



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Frequently asked questions...

...about the Single Supervisory Mechanism

– What is the Single Supervisory Mechanism?

The Single Supervisory Mechanism (SSM) is a new framework for banking supervision in Europe. It comprises the ECB and national supervisory authorities of participating EU countries. Its main aims are to:

- › ensure the safety and soundness of the European banking system
- › increase financial integration and stability in Europe

The SSM is an important milestone towards a banking union within the EU.

– Why do we need the Single Supervisory Mechanism?

A truly European supervision mechanism weakens the link between banks and national sovereigns. This helps to rebuild trust in Europe's banking sector.

The recent financial crisis has shown how quickly and forcefully problems in the financial sector of one country can spread to another, especially in a monetary union, and how these problems can directly affect citizens across the euro area.

– Why has the ECB taken on these new tasks?

Aside from the legal basis, there are several reasons why the ECB has taken on the new task of banking supervision:

- › Independence - The ECB, as an independent institution at the EU level, ensures banking supervision from a European perspective. This weakens the negative feedback loop between national sovereigns and banks.
- › Expertise - The ECB has already built up expertise in analysing financial institutions and markets. It therefore has the means and – together with the national supervisory authorities – the technical capability to carry out this complex task.
- › Separation of tasks - The organisational principles defined in the relevant legal acts ensure that

the ECB carries out supervision independently of monetary policy.

– [What is the SSM Framework Regulation and why is it necessary? To whom does it apply?](#)

The SSM Framework Regulation sets out the legal structure for cooperation with national supervisors, also known as national competent authorities (NCAs), within the Single Supervisory Mechanism (SSM). It governs relations between the ECB and national supervisors and includes rules that apply directly to banks.

– [How is the ECB held democratically accountable for its new tasks?](#)

A number of accountability arrangements have been put into place to hold the ECB democratically accountable for its supervisory tasks. They include:

- › regular reporting to the European Parliament, the EU Council, the European Commission, the Eurogroup and the national parliaments of the participating Member States
- › auditing by the European Court of Auditors
- › legal control by the Court of Justice of the EU

Practical aspects of the exercise of democratic accountability are covered by an Interinstitutional Agreement between the ECB and the European Parliament and a Memorandum of Understanding between the ECB and the EU Council.

› **Accountability**

– [How does the ECB avoid potential conflicts of interest between its supervisory and its monetary policy tasks?](#)

Supervisory and monetary policy tasks are carried out independently and the ECB's decision-making bodies discuss monetary policy and supervisory issues in separate meetings.

Moreover, the organisational separation of staff members who directly contribute to monetary policy tasks serves to avoid potential conflicts of interest.

...about preparatory work

– [When did the Single Supervisory Mechanism become operational?](#)

The Single Supervisory Mechanism (SSM) became operational on 4 November 2014.

On 15 October 2013, the EU Council formally adopted the Regulation on the Single Supervisory Mechanism, after negotiations with the European Parliament. The SSM Regulation then came into force after publication in the Official Journal of the EU. Under the SSM Regulation, the SSM had to be fully operational no later than one year after the Regulation entered into force.

– [How has the ECB prepared for its new tasks?](#)

New organisational structures have been built and integrated into the overall organisation. Internal procedures have also been developed and the extra staff needed to carry out the new tasks have been recruited.

– What was the comprehensive assessment?

The comprehensive assessment was the "financial health check" of significant banks in the euro area and of participating countries. It consisted of two complementary pillars:

- > an asset quality review (AQR)
- > a stress test

The assessment, which began in October 2013 and lasted 12 months, covered the 130 biggest banks in the euro area. It was an important step in the preparation of the Single Supervisory Mechanism and had three main goals:

- > transparency – all stakeholders should be able to access information on the condition of their banks
 - > repair – identified issues should be repaired if and where needed
 - > confidence building – all stakeholders should be assured that banks are fundamentally sound and trustworthy
- > **Comprehensive assessment**
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...about banking supervision

– What is the ECB's exact role?

Since November 2014, the ECB has been exclusively responsible for key tasks concerning the prudential supervision of banks. It has the power, among other things, to:

- > grant/withdraw the authorisation of all banks in the euro area
 - > assess acquisition and disposal of holdings in banks
 - > ensure compliance with all prudential requirements laid down in EU banking rules and set, where necessary, higher prudential requirements for banks to protect financial stability
- > **Supervisory approach**
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– Which countries participate?

Euro area countries

Euro area countries participate automatically.

Close cooperation with non-euro area countries

EU Member States which do not use the euro as their currency can also choose to participate in the Single Supervisory Mechanism (SSM) by their national supervisors entering into "close cooperation" with the ECB.

Cooperation with countries outside of the SSM

For the non-participating EU countries and countries outside the EU, the ECB and the relevant national supervisory authorities may conclude memoranda of understanding describing how they will cooperate in carrying out supervisory tasks.

