

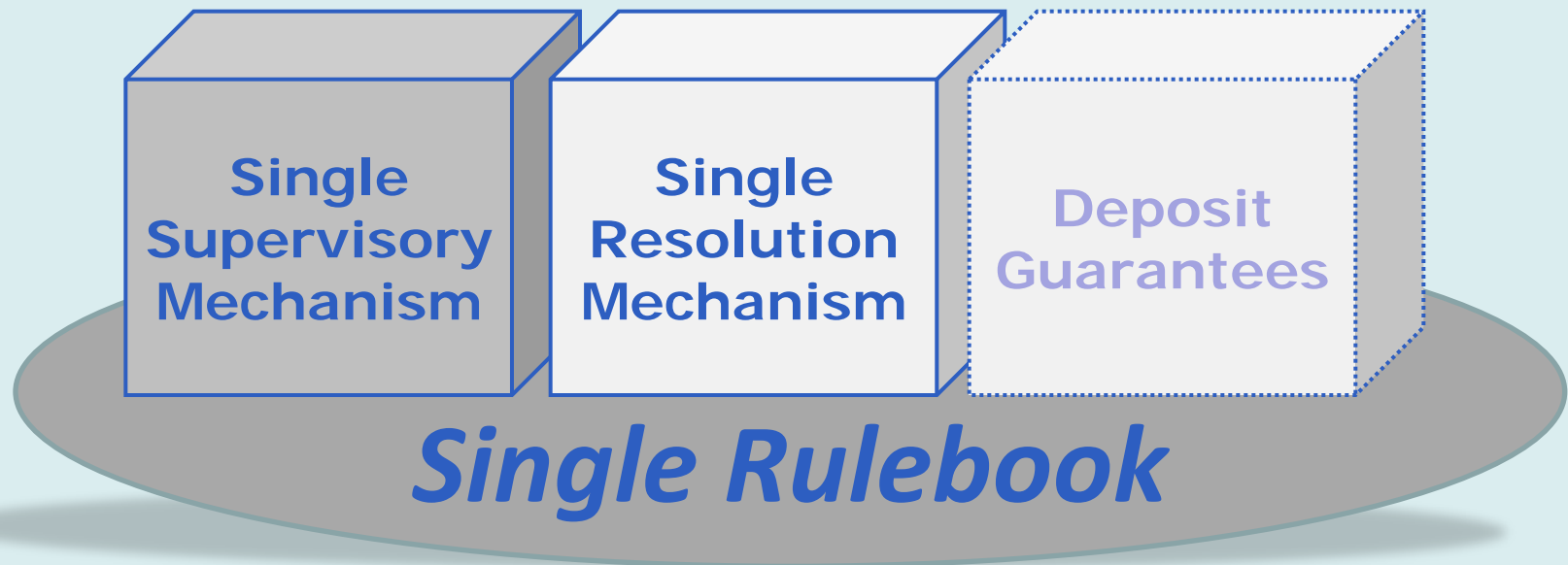


# Banking Union and the single supervisory mechanism (SSM)

# Why do we need a Banking Union?

- *Necessary for achieving a genuine EMU.*
- *Break the negative feedback loop between sovereigns and banks.*
- *Prevent bank runs and strengthen overall financial stability.*
- *Preserve the single market.*
- *Single supervision is the precondition for the introduction of potential direct recapitalisation of banks by ESM.*

# Key elements of the Banking Union



# Roadmap towards the Banking Union

12 Sep 2012

- Communication on Banking Union;
- Proposal for a Council Regulation establishing the SSM;
- Proposal for a Regulation amending the EBA regulation.

