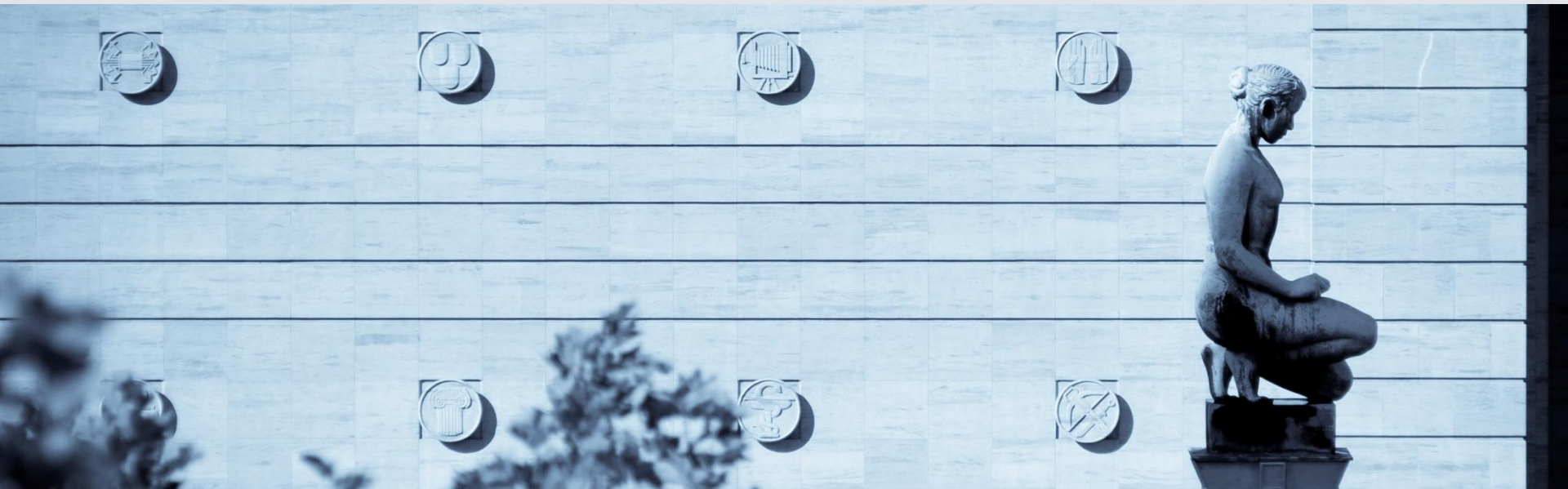


Hervorming van het banktoezicht in de Eurozone

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A. Introduction : Root causes of financial crises and necessary reforms

Root causes of recent financial crises

1. Weaknesses in the regulatory framework
 - Inadequate requirements for capital / liquidity
 - Limited supervisory powers
 - Poor resolution framework
2. Banks' behaviour
 - Excessive risk taking
 - Capital optimisation
 - Regulatory and supervisory arbitrage
3. Weaknesses in supervision
 - Insufficiently pre-emptive, rather reactive
 - Lack of cooperation between supervisors
 - Similar banks, same risks – differing supervision

Reforms to prevent future crises

1. New regulatory framework
 - Higher standards for capital / liquidity
 - Comprehensive set of rules on Governance and Risk management
 - New tools to deal with failing banks
2. Banking Union (SSM, SRM & EDIS¹)
 - More objective supervision and less regulatory capture
 - Superior risk identification due to benchmarking, peer reviews and best practices
 - Deeper financial market integration fostered by a level playing field for banks across the euro area
 - Political discussions for the creation of a European Deposit Insurance Scheme are ongoing

Banking union provides basis for tougher, more harmonised supervision

¹ SSM: Single Supervisory mechanism; SRM: Single Resolution Mechanism; EDIS: European Deposit Insurance Scheme



B. Grondige hervormingen van het toezichtskader op Belgisch en Europees niveau sinds de financiële crisis

Hervormingen van het toezicht

Banken

Bankenunie niet voltooid (3de pijler ontbreekt – geharmoniseerd DGS en mutualisatie van het afwikkelingsfonds nog niet afgerond)

2010
Systeem voor Europees toezicht
•EBA
•ESRB
•EIOPA

04/2011
Twin Peaks (NBB)

11/2014
Gemeenschappelijk toezichtsmechanisme of GTM (ECB)

