management. These supervisory priorities were agreed for the 2024/2025 cycle and the main licensing of issuers happened in 2025. To ensure supervisory convergence in implementing these priorities, a supervisory handbook module was adopted by the EBA for use by CAs, and relevant methodologies to further enhance convergence were developed within the EBA's Crypto-Assets Standing Committee level, such as methodologies on risk assessment, on-site/off-site supervision and assessing and addressing liquidity risk in EMT multi-issuance models. Implementation of the priorities by CAs will be reviewed at the end of 2025.

3.2. Coordination of MiCA preparations

The Crypto-asset Supervision Coordination Group brought together existing and future supervisors of crypto-asset issuers. The aim was to build a common understanding of MiCA application and provide preliminary views on various topics of relevance for supervisors through presentations and discussion of business cases and dedicated thematic workshops and, where relevant, provide preliminary EBA and Commission views on interpretation/application issues arising.

The EBA organised five workshops on specific topics:

- EMT multi-issuance – viability of the business model and application of prudential requirements.
- Unauthorised EMT activities and cessation of business operations of issuer after the MiCA application date.

¹⁹ Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937 (OJ L 150, 9.6.2023, p. 40, ELI: <http://data.europa.eu/eli/reg/2023/1114/oj>).

- Intersection of MiCA and PSD2²⁰.
- Risks and safeguards in relation to EMT multi-issuance models for credit institutions and electronic money issuers.
- Classification exercise on gold-referencing tokens.

Building on its July 2023 transition phase statement encouraging early preparations for the application of MiCA to ARTs and EMTs, the EBA published an updated statement in July 2024 to coincide with the entry into force of parts of MiCA.

The statement set out:

- expectations towards issuers and offerors of ARTs and EMTs to comply with MiCA as it began to apply;
- a reminder to consumers of the risks of acquiring ARTs and EMTs which are not compliant with MiCA;
- expectations in relation to national supervisors to act in relation to ART and EMT activities, and to make relevant information available on their websites.

In addition, the EBA developed a MiCA supervisory handbook to complement the single rulebook by providing practical support to supervisors for the implementation and application of the regulatory framework considering the specific nature and risks of ART and EMT issuers.

3.3. Coordination of supervisory responses to sector developments

In November 2023, the US Department of Justice announced that Binance and its founder and CEO had pleaded guilty to several federal charges, including violations of US AML laws. In April 2024, the now former CEO was sentenced to four months in US prison. In response to that, the EBA organised four EU-level discussions on ML/TF risks to understand and share information on the supervisory assessments and actions of CAs.

²⁰ Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015, p. 35, ELI: <http://data.europa.eu/eli/dir/2015/2366/oj>).

4. Consumer protection, payments and conduct

4.1. No action letter on the interplay between PSD2 and MiCA

In December 2024, in response to a request received by the European Commission, the EBA started developing a no action letter to clarify how PSD2 and MiCA should be applied and supervised for the subsets of crypto-assets that are EMTs. The no action letter, among other things, advises supervisors to apply the second authorisation required under PSD2 for a specified subset of crypto-asset service providers (CASPs) that transact EMTs only, to do so only after a transition period that ends on 2 March 2026, and then to deprioritise carefully chosen PSD2 provisions that are specified in the letter, in particular PSD2 requirements which overlap with MiCA provisions that have equivalent safeguards.

In so doing, the EBA simplified the application of the regulatory framework, preventing divergent interpretations between CAs, which would have undermined the single market and exposed consumers to divergent levels of protection depending on the Member State in which the CASP is authorised. The no action letter was published and submitted to the European Commission in June 2025.

5. Anti-money laundering and countering the financing of terrorism (AML/CFT)

5.1. AML/CFT college monitoring

In 2020, the EBA issued guidelines establishing a coordination and cooperation framework for AML/CFT supervisors of cross-border financial institutions, including the setting up of AML/CFT supervisory colleges. The current AML/CFT colleges framework was enshrined with limited changes in Article 39 of the new AML/CFT directive, which will be implemented in mid-2027. The EU's Anti-Money Laundering Authority (AMLA) will take over from the EBA to coordinate and monitor AML/CFT colleges from the end of 2025.

