



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

ECB/SSM approach towards the National Parliaments

April 2015

Main messages

- For its supervisory tasks, the ECB is mainly **accountable** to the European Parliament. This follows the general principle endorsed by the European Council: “accountability takes place at the level at which decisions are taken and implemented”.
- At the same time, the SSM Regulation caters for a number of possible interactions and **reporting** requirements to national parliaments.
- Besides, the NCAs remain accountable to their national parliaments:
 - ➔ For their supervision of less significant institutions;
 - ➔ For the tasks which remain with them regarding the supervision of significant institutions (consumer protection, anti-money laundering for instance)
 - ➔ For issues related to internal organisation (budget – HR...)

A clear legal framework

Article 20, SSM Regulation:

“The ECB shall be accountable to the European Parliament and to the Council”

- Annual report to the EP, Council, Commission and Eurogroup
- Hearings of the Chair by the EP and Eurogroup
- Shall reply to questions by the EP and Eurogroup
- European Court of Auditors (ECA) examinations
- Confidential oral discussions between the SB Chair and the Chair and Vice-Chairs of the competent committee of the EP upon request
- Full cooperation in case of an EP investigation

➔ **Interinstitutional Agreement between the EP and the ECB (11.2013)**

➔ **MoU between the Council and the ECB (12.2013)**

Article 21, SSM Regulation:

- Accountability towards National Parliaments: NPs can address observations on the annual report; ECB shall reply to questions; SB Chair or members can be invited for an exchange of views regarding the supervision of a national credit institution.

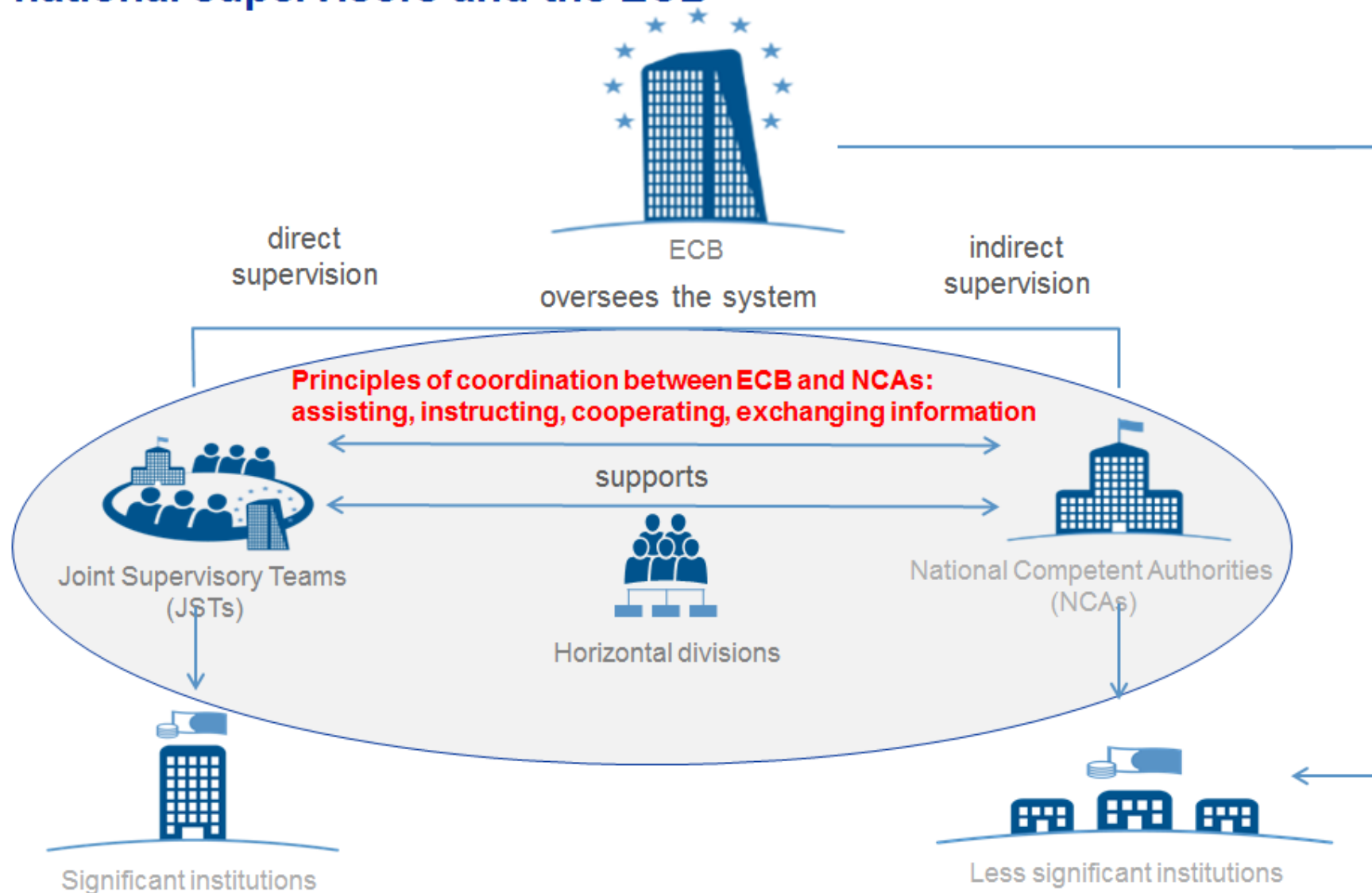
Concrete implementation of the ECB-NPs relationship on supervisory issues

