

## BRIEFING

# Single Supervisory Mechanism (SSM) Main Features, Oversight and Accountability

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The Single Supervisory Mechanism (SSM) is one of the main pillars of the banking union and comprises the ECB and national competent authorities of participating EU countries. It aims to ensure safety and soundness of the European banking system and increase financial integration and stability in Europe.

Two "SSM regulations", one conferring [supervisory powers on the ECB](#) and the other amending the regulation on the [European Banking Authority \(EBA\)](#) to take account of the ECB new supervisory powers entered into force in November 2013. During a one-year transitional phase the ECB is preparing for the full take-up of its new supervisory tasks. In particular, the ECB is carrying out a **comprehensive assessment** of all banks which will be under its direct supervision, and will thus conduct asset quality review and stress tests on those banks. The SSM is expected to become fully operational in November 2014.

The SSM has been placed within the ECB and will be responsible for the direct supervision of **significant banks**, representing almost 85% of total banking assets in the euro area, while national supervisors will continue to carry out the supervision of other banks, yet under the ultimate responsibility of the ECB.

All **euro area Member States** participate automatically in the SSM. Non-euro area EU Member States can also choose to participate in the SSM by their national competent authorities entering into "close cooperation" with the ECB. As for the rest (non-participating EU Member States), the ECB and their competent authorities will conclude a memorandum of understanding describing how they will cooperate with one another in the performance of their supervisory tasks. The ECB will also sign a memorandum of understanding with the competent authority of each EU country that is home to at least one global systemically important institution.

In order to avoid a potential conflict of interest, clear rules govern the organisational and operational **separation of the ECB roles** in the area of supervision and of monetary policy. The [ECB decision of 17 September 2014](#) sets out the arrangements complying with the requirement to

A bank is "**significant**" according to:

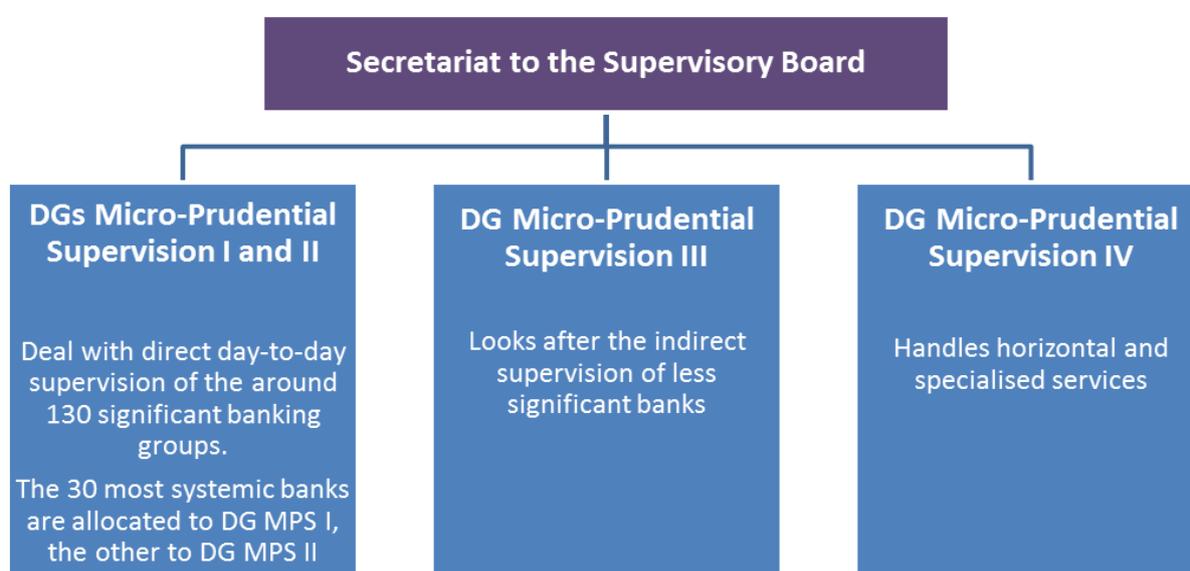
- its total value of assets;
- its importance for the economy of the country in which it is located or the EU as a whole;
- its scale of cross-border activities;
- whether it has requested or received public financial assistance from the European Stability Mechanism (ESM) or the European Financial Stability Facility (EFSF).

In each participating country, at least the three most significant credit institutions will be subject to direct supervision by the ECB, irrespective of their absolute size. For the current list see [ECB website](#).

separate the ECB's monetary policy function from its supervisory function.

The ECB shall ensure that the operation of the Governing Council is completely separated as regards monetary and supervisory functions. A strict separation of meetings and agendas should be applied. At staff level, an organisational separation should apply: ECB staff involved in carrying out supervisory tasks is separated from those involved in other tasks. Professional secrecy and ECB's confidentiality regime are to be applied strictly. Nevertheless, information may be exchanged between the policy functions, subject to internal governance and procedural rules.

### Organisational structure and decision-making



**Joint Supervisory Teams (JSTs)** will be the main operational structure for the conduct of supervision by the SSM. The JSTs will directly supervise the approximately 130 banking groups considered significant. Each JST will be managed by a JST coordinator working for the ECB and will comprise a number of supervisors from both the ECB and the national competent authorities (NCAs) of participating Member States.

The establishment of fully functional JSTs is one of the main challenges facing the SSM for the timely assumption of supervisory tasks on 4 November 2014. Besides adequate staff, the task requires the development of operational infrastructures, training and effective organisational arrangements. The SSM is making good progress in selecting the staff and carrying out the preparatory work. It is expected that nearly all of JST coordinators will have joined the ECB by the end of the summer.

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



## Oversight and accountability

The ECB is in its supervisory role (i.e. SSM) accountable to the European Parliament and to the Council. Details of its accountability towards Parliament (and the Council) are laid down in [Regulation \(EU\) No 1024/2013](#) and in an [Interinstitutional Agreement](#) (IIA) between the European Parliament and the ECB:

- The Chair of the Supervisory Board shall present the **annual report** in public to the EP.
- The Chair of the Supervisory Board shall, upon EP request, participate in ordinary public **hearings** on the execution of its supervisory tasks twice a year, in additional ad-hoc exchanges of views on invitation and in special confidential meetings where necessary for the exercise of EP's powers.
- Upon EP request, the Chair of the Supervisory Board shall hold **confidential oral discussions** behind closed doors with the Chair and Vice-Chairs of the competent committee of the EP where such discussions are required for the exercise of the EP's powers under the TFEU.
- The ECB shall reply orally or in writing to **EP's questions**.

### *Appointments*

The ECB shall provide the EP's competent committee with the **shortlist** of candidates for the position of the Chair of the Supervisory Board.

A **public hearing** of the proposed Chair and Vice-Chair of the Supervisory Board shall be held in the EP's competent committee.

The EP shall decide on the **approval** of the candidate proposed by the ECB for Chair and Vice-Chair through a vote in the competent committee and in plenary.

Hearings of the first proposed Chair and Vice-Chair of the Supervisory Board took place in the ECON Committee in 2013 and 2014 respectively, with members having approved the candidates. In the first half of 2014, ECON held a hearing and an exchange of views on supervisory issues with the Chair of the Supervisory Board.

For more information on the accountability and appointment procedures, including dates on hearings, please see ECON webpage, [financial supervision](#) section.

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