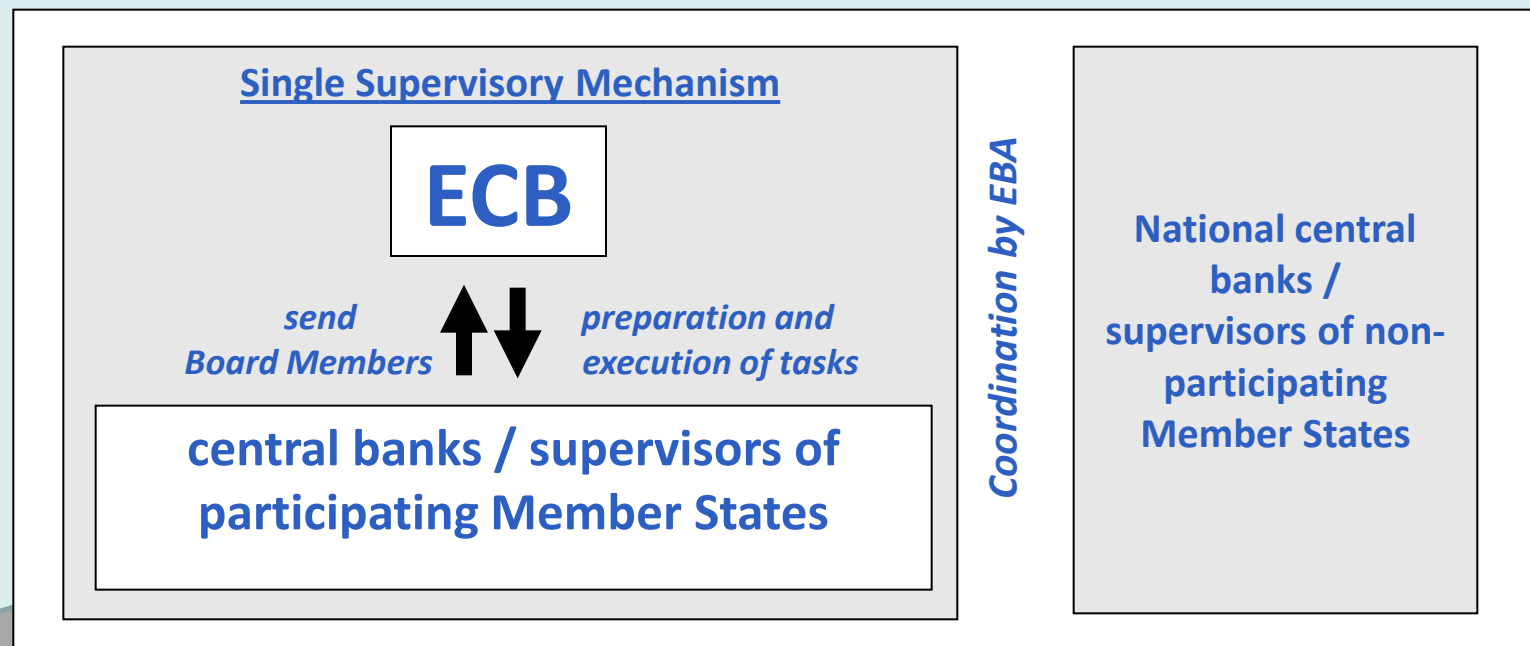
By end 2012

- Reach agreement on:
  - SSM and EBA regulation;
  - Existing DGS proposal;
  - CRR/ CRD IV;
  - Existing crisis management proposal.
- Report of the four presidents for the "achievement of a genuine EMU".

2013

- Entry into force of SSM, phasing-in of ECB supervision.

# Single Supervisory Mechanism



*Single Rulebook*

# Internal market dimension

- *Banking union must not compromise the unity and integrity of the single market based on the single rulebook.*
- *Proper functioning of EBA to further develop the single rulebook and support convergence of supervisory practices.*
  - **Modification of EBA regulation to ensure EBA powers apply also to ECB, while taking into account ECB status.**
  - **Amendments of voting modalities (simple majority) to affirm the integrity of the internal market and balanced decision-making.**
- *SSM will not alter balance between home and host MS*
  - **Powers of non-participating MS are not affected (e.g. colleges)**
  - **For participating MS, ECB tasks include both current home and current host tasks**

## Scope and organisation

- *SSM covers all banks in the euro area.*
  - **Even smaller banks can pose a threat to financial stability.**
  - **A two-tier system would introduce asymmetries in the internal market and be inherently unstable.**
- *SSM can only work based on a strong role for national supervisors.*
  - **National supervisors are an integral part of the SSM**
  - **Can carry out day-to-day verifications and other supervisory activities preparing and implementing ECB acts.**
  - **All tasks not conferred on the ECB will remain with national supervisors.**

# A Euro area SSM open to other MS

- *All Euro-area Member States shall participate.*
- *Non-Euro area countries may join by establishing a close cooperation between their competent authorities and the ECB.*



## Tasks of the ECB

- *Specific key supervisory tasks will be conferred on the ECB. Notably:*
  - **Authorize** banks;
  - Ensure compliance with **minimum requirements on capital, leverage and liquidity**;
  - **Supervisory review** of banks' risk profile ("**Pillar 2**");
  - Apply **capital buffers and other macro-prudential measures**;
  - **Early intervention measures** where a bank breach requirements (coordinating with resolution authorities).
- *Other tasks remain with national supervisors.*

# Independence and accountability

- ***Independence** of the ECB when carrying out banking supervision is balanced by strong **accountability** provisions.*
- ***Separation** of monetary policy tasks from supervisory tasks*
  - All preparatory and executing activities will be carried out by bodies separated from those responsible for monetary policy.
  - Supervisory board will be set up. ECB Governing Council can delegate certain tasks and decision-making powers to this board.

## Next steps

- Important to reach agreement on the SSM proposals before the end of the year to stabilise situation in the Eurozone.
- Agree on single rulebook (CRR/CRD IV)
- Agree on crisis management and DGS proposals.
- COM will present a legislative proposal establishing a Single Resolution Mechanism.