Is there enough "I" in your ICAAP and ILAAP?

Strategic management of capital, liquidity and risk in banks

BU CF Deloitte Banking Union Centre in Frankfurt

CENTRE *for* REGULATORY STRATEGY EMEA

Contents

1. Executive summary

The regulatory reform agenda set in train following the financial crisis has dominated bank risk and change management programmes for the past decade. Given the focus on capital and liquidity, the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) – processes mandated by supervisors, which provide a forward-looking view of financial resources and how those resources are managed – have emerged as critical exercises.

Over time, supervisory expectations regarding the ICAAP and ILAAP have evolved. The latest guidance papers from the European Central Bank (ECB) and European Banking Authority (EBA) on the conduct of the ICAAP and ILAAP seek to enhance the thoroughness of the processes. Whereas the initial focus of supervisors was on building resilience, the emphasis now is on how "internal" the processes are – that is, ensuring that the processes are fully embedded within a bank's operations and business decision-making and integrated with the supervisory and risk management framework, and "strategic steering". Banks are being challenged to move beyond a pure compliance mindset and invest resources to enhance how strategy and risk are jointly managed within the business.

Current practice

In practice though, many banks are still developing their capabilities in this area. The **Deloitte 2018 Banking Union Survey** examined the current approach of banks, in particular whether Boards and senior management teams are sufficiently focused on the demand from supervisors, and the benefit to their businesses of better integration and embedding of these processes. 52 Single Supervisory Mechanism (SSM) directly-supervised banks headquartered in countries across three-quarters of the Eurozone participated (Figure A).

A key observation from the responses of survey participants was that many banks have not fully appreciated how far they can or should progress. For example, a number of respondents indicated that they had already embedded and integrated certain aspects of the ICAAP and ILAAP into their business's wider risk management practices. However, follow-up discussions revealed potentially wide divergences in how this was achieved in practice.

The Board and senior management team have a key role to play in meeting these supervisory expectations. They should take responsibility for the implementation of the ICAAP and ILAAP, and ensure that processes are updated and evolve as their bank's business strategy changes. They are also best placed to take a holistic view of how the relevant processes come together across different parts of the organisation, and to drive improvements in analysis and outputs.

This should not be seen purely as an exercise in meeting supervisory expectations; there are several business benefits that can be realised. These benefits arise from banks attaining a better understanding across the organisation of risk-taking, and a deeper understanding of the interplay between strategy and risk. In fact, in its report on the findings of its thematic review of profitability and business models[1], the ECB found evidence that a strong link between the ICAAP and ILAAP, the risk management framework, and business strategy setting can help banks achieve higher profitability.

What banks and supervisors should do going forward

In what follows, we explore these issues further, drawing on insights from the results of our survey. The next section looks at supervisory expectations for embedding and integrating the ICAAP and ILAAP, and compares them with the reality at banks. The analysis includes a case study based on managing non-financial risks (NFR), itself a current topic of focus for supervisors.

We then consider why, given the potential benefits, banks have not yet made the required investments, and what could be done to catalyse change. In addition to recognising the potential business benefits, we highlight factors which can act as enablers to achieve alignment between the objectives of the bank and their supervisors (and which could be blockers if ignored) – risk data and IT infrastructure, risk-adjusted performance measurement, and alignment of management incentives – and the importance of good governance.

Supervisors can also play a role in achieving these goals by communicating good practices. Not all banks understand what is required, and even those that do often find implementation to be challenging.

1. "SSM thematic review on profitability and business models: report on the outcome of the assessment", ECB, September 2018, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.thematicreviewprofitabilitybusinessmodels_201809.en.pdf.

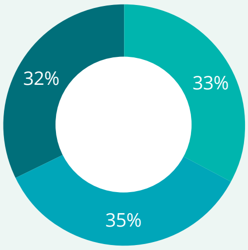
Figure A: Highlights from our survey

For this third edition of Deloitte's Banking Union Supervision Survey, approximately 40% of banks directly supervised by the SSM participated.

