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**ECB-PUBLIC**

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**Adverse scenario for the EBA 2021 EU-wide stress test**

25 January 2021

Dear José Manuel,

On behalf of the ESRB Chair, Madame Christine Lagarde, I am hereby officially transmitting to you the ESRB adverse scenario for the EBA 2021 EU-wide stress test. The scenario was formally approved during a regular meeting of the General Board on 15 December 2020 without objections.

The documentation has been prepared in line with Articles 23 (Identification and measurement of systemic risk) and 32 (Assessment of market developments) of the EBA regulation. Moreover, I am pleased to inform you that, as for the 2020 scenario, the calibration of this year's scenario has taken into account several of the recommendations proposed by the European Court of Auditors, such as the increase in the overall level of severity and the reduction of the cross-country variation of shocks.

In addition to the adverse macrofinancial scenario, please also find enclosed the adverse market risk scenario. As in previous years, the market risk scenario has been prepared by the ECB and is consistent with the adverse macrofinancial scenario, which the ESRB General Board has discussed and approved. The adverse market risk scenario has benefitted from technical discussions in the ESRB Task Force on Stress Testing and the EBA Stress Testing Task Force and also enhanced by feedback from the ESRB Advisory Technical Committee.

The ESRB Chair asked me to convey her appreciation for the good cooperation between the EBA and the ESRB at staff level as well as across our respective task forces, which has been instrumental in the development of the scenario.

I look forward to discussing the outcome of the 2021 EBA stress test at one of the General Board meetings later this year.

With best regards,

Francesco Mazzaferro  
Head of the European Systemic Risk Board

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