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Council agrees position on bank supervision

The Council today[1] set out its position on two proposals aimed at establishing a single supervisory mechanism (SSM) for the oversight of credit institutions (*17812/12* + *17813/12*).

Agreement in the Council will enable the presidency to negotiate with the European Parliament with the aim of adopting the legislation before the end of the year, in line with the October European Council's conclusions.

The proposals involve two regulations: one conferring supervisory tasks on the European Central Bank, the other modifying regulation 1093/2010 establishing the European Banking Authority.

The October European Council asked the presidency to lead negotiations on the two regulations with a view to reaching an agreement before 1 January 2013, whilst indicating that work on operational implementation would take place during 2013 (*see conclusions, doc. EUCO 156/12, esp. paras 6-10*).

In June, eurozone heads of state and government stated that when an effective SSM is established, the European Stability Mechanism, which currently contributes to bank capitalisations via member state treasuries, could, following a regular decision, have the possibility to recapitalise banks directly. This will enable the vicious circle between banks and sovereigns – which has been a salient feature of the debt crisis in Europe – to be broken.

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1 The agreement was reached at a meeting of the Economic and Financial Affairs Council.

P R E S S

Rue de la Loi 175 B – 1048 BRUSSELS Tel.: +32 (0)2 281 6319 Fax: +32 (0)2 281 8026
press.office@consilium.europa.eu http://www.consilium.europa.eu/Newsroom

The SSM will be composed of the ECB and national competent authorities. The ECB will be responsible for the overall functioning of the SSM. Under the proposals, the ECB will have direct oversight of eurozone banks, although in a differentiated way and in close cooperation with national supervisory authorities. Non-eurozone member states wishing to participate in the SSM will be able to do so by entering into close cooperation arrangements.

The ECB's monetary tasks would be strictly separated from supervisory tasks to eliminate potential conflicts of interest between the objectives of monetary policy and prudential supervision. To this end, a supervisory board responsible for the preparation of supervisory tasks would be set up within the ECB. Non-eurozone countries participating in the SSM would have full and equal voting rights on the supervisory board. The board's draft decisions would be deemed adopted unless rejected by the ECB governing council.

National supervisors would remain in charge of tasks not conferred on the ECB, for instance in relation to consumer protection, money laundering, payment services, and branches of third country banks. The EBA would retain its competence for further developing the single rulebook and ensuring convergence and consistency in supervisory practice.

The proposals foresee changes to the EBA regulation, in particular as regards voting modalities, to ensure equitable and effective decision-making within the single market. The amendments would ensure that the countries participating in the SSM would not unduly dominate the EBA's board of supervisors.

The ECB will assume its supervisory tasks within the SSM on 1 March 2014 or 12 months after the entry into force of the legisation, whichever is later, subject to operational arrangements.