



Consultation paper on revised Guidelines on SREP and supervisory stress testing

Public hearing: Thursday, 04 December 2025
Prudential Regulation and Supervisory Policy department



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Public hearing structure

1. **Introduction** - Isabelle Vaillant (EBA - PRSP Director)
2. **Overview of the revised Guidelines and key changes**
3. **Next steps**
4. **Q&A session**

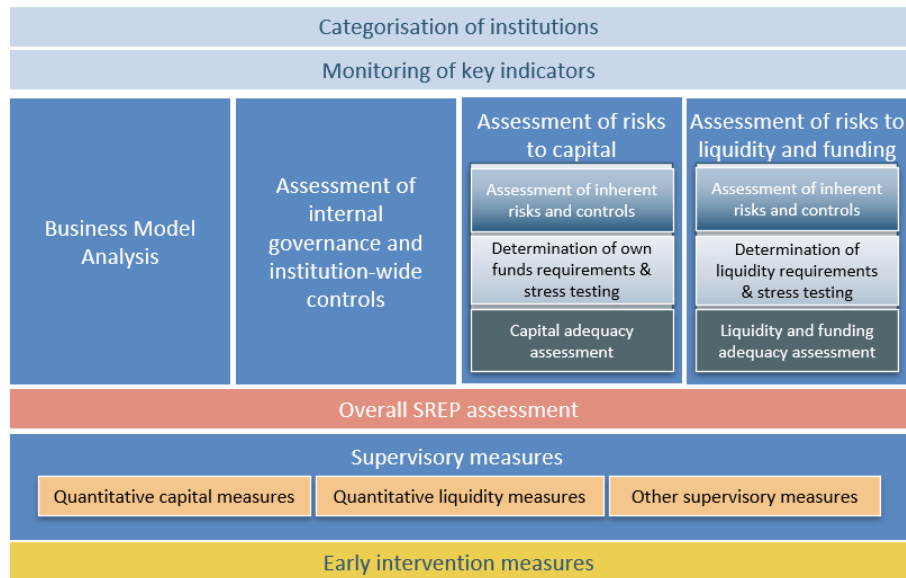


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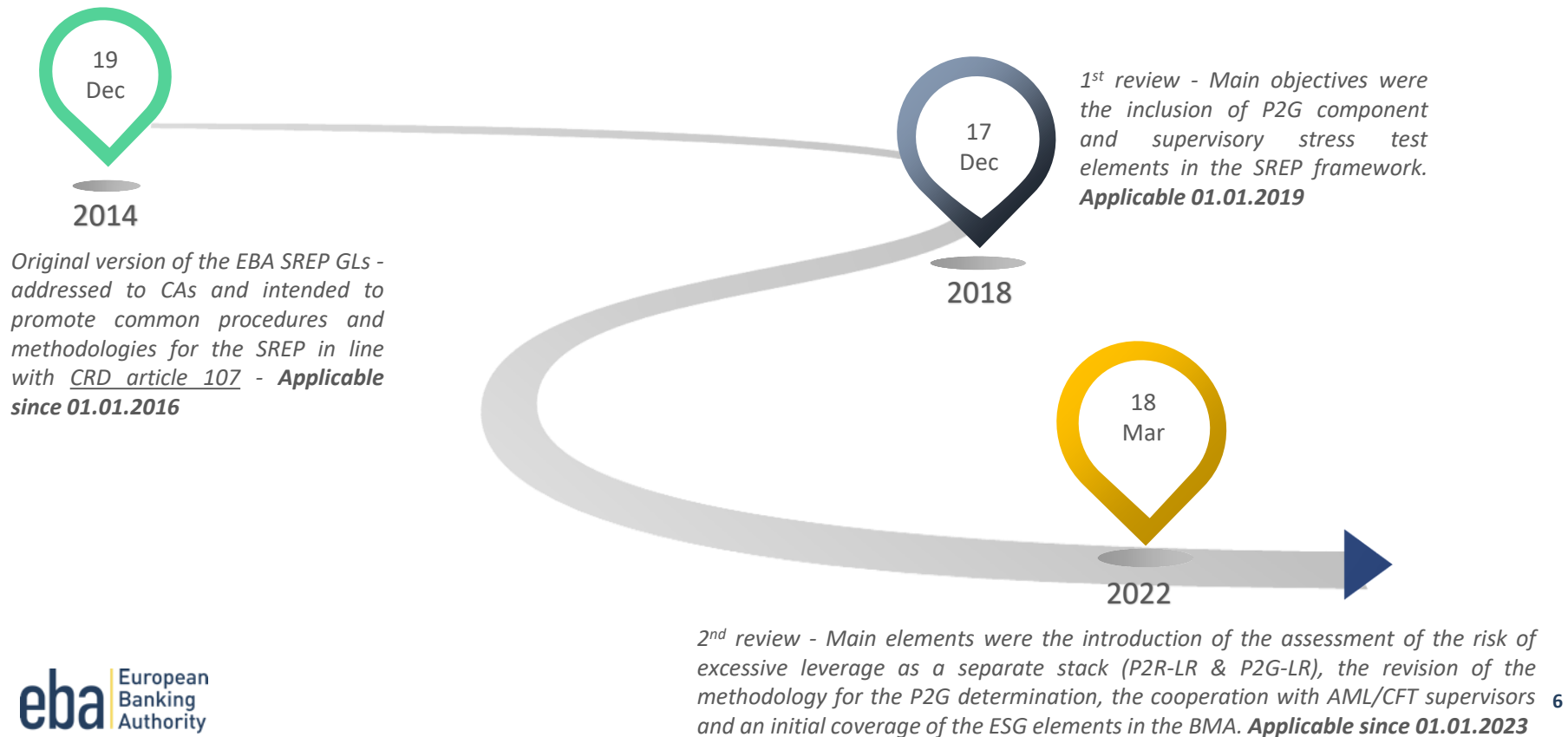
Introduction

