

Single Supervisory Mechanism

The Single Supervisory Mechanism (SSM) refers to the system of banking supervision in Europe. It comprises the ECB and the national supervisory authorities of the participating countries.

The main aims of European banking supervision are to:

- > ensure the safety and soundness of the European banking system
- > increase financial integration and stability
- > ensure consistent supervision

European banking supervision is one of the two pillars of the EU banking union, along with the Single Resolution Mechanism.

Banking union

Why do we need European banking supervision?

The recent financial crisis has shown how quickly and forcefully problems in the financial sector can spread, especially in a monetary union, and how such problems directly affect people across Europe.

The purpose of European banking supervision is to help rebuild trust in the European banking sector and increase the resilience of banks.

What is the ECB's role?

As an independent EU institution, the ECB oversees banking supervision from a European perspective by:

- > establishing a common approach to day-to-day supervision
- > taking harmonised supervisory actions and corrective measures
- > ensuring the consistent application of regulations and supervisory policies

The ECB, in cooperation with the national supervisors, is responsible for ensuring European banking supervision is effective and consistent.

What does banking supervision entail?

The ECB has the authority to:

- > conduct supervisory reviews, on-site inspections and investigations
- > grant or withdraw banking licences
- > assess banks' acquisition and disposal of [qualifying holdings](#)

- › ensure compliance with EU prudential rules
- › set higher capital requirements (“buffers”) in order to counter any financial risks

Supervisory cycle

Who is supervised?

Directly supervised banks

The ECB directly supervises the 111 significant banks of the participating countries. These banks hold almost 82% of banking assets in these countries.

The decision on whether a bank is deemed significant is based on a number of criteria.

Criteria for determining significance

Ongoing supervision of the significant banks is carried out by Joint Supervisory Teams (JSTs). Each significant bank has a dedicated JST, comprising staff of the ECB and the national supervisors.

Joint Supervisory Teams

Indirectly supervised banks

Banks that are not considered significant are known as “less significant” institutions. They continue to be supervised by their national supervisors, in close cooperation with the ECB.

At any time the ECB can decide to directly supervise any one of these banks to ensure that high supervisory standards are applied consistently.

Which countries participate?

All euro area countries participate automatically in European banking supervision.

Other EU countries that do not yet have the euro as their currency can choose to participate. To do so, their national supervisors enter into “close cooperation” with the ECB. Bulgaria joined European banking supervision through close cooperation in October 2020.

ECB Decision governing the procedures for close cooperation

Cooperation with non-participating countries

For those EU countries that are not participating in European banking supervision, the ECB and the relevant national supervisors may set out in a memorandum of understanding how they will cooperate on supervisory matters.

Whistleblowing



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