Participants

52 directly supervised **institutions**

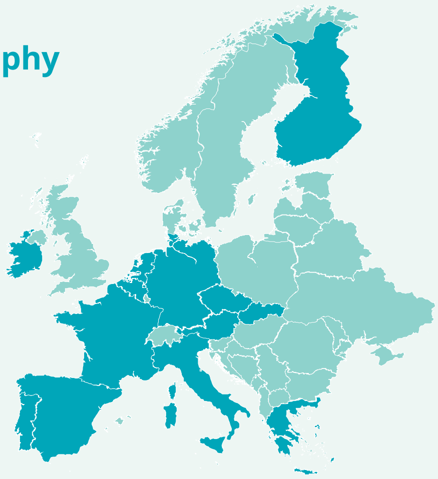
Size



Total assets:
<€50 bn €50-150 bn >€150 bn

Geography

15 out of **19** **Eurozone countries**



The survey was carried out between May and July 2018.

Note for reading the charts: if a bank has not responded to a specific question, it has been excluded from the percentage calculation.

Key observations from the survey

- Almost all survey respondents said that the **Board used the ICAAP and ILAAP** to challenge and assess capital and liquidity adequacy.
- Respondents reported a strong link between the **outputs of the ICAAP/ILAAP** and the **review and calibration of the risk appetite statement (RAS)**. However, feedback loops between the RAS and the ICAAP/ILAAP in the event of a breach of the RAS were not as strong.
- The majority of respondents initially reported that the outputs of the ICAAP/ILAAP were a critical input into the business decision-making process, but some then found it difficult to provide specific examples of the link between **business decision-making processes and the ICAAP and ILAAP**.
- **Integrating NFR into ICAAP remains a challenge**, with many respondents still working to develop models to quantify NFR or use existing quantitative and qualitative methodologies to account for NFR.
- Only about half of the respondents agreed that **supervisory expectations** are transparent and support/correspond to their internal view on ICAAP and ILAAP design and governance.

2. Embedding and integrating the ICAAP and ILAAP

In March 2018 the ECB launched a public consultation on its draft guides on the ICAAP and ILAAP[2], in line with its multi-year plan to develop a more detailed set of supervisory expectations in this area.[3] The EBA has also updated its expectations, including the publication of final guidelines on the supervisory review and evaluation process (SREP)[4]. These developments continue a trend over the past decade of evolving standards.

Whereas the initial focus for supervisors setting ICAAP and ILAAP requirements was to ask banks to build resilience and capabilities for managing liquidity and capital, the emphasis now is on how "internal" these processes are - that is, the extent to which they are *embedded* within banks' operations and decision-making processes, and *integrated* with the supervisory and risk management framework, and "strategic steering" (the Board and senior management team's ability to set a course towards the bank's long-term objectives). Banks are being challenged to move beyond a pure compliance mindset, and invest resources to enhance how strategy and risk are jointly managed within the business.

To this end, the ECB's guides set out seven principles (Box 1). Each bank needs to implement them in a manner proportionate to the scale and complexity of its business.

Embedding is captured in particular by Principle 2 of the ECB's guides, which requires that the ICAAP and ILAAP are integral parts of the overall management framework. Supervisors will examine how the processes operate across the organisation, at all levels of seniority, and expect them to be a core element of how the bank is run. The processes should be implemented in a consistent manner, and all members of staff involved should understand their roles.

Consistent with this, the Board and senior management team are expected to be able to evidence how outcomes from the ICAAP and ILAAP are used in decision-making and risk management. There should also be a regular review of the approach and assumptions for the ICAAP and ILAAP, with adjustments being made as changes to strategy occur, such as the bank entering new markets.

Box 1: ECB guides to ICAAP and ILAAP

The ECB guides set out seven principles for both the ICAAP and ILAAP, which will be assessed as part of the SREP beginning in 2019.

- *Principle 1: **the management body is responsible for the sound governance of the ICAAP and ILAAP***. The Board and senior management team are expected to discuss and challenge the reports, and to produce and sign a statement of capital and liquidity adequacy.
- *Principle 2: **the ICAAP and ILAAP are integral parts of the overall management framework***.
- *Principle 3: **the ICAAP and ILAAP contribute fundamentally to the continuity of the institution by ensuring its capital and liquidity adequacy from different perspectives***. Banks should consider both the (complementary) normative and economic risk perspectives.
- *Principle 4: **all material risks are identified and taken into account in the ICAAP and ILAAP***. There should be a regular process for identifying material current or contingent risks to which the bank is exposed.
- *Principle 5: **internal capital and liquidity are of high quality and clearly defined***.
- *Principle 6: **ICAAP and ILAAP risk quantification methodologies are adequate, consistent and independently validated***.
- *Principle 7: **Regular stress testing is aimed at ensuring capital and liquidity adequacy in adverse circumstances***.