SREP – Key features

- Under CRD Article 107, the EBA is mandated to issue guidelines to competent authorities specifying **common procedures and methodologies for the supervisory review and evaluation process** in the EU (the SREP).
- In the SREP, competent authorities assess the risk profile and viability of institutions based on four core SREP elements. This is an **ongoing process** and consolidates findings from all supervisory activities into one comprehensive assessment for an institution, along with respective supervisory measures.
- **Proportionality principle** is anchored in the categorisation of institutions, which defines the minimum level of supervisory engagement, modulating the frequency of assessments and shaping the supervisory dialogue both for individual SREP elements and for the overall SREP outcome.



The SREP Guidelines to date



Third revision of the SREP Guidelines – Why?

- Several factors led to this **third revision**:

Legislative changes

Incorporate changes stemming from **new/amended legislation** (e.g. new CRR/CRD package, IRRBB/CSRBB, DORA)

Lessons learned

Incorporate **supervisory experience to date, peer review outcomes and lessons learned** (e.g. recovery plan integration, Mar 2023 crisis events)

Structural changes

Reshape the structure and improve the usability of the GLs (e.g. streamline, further clarity)

- The aim is to:
 - a) ensure alignment with the new CRR/CRD package and related new/amended regulation (e.g. DORA);
 - b) reflect the lessons learned throughout the 10+ years of SREP experience to provide a more effective and targeted guidance;
 - c) effectively serve a risk-focused and effective supervision, mindful of the principle of proportionality.

(1) Overview of legislative changes reflected in the revised SREP GL

ESG	CRD VI provides for a more thorough supervisory assessment of ESG factors. Accordingly, the draft revised GL specify how competent authorities should take ESG risk into account in the SREP.
IRRBB/ CSRBB	Guidance is aligned to the new IRRBB/CSRBB package including added guidance on the assessment of CSRBB in line with the EU legislative framework and BCBS standards while adapting it to the less mature stage of this risk.
Operational Resilience and DORA	References to DORA are incorporated into the assessment of ICT risk, along with ICT SREP GL (which will be repealed as separate GL), as well as alignment with the BCBS principles on operational resilience (addition of a new sub-section on operational resilience).
Interaction between P1 and P2R	The draft revised GL fulfil the legal mandate assigned to the EBA (under Article 104a(7) of CRD VI) for further specifying the operationatisation of the interaction between the output floor and P2R as well as how to address the general interaction between Pillar 1 and the P2R. This builds on the related EBA Opinion (EBA/Op/2025/01).
Third-country branches	A new title is added to provide guidance on the SREP assessment of third-country branches to address the EBA's mandate under Article 48n(6) of CRD VI .