As of 1 January 2024, 264 established AML/CFT colleges had been reported to the EBA. Of these colleges, 130 belonged to the banking sector, 73 belonged to the investment sector, 35 belonged to the payment and e-money sectors, and 19 belonged to the life insurance sector.

In 2024, EBA staff attended 10 AML/CFT college meetings organised by nine lead supervisors. The main topics discussed in these colleges were ML/TF risk assessment, customer due diligence, ongoing monitoring of transactions, suspicious transaction reporting, vulnerability to frauds, and the automation of the onboarding process. The outcome of the EBA's monitoring of these colleges will be presented in a report on the functioning of AML/CFT colleges in Q4 2025.

In addition, the EBA conducted thematic monitoring of 10 colleges (9 lead supervisors) in 2024, focused on colleges in the banking, payment services and e-money sectors concerning financial institutions with a FinTech-oriented business model. The following findings were presented in the 4th EBA report on the functioning of AML/CFT colleges, published in December 2024:

- *The functioning of colleges has improved.*
- *Meetings are well organised.*
- *Lead supervisors collect more information ahead of meetings and lead the discussions more, which led to the sharing of more relevant information.*
- *Nevertheless, supervisors and colleges' members made insufficient efforts to identify key cross-cutting issues and determine whether those should be addressed in a coordinated manner.*

- *The frequency and form of the information exchange was insufficiently adapted to the ML/TF risks the firm was exposed to, and to the extent of its cross-border activities, resulting in an insufficiently strategic allocation of resources by some CAs.*

5.2. AML implementation reviews

The EBA has been carrying out implementation reviews of the EU's AML/CFT supervisory framework. In December 2024 we reported on the fourth and final round of reviews conducted by the EBA. This provided a comprehensive stocktake of how CAs across the EU/EEA have strengthened their supervisory approaches to AML/CFT. The report reached several key conclusions:

- **Progress in Risk-Based Supervision:** All NCAs reviewed had taken meaningful steps to implement a risk-based approach to AML/CFT supervision. Since the first round of reviews in 2018, there has been a marked improvement in how NCAs assess and mitigate ML/TF risks. This includes development of more sophisticated risk assessment methodologies and tools, enhanced supervisory follow-up and use of sanctions where appropriate, and increased allocation of resources to AML/CFT supervision. Almost all NCAs have restructured their AML/CFT supervisory organisation by creating stand-alone AML/CFT units and increasing resources allocated to the AML/CFT supervision. This is a direct result of various training initiatives, reports, opinions and legal instruments published by the EBA in recent years to build capacity and make AML/CFT supervision more effective.
- **Improved Cooperation:** The reviews highlighted stronger cooperation, both domestically and internationally. AML/CFT supervisors demonstrated better coordination with prudential supervisors. There was increased engagement in AML/CFT colleges; a positive development in fostering cross-border supervisory convergence.
- **Remaining Gaps:** Further actions are needed in some areas to fully address the EBA's earlier recommendations. These include ensuring consistent application of supervisory expectations across Member States, strengthening the effectiveness of sanctions and enforcement mechanisms, and enhancing the integration of AML/CFT considerations into broader prudential frameworks.

The reviews were also designed to support the transition to the new EU Anti-Money Laundering Authority (AMLA). The EBA aimed to provide a clear picture of the current state of AML/CFT supervision to inform AMLA's future indirect supervisory role. In 2025, the EBA will carry out a final stocktake of progress made by supervisors against the EBA's recommended actions in preparation for the handover of the EBA's AML/CFT work to AMLA.

5.3. Application of AML/CFT requirements to e-money tokens

The EBA held a workshop bringing together competent authority payment services and AML/CFT and crypto-asset experts to discuss the intention of an authorised electronic money institution (EMI) to issue EMTs under MiCA. The EBA and participants agreed on how EU AML/CFT requirements apply in such circumstances, both before and after the application date of MiCA, to ensure a consistent approach to the various scenarios that could arise as the new frameworks are implemented.

6. Cross-cutting activities

In addition to convergence activities carried out in relation to the different aspects of the banking and payments sectors that the EBA oversees, the EBA also carries out a range of activities which support convergence across the sectors.

