



OESTERREICHISCHE NATIONALBANK
EUROSYSTEM

Monetary policy and banking supervision in times of permacrisis

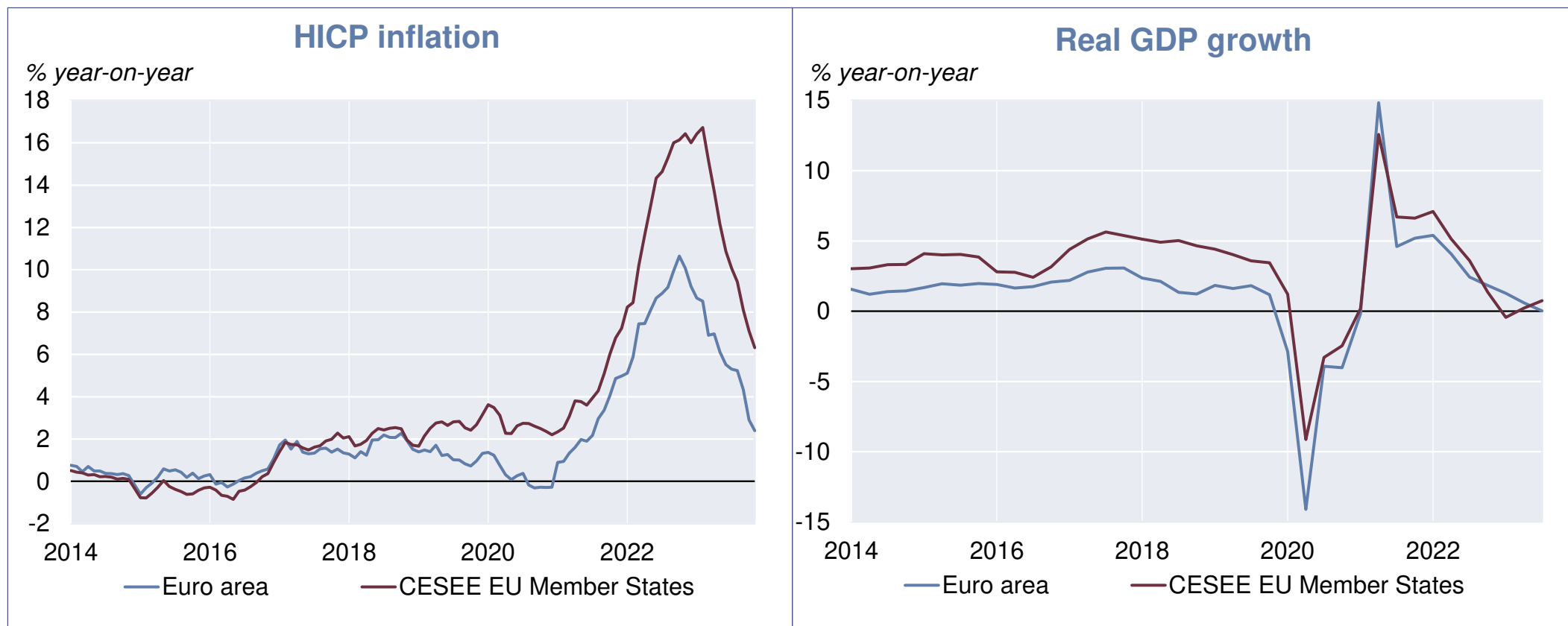
Gottfried Haber
Vice Governor