(2) Overview of lessons learnt considered in the revised SREP GL

1. **Further recovery planning integration** – Incorporation of recovery planning and overall recovery capacity into the SREP capital and liquidity assessment with the aim of strengthening the continuum from supervision to recovery to resolution.
2. **Incorporating lessons learned from recent crisis cases** - Several amendments to liquidity and funding assessment to take account of lessons learned from the 2023 liquidity crisis cases.
3. **Evolution of supervisory practices** – Revisions made based on lessons learned from the practical application of the SREP GL for 10+ years and to increase *supervisory effectiveness* - establishing a clearer framework for supervisory measures including an escalation process.
4. **Increased emphasis on proportionality** – Amendments to ensure supervisors can tailor their assessment to the nature, scale, and complexity of the institution. Based on the findings of the *peer review on the application of proportionality in the SREP*.
5. **Incorporating the ICT Risk assessment Guidelines under SREP into the EBA SREP Guidelines** – To reflect the lessons learned and recommendations addressed to the EBA from the *peer review on ICT risk assessment under SREP*.

(3) Simplification as a key driver to the revision of the SREP GL

A simplification approach has been employed for the third revision of the SREP GL with a view to facilitate a more effective supervision:

- 1. Streamlined text with focus on core assessment:** Focus remains unchanged on the key areas to be assessed while references to outdated or non-strictly necessary provisions or assessments (already detailed in relevant EBA policy products) have been removed. These resulted in an overall reduction of around **30%** in terms of length/pages. This also adopts a risk-focused guidance appropriate for the mature stage of the SREP process.
- 2. One comprehensive set of SREP GL:** The revised SREP GL integrate the ICT SREP Guidelines (EBA/GL/2017/05 – to be repealed) and fulfil the new CRD VI mandates, namely the issuance of guidelines on the SREP for third-country branches and the issuance of guidelines to operationalise the requirements where an institution becomes bound by the output floor.
- 3. Leverage on existing SREP elements to incorporate new aspects:** (i) the new concept of ‘operational resilience’ has been embedded in Title 6.4 (Assessment of operational risk) and (ii) the ESG aspects have been incorporated across the existing SREP elements rather than as a separate element or independent category of risk. The latter aligns with the consideration that ESG risks materialise through the traditional categories of financial risks and should be addressed by institutions’ core business strategy, governance arrangements and RMF.
- 4. Combined liquidity and funding assessments:** The current titles ‘Assessing risks to liquidity and funding’ and ‘SREP liquidity assessment’ are integrated into one title in view of the synergies between these sections. A combined scoring is also proposed.



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Overview of key changes

Title 1: Subject matter, scope and definitions, level of application and implementation

- Expanded scope to include **new mandates on third-country branches** (CRD Article 48n) and **operationalisation of output floor** (CRD Article 104a(7))
- Clarification on the “Addressees” which now refers to **competent authorities** of credit institutions, ‘class 1’ and ‘class 1 minus’ investment firms. Competent authorities supervising ‘class 2’ and ‘class 3’ investment firms - subject to IFD/IFR - are covered by the SREP Guidelines for investment firms (EBA/GL/2022/09).
- **Updated list of “Definitions”** reflecting Level 1/Level 2 amendments
- ICT risk assessment is integrated into “Title 6.4 – Assessment of operational risk”, hence **the EBA Guidelines on ICT risk assessment under the SREP (EBA/GL/2017/05) will be repealed** once the revised SREP GL enter into application.

Title 2: SREP framework

- **Enhanced proportionality** - reflecting the lessons learnt from the recent *peer review on the application of proportionality under the SREP* and the *recommendations of the EBA's Advisory Committee on Proportionality related to the application of proportionality in the SREP*, along with the aim to enhance a risk-focused supervision, enhanced proportionality aspects have been introduced in relation to the:
 - Intensity of supervisory engagement mapped to the institution's category
 - Increased flexibility in categorisation of institutions
 - Minimum engagement frequency for category 4 institutions which has been extended from 3 to up to 5 years for institutions meeting certain criteria
 - Flexibility to adapt focus and granularity of assessment to reflect institution's risk profile
 - Ability to use previous assessments as baseline if risk profile has not materially changed
- **Introduction of escalation framework for supervisory measures** linked to identified deficiencies, also promoting early intervention and coordination with resolution planning.
- **Expanded coordination within colleges of supervisors** with planning and timelines for SREP assessments, sharing benchmarks and scoring approaches, reference to joint decisions for cross-border groups under Article 113 CRD and Implementing Regulation 710/2014.

