

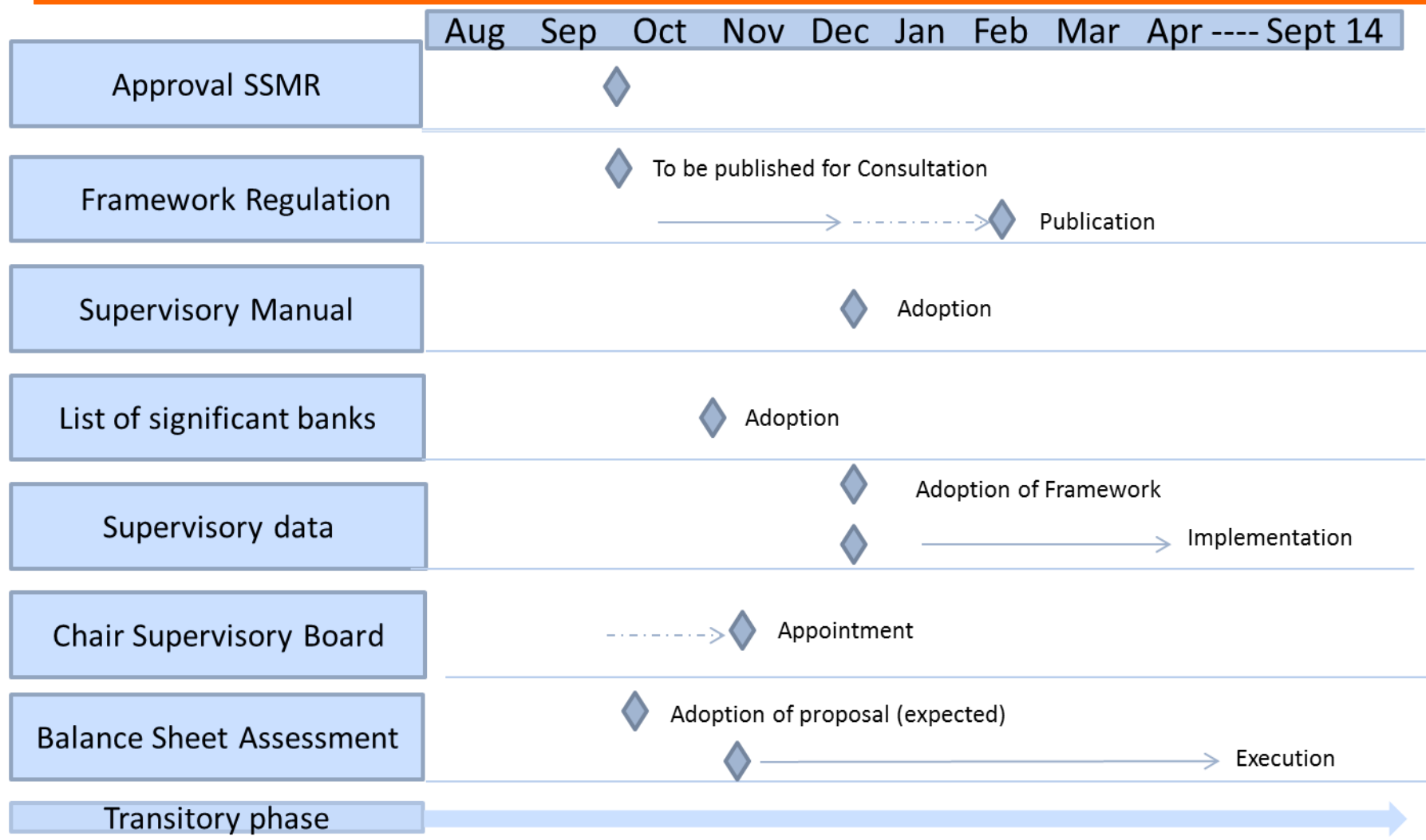


Intermezzo
Single Supervisory Mechanism
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1a. SSM as the first pillar of Banking Union

