

**Written questions ahead of the ECON Open-Coordinators meetings of
4 February 2014**

A. SSM set-up

1. How will the ECB take different business models and risk profiles in their supervisory model into account?

The ECB/SSM will ensure compliance with the prudential rules for credit institutions as set out in the EU single rulebook, supervising the risks credit institutions are exposed to. The ECB's supervisory approach is defined in the Single Supervisory manual, which is currently under development. The Supervisory Manual will cover amongst others the description of the processes and procedures for on-site and off-site supervision, as well as the methodologies for the Risk Assessment and Capital and Liquidity Quantification and the internal model approvals. The ECB is thereby ensuring that the same supervisory standards will be applied across Banking Union – and indeed, through harmonisation with the European Banking Authority, across the EU as a whole.

In its supervision, the ECB/SSM will take into account risks stemming from the different business models and risk profiles of credit institutions. In this context, the functioning of the SSM as an integrated system will capitalise on the knowledge and specific regional expertise of the national competent authorities.

Day-to-day off-site supervision of significant credit institutions will be the responsibility of Joint Supervisory Teams (JST). The JST will operate under the management of a JST Coordinator working for the ECB and will consist of ECB staff and supervisors coming from various Member States. The composition and organisation of a JST vary substantially depending on the nature, complexity, scale, business model and risk profile of the supervised credit institution.

On-site supervision (i.e. in-depth investigations of risks, risk controls and governance of a credit institution) will also be performed by teams composed of supervisors coming from different Member States. The specific objectives of an on-site inspection depend on the business model and risk profile of an institution.

Where deemed necessary and based on the requirements set out in the EU single rulebook, the ECB/SSM will act in the interests of the European Union as a whole. To this end, the ECB/SSM has supervisory powers to require a credit institution to take the necessary measures to address non-compliance with prudential requirements.

2. Which procedure will be applied, if the ECB Governing Council objects to a draft decision of the Supervisory Board? When does the Supervisory Board have to present a revised draft decision?

According to article 26(8) of the SSMR, the Governing Council shall in that case state the reasons for doing so in writing. Neither Article 26(8) of the SSMR nor Article 13g(2) of the ECB Rules of Procedure specify the time-limit for the Supervisory Board to come up with the revised decision. Further, in case of an objection by the Governing Council to a draft decision of the Supervisory Board, the matter may be referred to a mediation panel under the conditions subject to Article 25(5) of the SSMR and the ECB regulation setting up such mediation panel and its rules of procedure. Such rules are under preparation.

3. Under which circumstances does the ECB plan to take stronger responsibility for the supervision of smaller banks from national competent authorities?

The ECB may at any time take over supervisory responsibilities for individual less significant institutions. In practice, this measure is likely to be used predominantly to improve the situation regarding financial stability, when all other possibilities of ensuring consistent application of high-quality supervisory standards have failed.

4. Supervisory Manual: On which level of detail will the supervisory manual address the cooperation between the ECB and national competent authorities? Will the manual be published?

The cooperation between the ECB and the national supervisory authorities with regard to the supervision of individual institutions is organised through Joint Supervisory Teams, led by an ECB coordinator and composed of JST and NCA experts. As JSTs are an important cornerstone of the conduct of supervision, the main principles for JSTs are stipulated in the Framework Regulation. Further details on the JSTs can also be found in the Quarterly report which will be submitted to the EP on 3 February.

As far as the publication of the supervisory manual is concerned, it is the intention to prepare a comprehensive public version, also taking into account that the Inter-institutional Agreement provides that the ECB should publish in its website a guide to its supervisory practices.

5. Contributions to the SSM: How will the system of contributions be specified? What will be done to ensure that the burden for the credit institutions will not be doubled / multiplied?

According to Article 30 of the SSM Regulation, the arrangements specifying the fees to be paid by supervised entities will take into account factors that represent the importance and risk profile of each entity calculated at the highest level of consolidation. Further details on these arrangements are being developed also on the basis of experience gained by other supervisory authorities, both in the EU and beyond. It is expected that a public consultation on the draft ECB Regulation outlining these details will be launched in the first half of 2014.

