

The new Single Supervision Mechanism and the challenges going forward

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Agenda

I. INTRODUCTION:

- **General objectives of the SSM**
- **Decision-making bodies and internal organisation**
- **Legal Framework**
- **Priorities**

2. SUPERVISION OF SIGNIFICANT BANKING GROUPS (DG I&II):

- **Objectives (medium and long-term)**
- **Priorities for the transition period**

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General objectives of the SSM

- ✓ **Contribute to the Banking Union** through financial integration
- ✓ **Help breaking negative feedback loops** between governments and banks (together with the Single Resolution Mechanism)
- ✓ **Leverage on the best (of the national) supervisory practices**
- ✓ **Provide a sound supervision**
- ✓ **Substantially reduce the supervisory 'burden' for cross-border banks (through the Single SSM Supervisory Manual)**
- ✓ **Reduce (crisis) coordination failures among national supervisors**
- ✓ **Promote reinforced coordination by European Banking Authority and contribute to the Single Market**

BENEFIT: restore confidence in the banking sector through independent, integrated supervision in all participating Member States

Decision-making bodies and internal organisation (I)

■ SUPERVISORY BOARD

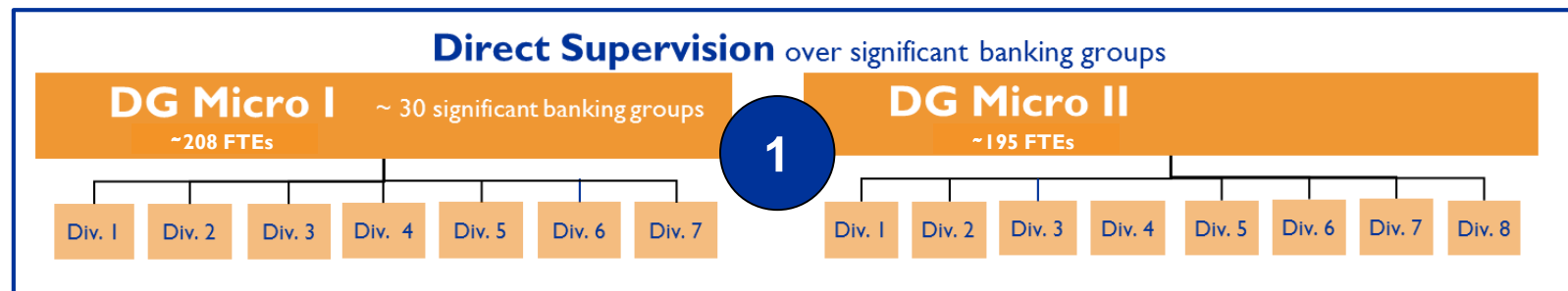
- ✓ Created in January 2014
- ✓ Fully operative since then, with regular meetings
- ✓ Composition: 18 NCAs + 6 ECB
 - ➔ Chair: Danièle Nouy
 - ➔ Vice-Chair: Sabine Lautenschläger
- ✓ Well defined Rules of Procedures
- ✓ The SB will propose draft decisions to the Governing Council of the ECB



- COMMITTEES IN SSM COMPOSITION (HR, Legal, Communication, IT...)

Decision-making bodies and internal organisation (II)

INTERNAL ORGANISATION



STAFF ~ 800 FTEs

- **FRAMEWORK REGULATION** came into force last 15th May

The **purpose** of the Framework Regulation is **threefold**:

- Lay down all the **rules and procedures** governing the cooperation between the **ECB** and the national competent authorities (**NCA**s)
- Define the **rights and obligations of supervised entities** and third parties (language regime, right to be heard, access to files...)
- Address - in the same document - **other issues** which are also necessary for the organisation of **SSM** tasks (close-cooperation/opt-in, investigatory powers, authorisations, macro-prudential decisions...)

The FR contains the **methodology and criteria** to determine **Significant Institutions**

1. **MAIN ORGANISATION ELEMENTS (SB, RoP...)**
2. **RECRUITMENT → key issue**
3. **COMPREHENSIVE ASSESSMENT**
4. **JOINT SUPERVISORY TEAMS (JSTs) OPERATIONAL (IT; national composition / ECB; assignments;...)**
5. **COORDINATION WITH NCAs**
6. **OTHER CRITICAL AND RELEVANT PROCESSES: joint decision on capital and liquidity, colleges, CMGs,...**
7. **SMOOTH HANDOVER**
8. **DETERMINATION OF A BANK'S SIGNIFICANCE → SIGNIFICANT INSTITUTIONS (SIs) or LESS SIGNIFICANT INSTITUTIONS (LSIs)**
9. **CREATING MAIN ELEMENTS OF DG III**
10. **HANDLING HORIZONTAL FUNCTIONS and SPECIALISED SERVICES**

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Objectives (medium and long-term)

