
Press release

EU banking system remains resilient in face of harshest ever stress test

30 July 2021

Following the publication of the results of the EBA's 2021 stress test, **Michael Lever, Head of Prudential Regulation at the Association for Financial Markets in Europe (AFME)**, said:

"AFME is pleased to note that the European banking system remains well capitalised even after taking account of the impact from extremely harsh assumptions which formed the basis of the test."

"The EBA's stress test adverse scenario was based on a narrative of an extended Covid-19 outturn in a "lower for longer" interest rate environment in which negative confidence shocks would prolong economic contraction. The assumptions used for economic growth, unemployment and market stress were substantially more severe than those applied in previous stress exercises and have become far less plausible in the light of a stronger than anticipated recovery from Covid-19, subsequent upgrades to economic forecasts and resilient market performances. While it is acknowledged that the improved economic outlook has benefitted from substantial fiscal and monetary support from governments and central banks, it is nevertheless imperative that when reviewing the stress test results that this "distance to reality" is recognised and taken into account in supervisory actions particularly in relation to Pillar 2 guidance and when evaluating distribution policies."

"AFME and its members continue to support a robust European stress testing framework to determine the resilience of banks and the financial system against long tail risks and look forward to contributing to its further development."

– Ends –

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Notes:

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information, please visit the AFME website: www.afme.eu. Follow us on Twitter [@AFME_EU](https://twitter.com/AFME_EU)

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