The Central & Eastern European Forum
Vienna, 17 January 2024

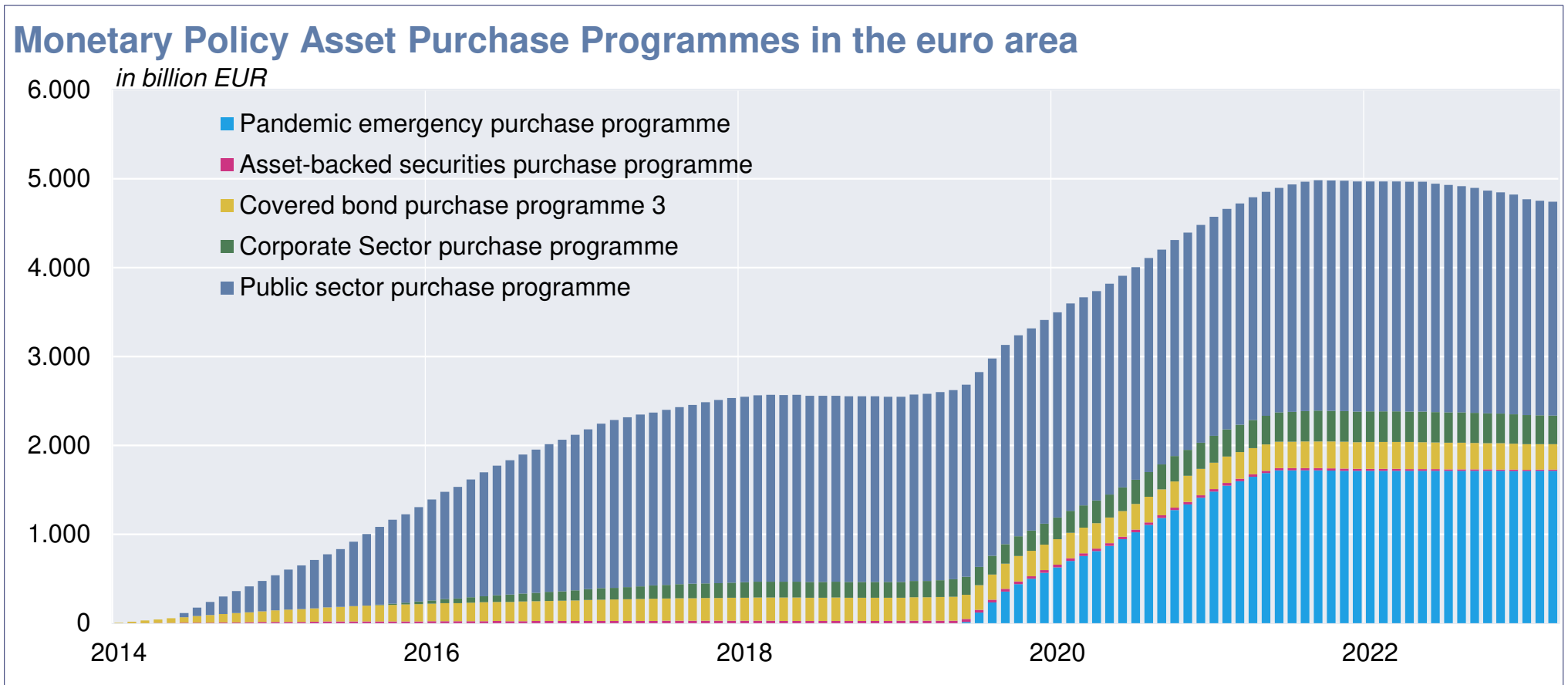
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Inflation is slowly normalizing - uncertain macro-outlook