CORE OBJECTIVES

- **Efficient and effective supervision:**
 - ✓ Forward looking, risk-based and judgement-based supervision
 - ✓ Addressing potential problems in a timely manner
 - ✓ Overall perspective (not individual)
- Promote a **level playing field**
- Assure **harmonization** of procedures and promote the **best supervisory practices**
- **Deep and strong integration** between **ECB (DG I&II)** and **NCA**s
- Adequate **cooperation** with **DG IV**
- Make supervisory scheme **ECB-NCA**s **operational**

Supervision of Significant Banking Groups (SIs)

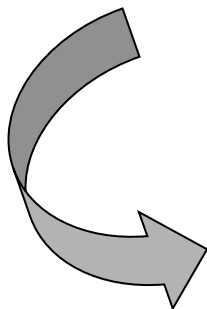
Priorities for the transition period (I)

1. RECRUITMENT

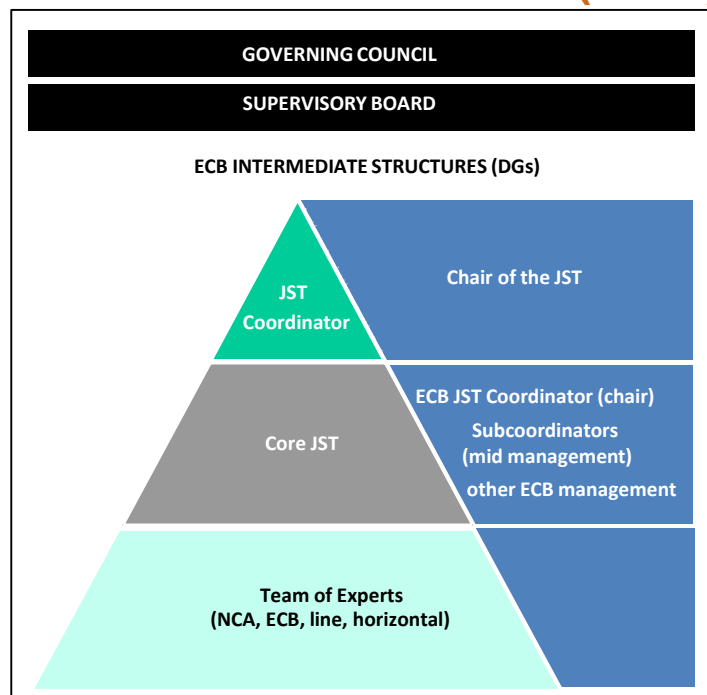


- ✓ Senior management already appointed (6)
- ✓ Middle management already appointed (93)
- ✓ Principals, supervisors and analyst (good progress). Staff up to 200 by 1st September; full 283 by 1st October

2. MAKING JOINT SUPERVISORY TEAMS OPERATIONAL (JSTs)



Main tool to conduct
day-to-day supervision
of significant banks



Supervision of Significant Banking Groups (SIs)

Priorities for the transition period (II)

2. **MAKING JOINT SUPERVISORY TEAMS OPERATIONAL (JSTs)**, in terms of:

- ✓ Recruitment
- ✓ IT
- ✓ DG I&II assignment of banks
 - ➔ DG I: 30
 - ➔ DG II: 90
- ✓ ECB: appointment of Coordinators and allocation of staff for each JST
- ✓ NCAs assignment of JSTs
 - ➔ Appointment of local sub-coordinators
 - ➔ Allocation of JST staff
- ✓ Procedures (reporting, information, meetings,...)
- ✓ Introductory meetings with each banking group: DG I-II / NCAs / banks
- ✓ Fully operational JSTs: September onward

Priorities for the transition period (III)

3. BUILDING RELATIONSHIPS WITH NCAs

- ✓ High level meetings (already held or scheduled: April-June)
- ✓ Working meetings of the JSTs (scheduled: June/July)
- ✓ **Main objectives:** present to NCAs the strategic direction, key expectations and main milestones for the transition period; understanding the current NCA approach to supervision of SIs, as well as their adaptation to SSM; coordinating with NCAs organisational issues of the JSTs.

4. UNDERSTANDING RISK PROFILES OF and SUPERVISORY STRATEGY

- ✓ Review of dossiers of individual banks
- ✓ Close cooperation ECB-NCAs during local thematic visits: share of knowledge regarding risk profiles, governance, internal controls, solvency, SWOT, ...
- ✓ Building relationships with bank management in cooperation with NCAs
- ✓ Regular information on important NCA activities

Supervision of Significant Banking Groups (SIs)

Priorities for the transition period (IV)

5. SMOOTH TRANSITION

- ✓ Functioning of colleges
- ✓ Understanding the CA outcome to request capital plans (if necessary) and facilitate the SREP decisions
- ✓ Joint decisions on capital adequacy based on national SREPs and the CA outcome

**GREAT CHALLENGES AHEAD FOR
THE SSM, NCAs and BANKS**