2. "Public consultation on the draft ECB guides to the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP)", ECB, March 2018, https://www.bankingsupervision.europa.eu/legalframework/publiccons/html/icaap_ilaap.en.html.
3. "Multi-year plan on SSM Guides on ICAAP and ILAAP", letter from Danièle Nouy, Chair of the Supervisory Board of the SSM, February 2018, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/170220letter_nouy.en.pdf.
4. "Guidelines on the revised common procedures and methodologies for the supervisory review and evaluation process (SREP) and supervisory stress testing", EBA, July 2017, https://www.eba.europa.eu/documents/10180/2282666/Revised+Guidelines+on+SREP+%28EBA-GL-2018-03%29.pdf.

Integration: Supervisors also expect the ICAAP and ILAAP to be integrated with risk management and supervisory activities across the organisation, so that the processes work together and respond to each other. Key elements of this include the risk appetite framework (RAF) and recovery plan, and the process for setting the business strategy. These connections can be made, for example, through use of common data points and scenarios, and sharing of outputs between activities.

For instance, the RAF should formalise the interplay between risk management and the other processes. Danièle Nouy, Chair of the Supervisory Board of the SSM, has noted that: *"too many banks still wrongly see their risk appetite framework as a separate tool, unrelated to decision-making. This framework needs to be an integral part of the decision-making process."*[5]

There is a natural connection between the ICAAP and ILAAP, the recovery plan, and the contingency funding plan, given insufficient capital or liquidity are key threats to the viability of a bank. The ECB highlights these links in its report on recovery plans[6], which goes on to emphasise the importance of ensuring that the recovery indicator framework is itself an integral part of the overall risk management framework.

Regular stress testing (including reverse stress tests) is a core component of the ICAAP and ILAAP process, in order to ensure a bank has sufficient financial resources even in adverse scenarios. These stress test scenarios should be set taking into account insight from stress tests conducted as part of the bank's own risk management activity. Banks are expected to consider the interaction between capital and liquidity under these scenarios, including potential feedback loops.

In the case of "strategic steering", there is an expectation that the risk management function should be involved in strategy formulation.

Inefficiencies or shortcomings in this integration may impair a bank's ability to evaluate the risk/reward balance of its strategy critically, understand the drivers of its profits, and/or define mitigating measures.

In its report on its thematic review of bank business models and profitability[7], the ECB concluded that many banks need to reinforce the processes involved in challenging the assumptions underlying their strategy and medium-term goals at the Board level.

Insight from our survey

At its heart, integration is about joining up business processes across the bank with the processes, methodologies and outcomes of the ICAAP and ILAAP.

In our experience, integration of *outcomes* is more commonly achieved by banks, perhaps because it is the most tangible. In contrast, *processes* are sometimes integrated or mapped across banks in ad hoc ways, in particular where the ICAAP and ILAAP are seen as "add-ons", rather than being grounded in the business. *Methodologies* are typically the least well integrated as they are often developed for discrete purposes and executed in different ways.

Our survey explored these topics, and the extent to which banks understood supervisory expectations and met them.

One indication of a generally low degree of embedding was the observation that many banks spend a substantial amount of time preparing the full ICAAP and ILAAP reports. Nearly half of survey respondents need more than three months to complete the processes. The more timing consuming the processes are, the more difficult it is for there to be an effective and timely feedback loop between the ICAAP and ILAAP and business decisions.

The follow-up discussion with banks on this question, though, painted a more complex picture, and emphasised, for example, the challenge banks face reconciling the need for quick, short-term reporting, with the longer process of getting sign-off of the ICAAP and ILAAP by the Board and senior management team. However, even recognising that distinction, there were still variations in terms of the duration of the process to update the ICAAP and ILAAP, and subsequently to feed into the "strategic steering" discussions.

> *"The bank feels that its new product approval process can still be improved in terms of risk containment. The approach is still granular, with a focus on individual products and a lack of integrated assessment."* – Survey respondent

5. "Risk appetite frameworks: good progress but still room for improvement", speech by Daniele Nouy, Chair of the Supervisory Board of the SSM, April 2018, https://www.bankingsupervision.europa.eu/press/speeches/date/2018/html/ssm.sp180410.en.html.
6. "Report on recovery plans", ECB, July 2018, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.reportrecoveryplans201807.en.pdf.
7. "SSM thematic review on profitability and business models: report on the outcome of the assessment", ECB, September 2018. See footnote 1 for link.