Three main channels of interaction provided by the SSM Regulation:

- **Annual report:** simultaneous transmission to the EP and NPs; possibility for NPs to address reasoned observations.
- **Written questions** in respect of ECB tasks. The ECB has a duty to reply. All questions concerning the tasks performed by the ECB should be addressed to the ECB. If they are addressed to the NCA/Minister of Finance, the NCA should inform the ECB.
- **Exchange of views:** possibility to invite the Chair or a Member of the Supervisory Board for an exchange of views regarding national significant institutions.

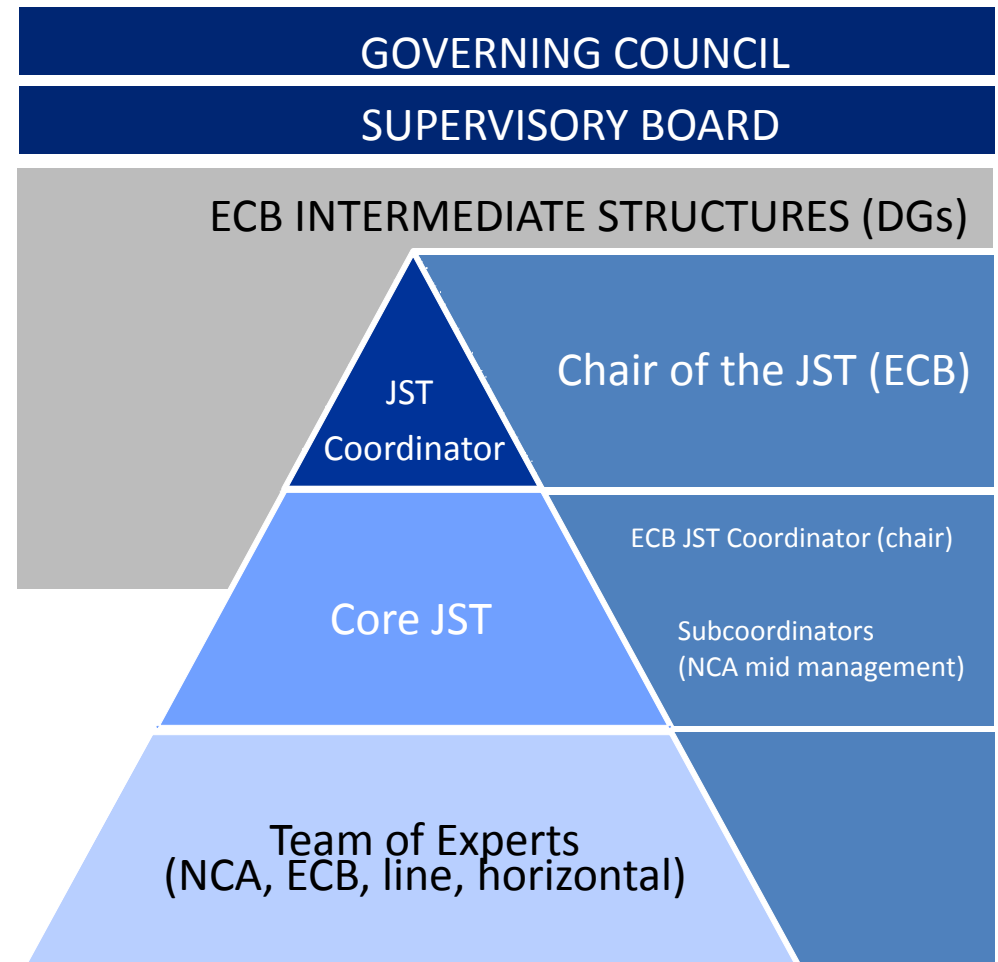
How does the SSM function?