Title 3: Monitoring of key indicators

- Reinforces the role of indicator monitoring as a **trigger for reassessment of SREP elements** with emphasis to early detection of material changes or anomalies, especially those that are **outliers to peer performance**.
- Encouragement for **more frequent monitoring based on institution-specific risks or emerging trends**
- **Expanded scope of indicators** (e.g DORA-related indicators)

Title 4: Business model analysis

- Possibility to **use prior supervisory assessments if no material changes**
- Focus on the most material areas of the business model
- **Incorporation of new aspects:** environmental scenario analysis and transition planning, ESG risks, operational resilience, crypto-asset activities and ability to withstand geopolitical events

Title 5: Assessing internal governance and institution-wide controls

- **Reflect recent regulatory developments:**
 - Review of the identification process of key function holders and level of individual accountability considering the individual statements on the roles and duties and the mapping of duties;
 - Management body's knowledge and skills on ESG risks, ICT risks and other emerging risks;
 - Remuneration policies and practices consider the institution's risk appetite in terms of ESG risks;
 - 'Business continuity management' moved to Title 6.4 to be assessed in the context of operational risk.
- Consistency with upcoming revised EBA GL on internal governance
- **Promote supervisory effectiveness** by assessing whether the institution's track record demonstrates ability and intention to address supervisory concerns and/or identified deficiencies in an effective and timely manner
- Revision and rename of 'ICT and business continuity management' section to '**ICT systems, risk data aggregation and risk reporting**', reflecting BCBS principles for effective supervision
- **Integration of DORA and third-party risk management framework**

Title 6: Assessment of risks to capital

Risks to capital	Main revisions	Horizontal changes
Credit risk	<ul style="list-style-type: none">Enhanced focus on credit risk identificationPromote a more holistic, risk-sensitive and future-oriented supervisory approach	✓ Streamlined text
Market risk	<ul style="list-style-type: none">Content is FRTB-consistent with list of risk sub-categories reflecting regulatory refinementsGuidance on transfer pricing arrangements within third-country groups, introducing a quantitative formula to assess redistributed losses and to set Pillar 2 requirement	✓ ESG integration ✓ Non-exhaustive lists of risks to capital sub-categories (Annex)
Operational risk	<ul style="list-style-type: none">Integration of ICT risk assessment (ICT SREP GL to be repealed) and DORA frameworkIntroduction of operational resilienceReflect latest CRR/CRD package (e.g. business indicator, 'legal risk' definition)Enhanced focus on holistic third-party risk management and business continuity management	✓ Inclusion of non-exhaustive and flexible list of potential supervisory measures related each risk
IRRBB & CSRBB	<ul style="list-style-type: none">Guidance on assessing CSRBB added (proportionate to less mature stage of this risk)Guidance on assessment of approach to modelling non-maturity deposits (NMDs), segmentation, benchmarking.Combined scoring for IRRBB and CSRBB	

Title 7: SREP capital assessment

- Updates to reflect the **interaction between Pillar 1 and P2R** – when a material impact on an institution's capital profile due to regulatory changes, supervisors should assess how this impact interacts with P2R to ensure P2R only covers risks not already covered or not sufficiently covered by Pillar 1. This may result to redetermination of P2R and more frequent SREP assessment/specific SREP elements.
- Guidance on **the operationalisation of output floor** to address Article 104a(7) CRD VI mandate and to avoid double counting and ensure consistency:
 - New provisions reflect the *EBA's 2025 Opinion on the interaction between P2R and the output floor*
 - 'Temporary Cap' on P2R to prevent automatic increase in the nominal amount of P2R, review and adjustment of P2R after the output floor becomes binding, communication of the outcome of this review with potential disclosure of the impact/review by institutions, no P2R that would double count risks already fully covered by the output floor
- Stronger link between stress testing, recovery capacity, and capital adequacy.