Moreover, before deciding on the final fee level the ECB will communicate with the national competent authorities (NCAs) to ensure that supervision remains cost-effective and reasonable for all credit institutions and branches concerned. In this context, it may be noted that – at least in the short run – the total costs of supervision are not expected to decrease due to the additional effort for the contribution in the establishment of the SSM and the increased cooperation requirements between the ECB and the NCAs. In the steady state, the potential for synergies and efficiency gains should be exploited.

6. Which bodies of advice will the SSM create? Will there be bodies including external experts or stakeholders? If yes, please provide us with details.

According to Article 26(10) of the SSM Regulation, the Supervisory Board shall establish a steering committee from among its members to support its activities, including preparing the meetings; it shall have no decision-making powers and shall be chaired by the Chair or, in the exceptional absence of the Chair, the Vice-Chair of the Supervisory Board. The composition of the steering committee shall ensure a fair balance and rotation between national competent authorities. It shall consist of no more than ten members including the Chair, the Vice-Chair and one additional representative from the ECB. The Steering Committee is expected to be established in the course of February 2014.

According to Article 9 of the ECB decision of 22 January 2014 amending the Decision adopting the ECB Rules of Procedure (ECB/2014/1), the existing Eurosystem/ESCB committees, can assist in the work of the ECB's decision-making bodies with the tasks conferred on the ECB by the SSM Regulation. For that purpose, they shall include one member from the central bank and one member from the national competent authority in each participating Member State, appointed by each Governor following consultation with the respective national competent authority where the national competent authority is not a central bank. Accordingly, the mandates of a number of Eurosystem/ESCB committees have been revised, and the new SSM format established.

The SSM Regulation provides that the ECB should establish an Administrative Board of Review charged with carrying out internal administrative reviews of the decisions taken by the ECB when conducting its supervisory tasks. This internal body, to be composed of five individuals with sufficient experience in the fields of banking and other financial services, will review supervisory decisions at the request of the bank concerned. The scope of the review is defined as pertaining to the procedural and substantive conformity of the challenged decision with the SSM Regulation. The Administrative Board of Review's operating rules will set out details of the procedures to be followed in this context. A draft legal instrument for consideration by the Governing Council was discussed with the members of the Task Force and High-Level Group on Supervision in December 2013.

With a view to ensuring the separation between monetary policy and supervisory tasks, the SSM Regulation provides for a further internal body, the Mediation Panel, to deal – if so requested by an NCA – with an objection of the Governing Council expressed with respect to draft decisions prepared by the Supervisory Board. The Mediation Panel will include one member per participating Member State, chosen from among the members of the Governing Council and the Supervisory Board. The draft rules of procedure of the Mediation Panel for consideration by the Governing Council were discussed with the members of the Task Force and the High-Level Group on Supervision in December 2013.

7. Thank you for listing us the working groups which were created to prepare the SSM. Could you please detail the respective mandates of each working group as we requested before and provide for details regarding the composition of those groups?

Please see attached in the annex the mandates of the work streams, as well as the Terms of Reference of the Task Force on Supervision. As mentioned in the letter of 10 January, for data protection-related reasons, we cannot share with you further personal details of the members of these structures, beyond the institutional information.

8. Regarding the language regime, the ECB's reply of 10 January does not explicitly address the question of the compatibility of the language regime applied in the context of the comprehensive assessment with Article 3 of Regulation 111958. Could you provide information on this?

Regulation 1/1958 applies to the ECB as Union institution. As indicated in the ECB's reply of 10 January, the supervised entities may address the ECB in any one of the official languages of the EU and English will be used on the basis of an explicit agreement of the supervised entity.

However, for internal communication within the SSM, as it is already the case within the Eurosystem, the use of the English language was agreed between the ECB and the NCAs. In the context of the comprehensive assessment, the first templates were sent to the NCAs as members of the SSM (and not to the supervised entities) in English. As already indicated by the ECB, where a credit institution requests a version in another language such requests will be addressed.

9. Regarding the selection process of the four ECB representatives in the Supervisory Board, the ECB's reply of 10 January stated that the process is on-going. Can you now provide information on how the four ECB representatives will be selected?