6.1. Q&As

The EBA, together with representatives from CAs, continues to devote considerable resources to its Q&A process, which supports supervisory convergence by clarifying the interpretation and application of EU financial legislation through a structured and transparent mechanism.

In 2024, 329 new Q&As were submitted to the EBA, while 90 Q&As were published and 182 rejected. Over 90% of Q&As categorised as being questions of application for the EBA to answer are now answered or rejected within 7 months and the EBA met its target of responding to all questions within nine months in all but three cases.

As developing answers which are supported across the supervisory community takes time, the EBA applies criteria to ensure that resources are focused on the Q&As which are most likely to require a convergent approach and benefit a range of stakeholders. Ongoing transposition and regulatory work under CRD6/CRR3 has also impacted the EBA's ability to answer questions, and stakeholders were encouraged to wait for the conclusion of this work before submitting questions on these topics. Nevertheless, the majority of Q&As submitted in 2024 continue to concern CRD/CRR (243, of which approximately 60% have been rejected), followed by a steady increase in questions on DORA²¹ (28) and MiCA (15), which has led to increased coordination with the European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EIOPA) on these topics.

⁽²¹⁾ Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (OJ L 333, 27.12.2022, p. 1, ELI: <http://data.europa.eu/eli/reg/2022/2554/oj>).