Title 8: Assessing risks to liquidity and funding and SREP liquidity and funding assessment

- **Merger** of previous 'Title 8. Assessing risks to liquidity and funding' and 'Title 9. SREP liquidity assessment' in view of their strong interlinkage under general streamlining approach.
- **One combined score** merging the assessment of liquidity risk and funding risk as well as the liquidity adequacy score to reflect the combined assessment of the risk management and control framework, address practical overlaps and provide a more holistic supervisory view of an institution's ability to withstand liquidity and funding shocks. Separate liquidity risk and funding risk scores are still possible/subject to supervisory judgement.
- Incorporation of lessons learned from recent banking crisis, including **consideration of the digitalisation impact** (e.g., instant payments) and **the potential speed of outflows in crisis situations**.
- More specific link with the outcome of the business model analysis and greater emphasis on sector concentration risk.

Title 9: Overall SREP assessment and communication

- **Dedicated section on the communication** of the SREP assessment (previously spread across different sections) to enhance clarity and transparency in the communication of the SREP outcome and the main drivers of the SREP decision.
- Lists of supervisory measures to address deficiencies identified by the SREP moved to the relevant assessment areas for direct linkage to enhance supervisory effectiveness. Clarification on the use of SREP scores as triggers for early intervention and resolution.

Title 10: Application of the SREP to cross-border groups

- Expanded guidance on cross-border SREP (with cross-reference to proportionality and supervisory engagement provisions in Title 2), including third-country branches.
- More specific reference to the joint decision timetable and the need to adhere to the agreed timetable.

Title 11: Supervisory stress testing

- Integration of ESG into supervisory stress testing – alignment with new EBA ESG-related guidelines.
- Clarification on the role of supervisory stress testing in the SREP, with clearer links to P2G, capital/liquidity planning, and disclosure.

Title 12: Assessing third-country branches

- Addressing Article 48n(6) of CRD VI mandate to the EBA to develop guidelines setting out **procedures and methodologies for the SREP** of third-country branches ('TCBs')
- **New title dedicated** to SREP for TCBs to allow cross-referencing to other SREP Titles, while ensuring an assessment tailored and proportionate to specific nature of TCBs.
- **Frequency and intensity of assessment proportionate to TCB classification** (Class 1 or 2 under CRD VI) and nature, scale and complexity of activities
- Focus on **sufficient independence** of TCB in governance and risk management to act in best interests of branch

Title 12: Assessing third-country branches

12.1 Application of SREP to third-country branches

12.1.1 General considerations

12.1.2 Business model analysis

12.1.3 Assessment of internal governance arrangements and controls

Organisational framework

Relation with head undertaking

Internal control framework and third-party risk management

12.1.4 Assessment of capital endowment and liquidity resources

12.1.5 Assessment of booking arrangements

12.2 Summary of findings, scoring and supervisory measures

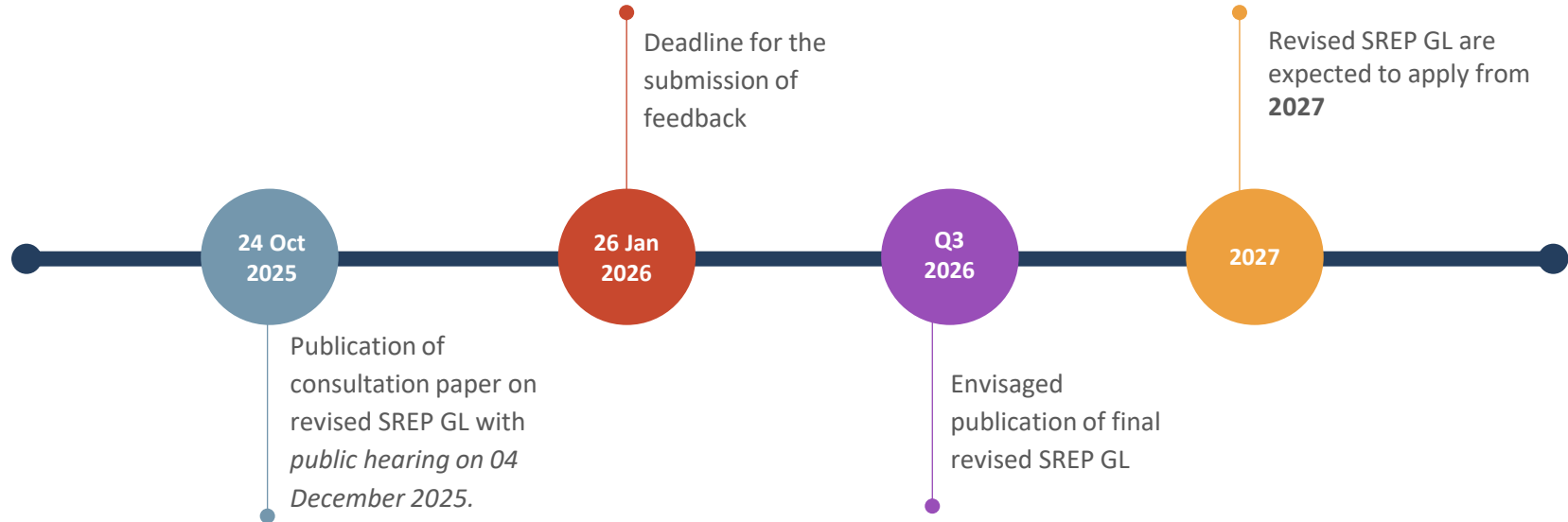
Supervisors assess the TCBs' business model, internal governance, booking arrangements, and capital endowment and liquidity (the SREP elements for TCBs) and assign an overall SREP score



