



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Alfred Sant

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt, 3 February 2017

L/MD/17/55

Re: Your letter (QZ-112)

Honourable Member of the European Parliament, dear Mr Sant,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 8 December 2016.

Let me emphasise first of all, that the external perspective by the European Court of Auditors (ECA) in its special report on the Single Supervisory Mechanism (SSM)¹ on what has been achieved and what might be improved further with regard to the operational efficiency of the management of the SSM is very welcome indeed.

Where the involvement of the Supervisory Board Chair and Vice-Chair in the budgetary process is concerned, I would like to highlight that when the European Parliament and the Council of the European Union assigned the task of banking supervision to the ECB, this placed the final decision-making power, including that for the budget, with its ultimate decision-making body, the Governing Council. Unlike the Governing Council, the ECB Supervisory Board is not a decision-making body of the ECB as recognised in the Treaty on the Functioning of the European Union² and in the Statute of the European System of Central Banks and of the European Central Bank³. However, as explained in the ECB's response to the ECA⁴, the Chair and the Vice-Chair are already closely involved in the process of establishing the budget, within the

¹ Special report No 29/2016, available at <http://www.eca.europa.eu/en/Pages/DocItem.aspx?did=39744>

² Available at <https://www.ecb.europa.eu/ecb/legal/1341/1342/html/index.en.html>

³ Available at <https://www.ecb.europa.eu/ecb/legal/1341/1343/html/index.en.html>

⁴ Available at the end of the report.

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confines of the legal framework. In addition to the consultation of the Chair and the Vice-Chair under the ECB's rules of procedure, the Vice-Chair is a member of the ECB's Executive Board and of the Governing Council. This ensures that the supervisory function's views are carefully taken into account.

The ECB's "shared services" are business areas that provide technical expertise (on HR, IT and auditing issues, etc.). As provided for in ECB Decision 2014/39 (Recital 11 and Article 3(4))⁵, shared services can be established only to the extent that their support will not lead to conflicts of interest between the ECB's supervisory and monetary policy objectives. In ensuring an efficient and effective delivery of services, and minimising duplication of work, the current model for shared services plays a key role in the containment of costs and thereby serves operational efficiency.

When it comes to the ECB's efforts and mechanisms to ensure the transparency of, and accountability on, banking supervision vis-à-vis the European Parliament, the EU Council and the general public, I would like to note that the ECB is subject to a strong accountability framework. It is based on the detailed accountability arrangements of Article 20 of the SSM Regulation,⁶ on the Interinstitutional Agreement between the European Parliament and the ECB, and on the Memorandum of Understanding between the ECB and the Council⁷, which was specifically designed for the ECB's supervisory tasks. Furthermore, Article 21 of the SSM Regulation also provides channels for reinforced cooperation with, and reporting to, national parliaments. In practice, this includes hearings and ad hoc exchanges of views of the Chair, published replies to written questions by Members of the European Parliament, and the transmission of the records of the proceedings of the Supervisory Board to the European Parliament's Committee on Economic and Monetary Affairs. In all these settings, information on the supervisory activities of the ECB is provided, while conforming to the applicable legal framework, in particular regarding confidential information.

As regards transparency more broadly, the SSM's supervisory priorities are published every year. As also mentioned in the answer to the ECA, the ECB reports on the measures adopted to meet these priorities in the Annual Report on supervisory activities.⁸ The coverage of the Annual Report has been expanded continuously: for instance, the last Annual Report provided information on SSM activities to foster integration and harmonisation, such as the euro area-wide supervisory review and evaluation process (SREP), or the work on options and national discretions, which promoted a harmonised regulatory framework for the euro area.

Comprehensive statistics, too, are published on the ECB banking supervision website and in the ECB's Annual Report on supervisory activities. These include, but are not limited to, key data on the activities of the

⁵ Available at https://www.ecb.europa.eu/ecb/legal/pdf/en_ecb_2014_39_f_sign.pdf

⁶ Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17), available at <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0468>

⁷ Available at https://www.ecb.europa.eu/ecb/legal/pdf/mou_between_eucouncil_ecb.pdf

⁸ Available at <https://www.bankingsupervision.europa.eu/press/publications/annual-report/html/index.en.html>

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Supervisory Board, banks' performance, the number of authorisation procedures, reported breaches of EU law, enforcement and sanctioning measures, the number of on-site inspections, human resources and expenditures. ECB Banking Supervision will continue to develop a meaningful and comprehensive set of indicators and to enrich the information made publicly available in its Report or by other means.

With respect to the ECB's dependence on staff appointed by the national competent authorities (NCAs), allow me to recall that one of the key objectives for creating the SSM was to combine local presence and expertise with a euro area-wide coordination function and independent expertise at the ECB. Against this background, I am of the opinion that reliance on NCA resources reflects the SSM operating model in off-site supervision and that the creation of Joint Supervisory Teams (JSTs), composed of NCA and ECB staff, for the supervision of significant institutions has been one of the key achievements of the SSM. It allows European and national perspectives to be combined in one team under the clear leadership of an ECB JST coordinator. This is a feature of the SSM, as designed by the EU legislator. The setup of our JSTs foresees direct reporting lines on supervisory matters from each team member to the JST coordinator.

It is also true that the ECB relies on the NCAs to conduct SSM on-site inspections. This reflects the SSM Framework Regulation⁹, which stipulates that the ECB should choose the heads of on-site inspection teams from among ECB and NCA staff members, and the current distribution of available on-site resources between the ECB and NCAs. At present, inspectors of the ECB lead, on average, around 10% of the on-site inspections of significant institutions. ECB Banking Supervision is considering stepping up this percentage, to follow up on the ECA's recent recommendations. In any event, on-site inspections of significant institutions are decided upon by the Supervisory Board, are carried out in accordance with a common methodology (involving substantial training efforts over the past two years) and are duly monitored by the ECB.

As to your question on the decision-making process, the ECB has taken steps to further streamline its decision-making processes. In addition to the standardisation of certain parts of the documentation and the bundling of related decisions in a single written procedure, the ECB has designed a framework for the adoption of certain types of supervisory decisions through delegation. The forthcoming delegation of decision-making powers will significantly increase the efficiency of the decision-making process for a large number of supervisory decisions.

Yours sincerely,

[signed]

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⁹ See footnote 6.

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