

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

2012/0242(CNS) - 15/10/2013 - Final act

PURPOSE: to establish a framework allowing the European Central Bank to perform specific tasks relating to bank supervision in the context of the creation of a banking union.

LEGISLATIVE ACT: Council Regulation (EU) No 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

CONTENT: the regulation confers on the ECB **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. THE ECB should carry out the tasks entrusted to it from 4 November 2014.

With the [Regulation \(EU\) No 1022/2013](#) amending Regulation (EU) No 1093/2010 creating a European Banking Authority (EBA), the present regulation foresees the creation of a Single Supervisory Mechanism (SSM) of banks and other financial institutions, also putting in place one of the key elements of the European banking union.

The SSM is composed of the ECB and Member State supervisory authorities. It covers the Euro area as well as non-participating countries on the basis of a **memorandum of understanding** establishing a close cooperation. Member States outside the Euro area have full and equal voting rights on the monitoring committee.

The ECB **directly supervises** the euro area banks in close cooperation with the national supervisory authorities. It is responsible for the operation of the SSM.

When carrying out the tasks conferred on it, and without prejudice to the objective to ensure the safety and soundness of credit institutions, **the ECB should have full regard to the diversity of credit institutions and their size and business models.**

The European Parliament has called on various occasions for a European body to be directly responsible for certain supervisory tasks over financial institutions, starting with its [resolution of 13 April 2000](#), then that of [21 November 2002](#) on prudential supervision rules in the European Union

Tasks conferred on the ECB: in terms of regulation, **the ECB shall be exclusively competent** to carry out the following tasks in relation to all credit institutions established in the euro area:

- **to authorise credit institutions and to withdraw authorisations** of credit institutions subject to certain reservations;
- 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 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 does not meet or is likely to breach the applicable prudential requirements.

The ECB may also apply **higher requirements for capital buffers**, subject to close cooperation with the national authorities.

Tasks not conferred on the ECB, such as consumer protection, the fight against money laundering, payments services and supervision of branches of credit institutions from third countries, should remain with the national authorities.

Separation of tasks: to avoid any conflict of interest between the objectives of monetary policy and prudential supervision, the regulation stipulates that the tasks relating to monetary policy be strictly separated from its monitoring tasks.

Sanctions: in the case of breach of EU law, the ECB may impose on credit institutions, financial holding companies, or mixed financial holding companies **administrative pecuniary penalties** of up to twice the amount of the profits gained or losses avoided because of the breach where those can be determined, or up to 10 % of the total annual turnover, as defined in relevant Union law, of a legal person in the preceding business year.

Independence, transparency and democratic control: the ECB and the competent national authorities must act independently within the SSM. The ECB shall be accountable to the **European Parliament and to the Council** for the implementation of this 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 also forward its reports to the European Parliament and to the Council to the **national parliaments** of the participating Member States. The national parliaments of the participating Member States may present to the ECB any observations or questions on the execution of its supervisory tasks, to which the ECB must reply.

Supervisory board: the supervisory board becomes the **fundamental body** in the execution of its supervisory tasks. It is composed of its Chair and Vice Chair, and four representatives of the ECB, and one representative of the national competent authority in each participating Member State.

After hearing the Supervisory Board, the ECB **shall submit to the European Parliament**, for approval, a proposal for the appointment of the Chair and the Vice-Chair. Following the approval of this proposal, the Council shall adopt an implementing decision. The Chair's term of office cannot exceed **five years** (non-renewable).

ENTRY INTO FORCE: 30/10/2013.

