



**EUROPEAN COMMISSION**

**MEMO**

Brussels, 12 September 2013

**Statement by President Barroso and Commissioner Barnier following the European Parliament's vote on the creation of the Single Supervisory Mechanism for the eurozone**

President Barroso said:

"I am extremely pleased that the European Parliament voted today to set up the Single Supervisory Mechanism, the first leg of the Banking Union. The SSM, which I first announced in my State of the Union speech last year, is a lynchpin of a deeper economic and monetary union, and this vote shows that the EU is delivering on its promises. Now our attention must turn urgently to the Single Resolution Mechanism. The Commission's proposal has been on the table since July and it is crucial that we finalise it even more swiftly. I welcome the support of many in the plenary yesterday to have it adopted during this term."

Commissioner Barnier said:

"Today, the EP has given its final go-ahead so that the European Central Bank will be fully entrusted with responsibility for the supervision of banks in the framework of the Single Supervisory Mechanism (SSM). This is the first effective step creating the banking union.

With this key piece of legislation, we are not only strengthening our banks and the financial stability of the eurozone, we are also strengthening economic integration.

The ECB now has the legal capacity to supervise all banks of the Eurozone and of those countries which decide to join the banking union. The supervisory powers of the ECB will be fully effective and operational one year after the entry into force of the texts. New rules adapting the operating rules of the European Banking Authority (EBA) to this new framework will also enter into force in parallel.

I would in particular like to acknowledge the crucial roles played by the rapporteurs Marianne Thyssen and Sven Giegold in finding this agreement.

Let me also put this major achievement into a historic perspective. At the end of this week, on September 15, it will be five years since Lehman Brothers' filed for bankruptcy. This event triggered the biggest global financial crisis in modern history. Five years on, the crisis is still not completely behind us but a lot has been done to put the European financial sector back on its feet and allow it to finance the real economy and contribute to growth once again. We are putting in place all the necessary rules to better protect European citizens and to prevent future crises. The SSM is an essential part of that work.

But the banking union is not finished with the SSM. It will be complemented by an integrated European resolution system for all countries participating in the banking union. This system will be built on the foundations of the Directive on Banking Resolution for Member States which I hope to see adopted shortly, and on the Single Resolution Mechanism proposed by the Commission in July this year.

The text on the SSM agreed by the Parliament and the Council also establishes rules on the governance and responsibility of the European Central Bank which ensures a strict separation between its supervisory tasks and its monetary policy functions. It also foresees appropriate mechanisms to strengthen the democratic responsibility of the ECB for its supervisory activities. In that context, I would like also to congratulate the EP and the ECB for having reached agreement on the detailed modalities for the exercise of the EP's democratic oversight over the SSM".

## **Background**

On 12 September 2012 the Commission adopted two proposals for the establishment of a single supervisory mechanism (SSM) for banks led by the European Central Bank (ECB). The proposal for the SSM regulation aimed to confer upon the ECB specific supervisory tasks over credit institutions in the Euro area. The accompanying proposal for the regulation on the European banking Authority (EBA) aimed to introduce limited amendments to the Regulation setting up the EBA to ensure a balance in its decision making structures between the euro area and non-euro area Member States.

This legislative package followed the Euro area summit on 29 June 2012, which called on the Commission to present proposals for the setting up of a single supervisory mechanism as a precondition for a possible direct recapitalisation of banks by the ESM (European Stability Mechanism).

A unanimous agreement was reached in the ECOFIN Council on 13 December on the Commission's proposal for a Single Supervisory Mechanism. The European Council of 14 December welcomed the agreement reached and called on the co-legislators "to rapidly agree so as to allow its implementation as soon as possible".

Following intensive trilogue negotiations during January and February, co-legislators reached agreement on the package on 19 March 2013.

The European Parliament had given its assent in principle to the package in May. This was followed by national parliamentary procedures which have been completed in the meantime. After the EP vote, the Council will formally have to confirm the agreement, and the legal texts will have to be published, which should occur in the coming weeks.

Key elements of the SSM:

The establishment of the Single Supervisory Mechanism (SSM) is a first step towards a banking union and one of the pre-conditions for direct recapitalisation by the ESM. An integrated "Banking Union" will also include a common bank resolution mechanism, underpinned by a single rulebook.

- The SSM applies to all the euro-area Member States and is open to the participation of other Member States who wish to embark on a path of deeper integration for supervision.
- Non-euro area Member States may decide to join the SSM by establishing a close cooperation between their competent authorities and the ECB. In that case they may, on an equal footing with the euro-area Member States, participate in the activities of the newly created Supervisory Board which is in charge of planning and executing the supervisory tasks conferred upon the ECB.
- The Regulation confers key supervisory tasks and powers to the ECB over all the credit institutions established within the euro area. The ECB carries out its tasks within a SSM composed of the ECB and national competent authorities.
- Within the SSM, the ECB will be responsible for the supervision of all 6000 banks of the euro area. In particular:
  - the ECB shall ensure the coherent and consistent application of the Single rulebook in the euro area.
  - the ECB will directly supervise banks having assets of more than EUR 30 billion or constituting at least 20% of their home country's GDP or which have requested or received direct public financial assistance from the EFSF (European Financial Stability Facility) or the ESM.
  - the ECB will monitor the supervision by national supervisors of less significant banks. The ECB may at any moment decide to directly supervise one or more of these credit institutions to ensure consistent application of high supervisory standards. The work of national supervisors is integrated into the SSM: for instance, the ECB will send instructions to national supervisors, and national supervisors have a duty to notify the ECB of supervisory decisions of material consequence.
- The governance structure of the ECB will consist of a separate Supervisory Board supported by steering committee, the ECB Governing Council, and a mediation panel to solve disagreements that may arise between national competent authorities and the Governing Council. Clear separation between the ECB's monetary tasks and supervisory tasks is fully ensured.
- For cross-border banks active both within and outside Member States participating in the SSM, existing home/host supervisor coordination procedures will continue to exist as they do today. To the extent that the ECB has taken over direct supervisory tasks, it will carry out the functions of the home and host authority for all participating Member States.
- The rules on the functioning of the EBA have been adapted and its role reinforced. The EBA will continue developing the single rulebook applicable to all 27 Member States. In order to foster consistency and efficiency of supervisory practices across the whole Union, it will develop a single supervisory handbook. It will also ensure that regular stress-test are carried out to assess the resilience of European banks. There will be safeguards for non-euro zone Member States by means of double majority voting requirements for EBA decisions on mediation and on technical standards. This ensures that decisions are backed by both a majority of the participating and the non-participating Member States.

- The SSM is envisaged to be in place one year after the entering into force of the agreed texts. To allow for a smooth transition some flexibility by means of transitional arrangements is foreseen.
- The Commission also hopes for quick agreement by the end of the year on the pending proposals on bank restructuring and resolution and deposit guarantee schemes, and on the Commission's proposal for a single European resolution mechanism to deal efficiently with cross-border bank resolution and avoid taxpayers' money going into rescuing banks.

More information:

[http://ec.europa.eu/internal\\_market/finances/banking-union/index\\_en.htm](http://ec.europa.eu/internal_market/finances/banking-union/index_en.htm)