

Prudential supervision of credit institutions: conferring specific tasks on the European Central Bank (ECB)

2012/0242(CNS) - 12/09/2013 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 559 votes to 62 with 18 abstentions, in the framework of a special legislative procedure, (consultation of Parliament) a legislative resolution on the proposal for a Council regulation conferring specific tasks on the European Central Bank (ECB) concerning policies relating to the prudential supervision of credit institutions.

Parliament approves the Commission proposal as amended.

Subject matter and scope: the ECB will be entrusted with specific tasks concerning policies relating to the prudential supervision of credit institutions, with a view to contributing to the safety and soundness of credit institutions and the stability of the financial system within the Union and each Member State, with full regard and duty of care for the unity and integrity of the internal market based on equal treatment of credit institutions with a view to preventing regulatory arbitrage.

When carrying out its tasks, the ECB shall have full regard to the different types, business models and sizes of credit institutions.

Tasks conferred on the ECB: The ECB shall carry out its tasks within a single supervisory mechanism (SSM). Both the ECB and national competent authorities shall be subject to a duty of cooperation in good faith, and an obligation to exchange information.

The **SSM** is defined as the system of financial supervision composed by the ECB and national competent authorities of participating Member States.

‘Participating Member State’ means a Member State whose currency is the euro or a Member State whose currency is not the euro which has established a close cooperation.

Within this framework, the ECB will be **exclusively competent** to carry out, for prudential supervisory purposes, the following tasks in relation to all credit institutions established in the participating Member States:

- to authorise credit institutions and to withdraw authorisations of credit institutions subject to certain conditions;
- for credit institutions established in a participating Member State, which wish to establish a branch or provide cross-border services in a non participating Member State, to carry out the tasks which the competent authority of the home Member State shall have under the relevant Union law;
- to assess notifications of the acquisition and disposal of qualifying holdings in credit institutions, except in the case of a bank resolution;

- to ensure compliance with the acts which impose prudential requirements on credit institutions in the areas of own funds requirements, securitisation, large exposure limits, liquidity, leverage, and reporting and public disclosure of information on those matters;
- to carry out supervisory reviews, including where appropriate in coordination with EBA, stress tests and their possible publication;
- to carry out supervision on a consolidated basis over credit institutions' parents established in one of the participating Member States;
- to carry out supervisory tasks in relation to recovery plans, and early intervention where a credit institution or group in relation to which the ECB is the consolidating supervisor, does not meet or is likely to breach the applicable prudential requirements.

Macroprudential tasks and tools: whenever appropriate or deemed required, the national competent authorities shall apply requirements for capital buffers to be held by credit institutions at the relevant level in addition to own funds requirements.

The ECB may, if deemed necessary, apply **higher requirements for capital buffers** than applied by the national competent authorities, while cooperating closely with the national designated authorities in the Member States concerned.

Early intervention: in order to preserve financial stability, the deterioration of an institution's financial and economic situation must be remedied at an early stage. The ECB should have the task of carrying out early intervention actions as laid down in relevant Union law. It should however coordinate its early intervention action with the relevant resolution authorities.

Close cooperation with the competent authorities of participating Member States whose currency is not the euro: the ECB may address instructions to the national competent authority or to the national designated authority of the participating Member State whose currency is not the euro. It may decide to issue a warning to the Member State concerned that the close cooperation will be suspended or terminated if no decisive corrective action is undertaken in certain cases.

If a participating Member State whose currency is not the euro notifies the ECB of its reasoned disagreement with a draft decision of the Supervisory Board, it shall inform the Governing Council, stating its reasons.

The Governing Council will decide on the matter and explain its decision in writing. The Member State concerned may request the ECB to terminate the close cooperation with immediate effect and will not be bound by the ensuing decision.

Penalties: in order to enable the ECB to effectively carry out its tasks relating to the enforcement of supervisory rules set out in directly applicable Union law, the ECB should be empowered to impose **pecuniary penalties** on credit institutions, financial holding companies and mixed financial holding companies for breaches of such rules.

Transparency and democratic control: when carrying out the tasks conferred on it by this Regulation, the ECB and the national competent authorities acting within the SSM shall act independently.

The ECB shall be accountable to the European Parliament and to the Council for the implementation of the Regulation.

At the request of the European Parliament, the Chair of the Supervisory Board of the ECB shall participate in a hearing on the execution of its supervisory tasks by the competent committees of the European Parliament.

The ECB shall reply orally or in writing to questions put to it by the European Parliament.

Role of national parliaments: this role is strengthened. When submitting reports to the European Parliament and the Council the ECB shall simultaneously forward that report directly to the national parliaments of the participating Member States. National parliaments may address to the ECB their reasoned observations on that report and may request the ECB to reply in writing to any observations or questions submitted by them to the ECB in respect of the tasks of the ECB.

The national parliament of a participating Member State may invite the Chair or a member of the Supervisory Board to participate in an exchange of views in relation to the supervision of credit institutions in that Member State together with a representative of the national competent authority.

Monetary policy functions and the exercise of supervisory tasks: these two functions must be carried out in **full separation**, in order to avoid conflicts of interests. The ECB must be able to ensure that the Governing Council operates in a completely differentiated manner as regards monetary and supervisory functions.

Organisational separation of staff should concern all services needed for independent monetary policy purposes and should ensure that the exercise of the tasks is fully subject to democratic accountability and oversight.

The Supervisory Board: this should be an essential body in the exercise of supervisory tasks by the ECB. It shall be presided over by a Chair and have a Vice-Chair. It will include representatives of the ECB and national competent authorities.

After hearing the Supervisory Board, the ECB shall submit a proposal for the appointment of the Chair and the Vice-Chair to **the European Parliament for approval**. Following the approval of this proposal, the Council shall adopt an implementing decision. The Chair shall be chosen on the basis of an open selection procedure, on which the European Parliament and the Council shall be kept duly informed. The Chair's term of office will not exceed five years and will not be renewable.