Survey respondents also indicated that banks have interpreted supervisory expectations on integration in a variety of ways. The majority of respondents (around 90% in each case) reported that the outputs of the ICAAP and ILAAP are a critical input into projections for their forward-looking business planning process. However, fewer – around two-thirds – reported that the impact of a new product on the capital and liquidity assessment is a significant consideration in the new product approval process (Figure B).

Some banks reported continuing to struggle to fully integrate the RAS into wider risk management practices, and into their decision-making process. There is also an absence of feedback between the ICAAP, ILAAP and other activities.

For example, all respondents indicated that the ICAAP and ILAAP outputs support the review and calibration of the RAS, but only around half reported that when a RAS threshold has been breached, or when another significant risk event occurs in the regular course of business, ICAAP and ILAAP calculations are updated within a defined timeframe (irrespective of the supervisory cycle) (Figure C). This also suggests that the ICAAP and ILAAP might not be adequately updated for use in management of the business.

"[The bank has] difficulty translating risk appetite framework ratios into business line objectives (for example, through Key Performance Indicators)"
Survey respondent

Looking to the future and further enhancements, several banks that participated in our survey plan stronger integration between ICAAP and ILAAP scenarios. Others though questioned to what extent there should be alignment between scenarios for the ICAAP and ILAAP. These differences in opinion probably highlight differences in perspective – a focus on alignment of scenarios *per se* versus alignment of the parameters that underlie the scenarios. This divergence underscores the extent of the lack of a common understanding across banks on the right approach.

Those banks that have already made progress towards embedding and integrating their ICAAP and ILAAP framework recognise that there is further progress to make. One bank noted that it is looking to join up its product approval process to provide more of an integrated assessment, compared to a current focus on individual products. Another bank has seen a large increase in engagement from stakeholders within the organisation following the introduction of an interim update during the overall updating cycle.

Figure B: The impact of a new product on the **capital assessment** is a significant consideration in the new product approval process

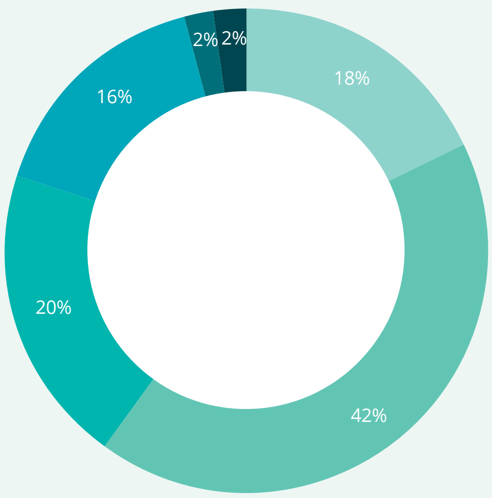
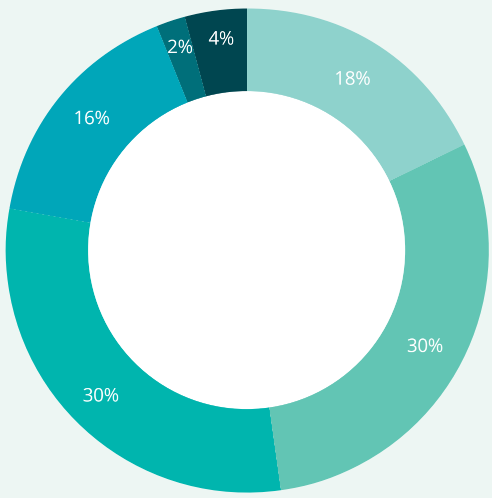


Figure C: When a **RAS threshold has been breached**, or when another significant risk event occurs in the regular course of business, ICAAP calculations are updated within a defined timeframe (irrespective of the supervisory cycle)



Case study: the ICAAP and managing non-financial risks (NFR)

The recent focus by the ECB on the approach taken to managing NFR is driving banks in the Eurozone to prioritise making improvements in their capabilities in this area. For example, referring to the RAF, the ECB has noted that NFR are often insufficiently covered or even completely left out[8]. In its multi-year plan on the ICAAP, the ECB set out that it expects all material risk types, including all material NFR, to be embedded in a coherent risk management framework.[9]

As banks develop their capabilities for managing NFR, they have the opportunity to do so in a way that, from the start, meets supervisory expectations with regard to embedding and integrating the ICAAP. As well as being a more efficient approach, this would enable banks to realise the benefits described above, including transparency of NFR-taking throughout the business, more comprehensive risk management, and more efficient and effective risk control and compliance frameworks.