1/2015:
Gemeenschappelijk afwikkelingsmechanisme

Verzekeringsondernemingen

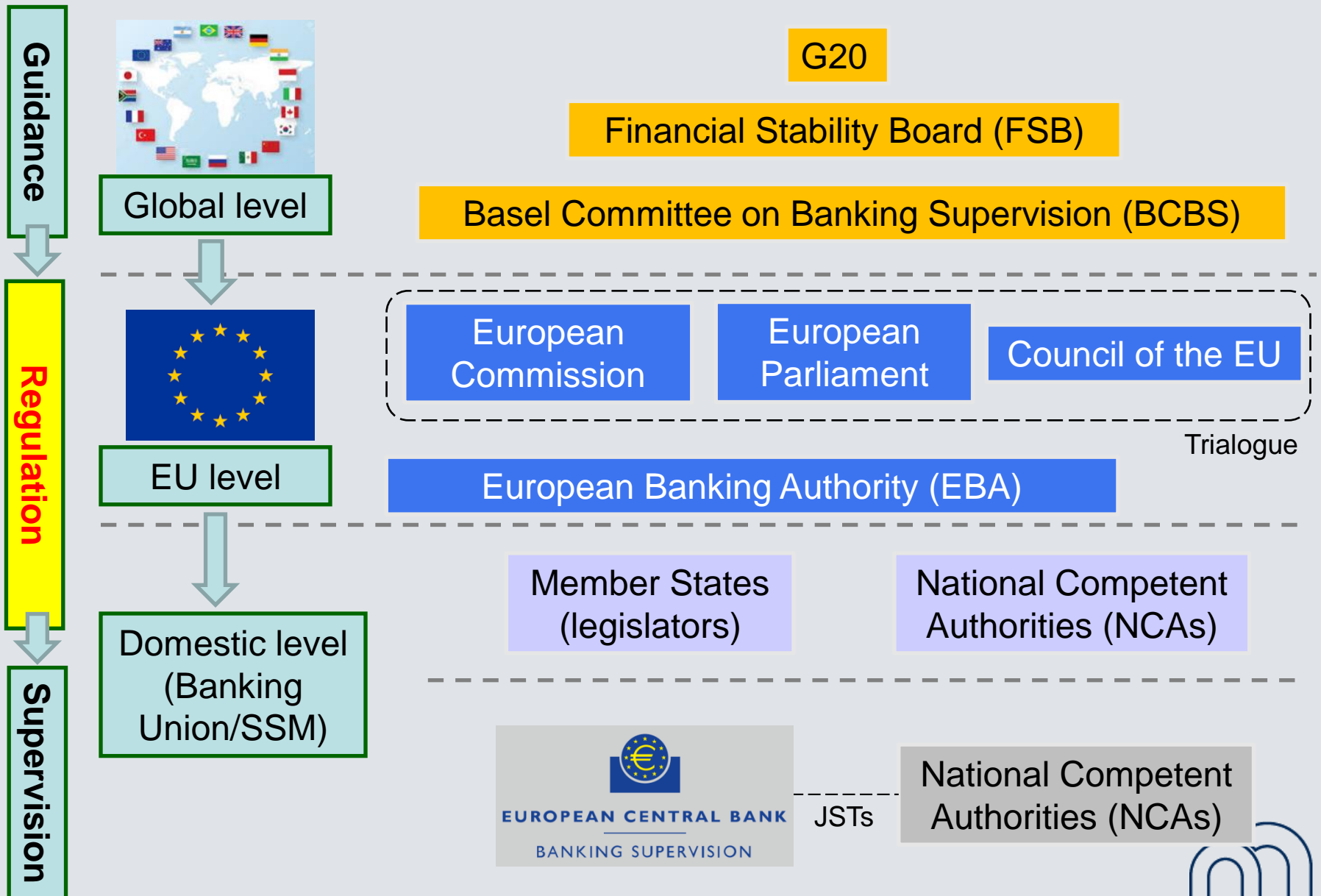
2010
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04/2011
Twin Peaks (NBB)

De zogenoemde significante instellingen (SI's), die 95% van (de activa van) de Belgische banksector vertegenwoordigen, staan onder het toezicht van het GTM. De beslissingen betreffende deze instellingen worden voortaan genomen door de Raad van Toezicht (en de Raad van Bestuur) van de ECB, en niet meer door de NBB