– Who is being supervised?

Banking groups which include a number of individual banks are counted as one institution.

Direct supervision

The ECB is directly supervising 123 "significant banks", representing almost 82% of total banking assets in the euro area.

Indirect supervision

The ECB indirectly supervises less significant banks in the participating countries, which number approximately 3,500 in the euro area. However, the ECB can decide at any time to take over the direct supervision of any one of these banks to ensure consistent application of high supervisory standards.

> **List of supervised banks**

– What makes a bank significant?

Deciding on whether banks are significant or not is based on:

- > their size
- > their importance for the economy of the country in which they are located or the EU as a whole
- > the significance of their cross-border activities
- > whether they have requested or received financial assistance directly from the European Stability Mechanism or the European Financial Stability Facility

In each participating country, at least the three most significant banks are generally subject to direct supervision by the ECB, irrespective of their absolute size.

– How can I report a breach of EU law on banking supervision?

You are encouraged to report to the ECB any suspected breach of EU laws related to the ECB's supervisory tasks. This covers any breaches allegedly committed by supervised banks, by national supervisors or by the ECB itself. All information provided will be treated in the strictest confidence.

> **Report a breach**

Tasks such as consumer protection and the fight against money laundering remain a national competence. Any breaches of laws relating to these areas should be reported to the national supervisor.

> **National authorities in charge of consumer protection**

...about organisational aspects

– How is the Single Supervisory Mechanism organised?

Supervisory Board

To ensure the separation of supervisory and monetary policy tasks, the Supervisory Board plans and carries out the ECB's supervisory tasks. This includes proposing draft supervisory decisions, which are put before the Governing Council of the ECB for adoption.

New business areas

Building the Single Supervisory Mechanism (SSM) has required changes to the ECB's organisational structure, including the creation of new business areas. Four new Directorates General and a Secretariat are solely dedicated to banking supervision.

Shared services

Existing ECB functions and services are providing additional support to the SSM. These include IT, HR, budget, statistics, communications, legal services and administration.

> **Organisational structure at the ECB**

– How does the Single Supervisory Mechanism operate?

The Supervisory Board, supported by a Steering Committee, plans and carries out the ECB's supervisory tasks. These include undertaking preparatory work and proposing draft decisions to the Governing Council of the ECB. If the Governing Council, the ECB's main decision-making body, does not object to the draft decisions proposed by the Supervisory Board, they are considered adopted. The day-to-day supervision of significant credit institutions is carried out by Joint Supervisory Teams (JSTs).

> **Decision-making**

– What are the Joint Supervisory Teams?

Composition

The Joint Supervisory Teams (JSTs) are one of the main forms of cooperation between the ECB and national supervisors. For each significant bank, a team has been formed of staff members of the national supervisors involved in supervising that bank and staff members of the ECB; the team is coordinated by the ECB with the assistance of sub-coordinators from each national supervisor.

Tasks

The JSTs carry out ongoing supervision of the significant banks. Their main tasks are to perform the risk analysis of the supervised entity or group and propose the supervisory programme and the appropriate supervisory actions.

– What is the role of the national supervisors?

National supervisory authorities, also known as national competent authorities (NCAs), work together closely with the ECB. They prepare and implement the ECB's adopted decisions. They also directly supervise less significant banks in the participating countries, around 3,500 in the euro

area alone, which are not directly supervised by the ECB. However, the ECB can decide at any time to take over the direct supervision of any one of these banks in order to ensure that high supervisory standards are applied consistently.

The NCAs are also responsible for consumer protection and for combatting money laundering, which are outside the scope of the ECB's supervisory responsibilities.

...about consumer protection

– If I have a complaint about a bank what should I do?

The ECB supervises banks in the euro area and in countries that choose to participate. Tasks such as consumer protection and the fight against money laundering are outside the scope of the ECB's responsibilities and therefore stay with national supervisory authorities.

If you have a complaint about your bank, please contact your bank directly or address your complaint to the authority in charge of consumer protection in your country.

› **National authorities in charge of consumer protection**

– Can I obtain specific information about my bank from the ECB?

No, owing to legal requirements, the ECB is not allowed to disclose information or data on individual supervised banks.

[🔗 SSM Regulation, Art 27\(1\)](#)

[🔗 Capital Requirements Directive IV, Art 53 \(1\)-\(3\)](#)

Please contact your bank directly.

– What does the ECB do to keep my money safe?

The Single Supervisory Mechanism (SSM) has the power to ask banks to hold more money in reserve as a safety net in case of problems. It can grant or withdraw bank licences and, in some cases, sanction banks if they breach the rules. The SSM intends to make banks healthier and more resilient to outside shocks, such as financial crises, thereby helping to keep banks sound and your savings safe.

If you have further questions, please contact us via info@ecb.europa.eu or +49 69 1344 1300.