Current practice

The Deloitte 2018 Banking Union Survey included a section on the scope of NFR captured, and the state of quantitative modelling and qualitative analytical capabilities for measuring NFR. In general banks recognise the importance of NFR management: the vast majority of those responding to our survey indicated that they already capture all identified material NFR in the ICAAP (Figure D).

Most survey respondents consider NFR and its potential impact in their internal capital and liquidity planning. Around two-thirds of respondents, including 80% of large banks, indicated that they take potential claims and fines into account in the ICAAP. Approximately 60% of participants indicated that they provide for conservative capital add-ons when they cannot appropriately quantify NFR.

However, many banks appear to lack the capabilities and models to quantify NFR. For the ICAAP, less than half of survey respondents have specific models in place. There was a clear trend in quantification capabilities by size of bank: the larger the institution, the more likely it is that it will have specific models in place.

Figure D: All material NFR identified by the bank in its risk management framework are captured in the ICAAP

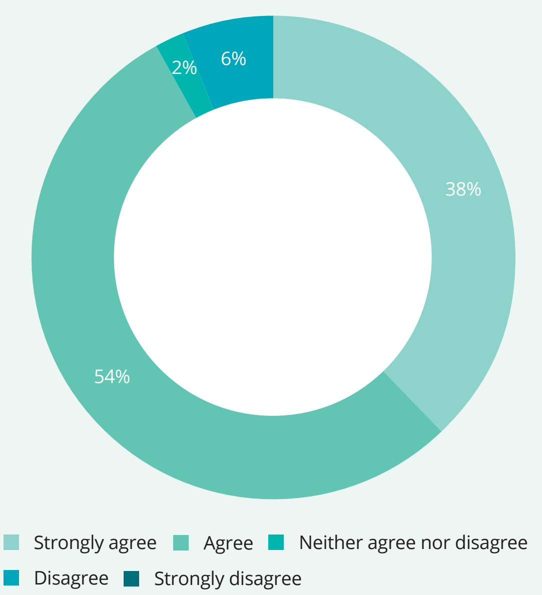
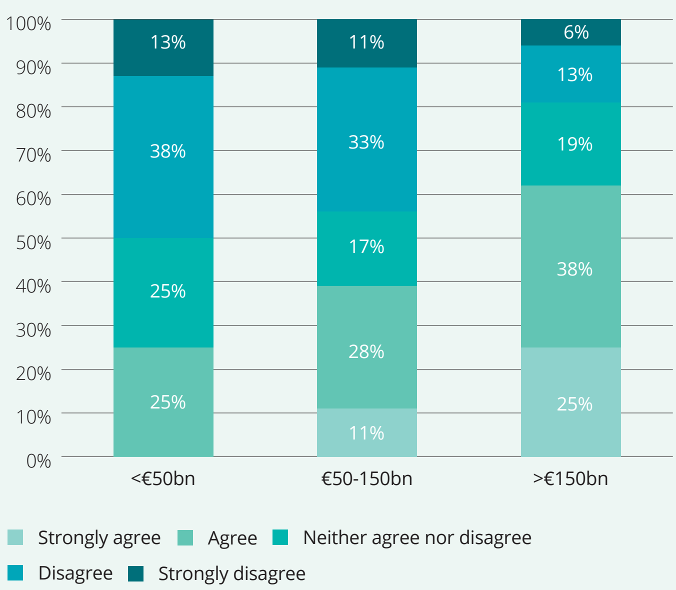


Figure E: ICAAP – the bank has specific models in place to **quantify NFR**



8. "Risk appetite frameworks: good progress but still room for improvement", speech by Danièle Nouy, Chair of the Supervisory Board of the SSM, April 2018. See footnote 5 for link.

9. "Multi-year plan on SSM Guides on ICAAP and ILAAP", letter from Danièle Nouy, Chair of the Supervisory Board of the SSM, February 2018. See footnote 3 for link.

The majority of large institutions (with total assets over €150bn) apply models for quantification, while only 25% of smaller institutions (those with assets under €50bn) do (Figure E).

Meeting supervisory expectations
In order to establish an effective ICAAP risk management process in the context of NFR, it is particularly important to integrate the management and governance perspectives fully. The associated governance process usually follows a top-down approach, including risk strategy and appetite, culture and governance. Roles and responsibilities for all risk types need to be clearly assigned across the business and functions.