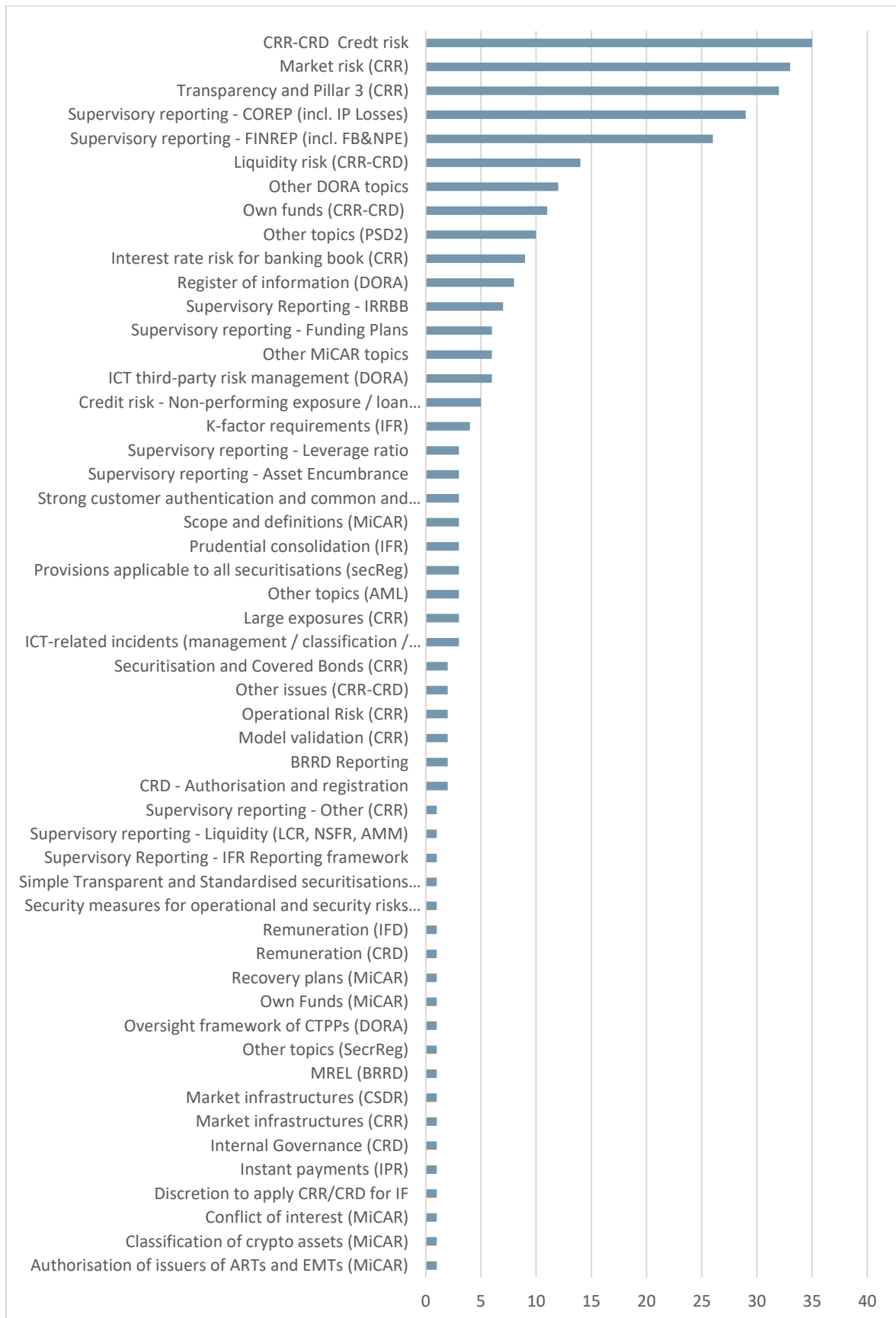


Figure 8 - Number of Q&As received in 2024 by topic

6.2. Peer reviews

The EBA uses peer reviews to assess and compare the effectiveness of supervisory activities and implementation of supervisory requirements by CAs to further strengthen consistency in supervisory outcomes, including by identifying best practices. The EBA has increased its use of peer reviews to provide a broader assessment of supervisory practices and seeks to focus topics using the EBA's supervisory priorities as well as the EBA's analysis of risks and market developments.

In 2024, three peer reviews on the definition of default, proportionality in SREP and tax integrity and dividend arbitrage schemes were published, with an increasingly explicit risk-based approach which considers the supervisory context in a jurisdiction. For example, in the peer review on tax integrity and dividend arbitrage schemes, national AML/CFT risk assessments were used to identify the extent to which supervisory intervention was considered necessary. The EBA's first two follow-up peer reviews on qualifying holdings and non-performing exposures were also published in 2024.

6.2.1. Peer review on definition of default

In the aftermath of the global financial crisis, a harmonised definition of default (DoD) was established in the EU as a key component in a higher-quality and more uniform assessment of credit risk and calculation of risk-weighted assets, reducing the scope for regulatory arbitrage. The EBA harmonised the DoD of an obligor that is used for the purpose of the internal ratings-based approach for the calculation of capital requirements for credit risk, as well as for the standardised approach.

The peer review looked at six CAs' supervision of credit risk, focusing on application of the DoD and the EBA guidelines across three major areas:

- implementation of EBA/GL/2016/07 in the supervisory framework;
- effectiveness of the procedure for the submission of the application;
- effectiveness of the assessment for checking compliance with the DoD.

The peer review found that, overall, the expectations set out in EBA guidelines have been fully or largely incorporated into the supervisory framework by all supervisors reviewed. The Peer Review Committee also found the effectiveness of supervision to be good, particularly as regards the monitoring of credit institutions that apply the internal ratings-based approach (IRBA). While some EU banks applying IRBA are under the supervision of a national competent authority (in conjunction with the ECB), the majority are under the direct supervision of the ECB. The ECB has developed a detailed and thorough approach towards DoD supervision, including documentation for the submission of DoD applications. Supervision of the DoD of credit institutions using the standardised approach is good but more varied, reflecting the more dispersed nature of the credit institutions and the relative predominance of IRBA credit institutions in terms of size and assets in different jurisdictions, with some scope for consideration by CAs of best practices identified in the peer review and of the appropriate level of supervision in order to strengthen it further.

This includes:

- considering and documenting the elements used to determine the basis of risk-based supervision of the DoD and/or SREP assessments;
- potential alignment of self-assessment questionnaires on DoD submitted to banks;
- consideration of the appropriate frequency and depth of assessments;
- establishing minimum checks on IT systems used by credit institutions to calculate elements of the DoD;
- alignment of remedial actions in the context of local versus cross-border institutions.