The reflection on suitable ECB representatives for the Supervisory Board is underway. The core objective of the ECB is to appoint persons with the right experiences, qualifications and credentials, so that they can make the most productive contribution to the work of the Supervisory Board. The ECB obviously makes an effort to complete the process swiftly, now that the other members of the Supervisory Board have been appointed.

10. The ECB's replies of 10 January included information on some ECB services that will be used by the monetary and by the supervisory arm. Could you provide an exhaustive list of all units that will be shared by both arms?

As indicated in the ECB's reply of 10 January, for reasons of efficiency and following the approach in other central banks, all existing support functions at the ECB will support the monetary as well as supervisory functions as appropriate. These include IT, Statistics, Accounting, Translation, Administration including Security, Budget/controlling/organisation, Human Resources, Legal, Communication and Internal Audit.

11. Regarding our earlier question on how the ECB intends to avoid that two reporting lines (i.e. parallel reporting to the ECB and national supervisors) are burdening small institutions, we would appreciate receiving a more comprehensive reply.

The SSM Regulation foresees a single supervisory approach. Every credit institution that is part of the SSM will be supervised according to a single supervisory model and using harmonized data reporting requirements. All credit institutions will continue to report to their national competent authorities (NCAs). For significant credit institutions, NCAs will then send this data to the ECB. For less significant credit institutions the NCAs remain the directly competent supervisory authority. They will decide upon the reporting requirements, subject to a minimum set of reporting requirements defined by the ECB. While keeping in mind the principle of proportionality, supervisory principles and procedures will be applied across all participating Member States' credit institutions in an appropriately harmonised way to ensure consistency of supervision. As such the SSM will avoid distortions in treatment and fragmentation for all participating Member States.

B. Asset quality review

12. When will the contents of the data model for the AQR be made public?

In general, a pillar of the Comprehensive Assessment is that the outcome and the analysis of the banks' balance sheet will be made public. After the AQR press release in October 2013, several other communications are planned throughout the exercise in order to keep the markets informed and ensure the transparency of the exercise. Regarding the data model and other methodological aspects, a public release will be communicated on 3 February. A key underpinning principle for the communication is that the process and methodology should be transparent in order to deliver the needed clarity on the final results.

13. When will the ECB send the official templates? What period will it give (including to the national competent authorities) for filling in the official templates?

Official templates and gathering of information are scheduled continuously along the timelines of the exercise in order to ensure carefully-crafted decision making. As part of the portfolio selection, the first phase of the AQR, the ECB has already collected data on the banking book of banks as of June 2013 and is currently in the process of collecting data on trading book exposures and on pricing models. This selection phase is essential in ensuring that exposures with the highest risk are subject to in-depth review and that mis-valuated assets become subject to deeper scrutiny. After the completion of the first phase, comprehensive templates for further analysis of the selected portfolios will be sent to the banks and to the on-site teams. This information will support the detailed review of files, scheduled to start in the second quarter.

In general, banks are given sufficient time to complete the official templates. An internal data coordination group was created to ensure that the various data requests are coordinated with other internal and European initiatives so that the individual bank workload is streamlined.

C. Staff issues

14. How does the ECB deal with the apparent or potential conflict of interest between national central banks/authorities (who may wish to retain functions and control over staff as much as possible) and the ECB (who will have to ensure the singleness of supervision with adequate resources) when it comes to staffing and resourcing at the ECB?

a. Have you faced in the past difficulties in obtaining adequate resourcing of the ECB under the existing rules and procedures?

b. We understand that the Governing Council decides thereon and that the ECB has only six out of the total 24 votes. What are the implications of this?

In the spirit of successfully establishing the SSM, the initial allocation of resources for the ECB's supervisory function was decided in 2013 resulting in a budget for around 770 FTE for the supervision business areas and an additional number of around 200 FTE for the shared services. These requirements have been approved by the Governing Council according to the established budgetary procedures, which are those applied since the ECB was established. The recruitment process has commenced immediately thereafter.

