



TOPICS:

Market risk

SOURCE:

European Banking Authority

EBA: Competent Authorities Have Made Progress in their Approaches to the Supervision of CVA Risk

- The EBA's 2025 **follow-up peer review** assesses progress by competent authorities (CAs) in implementing recommendations from the 2023 peer review on the exclusion of transactions with non-financial counterparties in third countries from **Credit Valuation Adjustment (CVA)** risk capital requirements, as governed by the Exclusion RTS under the Capital Requirements Regulation (CRR).
- The follow-up review focused **on four authorities**: Denmark (DK), Hungary (HU), Sweden (SE) and the European Central Bank (ECB). While all CAs continued to assess CVA risk broadly in line with SREP Guidelines, only HU demonstrated significant improvement in verifying institutions' compliance with the Exclusion RTS. Consequently, HU's benchmark rating was upgraded from 'largely applied' to 'fully applied'.
- The review covered **three areas**: (1) supervisory engagement with smaller and specialised institutions, (2) monitoring CVA risk from exempt transactions (e.g. securities financing transactions, intragroup transactions) and (3) formal reviews of compliance with the Exclusion RTS.
- All **CAs enhanced engagement on CVA risk**, with DK and HU implementing structured monitoring of smaller institutions. SE intends to improve formal assessments for such entities. Concerning exempt transactions, all CAs undertook analyses of risks from these exposures post-2023. DK introduced thresholds to monitor securities financing transactions (SFTs), and HU mandated detailed disclosures during ICAAP reviews. Only HU conducted a specific review of institutions' adherence to the Exclusion RTS since 2023, incorporating expectations into its supervisory manual. Other CAs cited resource constraints or adopted risk-based prioritisation without comprehensive follow-up assessments.
- The Peer Review Committee reiterates **the importance of periodic, formal assessments of CVA risk and RTS compliance**. It recommends that all CAs, including the ECB, align supervisory practices with the minimum three-year review cycle required under SREP Guidelines to ensure robust capitalisation and management of CVA risk.