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Next steps

SREP GL revision – Indicative timeline





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Q&A session

Q&A session

Part I

General questions

Title 1: Subject matter, scope and definitions, level of application and implementation

Title 2: SREP framework

Title 3: Monitoring of key indicators

Title 4: Business Model Analysis

Title 5: Assessing internal governance and institution-wide controls

Part II

Title 6: Assessing risks to capital (Credit risk, Market risk, Operational risk, IRRBB and CSRBB)

Title 7: SREP capital assessment

Part III

Title 8: Assessing risks to liquidity and funding and SREP liquidity and funding assessment

Title 9: Overall SREP assessment and communication

Title 10: Application of the SREP to cross-border groups

Title 11: Supervisory stress testing

Title 12: Assessing third-country branches



Annex

Questions for consultation

General

Q1. What are the respondents' views on the overall amendments and clarifications made to the revised guidelines (across Titles 2 – 12)?

Q2. What are the respondents' views on the integration of ESG risks and factors across the existing SREP elements in the revised guidelines?

Title 2: SREP framework

Q3. What are the respondents' views on the enhanced simplification and proportionality aspects?

Q4. What are the respondents' views on the introduction of a high-level escalation framework?

Title 3: Monitoring of key indicators

Q5. Do you consider the coverage and level of detail of this Title appropriate for its intended purpose?

Title 4: Business model analysis

Q6. Do you consider the coverage and level of detail of this Title appropriate for its intended purpose?

Title 5: Assessing internal governance

Q7. What are the respondents' views on the updated section 5.7 "ICT systems, risk data aggregation and risk reporting"?

Title 6.2: Assessment of credit and counterparty risk

Q8. Do you consider the coverage and level of detail of this Title appropriate for its intended purpose?

Title 6.3: Assessment of market risk

Q9. Do you agree with the treatment proposed to account for transfer pricing risk in the context of trading book activities? Please elaborate.

Title 6.4: Assessment of operational risk

Q10. What are the respondents' views on the integration of the EBA GL on ICT risk assessment under the SREP (EBA/GL/2017/05) and DORA aspects?

Q11. What are the respondents' views on the introduction of operational resilience (section 6.4.5)?

Title 6.5: Assessment of IRRBB and CSRBB

Q12. What are respondents' views on the additional section on CSRBB and the combined score for IRRBB and CSRBB?

Title 7: SREP capital assessment

Q13. What are the respondents' views on the proposed assessment of the interaction between Pillar 1 and Pillar 2 requirements and on the proposed approach for operationalizing concerning cases where an institution becomes bound by the output floor?

Title 8: Assessing risks to liquidity and funding and SREP liquidity and funding assessment

Q14. What are the respondents' views on the merger with the 'SREP liquidity assessment' and the merger of the scores into a combined liquidity and funding adequacy score?

Title 9: Overall SREP assessment and communication

Q15. What are the respondents' views in relation to the enhanced communication aspects?

Title 10: Application of the SREP to cross-border groups

Q16. Do you consider the coverage and level of detail of this Title appropriate for its intended purpose?

Title 11: Supervisory stress testing

Q17. Do you consider the coverage and level of detail of this Title appropriate for its intended purpose?

Title 12: Assessing third-country branches

Q18. Do respondents consider the guidance for the assessment of third-country branches appropriate and sufficiently clear?





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