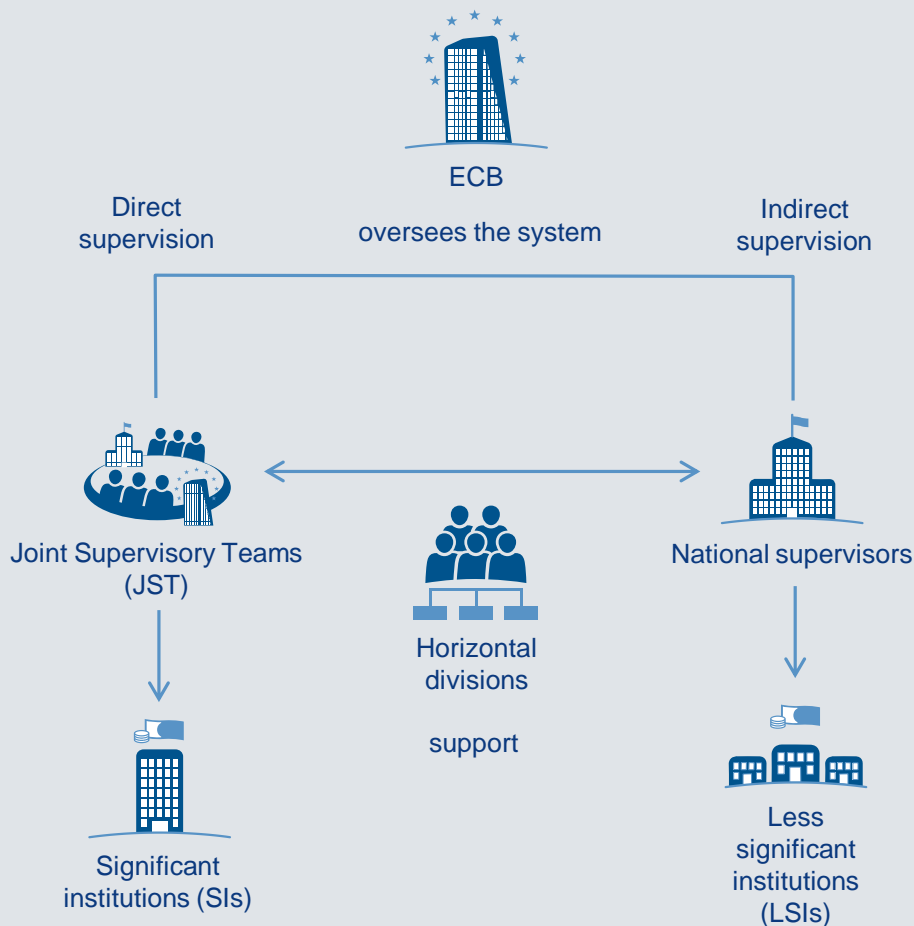
B.1. The institutional setting



C. What is the SSM

The SSM is an integrated system of supervision, based on cooperation between the ECB and national supervisors

Distribution of tasks within the SSM



Key SSM facts

1. The Single Supervisory Mechanism (SSM) is one of the **world's largest banking supervisors**.
2. Currently **129 banking groups** in 19 countries under direct ECB supervision – including 9 out of 30 G-SIBs. More than **80 %** of Euro Area Banking Assets under direct ECB supervision.
3. Circa **3,500 smaller institutions** are directly supervised by the national competent authorities (NCAs), with the ECB being responsible for the system at large.
4. Banking assets under SSM supervision amount to **more than 26 trillion euro**.
5. Key distinction: **significant & less significant**.

C.1. NCA – ECB cooperation

NCAAs remain competent for

Ratione
materiae

- Purely national supervisory tasks over Sis (structural reforms, ...)
- Market conduct
- Securities including investment funds (UCITs)
- Anti Money Laundering/Counter Terrorist Financing (AML/CTF)
- Macroprudential policies → see E.