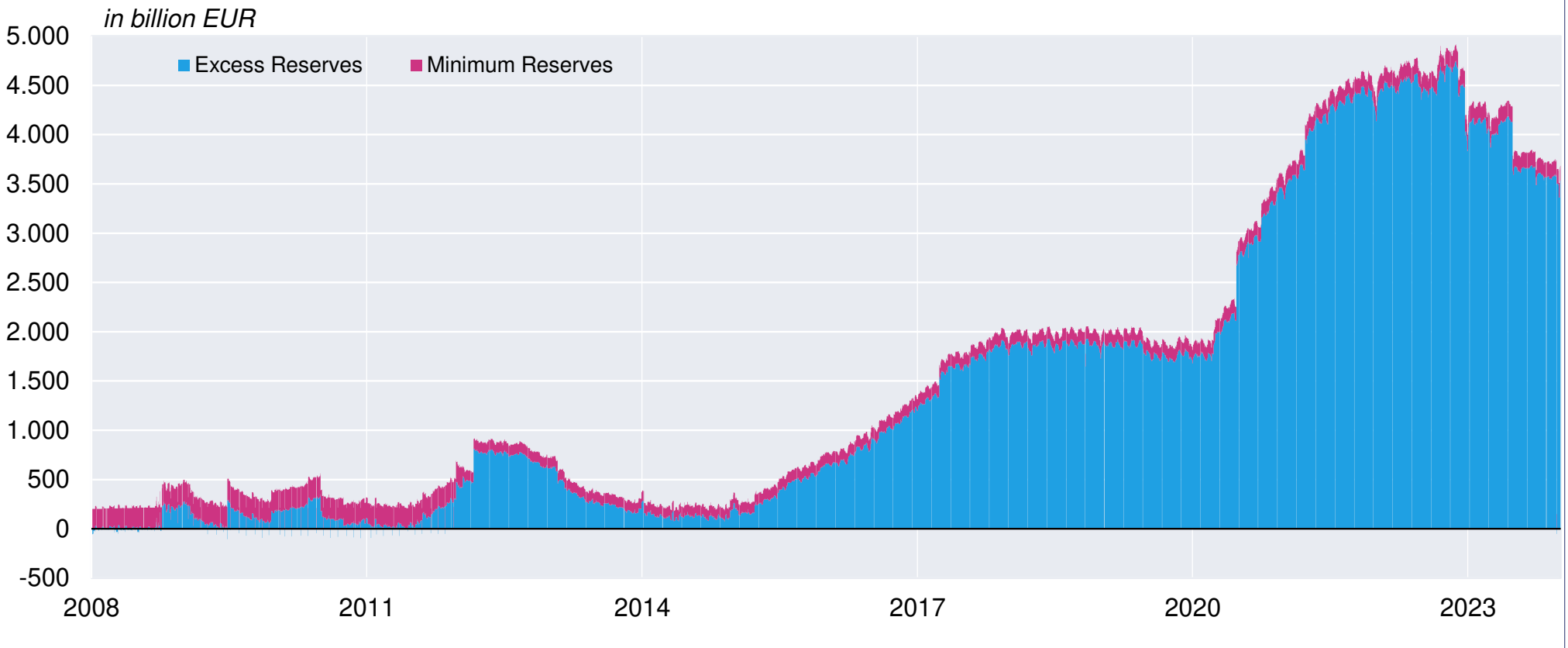
Quantitative Easing was the most prominent unconventional policy measure in the aftermath of the Great Financial Crisis