1	Single Supervisory Mechanism (SSM)	SSM Regulation	Resolution adopted Sept. '13 – SSM operational ~ Oct. 14
2	Single Resolution Mechanism (SRM)	Banking Recovery and Resolution Directive SRM Regulation	Political agreement June '13, Trilogue with Parliament end '13. BRRD implemented ultimately '18. EC proposal July '13 Aim: SRM operational in conjunction with the start of the SSM. Big transfer over sovereignty and burden sharing makes it very political. Risk is that SRM ends up halfbaked. Public backstop absent in EC proposal.
3	Deposit Guarantee Scheme	DGS Directive (national schemes) Depositor preference makes a single scheme less urgent.	Trilogue with Parliament end '13. Proposal for single scheme to finalise the banking union is not expected soon.
4	European Banking Authority	Single rulebook	

1b. Roadmap SSM (Tentative)



2a. Significant vs. less significant

- The ECB will directly supervise significant credit institutions and will indirectly supervise less significant credit institutions.
- The ECB is *accountable* for the “proper functioning of the system”, however, it’s only directly *responsible* for the decisions addressed to significant institutions, whereas the NCAs are *responsible* for the decisions directed at the less significant ones
- Criteria to determine the **significant** credit institutions
 - Size: total assets > EUR 30 billion
 - Economic importance: the ratio of total assets over GDP > 20%, unless total assets < EUR 5 billion
 - Cross-border activities: > 1 subsidiary in another participating member state, then significant if cross-border assets to total assets $\geq 10\%$ or the ratio of its cross-border liabilities over its total liabilities is $\geq 10\%$
 - Public assistance is requested or received directly from the EFSF or the ESM
 - Three most significant credit institutions in each of the participating member states
- If in three consecutive calendar years none of the relevant criteria was met, be it on a standalone basis or by the supervised group to which the supervised entity belongs, the ECB can end the status of significant credit institution
- With regard to the less-significant ones, the ECB can at any point in time decide that for the purpose of ensuring high supervisory standards, it shall exercise the supervision over a particular less significant institution directly
- The ECB will be able to “express its views” on the draft material supervisory decisions directed at less significant institutions

2b. Organisation of the SSM at the ECB

- Outlines of SSM organisation at ECB have been decided upon
 - Supervisory Board
 - Chair appointed for a non-renewable term of five years
 - Vice-Chair chosen from the members of the Executive Board
 - Four ECB Representatives
 - Representatives from National Competent Authorities in participating member states
 - Directorate Generals (DG's) for Direct, Indirect and Horizontal Supervision
 - Expected total formation: 1,000 fte's – of which almost 800 fte's directly entrusted with supervision
 - Staff: Director-Generals, Deputy Director-Generals, Heads of Division, (senior) staff

2c. Joint Supervisory Teams

- **Supervision of significant banking groups by the Joint Supervisory Teams (JSTs)**
 - The JSTs are responsible for the day-to-day supervision of significant institutions on the basis of annual supervisory programmes. The JSTs will replace the supervisory colleges for the SSM banking groups. The supervisory colleges will continue to exist between the SSM and non-SSM or third country banking groups.
 - JSTs will be established following the principles of *proportionality and risk-based supervision* for each banking group. The composition and organisation of a JST will vary substantially depending on the nature, complexity, scale, business model and risk profile of the supervised entity.
 - NCAs having a bank or a banking subsidiary of a given banking group in their Member States will take part in the respective JST. Its composition may also include supervisors from the ECB and other NCAs.
 - The ECB may decide to have 1 JST for several smaller significant institutions for reasons of practicality.
 - The above mentioned characteristics are still part of an ongoing process, and have not been decided yet.

2c. Tasks of Joint Supervisory Teams

➤ Main tasks of a JST:

- Submits proposals for formal decisions to Supervisory Board accompanied by an elaboration on any diverging views if consensus at JST has not been reached.
- Transmits proposals of national authorities to the Supervisory Board.
- Organises the annual supervisory calendar and conducts the supervisory work (RAS, SREP) on consolidated and solo levels, for each of the significant institutions in assistance with horizontal functions. The JST in cooperation with the ECB horizontal function identifies the necessary on-site inspection activities.
- Authorisations, assessment of qualifying holdings, and administrative sanctions may be operationally carried out by other staff of the ECB and the NCAs.
- Furthermore, close cooperation will be needed between the JST and the NCAs in respect of the supervisory duties that will remain in national responsibility (such as Anti-Money Laundering, Anti-Terrorist Finance or Customer Protection).