A crucial first step is to develop a taxonomy that can be consistently used, with different levels of aggregation or hierarchies, and clearly defined terms. A robust taxonomy allows for reduction in complexity, provides standardised language across the bank, supports the assignment of responsibilities, and is necessary in order to implement a monitoring and measurement methodology. It is also necessary to define the risk assessment and internal control methodologies.

At an operational level, this requires the implementation of an organisation-wide risk identification process, covering all risk types of a comprehensive risk taxonomy and defining measurement and monitoring methodologies for each layer (e.g. through control and limit frameworks). The outcome of this process can be leveraged to improve downstream processes, such as developing stress scenarios or assessing capital adequacy.

Risks should not be excluded from the assessment just because they are difficult to quantify or the relevant data are not available. Recognising the need for proportionality, larger banks or banks that have more complex risks, are expected to use more sophisticated methodologies. If the bank cannot put concrete numbers to these risks, it should at least use qualitative assessments.

3. Building bridges

The ECB has laid out a challenging set of requirements that underscore its expectation that the ICAAP and ILAAP should be a central part of how the bank is run. In practice, across banks we observe a spectrum of how the integration requirement in particular is met, ranging from an ability to reconcile inputs and outputs from the ICAAP and ILAAP with whatever is done for business-decision-making, to full integration.

In this section we consider what factors limit banks' progress, and what can be done to improve banks' ability to meet the full extent of the supervisory expectations.

In terms of limiting factors, an important challenge is **management bandwidth**. The regulatory agenda is broad and complex, and the stretch this imposes on management teams constrains their capacity to drive through changes. Over the recent past, management teams have often found themselves with only enough time to drive changes that meet minimum requirements to remain compliant.

As the pace of post-crisis re-regulation slows, banks should though find themselves with relatively more time to focus on implementing and embedding supervisory initiatives. But it will remain important to align incentives if banks aspire to do more than what is strictly required. This could be achieved, for example, by aligning performance management incentives such as remuneration with risk-adjusted performance, or with implementation of the ICAAP and ILAAP principles, such as more management involvement in review and challenge of ICAAP and ILAAP, and better use of ICAAP and ILAAP outcomes in business strategy. This can also contribute to building a "risk aware" culture in the bank.

A second challenge is a **lack of appreciation of the business benefits** of better integration and embedding of the ICAAP and ILAAP in banks' internal risk management. Too often the ICAAP and ILAAP – as is also the case for other supervisory requirements – are approached as a compliance "overhead", rather than an opportunity to enhance the business. Relatedly, there can be a lack of awareness of what good practice looks like, a theme which came up several times in our discussions with banks as part of conducting our survey.

In fact, several **business benefits can be realised**, including greater capital efficiency, more accurate measurement of risks, operational efficiency, and better-informed and more "risk-aware" decision making, provided that processes are integrated. Moreover, 60% of survey respondents agreed with the statement that heightened supervisory expectations in relation to the ICAAP and ILAAP have improved the relationship between Finance and Risk, and other relevant stakeholders within their organisation. In the report on its thematic review of banks' profitability and business models, the ECB concluded that based on its analysis, those banks that demonstrate strong "strategic steering" capabilities, including interlinkages between risk management and strategy setting, are more profitable.[10]

Effective capital and liquidity planning can also significantly improve customer delivery, through better pricing, streamlined processes (e.g. credit processes) and effective data collection. Where banks take proactive steps to identify the key improvements in customer delivery or competitive standing as an outcome of effective capital and liquidity planning, significant alignment of bank and supervisory objectives can be achieved.

Building bridges to an integrated approach

There are some important activities that banks should focus on in order to facilitate this integration – and move away from having distinct and siloed activities.

Governance is key, both to deliver on the objectives and to extract the latent benefits for the bank. Principle 1 of the ECB's guides[11] states that "the management body is responsible for the sound governance of the ICAAP and ILAAP". In addition, supervisory expectations set out how the Board and senior management team should be involved in the ICAAP and ILAAP from the very start, with a key role in setting and approving the approach, and regular oversight and review of implementation.

The integration that supervisors expect to see – and the consistency of assumptions – require top-down coordination. It is also necessary for banks to establish a means of cascading information discussed at the top of the organisation to those teams that need to build on it or execute it. One of the issues the Board and senior management team will likely have to consider is the appropriate roles of and relationship between the Risk and Finance functions.