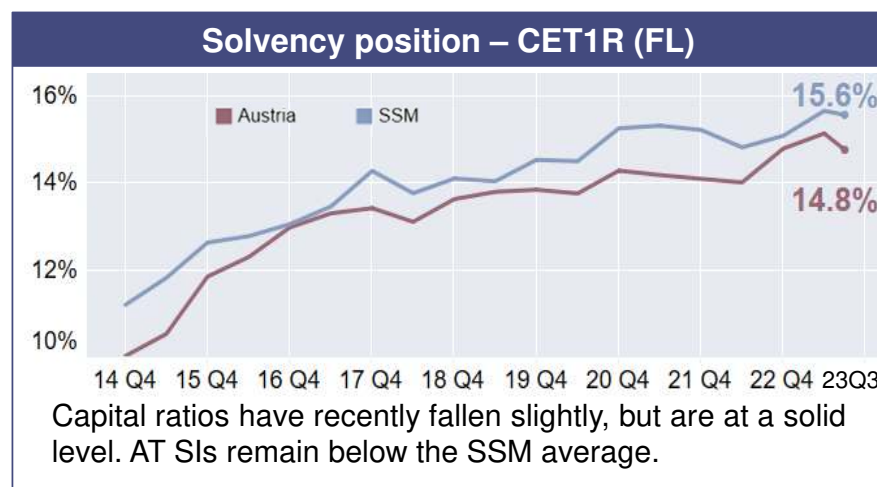
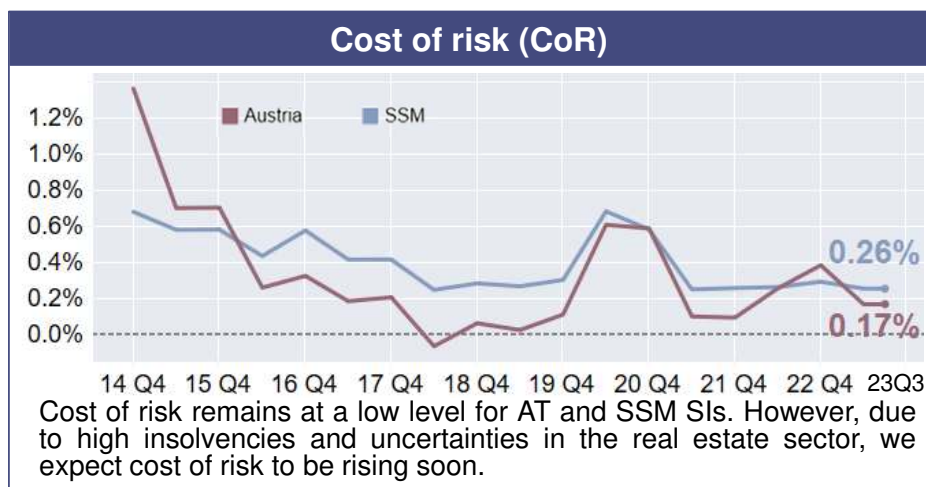
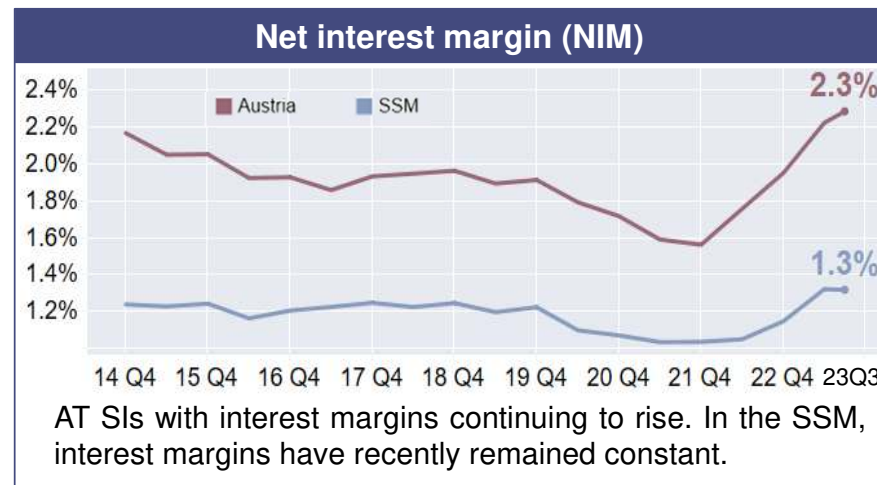
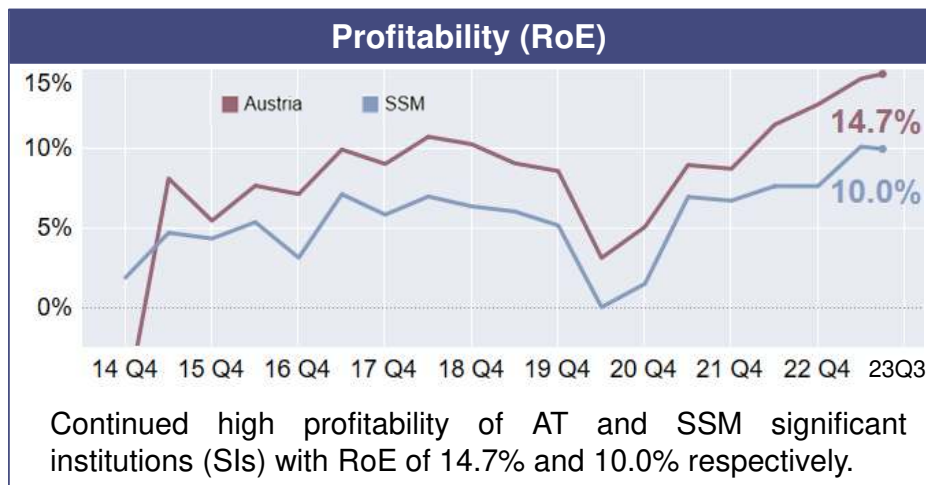
Financial markets have absorbed the Eurosystem's ongoing reduction of its balance sheet well



Minimum and excess reserves in the euro area



Banks are currently operating in a favorable interest rate environment, but have profits already peaked?



