



To the members of the  
European Federation of Building Societies

Brussels, 22 October 2012  
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Dear members,

**Draft reports by the Committee on Economic and Monetary Affairs (ECON) on the proposals for Regulations establishing a Single Supervisory Mechanism (SSM)**

On 8 and 9 October 2012, the rapporteurs for the European Parliament's Committee on Economic and Monetary Affairs (ECON) presented their draft reports on the European Commission's two proposals for Regulations establishing a Single Supervisory Mechanism (SSM) (please refer to our letter of 13 September 2012).

The ***draft report on the proposal for a Regulation conferring banking supervisory tasks on the European Central Bank (ECB)*** supports the Commission's endeavour to transfer supervision to the ECB. However, supervision should be confined to banks of European systemic importance and to banks within the euro area which have received or have requested public financial assistance. The EBA should in future coordinate the supervisory stress-tests (alongside its current activities). The supervision of all other institutions within the euro area should continue to be carried out by the national authorities, but within a supervisory framework to be developed by the ECB and subject to its regular scrutiny.

If there is evidence that a lack of safety or soundness in a credit institution may pose a threat to the stability of the financial system, the ECB must be informed immediately. The ECB may then take over the direct supervision of the credit institution concerned. This also applies in cases when the national competent authorities fail to perform their supervisory duties.

Non-euro area Member States would only be subject to the ECB's supervision if they exercised their opt-in.

According to the draft report, the ECB would carry out the supervisory tasks conferred on it from 1 July 2013. Prior to this date, it may start carrying out supervisory tasks in respect of institutions which have received public financial assistance.

According to the ***draft report on a proposal for a Regulation amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority)***, it is the EBA which should act as the final decision-making body for supervisory policy. The ECB should merely coordinate the supervision carried out by the national supervisory authorities in the euro area Member States (and in those Member States which exercised their opt-in). The ECB would have no right to issue instructions.

The EBA would have its seat not in London (United Kingdom) but in Frankfurt am Main (Germany). Besides establishing high-quality regulatory and supervisory standards by developing guidelines and implementing technical standards, the EBA should also, inter alia, settle disagreements between national authorities and take actions in emergency situations (Article 1 – point 1 b –b- (new)). It should act as the competent authority to manage crises of cross-border institutions that have the potential to pose a systemic risk (Article 1 – point 1 b –n- (new)). It would be empowered to prohibit or restrict certain financial activities undertaken by an institution that threaten the stability of financial markets (Article 1 – point 1 d (new)). The EBA would also issue a binding European supervisory handbook in order to develop uniform supervisory standards (Article 1 – point 3 o (new)). In the event of a disagreement between the EBA and the ECB concerning the supervision of an institution, the EBA, after consulting the ECB, would act as the final decision-making body and may require the ECB or the institute concerned to comply with the decision.

The vote on the draft reports in the Committee on Economic and Monetary Affairs (ECON) is scheduled for 28 November 2012.

The European Office will be pleased to answer any questions you may have on this matter.

Yours sincerely,



Andreas J. Zehnder

Managing Director

European Federation of Building Societies

### **Annexes**

- Draft Report on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority) (English version)
- Draft Report on the proposal for a Council regulation conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (English version)