6.2.2. Peer review on the application of proportionality in the SREP

The EBA's guidelines for common procedures and methodologies for the SREP and supervisory stress testing under the CRD (SREP Guidelines) set out proportionality provisions in relation to the classification of institutions and supervisory engagement, and as regards the simplified Pillar 2 approaches in the SREP assessment. The aim is to allow a proportionate approach towards the intensity of the supervisory engagement and towards the focus and granularity of the assessment of the SREP elements, providing flexibility to adapt the supervisory focus and resources according to the significance and risk profile of the institution and the nature, scale and complexity of its activities.

This peer review found that proportionality in the SREP and in the liquidity assessment under the SREP is largely implemented by the CAs under review, though with some adaptations to the local context and the risk profile of the institutions under their supervisory remit. The Peer Review Committee identified several best practices allowing for the efficient use of supervisory resources in the application of proportionality, including the use of benchmarking tools, 'pilot inspections' where several institutions use the same service provider, and spot checks on the quality, accuracy and reliability of information provided by institutions in self-assessment questionnaires.

However, some deficiencies were identified concerning consistency of implementation of the SREP guidelines, sources used for SREP categorisation and implementation of the minimum engagement model for meeting institutions' management body and senior management. While these do not lead to material risks being unaddressed, they undermine the aim of the SREP Guidelines of having a more consistent approach across the EU to how SREP is applied by CAs and can lead to similar credit institutions being treated differently across jurisdictions without good reason. Indeed, some provisions for the application of proportionality in the SREP that are included in the SREP Guidelines are not being used in practice or are not used to their full extent.

Examples include provisions allowing supervisors to:

- adapt the focus and granularity of the SREP assessments according to the risk profile of the institution regardless of their categorisation;
- use tailored methodologies for institutions with similar risk profiles; and,
- conduct thematic SREP assessments on multiple institutions as a single assessment ('clustering').

Supervisors are strongly recommended to make use of these provisions in their SREP assessments as part of a risk-based approach and effective allocation of resources.

The follow-up measures for all CAs, including those not included in the initial review, include the incorporation of the CRR classification of 'large' and 'small and non-complex' institutions into the categorisation of institutions, to ensure alignment across the different pillars in the application of proportionality. They also include alignment with the minimum engagement model as regards the minimum frequency for meetings with the institutions' management body and senior management.

Whereas proportionality in the liquidity risk assessment under the SREP is generally being applied, follow-up measures were also identified with regards to the use of supervisory liquidity stress testing, as well as the provided room for proportionality, as an independent tool to assess short- and medium-term liquidity risks.

6.2.3. Peer review on tax integrity and dividend arbitrage schemes

This peer review sought to review the supervisory implementation of measures taken by the EBA as part of its April 2020 action plan on dividend arbitrage trading schemes such as *cum-ex* and *cum-cum* schemes to enhance the integrity of the EU financial system by clarifying regulatory expectations in this area.

The changes adopted by the EBA following its action plan clarified that supervisors have responsibility for ensuring that financial institutions have systems and controls in place to manage the risk that they may be involved in tax crime or laundering the proceeds of serious tax crime.

Since AML/CFT and prudential supervisors are not responsible for identifying or investigating individual tax crime cases, the peer review did not look at or comment on the effectiveness of the overall national frameworks in this regard.

The information available to supervisors in carrying out their work, and the way in which they do so, can vary according to the national institutional framework, the allocation of responsibilities for tax crime issues within that framework, and the extent of cooperation of other actors. This report did not assess the role of other actors, focusing only on the expectations placed on supervisors under the EU's legislative and regulatory framework, including the guidelines mentioned.

The scope of the peer review covered how national supervisors, prudential and AML/CFT alike, integrated tax integrity into their risk-based supervisory work. The focus of the peer review was on tax integrity issues more broadly and not limited only to dividend arbitrage trading schemes (such

as *cum-cum* or *cum-ex* schemes), which vary across jurisdictions. The EBA's underlying assumption for the assessment of the peer review's benchmarks was that supervisory actions, and the ensuing supervisory resources, dedicated to tax integrity issues need to be proportionate to the risk of tax crimes, as assessed by the countries under review.

The peer review found that most of the supervisors reviewed largely or fully applied the benchmarks assessed; hence were supervising these areas well overall. However, the detail underlying the assessments revealed some specific areas for improvement and follow-up measures. For example, two supervisors were assessed as only partially applying the expectations concerning supervisory activities covering tax integrity from an AML perspective, and two as partially applying one of the expectations concerning tax-related information as a source for CAs' ML/TF risk assessment supervision.

