

On-site inspections

1 On-site supervision and the supervisory cycle

On-site inspections (OSIs) are the most intrusive supervisory tool available to banking supervisors and are a powerful complement to off-site supervisory activity. They are undertaken at the behest of the joint supervisory teams (JSTs), but carried out independently of the ongoing, day-to-day supervision performed by the JSTs.

Following its introduction in recent years, the campaign approach continues to be applied¹ to a number of risk areas in line with the Single Supervisory Mechanism's (SSM) supervisory priorities, complementing the bank-specific OSIs requested by the JSTs and targeted inspections launched to address specific weaknesses.

2 Distribution of on-site inspections by main risk type 2020, 2021 and 2022

The chart below shows the distribution of the (OSIs) by main risk type for the years of 2020, 2021 and 2022. It reports the OSIs at Significant Institutions (SIs) that have been launched during the relevant calendar year. On-site inspections are planned and staffed in close cooperation with the national competent authorities (NCAs), which provide the majority of staff performing these activities, i.e., the heads of mission and team members.

Noticeably, and as highlighted in the ECB Annual Reports on supervisory activities², the actions to prevent the spread of the COVID-19 pandemic and protect people's health, including travel restrictions and restrictions to on-site presence at banks' premises, led to a significant reduction of the number of on-site inspections in 2020. Indeed, in March 2020 the Executive Board of the ECB decided to put on hold all business travels and all OSIs that were in a preparatory phase. Inspectors were recalled from inspections immediately. OSIs that were in an investigation phase were finalised off-site where possible, while those in the final reporting phase were finalised as foreseen.

To maintain appropriate supervisory scrutiny, ECB Banking Supervision developed a temporary alternative of "off-site investigations" to remotely investigate the most prominent risks raised by the COVID-19 crisis, for example by conducting remote interviews with banks and using remote collaborative tools. The JSTs reprioritised the OSIs and internal model investigations (IMIs) that had been initially scheduled for 2020. This re-prioritisation was based on the JSTs' assessment of banks' most prominent risks in the COVID-19 context, as well as banks' own capacity to support investigations. As a result, the 2020 programme consisted of 96 OSIs, the majority of

¹ A campaign clusters together several OSIs examining the same topic and thus provides a framework for inspection teams to coordinate and collaborate by aligning objectives and capitalising on synergies.

² Source: [ECB Annual Report on supervisory activities 2020](#); [ECB Annual Report on supervisory activities 2021](#).

which had to be performed off-site due to the safety requirements related to the COVID-19 pandemic.

In 2021 the COVID-19 pandemic continued to significantly affect how OSIs were carried out. Most missions were performed off-site, as in 2020. From October 2021 onwards, a hybrid approach was adopted, combining the traditional on-site presence at the premises of the supervised entity with a greater reliance on remote working arrangements tested during the pandemic.

In 2022 most OSIs were performed using the hybrid approach of combining traditional on-site presence at the premises of the supervised entity with remote working arrangements, with an increased presence on-site once the COVID-19 pandemic situation allowed for it. In total, 158 OSIs were launched in 2022 for SIs, reflecting a return to pre-pandemic level of on-site inspections.

Chart 1
On-site inspections launched in 2020, 2021, 2022

Number of OSIs by risk type
(number of OSIs)