Ratione
personae

- Prudential supervision of insurance undertakings & investment firms – SSM tasks restricted to supplementary supervision of financial conglomerates
- Non-EU branches



C.2. Cartografie van de Belgische banksector

TABEL 26 OPSPLITSING VAN DE BELGISCHE BANKEN VOLGENS DE CLASSIFICATIECRITERIA VAN HET GTM

Belangrijke instellingen

Met Belgische moeder

Argenta
AXA Bank Europe
Belfius
Degroof Petercam
Dexia
KBC (KBC Bank, CBC)

Met een niet-Belgische moeder die ressorteert onder het GTM

BNP Paribas (BNP Paribas Fortis, Bpost bank)
Crédit Mutuel (Beobank, Banque Transatlantique)
ING (ING Belgium, Record Bank)
Banca Monte Paschi Belgio
MeDirect
Puilaetco Dewaay Private Bankers
Santander
Société Générale

Met een moeder die niet ressorteert onder het GTM, noch onder de Europese Economische Ruimte

Bank of New York Mellon

Minder belangrijke instellingen

Byblos Bank Europe
Datex, CKV
CPH
Crelan (Crelan, Europabank)
Dierickx, Leys & C^o
ENI
Euroclear
Finaxis (ABK, Delen, Bank Van Breda)
Anbang (Anbang Holding, Bank Nagelmackers)
Shizuoka Bank
United Taiwan Bank
Van de Put & C^o
VDK Spaarbank

Bron: NBB.

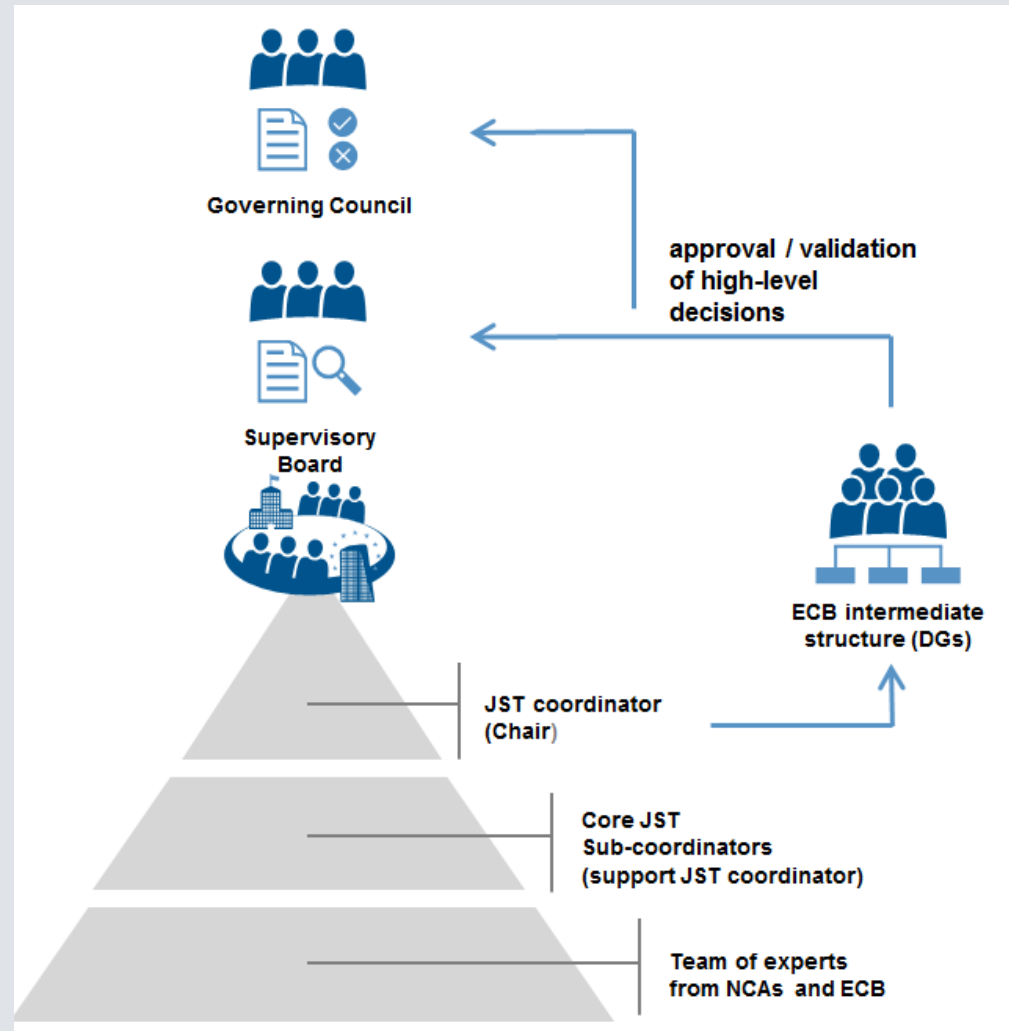


C.3. Functioning of JST's (Joint Supervisory Teams)