Although the EBA's action plan has strengthened supervision, implementing the follow-up measures described in this report can further build consistency and effectiveness in supervisory outcomes across the EU and help limit the use of the financial system to carry out illegal tax schemes and other tax evasion.

6.2.4. Follow-up peer review on prudential assessment of the acquisition of qualifying holdings

The EBA's follow-up peer review on qualifying holdings highlighted significant progress by CAs in addressing earlier shortcomings identified in the EBA's 2021 peer review of this topic.

The 2021 report covered 30 CAs: all 27 of the EU Member States, the ECB-SSM and 2 EEA countries. Of these, 17 CAs (BG, CY, CZ, DE, DK, EE, EL FI, FR, IT, LU, NL, PL, PT, RO, SE and SK) reported a lower than 'fully applied' score in the 2021 report. Those CAs were found to not fully apply at least one of the eight areas reviewed in the original two-year peer review reference period (2019 and 2020).

All these CAs were found overall to have taken the need to respond to the assessment of the initial peer review seriously, and most had adopted measures to remedy the deficiencies identified. Of these CAs, 16 were upgraded from 'largely applied' or 'partially applied' to 'fully applied' and 4 CAs were upgraded from 'not applied' or 'partially applied' to 'largely applied'.

Particular improvements were identifiable in the areas of assessment of the financial soundness of proposed acquirers and of suspicions of money laundering/terrorist financing issues.

While a significant number of 'largely applied' ratings remain unchanged, CAs had still made progress in the areas concerned (principally acting in concert, significant influence). In many cases, while improvements in the supervisory framework had been made, the CAs in question could not provide concrete examples showing the application of the acting in concert criteria, and so for this reason the benchmark could not be assessed as being fully applied. On the other hand, two out of three CAs (FR and NL) were found not to have made any progress on the timings of notifications and assessments of proposed acquisitions.

Regarding the three CAs that still had ‘partially applied’ ratings in the context of indirect acquisitions of qualifying holdings, they were advised to apply the multiplication criteria laid out in the ESAs’ guidelines to improve supervisory convergence within the Union on this aspect.

6.2.5. Follow-up peer review on supervision of non-performing exposure management

Meanwhile, the NPE follow-up peer review showed that nearly all CAs had either fully or largely implemented the EBA’s guidelines on NPE and forbore exposure management in the EBA’s 2022 peer review report on the supervision of management of non-performing exposures (NPE) by credit institutions.

The conclusions of the 2022 peer review were largely positive, with the Peer Review Committee concluding that that, despite some delays in the implementation of the guidelines by a small number of CAs, primarily in relation to smaller and less complex institutions, the guidelines had been implemented by the CAs and applied in their respective supervisory practices. The follow-up peer review focused on the assessment of the CAs that had not ‘fully applied’ the provisions at the time of the initial peer review in 2022. Of these, 21 CAs were found in 2022 as not fully applying in at least one of the nine areas reviewed.

Most of the CAs were found to have made significant efforts to improve their practices and achieve the level of either full or partial application of the specific provisions of the guidelines. Despite these efforts, three specific assessments remained unchanged for some CAs and were still viewed as only ‘partially applied’ in some key areas, including incorporating the EBA SREP Guidelines into the CAs’ methodology, incorporating the Guidelines into the CAs’ supervisory manuals or similar tools for on-site examinations; and that when supervising NPE management the CA assesses whether credit institutions have policies and methodologies to ensure the measurement of impairments and write-offs.

The findings of the follow-up review therefore did not necessitate any further recommendations on the topic. However, given the rise in non-performing loans (NPL) as identified in the July 2024 EBA Risk assessment report, CAs were urged to remain vigilant regarding developments in credit quality and to address early NPE growth in their jurisdiction. The latter is of particular importance considering the recent increases of the share of NPLs across all segments and banks own expectations for further growth of NPLs for households and corporates in 2024.

