



**COUNCIL OF  
THE EUROPEAN UNION**



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## **Council agrees position on bank supervision**

The Council today<sup>1</sup> set out its position with a view to negotiations with the European Parliament on two proposals aimed at establishing a single supervisory mechanism (SSM) for the oversight of credit institutions.

Agreement in the Council will enable the presidency to negotiate with the Parliament with the aim of adopting the legislation before the end of the year, in line with the October European Council's conclusions.

The proposals involve two regulations: one conferring supervisory tasks on the European Central Bank, the other modifying regulation 1093/2010 establishing the European Banking Authority. The SSM is a key element of a broader plan to establish a banking union, which also foresees a common resolution authority and a common deposit guarantee scheme.

The October European Council set 1 January 2013 as a deadline for agreeing on the two regulations, while indicating that work on operational implementation would take place during 2013 (*see conclusions, doc. [EUCO 156/12](#), esp. paras 6-10*).

In June, eurozone heads of state and government stated that once the SSM is in place, the European Stability Mechanism, which currently contributes to bank capitalisations via member state treasuries, could have the possibility to recapitalize banks directly. This will enable the vicious circle between banks and sovereigns – which has been a salient feature of the debt crisis in Europe – to be broken.

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<sup>1</sup> The agreement was reached at a meeting of the Economic and Financial Affairs Council.

**P R E S S**

Under the SSM proposals, the ECB would have direct oversight of all eurozone banks, although in a differentiated way and in close cooperation with national supervisory authorities. Non-euro member states wishing to participate in the SSM would be able to enter into close cooperation arrangements.

The [ECB/SSM] would be responsible for key supervisory tasks, detecting risks for banks' viability and requiring them to take the necessary actions. It would be competent for licensing and authorising credit institutions, assessing qualifying holdings, ensuring compliance with minimum capital requirements, ensuring the adequacy of internal capital, conducting supervision on a consolidated basis and supervisory tasks in relation to financial conglomerates.

The ECB would also ensure compliance with provisions on leverage and liquidity, apply capital buffers and carry out, in coordination with resolution authorities, early intervention measures for breaches or potential breaches of regulatory capital requirements.

ECB oversight would be phased in over the course of 2013. [It would initially cover only credit institutions that have received financial assistance, and would be extended by July 2013 to systemically important institutions and by 1 January 2014 to all credit institutions.]

The proposals also foresee changes to the EBA regulation, in particular as regards voting modalities, to ensure equitable and effective decision-making within the single market. The amendments would ensure that the countries participating in the SSM would not have an automatic veto in the EBA's board of supervisors.

Under the proposals, the ECB would carry out its tasks in close cooperation with both national supervisors and the EBA. National supervisors would remain in charge of tasks not conferred on the ECB, for instance in relation to consumer protection, money laundering and branches of third country banks; for tasks that are conferred on the ECB, they would operate as an integral part of the SSM. The EBA would retain its competence for further developing the single rulebook and ensuring convergence and consistency in supervisory practice.

The ECB's monetary tasks would be strictly separated from supervisory tasks to eliminate potential conflicts of interest between the objectives of monetary policy and prudential supervision. To this end, a supervisory board responsible for the preparation of supervisory tasks would be set up within the ECB.