The SSM is an integrated system based on cooperation between the national supervisors and the ECB

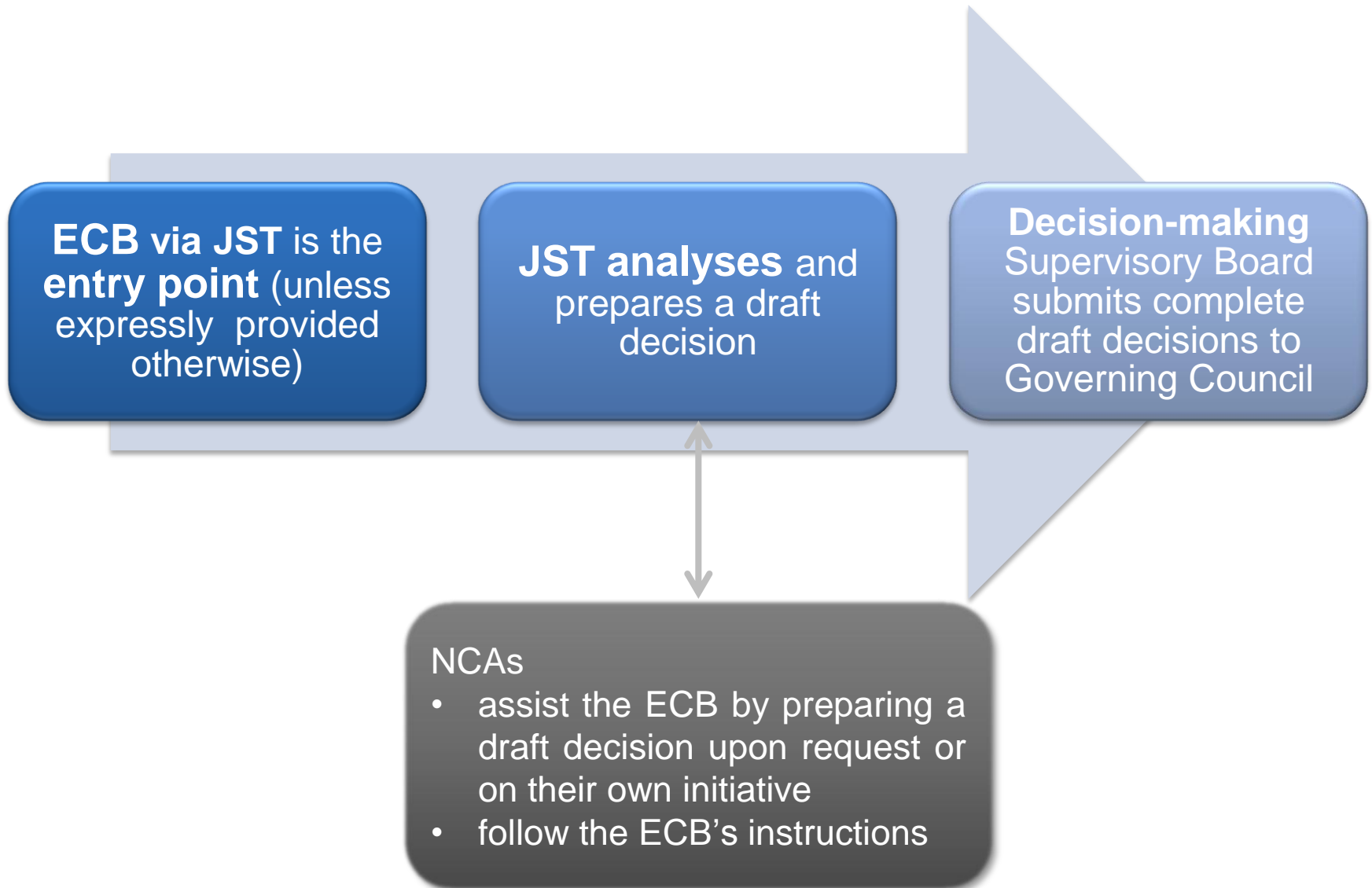


The key role of the Joint Supervisory Teams (JSTs)