6.3. Breach of Union law investigations, complaints and mediation

The EBA conducts breach of Union law investigations to ensure that EU banking regulations are applied across all Member States by CAs. These investigations are triggered when a competent authority is suspected of failing to apply EU law correctly or at all. The purpose is to uphold the integrity of the EU’s single rulebook and protect financial stability. The EBA primarily uses

complaints made by stakeholders to identify potential cases, carrying out preliminary enquiries with CAs to determine what action to take where appropriate.

The EBA did not open any formal investigations in 2024, closing most cases without having identified any potential breach by CAs, and occasionally following agreement by a competent authority to take some remedial action. In many cases complaints relate to the activities of financial institutions rather than of CAs, e.g. complaints about payments not having been made properly. The EBA does not have the ability to assist in these cases and so complainants are typically referred to the relevant competent authority, national dispute resolution scheme or other services better able to assist.

The EBA received 41 complaints in 2024, with the main topics being linked to payment services, customer service, frauds and AML-related matters (blocking of payment accounts).

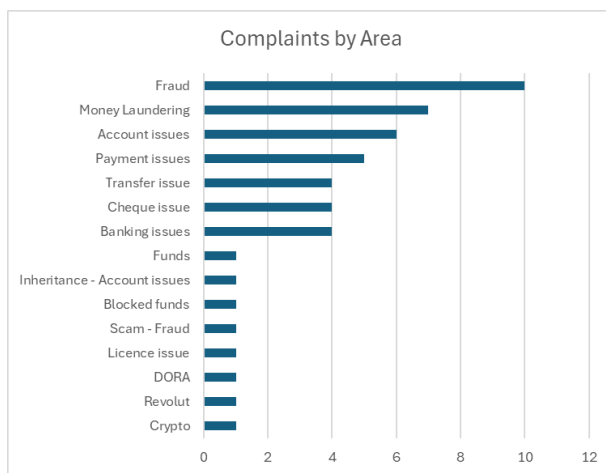


Figure 9 - Complaints received by the EBA by topic

Concerning alleged breaches of Union law, five new cases were opened in 2024, of which three were declared inadmissible due to lack of competence or substantiated information. Of the two other cases, one concerned an alleged lack of enforcement of a bank's non-compliance with PSD2 requirements in relation to a card payment transaction. The case was examined in cooperation with the CA concerned and eventually closed, as there was no evidence to suggest that the CA had not ensured the application of the PSD2.

The remaining case concerned an alleged lack of enforcement of PSD2 banks' obligations in relation to changes of framework contracts. Preliminary enquiries with the supervisor concerned were opened by the EBA, after which an agreement was reached on actions necessary for the supervisor to comply with Union law. Specifically, upon the EBA's request, the supervisor took action to ensure full compliance with PSD2 concerning contractual modifications and the observance of the two-month notice period required by PSD2, unless the new terms are unequivocally more favourable to the client.

The EBA plays a mediation role to help resolve disputes between national CAs, particularly in the supervision and resolution of cross-border banks, offering both binding and non-binding mediation procedures, aiming to foster cooperation and ensure consistent supervisory decisions. In 2024, the EBA assisted one deposit guarantee scheme (DGS) in relation to an issue regarding transfer of contributions in the light of a previous EBA mediation and the judgment in case C-822/21²². The EBA also followed up on the steps taken by the two DGSs, whose disagreement was settled by a mediation decision of the EBA in July 2023. Both DGSs were found to have follow-up on the decision by reviewing their communication procedures with their respective national CAs, and reporting on internal plans or process adaptations or enhancements designed to ensure that they received timely information about any potential restructuring operations of their member credit institutions involving transfers of all or some of their activities to another Member State.

6.4. Training programme for competent authorities

Each year, the EBA develops a training programme for staff of CAs based on the EBA's work programme and the specific needs expressed by CAs. These offerings include seminars, online courses and collaborative workshops, often hosted via the EBA Learning Hub, and are designed to strengthen supervisory skills, promote best practices and support the implementation of the single rulebook.

The training plan for 2024 delivered 23 courses and reached 3 185 participants.

Besides our targeted training offer, the EBA also maintains a learning management system hosting the EBA's online training offering, the Supervisory Digital Finance Academy (SDFA), a multi-year capacity-building initiative of the Commission (DG REFORM) coordinated with the ESAs and aimed at strengthening supervisory expertise in digital finance.