2c. Composition of Joint Supervisory Teams

Core JST:

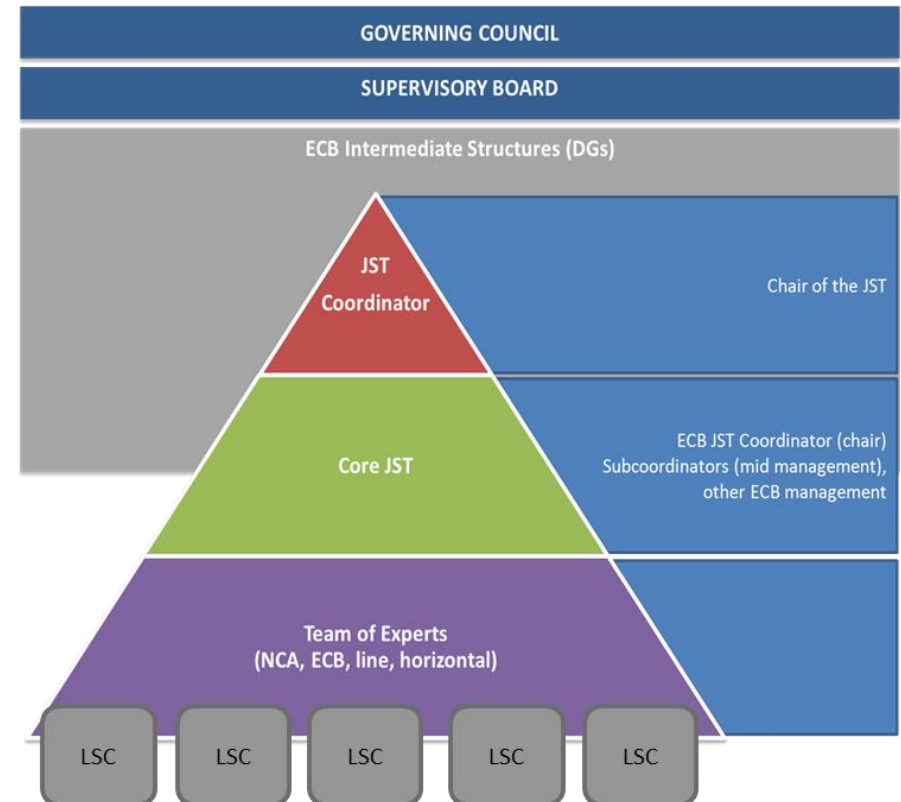
- The operative steering forum of the JST. It is chaired by the JST coordinator and further composed of sub-coordinators and other ECB-management.
- Tasks: organising the allocation of tasks among JST members, preparation, revision and monitoring of the supervisory programme, reviewing the consolidated assessment, mediation between NCAs or between NCAs and the ECB.

JST coordinator:

- Prepares draft formal supervisory decisions for the Governing Council/Supervisory Board, and determines whether an issue should be taken up to the level of the Supervisory Board.

Local sub-coordinator (LSC)

- Coordinates the on-going supervision on a national level. Is responsible within the JST for ensuring the solo/subconsolidated supervision and contributes to efficient supervision in cooperation with JST coordinator by assuring quality of national work for the JST. Reconcile material JST decisions with national management.



3a. Key deliverables for the preparatory phase

- The appointment of the SB Chair and Vice-Chair
 - The SB Board will be established as soon as the SSMR is in place (expected in Oct.) but the process of the Chair and Vice-Chair appointment might stretch beyond, depending on the deliberations with the European Parliament.

- List of Significant Banks
 - Final data exercise deadline was 13 September 2013. Now the ECB will check the quality of the data and will extract the final list of significant and less significant banks from the presented data.

- Balance Sheet Assessment
 - The ECB/SSM is *“to carry out a comprehensive assessment, including a balance-sheet assessment, of the credit institutions of the participating Member State”*

- Framework Regulation
 - *“Framework to organise practical arrangements between the ECB and NCA’s”*. Will be published for consultation after entry into force of the SSMR.

- Supervisory Manual
 - Internal ECB “methodology” on the supervision, includes both substantial (SREP and RAS methodology) and procedural/organisation parts.

3 Subsequent steps

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