- Established for every significant banking group, comprising staff from ECB and NCA
- Responsible for day-to-day supervision of individual significant institutions and for implementing the annual supervisory programme
- Responsible for implementing decisions of Supervisory Board/Governing Council
- Size and composition of JSTs vary between institutions



Supervision of significant banks



Supervision of less significant banks

Cooperation

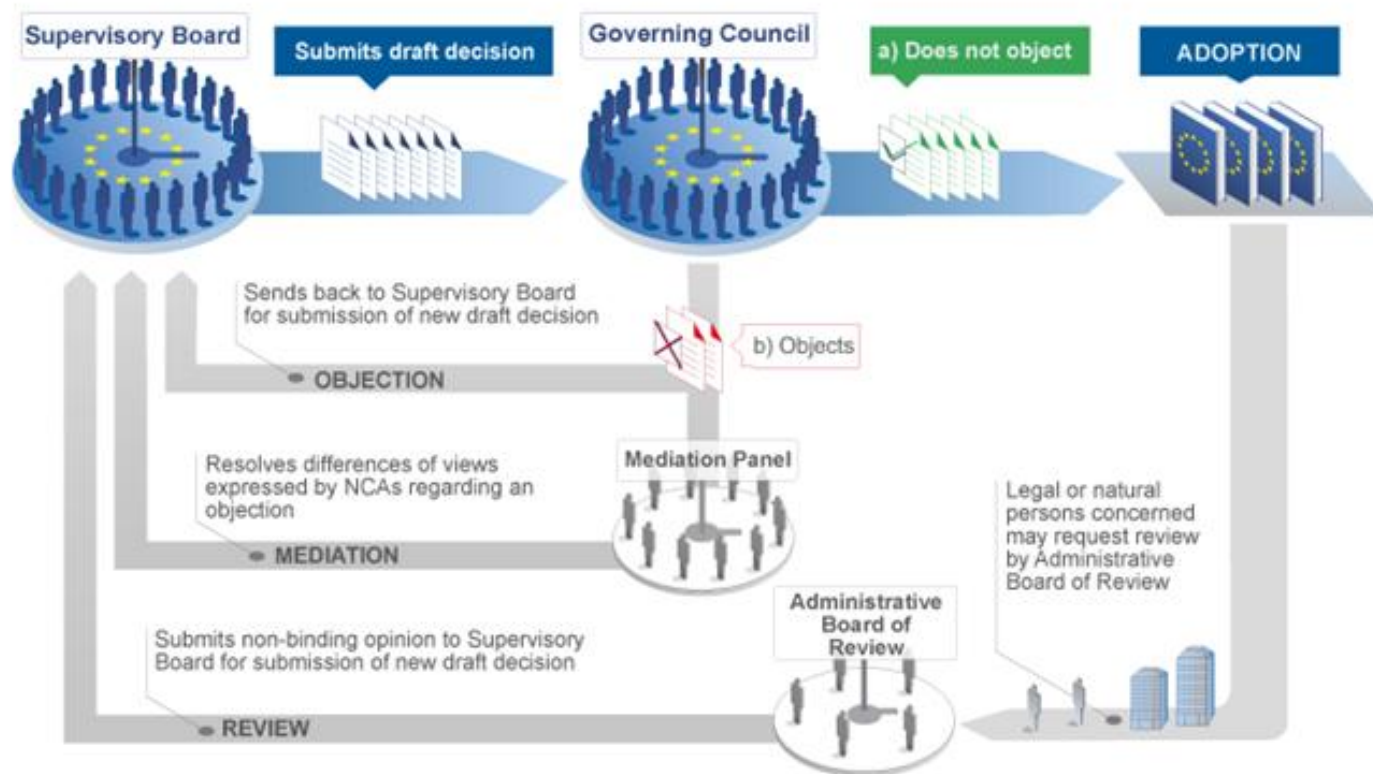
- ECB exercises oversight over the system
- NCAs directly supervise less significant banks
- ECB receives information on less significant banks
- ECB can take over direct supervision if necessary

Tools for the ECB's oversight

- Ex-ante notification of draft decisions and procedures concerning certain less significant banks
- Regular ex-post reporting on NCAs' material supervisory decisions and general supervisory activities
- Common supervisory Manual and efforts to harmonise supervisory practices

Decision-making process

Decision-making in the Single Supervisory Mechanism is based on a new procedure: the “non-objection” procedure.



The **Supervisory Board** proposes draft decisions to the **Governing Council** of the **ECB**. If the **Governing Council** does not object to the draft decision within a defined period of time, the decision is deemed adopted.