2024 has been a year of tremendous growth. The user base increased 58% over 2024 from 3 028 to 4 780 users. The number of active courses increased by over 50% from 125 to 193 compared with 2023. See below for a complete list of the training courses provided.

Table 2 - Overview of the training delivered by the EBA and the SDFA

No	Title	Format
1	*EU-SDFA MiCA Advanced Course	E-learning & live seminar
2	*EU-SDFA DORA Advanced Course	E-learning & live seminar
3	SupTech Learning Path	Recorded lectures
4	JC Workshop on the use of Behavioural Economics in Supervision	Live seminar
5	TFIS Virtual Seminar on Basel III monitoring exercise	Live seminar
6	*EU-SDFA MiCA Advanced Course	E-learning & live seminar
7	*EU-SDFA DORA Advanced Course	E-learning & live seminar
8	*EU-SDFA - AI in the Financial Sector	E-learning & live seminar

²² Judgment of 30 April 2024, *Republic of Latvia v Kingdom of Sweden*, ECLI:EU:C:2024:373.

9	EBA/BIS: Recent regulatory developments in Europe	Live seminar
10	EBA/ESE Current and best practices in recovery plan assessment	Live seminar
11	ML/TF risk assessments: in the context of AML/CFT supervision	Live seminar
12	EBA on ESG	Recorded lectures
13	* S DFA workshop at the EBA premises	Hybrid
14	* EU-S DFA MiCA Advanced Course	E-learning & live seminar
15	* DORA Advanced Course	E-learning & live seminar
16	CASPs: ML/TF risk exposure, travel rule and AML/CFT supervision	Hybrid
17	EBA/ESE Current and best practices in recovery plan assessment	Physical
18	EBA/Banco de Portugal training on the treatment of Structural FX positions	Physical
19	Consumer Trends Report hybrid workshop	Hybrid
20	JC SC CPFI Workshop on financial education and digitalisation	Physical
21	Supervisory reporting – COREP and FINREP	E-learning & live seminar
22	MREL & TLAC	E-learning & live seminar
23	ESG supervision and transition plans	Hybrid

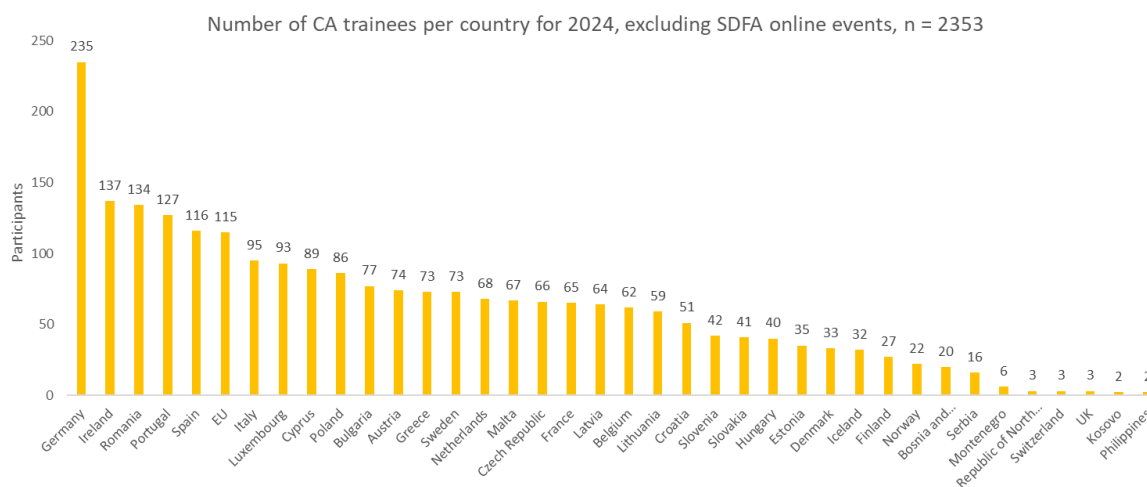


Figure 10 - Training participants from CAs per country

Note: This excludes members of the industry and S DFA. ‘EU’ covers participants from the ECB, ESAs and other EU bodies.



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