The spring of 2023 was marked by the downfalls of the Silicon Valley Bank and the Credit Suisse



Silicon Valley Bank

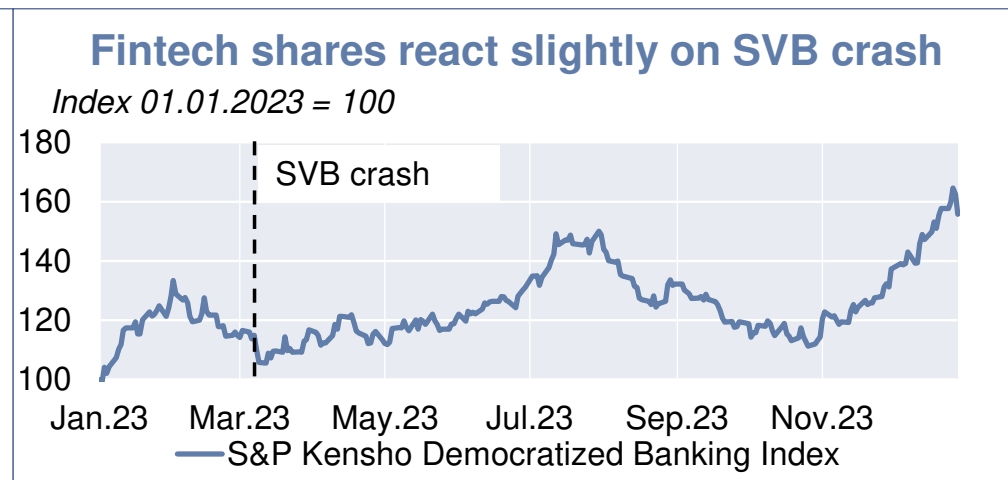
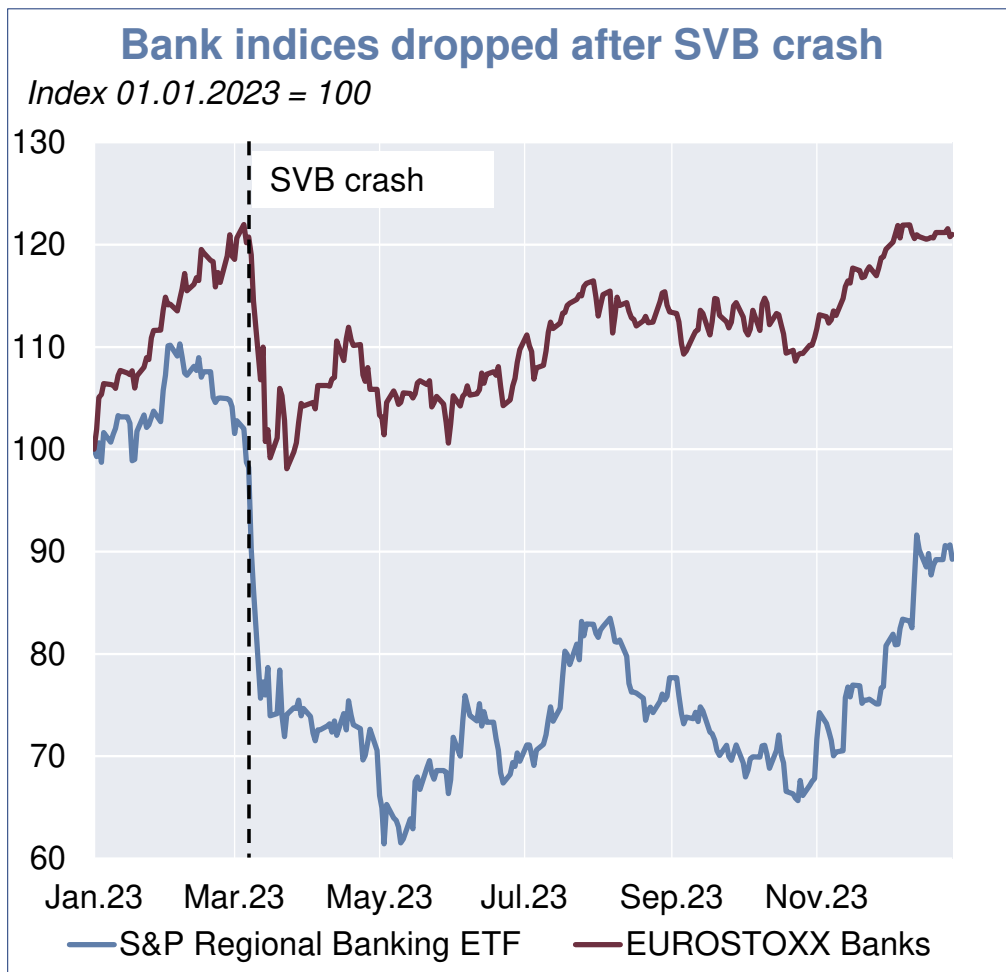
- SVB was a US **regional bank** and its major business scope was **tech-industry related venture capital**.
- SVB invested large proportions of its assets in long-term bonds. This led to an **increasing gap between maturity differences**.
- After the bank announced a **loss** of USD 1.8 billion it experienced a **bank run**. **93% of SVB's deposits were uninsured**
- SVB declared bankruptcy on March 10.

