

BRIEFING

Single Supervisory Mechanism (SSM)

Main Features, Oversight and Accountability

The Single Supervisory Mechanism (SSM) is one of the main pillars of the banking union and comprises the ECB as well as authorities at national level (National Competent Authorities, or NCAs) of participating EU countries. It aims to ensure safety and soundness of the European banking system and increase financial integration and stability in Europe.

Two "SSM regulations" entered into force in November 2013, one conferring [supervisory powers on the ECB](#), the other amending the regulation on the [European Banking Authority \(EBA\)](#) with respect to the new supervisory powers of the ECB. During a one-year transitional phase the ECB prepared for the full take-up of its new supervisory tasks. In particular, the ECB carried out a **Comprehensive Assessment** (comprising an asset quality review and a stress test) of all banks that are now under direct supervision by the SSM. On 26 October 2014, the ECB published the results of the Comprehensive Assessment in an [Aggregate Report](#).

The SSM became fully operational on 4 November 2014.

In the context of the SSM, the ECB is responsible for the direct supervision of the most **significant banks**, which hold almost 85% of total banking assets in the euro area, while the NCAs carry out the supervision of all other banks, yet under the ultimate responsibility of the ECB.

All **euro area Member States** automatically participate in the SSM. Non-euro area EU Member States can choose whether to participate in the SSM by entering into "close cooperation" with the ECB, the procedures for which are set out in the [ECB decision of 31 January 2014](#). As for the rest (non-participating EU Member States), the ECB and the respective competent authorities will conclude a memorandum of understanding describing how they intend to cooperate in the course of their supervisory tasks. The ECB will also sign a memorandum of understanding with the competent authority of each EU country that is home to at least one global systemically important institution.

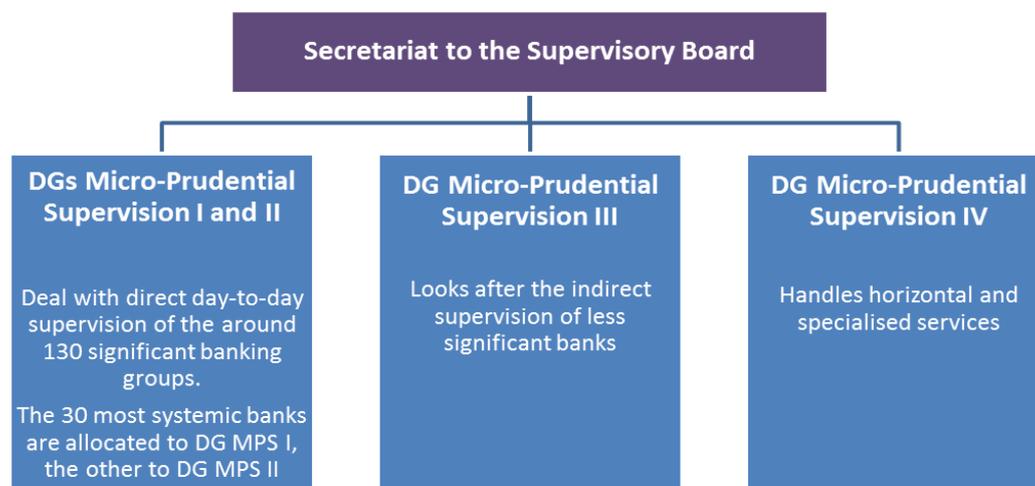
A bank is considered "*significant*" based on:

- its total value of assets;
- its importance for the economy of the country in which it is located or the EU as a whole;
- its scale of cross-border activities;
- whether it has received public financial assistance from the European Stability Mechanism (ESM) or the European Financial Stability Facility (EFSF).

In each participating country, at least the three most significant credit institutions will be subject to direct supervision by the ECB, irrespective of their absolute size. For the current list see [ECB website](#).

In order to avoid a potential conflict of interest, clear rules govern the organisational and operational **separation of the ECB roles** in the area of supervision and of monetary policy. The [ECB decision of 17 September 2014](#) sets out the arrangements to separate the monetary policy function from its supervisory function: the operation of the Governing Council is separated as regards monetary and supervisory functions, a strict separation of meetings and agendas is applied. ECB staff carrying out supervisory tasks is separated from those involved in other tasks. Professional secrecy and ECB's confidentiality regime are to be applied strictly. Nevertheless, information may be exchanged between the policy functions, subject to internal governance and procedural rules.

Organisational structure and decision-making



The ECB has published a [Guide to banking supervision](#) which explains how the SSM actually functions. At the core of operations are **Joint Supervisory Teams (JSTs)**, which comprise staff from both NCAs and the ECB and conduct the day-to-day supervision of each of the directly supervised banking groups. The size, overall composition and organisation of a JST varies depending on the nature, complexity, scale, business model and risk profile of the supervised credit institution. JST are led by a coordinator at the ECB who is generally not from the country where the supervised institution is established.

The [SSM Framework Regulation](#) sets out the **legal structure for cooperation with NCAs** within the SSM.

JSTs review inter alia the arrangements, strategies, processes and mechanisms implemented by significant institutions and evaluate the risks to which the institutions are or might be exposed, the risks that those institutions pose to the financial system in general, and the risks revealed by stress testing.

Oversight and accountability

The ECB is in its supervisory role accountable to the European Parliament and to the Council. Details of its accountability towards Parliament (and the Council) are laid down in [Regulation \(EU\) No 1024/2013](#) and in an [Interinstitutional Agreement](#) (IIA) between the European Parliament and the ECB:

- The Chair of the Supervisory Board shall present the **annual report** in public to the EP.
- The Chair of the Supervisory Board shall, upon EP request, participate in ordinary public **hearings** on the execution of its supervisory tasks twice a year, in addition to ad-hoc exchanges of views on invitation and in special confidential meetings where necessary for the exercise of EP's powers.
- Upon EP request, the Chair of the Supervisory Board shall hold **confidential oral discussions** behind closed doors with the Chair and Vice-Chairs of the competent committee of the EP where such discussions are required for the exercise of the EP's powers under the TFEU.
- The ECB shall reply orally or in writing to **EP's questions**.

Appointments

The ECB shall provide the EP's competent committee with the **shortlist** of candidates for the position of the Chair of the Supervisory Board.

A **public hearing** of the proposed Chair and Vice-Chair of the Supervisory Board shall be held in the EP's competent committee.

The EP shall decide on the **approval** of the candidate proposed by the ECB for Chair and Vice-Chair through a vote in the competent committee and in plenary.

In December 2013, the ECON Committee members approved the candidates for the [Chair](#) and the [Vice-Chair](#). In March and November 2014, the ECON committee held hearings on supervisory issues with the Chair of the Supervisory Board.

For more information on the accountability and appointment procedures, including dates on hearings, please see the section [financial supervision](#) on the ECON webpage.