- ▶ Established for every banking group, comprising staff from ECB and NCA
- ▶ Responsible for day-to-day supervision of individual significant institutions and for implementing the annual supervisory programme
- ▶ Responsible for implementing decisions of Supervisory Board/Governing Council

ECB staff providing the European perspective

NCA staff providing national and market expertise



D. SSM : Main progress

- 1. Set-up of new authority (SSM) – fully operational – in less than one year** since 4/11/2014 after a very short preparatory phase
- 2. Harmonisation of regulatory framework**
National options and discretions
- 3. Harmonisation of supervisory practices**
 1. SREP (Pillar 2 requirements): policies and implementation
 2. Dividend policies
 3. Recommendation on remuneration
 4. Fit & proper policies
 5. On-site inspections (methodology)
 6. Model validation (+ forthcoming Target Review of Internal Models)
 7. ...



D.1. Harmonising National Options & Discretions

Scope and guiding policy principles

167 ONDs identified in CRR/CRDIV & Delegated Acts:

Out of scope

45 ONDs addressed to Member States or relating to macro prudential powers

⇒ No harmonisation via the SSM

In scope

122 ONDs addressed to Competent Authorities (in first package)

+ 8 additional O&Ds (in second package)

⇒ Harmonisation via the SSM possible

⇒ Prudence, harmonisation & level playing field

⇒ International Standards: Basel framework and EBA

⇒ Banks' legitimate expectations

Focus on Significant Institutions



D.1. Harmonisation of regulatory framework

- ▶ The CRDIV/CRR is an important step in the development of a single rule book but important national discretions and options remain (about 150)
- ▶ Examples : DTA, Goodwill, AFS reserves, deduction of insurance participation,...
- ▶ These ONDs might result from
 - Specificities of the national banking sector
 - Protection of the domestic banking sector
- ▶ They can have an important financial impact and thereby distorting level playing field
- ▶ In addition, ONDs can lead to bias the financial position of institutions and as a result, be misleading in terms of risk profile.
- ▶ **The ECB has harmonised the options available to competent authorities within the SSM**



D.2. The Supervisory Review and Evaluation Process (SREP) – The basics

- ▶ **The SREP is the main instrument of banking supervision**
- ▶ **Sound risk assessment of each institution:**
 - Combination of quantitative and qualitative elements
 - Holistic assessment of institutions' viability taking into account their specificities
 - Forward-looking perspective
- ▶ **High and harmonised standards**
 - SREP in 2015 for the first time conducted according to a harmonised methodology
 - Draws on leading practices within the SSM and as recommended by international bodies (including EBA guidelines on SREP)
 - Contributes to a level playing field for banks in the entire euro area
- ▶ **The outcome:** additional capital requirements based on each bank risk profile, and other supervisory measures on liquidity, risk management, ...



D.3. Targeted review of internal models

- ▶ Banks use (complex) internal models to determine their own funds requirements
- ▶ ECB is planning a review of the models used by 68 banks
- ▶ Aim is to reduce inconsistencies and unwarranted variability
- ▶ TRIM will have an impact on capital needs for individual banks



E. Macro-prudential policies

- ▶ Macro-prudential policies are shared competences among the NCAs and ECB
- ▶ But, responsibilities are asymmetric

	ECB	NCAs (NBB)
Scope	Banking sector	All financial institutions
Stance	Only more stringent requirements	Symmetric
Instruments	EU law	EU law + domestic law

- ▶ The objective is to avoid inaction bias by national authorities while providing instruments to NCAs as financial cycles are not yet fully synchronised and the financial costs of financial instability still remain at the national level in absence of a full banking and fiscal union
- ▶ Requires close interaction between ECB & NCA's



F. Conclusion

- ▶ The banking union is a major step in the EMU construction
- ▶ The SSM is a key pillar in the banking union by strengthening the quality of supervision and contributing to stronger financial integration and risk-sharing within the euro's monetary union.
- ▶ Reaping the full benefits of this process will however also require that financial stability is maintained through intrusive and risk-based supervision, in both the micro-prudential and macro-prudential dimensions of the national and European supervision architectures.