Credit Suisse

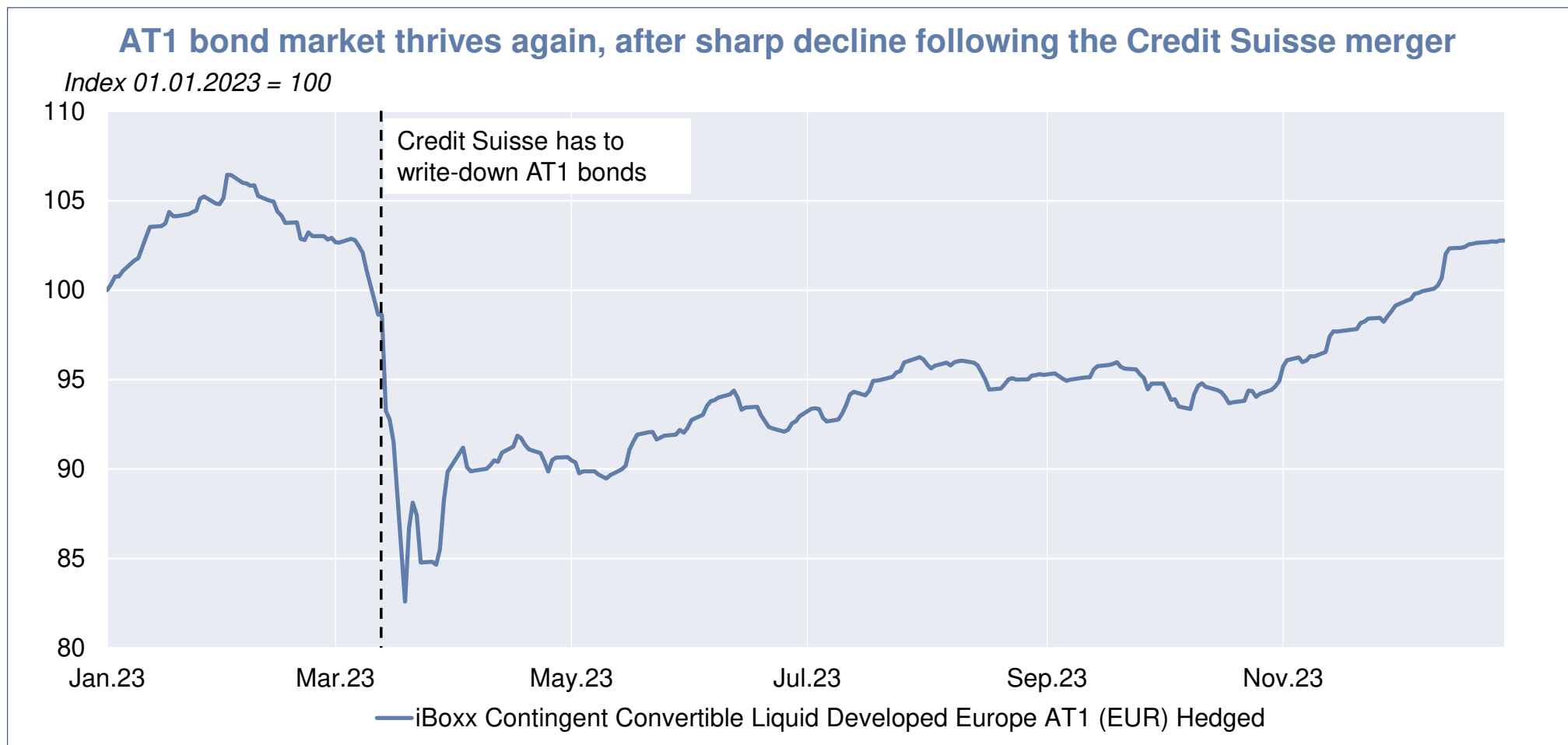


- SVB's collapse induced further **bank failures** including the G-SIB Credit Suisse.
- Its collapse originated from investors' concerns about a series of **scandals, investment failures and fines**, consequently, clients **lost confidence**.
- **Mid-March 2023** Credit Suisse ended up being taken over by its largest competitor **UBS** in a USD 3.2 billion deal.

Most market reactions to SVB crash have been short-lived



“Everyone was wrong on the death of the AT1 market”¹



The EU is reviewing its Crisis Management and Deposit Insurance Framework due to mixed experiences in the past