To avoid any perceived or potential conflict of interest, the ECB has robust governance procedures in place: The Governing Council adopts the annual budget of the ECB, acting upon a proposal from the Executive Board. In matters related to the ECB's budget, the Governing Council is assisted in its decisions by the Budget Committee comprising representatives from all Eurosystem national central banks and the ECB.

15. How many members of staff have already been recruited for the SSM?

178, of whom almost all are working in the so-called shared services areas.

a. How many of those were already employed by the ECB before?

Of those, 48 were already employed by the ECB.

b. How many of those came from national supervisors?

Approximately 75% of all those recruited, some of them being already on secondment at the ECB in the context of the SSM preparations.

16. We understand that the ECB offers initially term contracts only. What are the conditions for issuing indefinite term contracts?

a. Who decides on these conditions?

b. Where are they publicised?

c. Please convey the text of the conditions under which a term-contract will be converted.

For unlimited positions, fixed-term contracts are initially offered (5 years for managers and 3 years for staff), which are converted into contracts with an indefinite duration, subject to continued organisational needs for the position and good performance. As captured in the ECB's Staff Rules, at least six months prior to the expiry of a convertible contract, the decision whether or not to convert the contract shall be taken by: a) the Director General Human Resources, Budget and Organisation after having consulted the Director General or Director of the business area in which the member of staff assigned to a position below the I band is employed; or b) the Executive Board member to whom the Director General Human Resources, Budget and Organisation reports, for members of staff assigned to a position at the I band or above. The I-band corresponds to the level of a Deputy Head of Division.

The document entitled "Criteria and procedure for the conversion of fixed-term contracts of staff members recruited for permanent positions" is available to all ECB staff on the ECB's intranet pages.

This document specifies the two sets of criteria that need to be fulfilled for the conversion of fixed-term contracts:

Criteria based on organisational considerations: continuation of the position in the future; continuation of the business need for the specific set of knowledge, skills and competencies of the person; availability of the position vis-à-vis the re-integration of absent staff members employed on a permanent basis who may return from parental leave, unpaid leave or external mobility;

Criteria related to the individual performance of the member of staff: continued development of the staff member (defined as developing a set of knowledge, skills and competencies over the assessment period which matches the expectations outlined by the appraisal forms and demonstrating the potential for further career development and future mobility in view of the position held); having received salary awards of on average at least three salary steps per ASBR exercise during the overall assessment period.

To date 99% of these contracts have been converted into a contract of unlimited duration.

17. We understand that one principle of civil service applied in civil service at the EU Commission is that for the career a combination of merit and time is being applied.

a. How is the ECB's system for career development?

b. Is there a duration of service and loyalty to the institution rewarded on a systematic basis?

c. What is the annual salary progression of a satisfactorily rated official in percentage of his/her basic salary?

d. Is there a career path at all?

Career development at the ECB means continuous personal and professional development via a sequence of job experiences in several business units and/or organisations, and the opportunity to make a difference in the shaping and the performance of an institution that provides a significant contribution to the welfare of European citizens.

With regard to vertical career development, the ECB has opted for a merit- and competition-based system, rather than a tenure-based system. There is no automatic career path at the ECB; selection decisions are based on merit rather than on length of tenure/seniority. New growth opportunities follow a transparent process with fair competition. The selection of candidates for positions involves an extensive procedure in which a broad-based selection committee plays a crucial role. It is based on a comparison of the merits of the candidates against the requirements of the position, resulting in appointing individuals with the highest levels of ability, efficiency and integrity.

The ECB is committed to a prudent management of its salary bill, with a yearly budget of 1.5% for performance-based additional salary increases and 1.5% for one-off bonuses, on top of the annual general salary adjustment. Annual salary awards range from 0 to 14 steps, with every step corresponding to a salary rise of approximately 0.25%, until the end of the salary band has been reached.

18. How will the ECB ensure the orientation of its staff to the legality principle? Which law will be declared binding to all supervisory staff?

The principle of legality (or rule of law) is one of the general principles of law on which the European Union is founded. The ECB as an EU institution is bound by this principle. Thus, the ECB's supervisory powers will be exercised in accordance with the applicable rules and regulations. One element that this principle of legality comprises is the obligation for staff of Union bodies to act in compliance with the law.

