PRESS RELEASE

The Banque de France, the ACPR and the AMF have published a methodological report on their first system-wide stress test

The Banque de France, the Autorité de Contrôle Prudentiel et de Résolution (the French Prudential Supervisory and Resolution Authority, ACPR) and the Autorité des Marchés financiers (AMF) have published an interim report on the first system-wide stress test carried out in France. Launched in August 2025 and carried out at more than 20 French financial institutions, this exploratory exercise aims to gain a better understanding of the interconnections between market participants and the potential for destabilisation that could arise in a context of financial stress. Following the first round, which is currently being analysed, a second round will be launched in the coming days, with a view to producing a final report in autumn 2026.

This exercise is the first integrated stress test –, conducted at the level of the French financial system, taking into account interactions between market participants. It provides broad coverage of the relevant sectors (banking, insurance and asset management), including all the global systemically important banks established in France. Unlike traditional stress tests, which focus on a single sector, it seeks to understand how a severe market shock spreads throughout the system and the consequences, on this scale, of participants' management responses, particularly in terms of liquidity.

This 'methodological' report sets out the objectives of the exercise, its framework, its scenario and the main contagion phenomena examined. The scenario is based on simulating a market shock over a ten-working-day period, the severity of which exceeds that of the worst fortnight observed over the last twenty years.

The approach combines a 'bottom-up' collection of participants' actual responses with a 'top-down' module that enables the authorities to model non-participating entities and estimate second-round effects.

The analysis looks specifically at three transmission channels that were identified during recent episodes of financial stress:

- the **cross-holdings and cross-exposures** between market participants (securities, deposits, credit lines, derivatives, repurchase agreements);
- the **concentration of similar positions and the risk of fire sales**, where several market participants seek to dispose of the same assets simultaneously, exacerbating the fall in the price of those assets;
- the **liquidity needs, margin calls and reverse repurchase agreements**, which may occur in quick succession and put pressure on the system's liquidity at a time when demand is rising.

The originality of the exercise lies in the collection of participants' stated responses. They were asked to specify the markets they plan to access, the timetable for their operations, the volumes involved and the counterparties concerned. This approach differs from traditional exercises, in which such behaviours are dictated by conventional assumptions. It helps to identify potential inconsistencies at the system-wide level, for example when several institutions plan to sell the same assets or tap into the same sources of liquidity, or when there is a material discrepancy between the reaction of a particular type of market participant and their counterparties' expectations.

The first-round estimates made by all the institutions have been received and are currently the subject of in-depth work to check for consistency, perform bilateral reconciliation between counterparties, and aggregate the data at the system-wide level. This initial analysis, which is still being refined, forms the basis for the second phase of the exercise, scheduled to take place in the coming weeks. The authorities will provide participants with an overview of the findings from the first round and assess the circumstances in which a self-perpetuating dynamic might arise, whereby each party's defensive reactions worsen the situation for the others.

At the end of this work, in autumn 2026, the Banque de France, the ACPR and the AMF will publish a joint summary report on the lessons learned from the exercise.

Conducted within a robust French financial system, this exploratory exercise aims to gain a better understanding of the dynamics of contagion and the potential vulnerabilities associated with the interconnections within the financial system. The aim is also to identify the parts of the system most likely to come under strain during a period of stress. It follows on from a similar exercise carried out by the UK authorities and completed at the end of 2024, from which the French authorities have drawn lessons. Participation by institutions is voluntary. It has no bearing on the individual supervision of participants.

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and maintains orderly financial markets. Through its engagement with European and international regulatory bodies, the AMF contributes to financial stability and effective regulation. The AMF develops and enforces regulatory standards, supervises market participants and market infrastructures, and takes action against misconduct and regulatory breaches. It also supports the transformation of the financial sector, particularly in the areas of innovation and sustainable finance. As an impact-driven regulator, the AMF acts in the public interest.

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