President,

Honourable Members,

I am pleased to have the opportunity to take part in this afternoon’s debate on the package of Regulations establishing the Single Supervisory Mechanism and adapting the set-up of the European Banking Authority.

In May 2012 the Commission called for a banking union to restore confidence in banks and in the euro. This was reflected in the report on Economic and Monetary Union prepared by the Presidents of the European Council, the Commission, the Eurogroup and the European Central Bank. A complete banking union requires common supervision, deposit insurance and a common resolution framework, with an appropriate fiscal backstop.
Centralising supervision was the first step in this process. Therefore, the immediate priority for the proposal was to create a Single Supervisory Mechanism (SSM) for the euro area, with the ECB taking on the prudential supervision of credit institutions.

This Package of texts, the ECB regulation conferring supervisory tasks on the ECB and the amended EBA regulation, will lay the foundations of a new and more effective system of supervision for all the participating Member States. The new system will neither do away with nor duplicate the national supervisors, but it will incorporate them into a more powerful architecture centred on the ECB. At the same time it will make full use of the resources and skills of the national authorities. The EBA will preserve its role in preparing draft regulations and will see an increase in its powers, particularly regarding the assessment of the resilience of our banking systems.

This is a significant achievement, and I will set out some of its key aspects in a moment. It is particularly significant that it has been accomplished in only two and a half months of intense negotiations. I would therefore like to pay particular tribute to the ECON Chair, Sharon Bowles and the two rapporteurs, Marianne Thyssen and Sven Giegold for their dedication and the constructive way in which they have enabled our two institutions to cooperate.

The crisis that has hit our economies in the last five years has revealed considerable weaknesses in many banking systems and in the way they were supervised. Billions of Euros of public money have been committed to supporting the banking system whilst budgetary constraints have been imposed on other policies. This has led to considerable public frustration. The Single Supervisory Mechanism is a major step forward in restoring the confidence of markets and the public in the strength of our supervisory system.

I will briefly mention some of the key provisions of the agreement reached between our institutions.
Firstly - and importantly - we have agreed on the distribution of work between the ECB and national competent authorities. We have sought to reconcile the cohesiveness of the supervisory architecture - to have a true Single Supervisory Mechanism - with the need to make the most of national supervisors' competences and local reach. The ECB will concentrate supervision on the most significant institutions determined based on size, importance to national economy in home Member States, and the extent of its cross-border activities, but will also be able to expand its direct supervisory role in the light of identified needs. It will in any case be able from the outset to guide the actions of national supervisors. The ECB will also be able to exercise some macro-prudential powers, in cooperation with national authorities.

Overall we have in our negotiations sought, where relevant, to respect the balance of prerogatives between home and host Member State supervisors. Since the Single Supervisory Mechanism will bring about a major institutional change, it is important that it builds on existing arrangements based on current banking legislation.

The powers of the ECB must of course be balanced by adequate accountability and governance arrangements, on which this Parliament has made a particularly important contribution. There will also be important safeguards regarding the separation of the supervisory function from the monetary policy function within the ECB. However it is clear that the Governing Council remains the key decision-making body in the ECB. The authorities from all participating Member States will be represented, alongside the ECB, in the Supervisory Board in charge of preparing decisions. We have agreed on the establishment of robust safeguards - including the establishment of a mediation panel - to resolve differences of views between Member State authorities when the Governing Council objects to a draft decision. These also relate to the appointment of the Chair and vice-Chair of the Supervisory Board, where Parliament now has a prominent role.

Safeguards were also needed for non-Euro area Member States willing to participate in the Single Supervisory Mechanism, with the aim of making the new system as attractive as possible to non-Euro area Member States. These additional safeguards recognise
that non-Euro-area Member States are not represented in the Governing Council and cannot fully benefit from the other mechanisms provided for the euro-area Member States. The text - I believe - achieves a good balance on this particular issue, and I understand that many countries have given indications that they are considering joining the SSM.

President,
Honourable Members,

The package before us today sends an important signal to markets. When the ECB takes up its full supervisory powers around summer next year, this will constitute a major change to the current system. We will have put in place the first pillar of the Banking Union. We will have shown that we are together determined to make our financial system more robust.

But we should not be complacent. The SSM is only the first step on the path to establishing the Banking Union. Together we have more work to do to complete the task, and I know that we can count on the continued cooperation of this Parliament.

I thank you for your attention.