The Charter of Fundamental Rights of the European Union contains the right to good administration, which states that every person has the right to have his or her affairs handled impartially, fairly and within a reasonable time by the institutions, bodies, offices and agencies of the Union.

Based on this, the European Ombudsman has published the European Code of Good Administrative Behaviour. Article 4 of the Code states regarding "Lawfulness" that members of staff of EU bodies shall act according to law and apply the rules and procedures laid down in EU legislation. They shall in particular take care to ensure that decisions which affect the rights or interests of individuals have a basis in law and that their content complies with the law.

Thus, also ECB staff is expected to act in compliance with the applicable rules and regulations. This obligation is imposed on them by virtue of the conditions of employment applicable to ECB staff. In case of need, the ECB can enforce compliance by way of managerial instructions and disciplinary measures.

As concerns the second part of the question, on the rules that ECB as institution will apply in the context of its supervisory tasks, please note the following:

The ECB will apply the SSM Regulation and the other supervisory rules on Union and national level, as applicable; According to Article 4(3) of the SSM Regulation, the ECB shall apply all relevant Union law, and where this Union law is composed of Directives, the national legislation transposing those Directives. Where the relevant Union law is composed of Regulations and where currently those Regulations explicitly grant options for Member States, the ECB shall apply also the national legislation exercising those options. As far as the ECB internal/organisational acts are concerned, they will consist of implementing acts of the SSM Regulation and the CRDIV/CRR package, and will comply with these EU law instruments.

19. How are the ECB staff representatives involved in decisions on hiring, firing, promotion and career of ECB staff? Is there a paritary joint committee established compared to the process established under the rules applicable to EU Commission officials?

At the ECB the selection of the best candidate for an open position follows an extensive procedure in which each time a dedicated, broad-based selection committee is established (involving both local management and representatives of the Directorate General Human Resources, Budget and Organisation, and of another business area). Based on the committee's nomination, the decision is taken by the Executive Board for positions allocated to I-band and above and by the Director General Human Resources, Budget and Organisation for positions allocated below the I-band. This process is conducive to selecting the best candidate for each position, which is indispensable for the ECB's performance. ECB staff representatives are not involved in decisions on hiring, promotion and career of individual ECB staff members, but they can contact the Director General Human Resources, Budget and Organisation at any time before or after a recruitment decision is taken.

The imposition of a disciplinary measure in the form of a dismissal requires the involvement of a Disciplinary Committee at the ECB. This Committee is composed of five members, including a non-voting external chair and a staff representative. The Disciplinary Committee shall form a final opinion which is transmitted to the Executive Board. The Executive Board then decides on the most appropriate disciplinary measure, if any.

A dismissal decision because of underperformance entails an elaborate procedure to get the staff member back on track and, if that is unsuccessful, it also requires the involvement of a committee, in which a staff representative acts as observer, and a decision by the Executive Board.

20. How are collective agreements reached at the ECB on the conditions of employment? Is there collective bargaining?

At the ECB, there is no system of collective bargaining. Instead, the ECB has opted for an extensive social dialogue, including a two-round consultation of staff representatives prior to any changes in the Conditions of Employment and/or Staff Rules. Furthermore, frequent regular and dedicated meetings take place, both at technical level and at managerial level, and with Executive Board members. This provides ample opportunity for a constructive dialogue, in which valuable suggestions by staff representatives are taken on board before decisions are taken.

21. Will there be specific conditions for supervisory staff which take into account, e.g. their frequent travel?

For ECB staff members the existing Conditions of Employment and Staff Rules will apply. The ECB's provisions also specify the conditions related to business travel. Discussions are on-going with the NCAs on the applicable framework for frequent travelling by members of the JSTs.

22. How is the resourcing of the supervisory function decided in terms of staff and other resources?

The primary instrument for the allocation of resources is the budget of the ECB, which includes the ECB's expenditure for carrying out the tasks conferred on it by the SSM Regulation.

According to the established budgetary governance framework the Governing Council adopts the annual budget of the ECB, acting upon a proposal from the Executive Board. In matters related to the ECB's budget, the Governing Council is assisted by the Budget Committee comprising of representatives from all Eurosystem national central banks and the ECB.