10. "SSM thematic review on profitability and business models: report on the outcome of the assessment", ECB, September 2018. See footnote 1 for link.

11. "Public consultation on the draft SSM guides to the internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP)", ECB, March 2018. See footnote 2 for link.

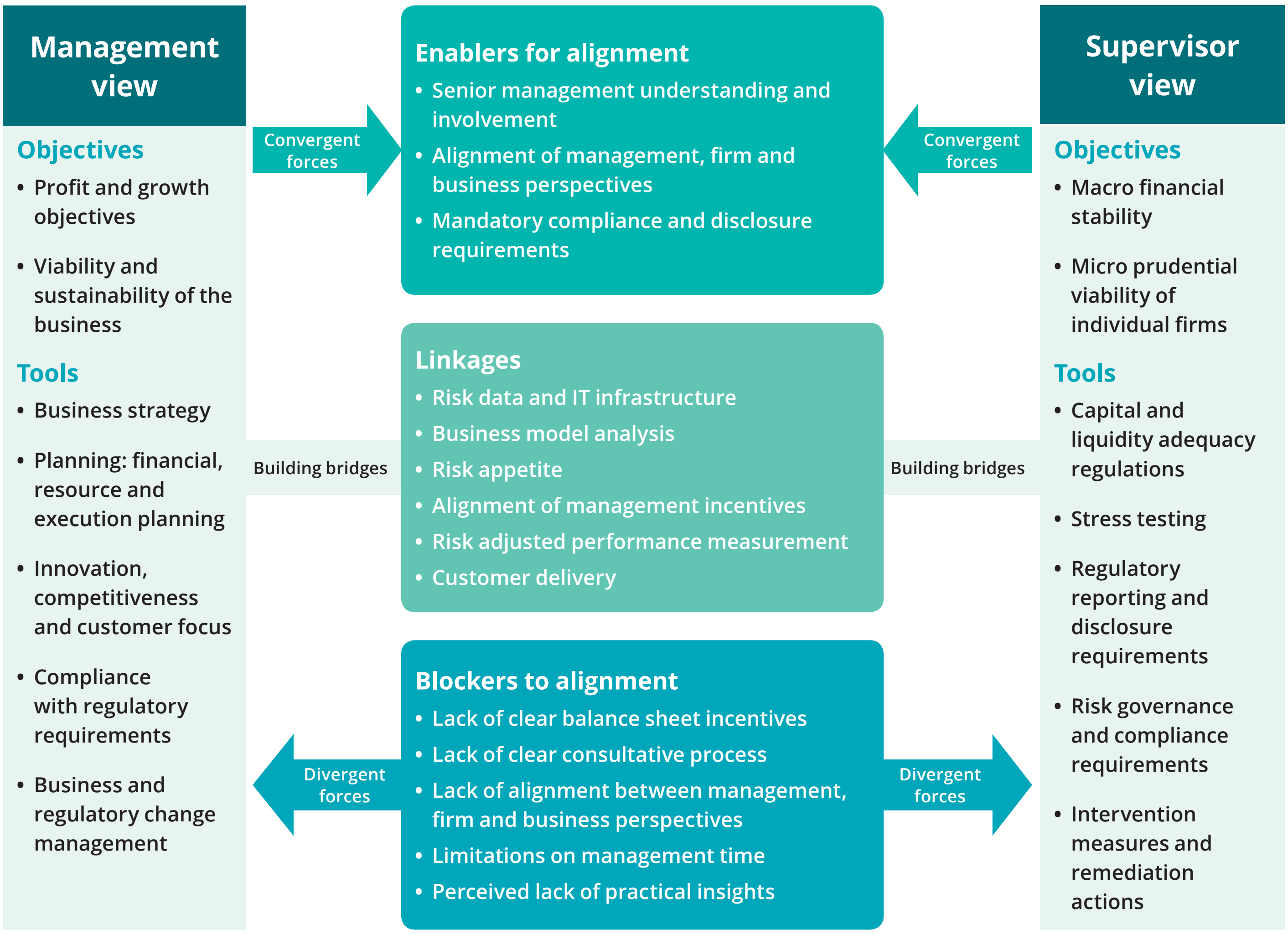
Business model analysis and risk appetite can also be leveraged to drive integration, by recognising the common interests that banks and supervisors have. In the case of business model analysis, both supervisors and banks have an interest in the viability and sustainability of banks. Business model analysis can be effective in building common ground in understanding of the business strategy and risks. Setting and articulating risk appetite in the context of business strategy can act as a lodestar to steer management and influence business decision-making. Where it is implemented effectively, supervisors can draw comfort that the business is being run in a prudent manner without excessive risk to supervisory objectives or the risk of customer detriment.

