



EUROPEAN CENTRAL BANK

EUROSYSTEM

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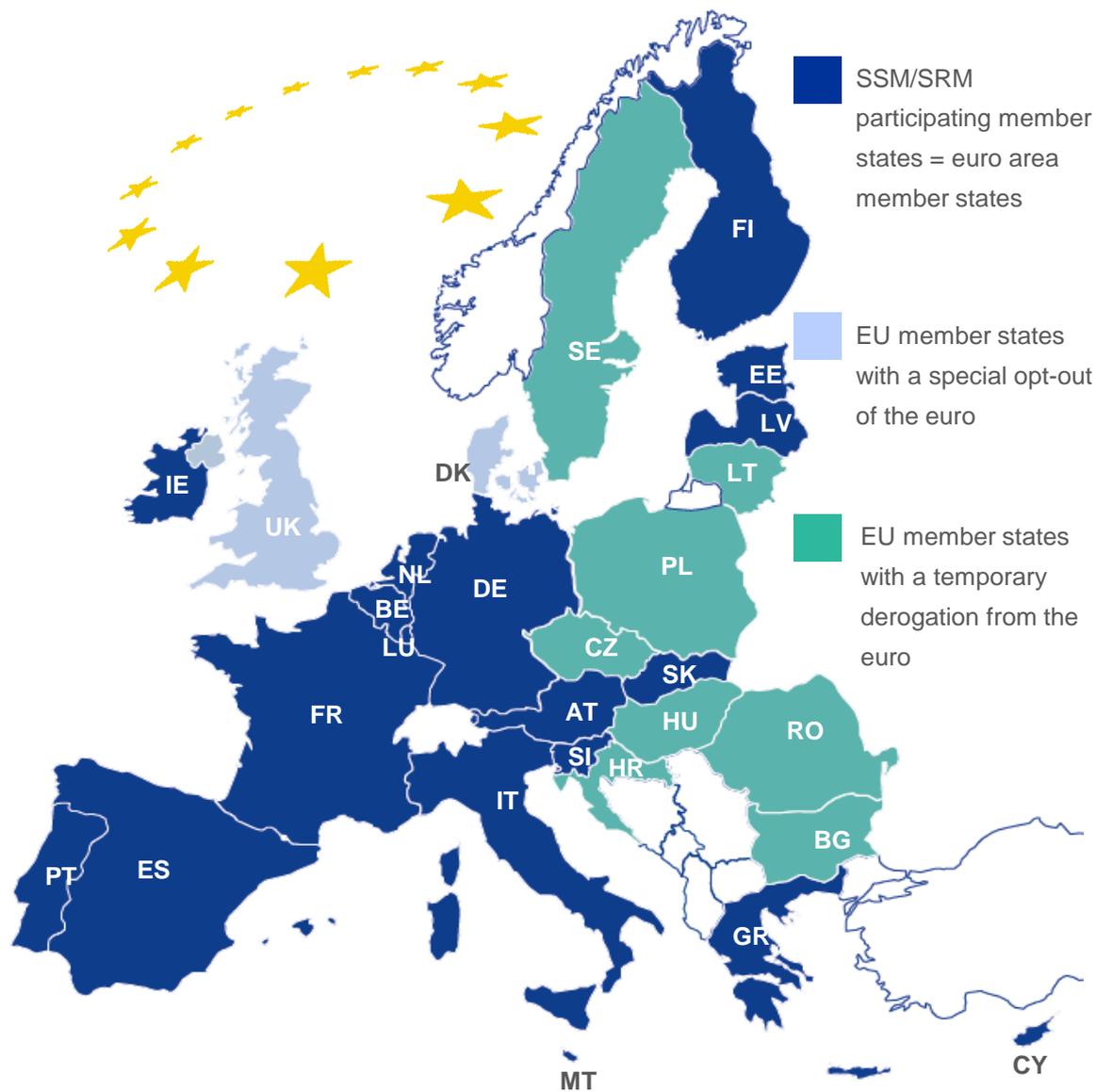
Single Supervisory Mechanism

Single Supervisory Mechanism: overview

- The SSM, which entered into operation on November 4th, is a step towards **greater European harmonisation**
 - The SSM is composed of the ECB and National Competent Authorities (NCAs)
 - c. 3,600 banks supervised
- The SSM is one of the three pillars of the **EU Banking Union**, along with the Single Resolution Mechanism (SRM) and the Deposit Guarantee Schemes (DGS).
- The main aims of the SSM are to:
 - ensure the safety and soundness of the European banking system
 - ensure consistent supervision
 - increase financial integration and stabilityAll of this helps to **rebuild trust in the European banking sector**.

Single Supervisory Mechanism: geographical scope

- **18 euro area member states** are currently participating in the SSM.
 - Lithuania will join the euro area and hence the SSM on 1 January 2015.
- **The SSM is fully open to all EU Member States whose currency is not the euro** and who have decided to enter into close cooperation



Cooperation with supervisors in EU member states not participating in the SSM

- **Exchange of information** between the SSM and supervisors in non-participating member states is key to ensure high quality and efficient supervision of cross-border groups.
- **Colleges of Supervisors** provide a framework for cooperation and coordination at the institution level
 - ECB has stepped into existing cooperation agreements already established between NCAs and supervisors in non-participating member states.
 - As a result, the ECB will chair supervisory colleges where it is the consolidating home supervisor, and relevant NCAs will be observers.
 - After EBA finalises its Regulatory Technical Standard on cooperation agreements for supervisory colleges, the SSM will negotiate its own college cooperation agreements with supervisors in non-participating member states.
- A **General Memorandum of Understanding (MoU)** will be negotiated between the ECB and supervisors in non-participating member states
 - This general MoU will describe how the ECB and supervisors in non-participating member states will cooperate in the performance of their supervisory tasks.

Close cooperation with non-euro area member states

- Non-Euro area member states have the possibility to participate in the SSM via **close cooperation** (Article 7 SSM Regulation)
 - ECB will conduct a comprehensive assessment of credit institutions as a pre-condition to establishing close cooperation.
 - When a comprehensive assessment has already been conducted by national supervisors, the ECB may decide that no further assessment is necessary.
 - An ECB decision from January 2014 further detailed key procedural aspects for the establishment of close cooperation
 - A number of cases for the suspension or termination of the agreement are listed in the legal framework
- **No formal requests** for close cooperation have been received to date
 - However, a number of countries have expressed their interest.

Cooperation with supervisors in non-EU Countries

- **Exchange of information** between the SSM and supervisors in non-EU countries is key to ensure financial stability given financial inter-linkages.
- The ECB has requested to **step into existing general and/or institution specific MoUs** already established between NCAs and supervisors in non-EU countries to ensure the exchange of information:
 - Letters were sent to over 80 third countries
- At a later stage, **more permanent MoUs** will be negotiated with non-EU countries.
- **Confidentiality of information exchanged** is a key issue
 - As per Art 55 CRD IV, before entering into an MoU with non-EU countries, the confidentiality regime has to be equivalent to the EU.
 - Hence before signing a more permanent MoU, 'third country equivalence' will have to be established.

Key messages

- **The SSM is ready to cooperate with national supervisors in non-participating EU member states and non-EU countries**
 - Instruments for cooperation are in place and more are being developed (MoUs).
- **The SSM is open to EU countries whose currency is not the euro and who wish to join the SSM**
 - The close cooperation procedure allows all EU countries to join the SSM.