23. Is there an involvement of staff representatives in the resourcing decisions?

Staff representatives are not involved in resourcing decisions, which have a budgetary nature.

24. Will the ECB have the power to issue binding directions to national staff working in joint teams and/or national supervisors?

According to Article 6(3) of the SSM Regulation, NCAs shall follow the instructions of the ECB when performing the tasks mentioned in Article 4 of the SSM Regulation. Based on this provision and on ECB legal acts that will implement the SSM Regulation, NCAs staff members participating in a joint supervisory team (JST) will have to follow the instructions received from the ECB regarding the tasks of this JST, but will continue to follow the instructions of their national management regarding tasks not carried out by the JST. It will be the responsibility of the national management to ensure that "national" instructions are not in conflict with ECB instructions.

25. Will the ECB align performance and promotion decisions for ECB and national staff carrying out the same work, and if so how?

The ECB and NCAs have started work to establish a common process for the JST coordinators to provide feedback on the performance of their collaborators. Such feedback is intended to be used in the NCAs.

26. We asked earlier how the ECB will ensure that the monetary side and the supervisory side take independent human resources decisions with regard to staff that would eventually work on both sides. Could you provide more detailed information on this?

As indicated in the ECB's reply of 10 January, individual HR decisions related to performance will be taken by the management of the respective departments in accordance with the HR framework applying to ECB staff. Staff moving from the "monetary policy side" to the "supervisory side" of the ECB or vice versa will have to respect the principle of separation and will be bound by secrecy and confidentiality obligations. Finally, the ECB's HR framework includes a general conflict of interest clause which may be used, if needed, on a case-by-case basis to relieve members of staff from a specific task if working on that task would be in conflict with previous work undertaken by the same member of staff.

Annex (mandates of the Task Force on Supervision and the 5 Work Streams)

TERMS OF REFERENCE FOR THE TASK FORCE ON SUPERVISION

1. The Task Force is requested to compile a single list of systemically relevant banks in the euro area, along the lines set out above.
2. The Task Force is requested to conduct an initial mapping of the euro area banking system, highlighting in particular the banking group structures, including those with parent banks from within the euro area, from the EU and third countries.
3. The Task Force is requested to base its preparatory work on the mapping of supervisory tasks, decisions and activities endorsed by the High-Level Group, with due consideration to the distinction between decisions and tasks.
4. The Task Force should develop a framework for the distribution of supervision within the SSM in line with a single list of systemic banks.
5. The Task Force should consider the legal issues related to decentralization within the SSM, including those related to decision-making and operational tasks (e.g. verification and enforcement activities).
6. The Task Force should further consider the implementation of macro-prudential instruments within the SSM, identifying in particular the concrete instruments that could be at stake.
7. In view of developing a “supervisory model” for the SSM, the Task Force should describe as concretely as possible the framework for the conduct of supervision within the SSM. Such framework should be based on the principles discussed by the High-Level Group, including the collective responsibility of the Supervisory Board, a clear allocation of decision-making between the Centre and the national level, and the operational activities at the national level. This work could be based on the analysis of case-studies, comprising both systemic banking groups and non-systemic banks. The main supervisory areas should be addressed in this work, including Pillar 2, group-level supervision and supervisory reporting.

The Task Force may establish expert sub-structures around clusters of issues, with a voluntary composition, to conduct the above strands of work.

The Task Force should report back to the High-Level Group.

Work Stream 1: Initial Mapping of the Euro Area Banking System

- **Deliverable:** an initial mapping of the euro area banking system, which covers at least the following:
 - i. The number of credit institutions falling within the scope of the SSM on the basis of the Commission proposal for the Council Regulation;
 - i. The banking group structures, including those with parent banks from within the euro area, from the EU and third countries;
 - ii. The assets of the euro area banking system;
 - iii. Further individual bank information related to their business model and third party assessment including:
 - a. Market share;
 - b. Funding and capital structures;
 - c. Deposits;
 - d. Market measures of bank risk including whether they are listed, CDS, rated, etc; and
 - e. Cross-border provision of banking services.
- **Expertise required:** knowledge of banks from both an academic and practical perspective, ability to manage data, forward looking approach to analytical questions, and knowledge of asset prices or banking models welcomed.