Why the CMDI review?

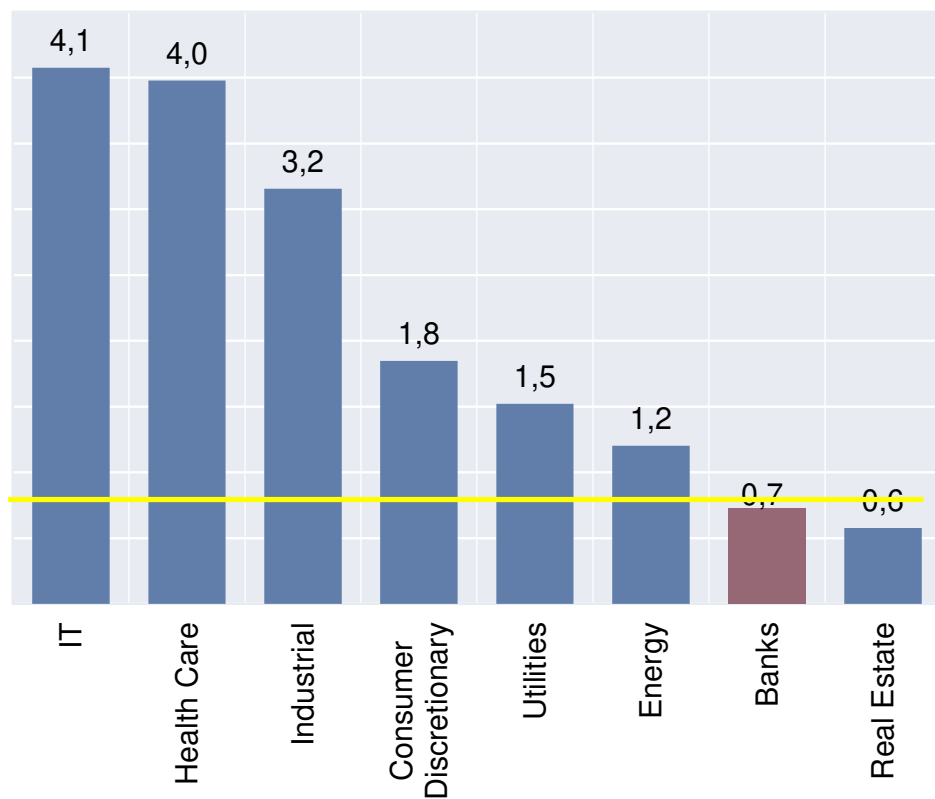
- Despite the creation of an extensive resolution framework in the EU, **resolution** has **only** in very **few cases** been used as the tool of choice for market exit
- The **main obstacles** to the use of **resolution** actions had been:
 - **Reluctance** to declare a bank **failing or likely to fail**
 - Limited possibilities to apply the resolution framework to **small and midsize banks**, in particular when they are deposit funded
 - Seeking to avoid harm to certain **stakeholder groups**
- **Commission** published a **proposal** for a **review** of the current framework **on April 18, 2023**

