Pills

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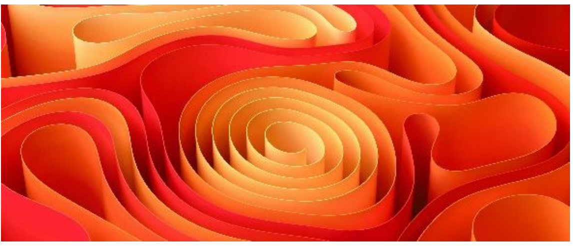

**TOPICS:**

Banking System

**SOURCE:**

European Banking Authority

# The EBA Reaches Another Important Milestone in Enhancing Supervisory Efficiency with its Revised SREP Guidelines

- The EBA has issued **revised Guidelines on the Supervisory Review and Evaluation Process (SREP) and supervisory stress testing** under the Capital Requirements Directive (CRD). The revised framework aims to harmonise supervisory practices across the EU while reflecting major regulatory developments, including **CRD VI, CRR III**, the **Digital Operational Resilience Act (DORA)**, and updated Basel standards. It will apply from 1 January 2027, replacing the previous 2022 SREP Guidelines and the standalone ICT risk assessment guidelines.
- The guidelines preserve the established SREP structure while **streamlining supervisory methodologies** into a single, comprehensive framework. Supervisors are expected **to assess institutions across five principal areas**: business model analysis, internal governance and controls, risks to capital, capital adequacy and liquidity and funding adequacy. The framework also incorporates ongoing monitoring, supervisory scoring and proportionate engagement based on an institution's size, complexity, and risk profile.
- Key enhancements include the integration of **environmental, social and governance (ESG) risks**, **operational resilience**, and **ICT risk** into existing supervisory assessments rather than treating them as standalone categories. The guidelines also introduce a dedicated framework for supervising **third-country branches**, clarify the interaction between **Pillar 1** and **Pillar 2** capital requirements following the implementation of the Basel output floor, and strengthen expectations regarding supervisory stress testing and additional capital guidance.
- The revised guidance places greater emphasis on **supervisory effectiveness through enhanced communication, risk-based prioritisation, flexible escalation of supervisory measures and evaluation of institutions' ability** to remediate identified deficiencies. It also reinforces **links between the SREP, recovery planning, AML/CFT supervision and resolution planning**, promoting a more integrated supervisory approach.