Steps should also be taken to **strengthen the understanding of how the objectives of supervisors and banks align**. There are several key factors that act either as enablers or blockers in relation to this alignment of objectives:

- *Risk data and IT infrastructure:* Robust data and IT infrastructure can provide significant process, governance, customer outcome and competitive advantages. It can also provide assurance to the supervisor about the quality of risk reporting (internal and external) and, more generally, the degree to which reliance can be placed on data and analysis being produced by the bank. Effective risk data can greatly enhance business decision making.

- *Risk-adjusted performance measurement:* Where a bank has the capability to analyse its risk-adjusted performance (for example, through return on risk-weighted assets measures), and at a granular level specific to the risks being taken, it can lead to valuable insights regarding future strategy and balance sheet optimisation. This is a capability that the ECB emphasises in its analysis of "strategic steering".

Figure F: Aligning objectives between banks and supervisors



4. Next steps for banks and supervisors

Both banks and supervisors can play a role in driving further progress towards the goal of an embedded and integrated ICAAP and ILAAP.

For banks, the costs and the effort have in the past often appeared larger than the expected business benefits. This analysis should be revisited by the Board and senior management team, with a fuller understanding of the benefits that can be derived from the process. They should then set out their expectations of the outcomes and outputs that they want to see, and assign responsibilities for delivery.

As is emphasised by supervisors and has been highlighted above, there is a significant role for the Board and senior management team to play. They are expected to oversee the embedded ICAAP and ILAAP and have oversight of management of the various integration factors. A lot is being asked of them, and they will need to think about how they can most effectively discharge this responsibility.

Governance remains at the top of the SSM priorities. The ECB has emphasised the importance for risk management of the quality of debate and the Board's capacity to challenge independently analysis presented to it.[12] It concluded following a thematic review in 2015 that the quality of debate at the Board could be further enhanced in a majority of banks. Since then supervisors have looked to foster dialogue with Boards, including by attending parts of Board meetings as observers.

In this regard, the Board Risk Committee has an important role to play. It is with the Risk Committee – rather than the full Board – that banks are most likely to deepen the focus of Board members on the ICAAP and ILAAP. This will increase the efficiency of the overall Board process.

Banks also need to be able to demonstrate that they have a strong case for integrating their strategic thinking and risk awareness when it comes to optimising and integrating the capital, liquidity, and recovery and resolution dimensions in the capital/liquidity planning and stress test processes.

Data governance and management will affect progress. The Basel Committee on Banking Supervision[13] and ECB reports[14] on progress banks have made with the implementation of the principles for effective risk data aggregation and risk reporting are quite explicit in this regard. All banks need to make progress for the benefit of risk management, decision-making processes and resolvability.

Supervisors also have a role to play. Three-quarters of the respondents to our survey expressed a concern that proportionality is not sufficiently reflected in the ICAAP and ILAAP requirements. Banks asked for greater clarity on what is expected. 50% of banks reported that they did not find messaging from supervisors clear or transparent. In at least some cases this reflected conflicting messaging from different supervisory teams.

12. "SSM supervisory statement on governance and risk appetite", ECB, June 2016, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm_supervisory_statement_on_governance_and_risk_appetite_201606.en.pdf.

13. "Progress in adopting the Principles for effective risk data aggregation and risk reporting", Basel Committee on Banking Supervision, June 2018, https://www.bis.org/bcbs/publ/d443.pdf.

14. "ECB Report on the Thematic Review on effective risk data aggregation and risk reporting", ECB, May 2018, https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.BCBS_239_report_201805.pdf.

If you wish to discuss the survey results please contact your local Deloitte representative, or contact the survey team directly via BUCF_survey@deloitte.com.

Banking Union Centre in Frankfurt

The Deloitte BUCF was established to provide an expert team to support banks with tackling the challenges, as well as responding to the needs of the SSM in the most efficient and effective manner. It works closely with Deloitte's Single Resolution Mechanism team based in Brussels.

https://www2.deloitte.com/de/de/pages/financial-services/topics/banking-union-centre.html

Centre for Regulatory Strategy

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https://www.deloitte.co.uk/ecrs

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