Work Stream 2: Assessment of Legal Issues relating to Decentralization within the SSM

- **Deliverable:** a concise assessment of, which covers at least the following:
 - i. The legal supervisory framework to be followed and applied by the SSM, including the possible need to rely on the national law implementing CRD 3 pending the entry into force and transposition of CRD4, as well as the provisions of the CRD 4 and CRR;

- ii. The legal acts required to establish the SSM in a decentralised context (e.g. guidelines applicable within the system, supervisory manual, etc.);
 - iii. The legal framework for the adoption of supervisory decisions by the SSM, both by the Centre (Supervisory Board) and by the national authorities on the basis of decentralisation;
 - iv. The legal framework for enforcement procedures, including the interplay between the sanctions that can be adopted by the SSM and the sanctions under national law;
 - v. The procedure of authorisation and withdrawal of credit institutions;
 - vi. The procedures for judicial review of SSM decisions; and
 - vii. Legal liability and immunity of supervisors.
- **Expertise:** practical experience on handling supervisory issues from a legal perspective, including in the areas of investigation, enforcement, imposition of sanctions, and litigation.

Work Stream 3: Description of a “Supervisory Model” for the SSM

- **Deliverable:** a first and concise contribution towards the main components of a “supervisory model” for the SSM, which draws on the existing supervisory approaches and practices. In particular:
 - i. A practical description of how the SSM would conduct supervision of the main types of banking entities in the euro area. For this purpose, the Work Stream could conduct an analysis of case-studies regarding (1) systemic banks; (2) stand-alone banks, including a relevant subsidiary of a banking group; and (3) a domestic or local bank. These case studies may be inspired by existing banks, but any denominations or data should be fully anonymised;
 - ii. The case studies should focus on the areas of higher supervisory relevance, notably the conduct of Pillar 2 supervision and group-level supervision;
 - iii. The description should be based on the principles discussed by the High-Level Group, including the collective responsibility of the Supervisory Board, a clear allocation of decision-making between the Centre and the national level, and the operational activities at the national level.

- **Expertise:** extensive experience on the direct (on-site and off-site) supervision of banking groups and also individual banks, with a forward looking approach to the analytical development of the supervisory framework.

Work Stream 4: Review of Supervisory Reporting Issues

- **Deliverable:** an assessment of supervisory reporting, including:
 - i. A review of the existing supervisory reporting models, at the national level, providing an overview of the main practices, for instance, including inter alia:
 - a. Data granularity (see also coverage extension below);
 - b. Frequency of data and delivery lags;
 - c. Treatment of data;
 - d. Coverage: Instrument (loan...) including whether information on prices is available,
 - e. Borrower information: including credit risk information and coverage;
 - f. Quality checks assessment.
 - ii. Consideration of the work undertaken thus far by the EBA (COREP/FINREP), as well as the statistical framework in the euro area, and the practical implications for the SSM;
 - iii. Consideration of the accounting rules in the banking sector and its evolution over time following best practices and towards harmonization;
 - iv. Elaboration of a first outline of an approach for supervisory reporting in the SSM,
 - v. Critical assessment aiming at best practices to avoid issues such as profit smoothing,
- **Expertise:** deep experience with the definition, reporting and processing of supervisory data, as well as knowledge of the ongoing work at the EBA, relevant statistics and accounting rules. Knowledge of the banking system.

Work Stream 5: Preparations for the Comprehensive Assessment

The mandate of the Work Stream is the following:

- The preparation of a proposal for the conduct of a balance sheet assessment by the ECB in line with SSM Regulation, which would include specific recommendations to the Task Force and the High-Level Group on the above issues as well as others that may be considered relevant;
- Liaising with the other Work Streams on the issues within their respective field of work, namely the mapping of institutions subject to the balance sheet assessment, legal issues, supervisory approach by the SSM, the development of a risk assessment system, and supervisory data required for the assessment;
- Supporting the development of a policy line regarding the initiatives that the EBA may take in related areas, including any required interplay between the SSM and the EBA.