



EUROPEAN CENTRAL BANK

EUROSYSTEM

CHIEF RISK OFFICER ROUNDTABLE

FRANKFURT AM MAIN, TUESDAY, 26 JANUARY 2022

MEETING SUMMARY

The ECB's Vice-President, Mr de Guindos, welcomed the Chief Risk Officers (CROs) of ten financial institutions (see Annex) to the inaugural Roundtable, which was also attended by senior staff from the ECB's Directorate General Macroeprudential Policy and Financial Stability and Directorate Risk Management, and its Chief Compliance and Governance Officer. He noted that the Roundtable aimed to bring together CROs in a diverse composition, complementing the ECB's regular monitoring of systemic threats to the euro area financial system with targeted feedback. He informed the CROs that, in line with the ECB's transparency and good governance policy, a charter, summary and list of participants would be published.

1. **Financial stability challenges in the macro-financial environment and the financial system**

The session opened with a tour de table during which the CROs outlined what they perceived to be the greatest threats facing euro area financial stability. Many saw the prospect of higher global inflation and the associated possibility of a sharp rise in global interest rates as a key threat. There was also a broad consensus that heightened geopolitical tensions represented a systemic threat. Most CROs noted that there had been a significant rise in the number of cyberattacks on financial institutions over the past two years, and many saw the possibility of a systemic event if such attacks were to affect important financial market infrastructures, such as central counterparty clearing houses, payment systems and critical third-party service providers (including Cloud providers). At the same time, the transition and physical risks associated with climate change were seen by many CROs as a potential source of financial instability if not managed correctly. A re-emergence of public debt sustainability concerns and market fragmentation were highlighted as a potential future source of financial instability, albeit not a near-term risk. Labour and skill shortages in view of the decreasing attractiveness of the regulated parts of the financial system were considered to be a key risk for those sectors by many CROs. A few CROs saw the lack of a regulatory and supervisory level playing field for global banks and insurers as a potential source of instability, owing to the impact on the competitiveness of euro area institutions.

2. **Transitioning to the post-COVID era**

Participants then discussed in more detail the challenges facing the financial system as it transitions to the post-COVID era. Most CROs considered the phasing-out of policy support in a predictable manner to be the most important challenge, particularly in view of inflationary pressures, elevated real estate and financial asset prices, and high public and private sector debt levels. Many CROs considered the banking sector to have weathered the pandemic fairly well, thanks to improved capital buffers at the onset and broad macroeconomic policy support. That said, looking ahead, an increase in non-performing loans could not be excluded. CROs also emphasised the importance of the structural challenges facing the European financial system, with low banking sector profitability limiting possibilities to invest in the digital transformation. Several CROs highlighted the importance of (operational) resilience in a more uncertain world, with risks beyond the control of individual institutions. A few CROs mentioned that stronger forms of public-private sector cooperation should be sought in areas like cybersecurity. On climate change, the CROs would welcome a framework enabling an orderly transition, which could create opportunities for financial institutions.

Annex: List of participating institutions

AXA

AMUNDI

BBVA

Belfius

Deutsche Bank

ING

LCH SA

NN Group

Société Générale

UniCredit