Cornerstones of the CMDI Review

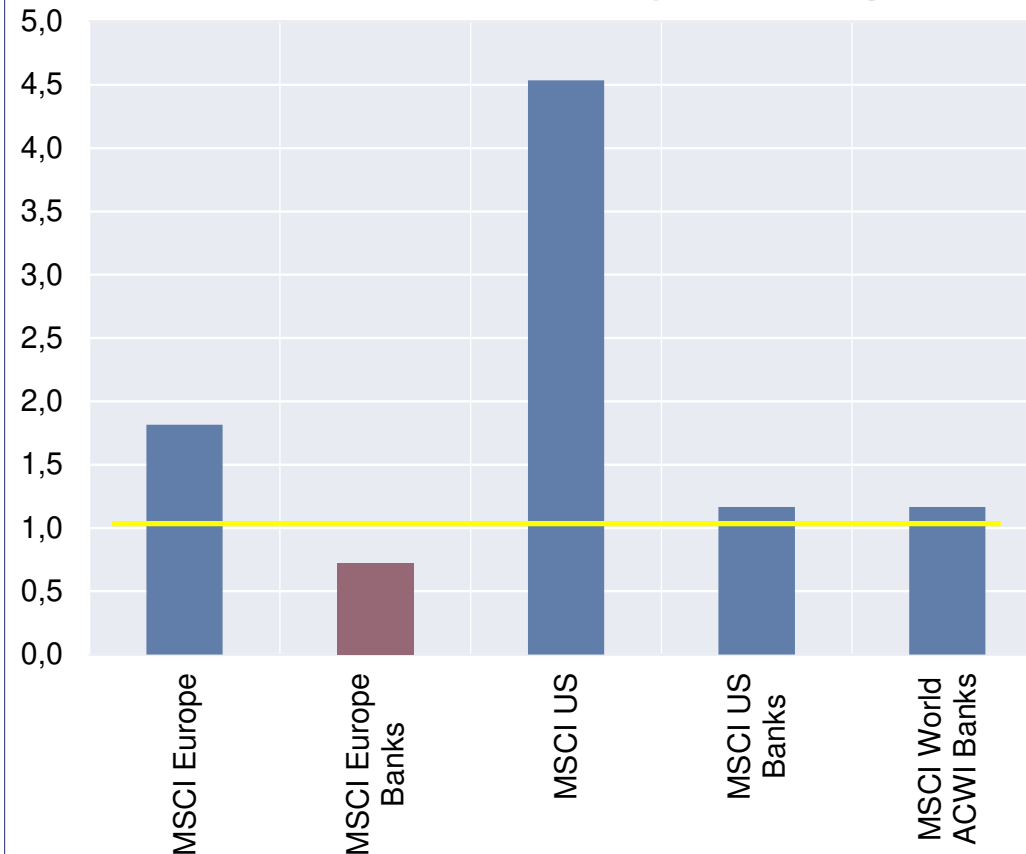
- The proposal aims at extending the toolkit available for resolution, in particular by
 - **Extending the scope of resolution** so that more banks fall under the regime
 - **Changing the creditor hierarchy**, in particular by abolishing the super priority of the deposit guarantee scheme (DGS)
 - **Increasing the flexibility of financial contributions** of the **DGS**
- Despite intense discussions, the **European Council has not reached agreement** on the proposal yet; a **renewed discussion** will likely emerge again **after the European elections** in June 2024

European banks with low valuations compared to other sectors

Price-to-book ratios of MSCI Europe sectors



Price-to-book ratios in a regional comparison



Danke für Ihre Aufmerksamkeit

Thank you for your attention

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