

## Banking

### EP and Council agree on single supervision of banks

By Manon Malhère | Tuesday 19 March 2013

After less than three months, representatives of the European Parliament and the Irish Presidency, negotiating for the Council, agreed in three-way talks, on 19 March, to give the European Central Bank (ECB) the key role in supervising European banks. This political agreement, which more broadly concerns the package setting up a single supervisory mechanism (SSM) for credit institutions in the 17 eurozone states, will now have to be formally approved by MEPs and the 27.

The package includes: a draft regulation giving the ECB supervisory powers, which requires unanimity of the 27 after consultation of the EP, and a proposal amending the regulation that establishes the European Banking Authority (EBA), subject to co-decision. The SSM will apply to the 17 but will be open to non-eurozone states.

Overall, the EP succeeded in introducing measures to reinforce the ECB's accountability in its capacity as banking supervisor. "Democratic accountability was very important in the final hours of negotiations," said the rapporteur for the ECB text, Marianne Thyssen (EPP, Belgium).

Predictably, though, the Council went to great pains to make sure that the heart of the political compromise sealed after a long night of negotiations, at the Ecofin Council on 13 December 2012, was not touched (see *Europolitics*4549).

In practical terms, the EP secured a binding role in the process for appointing the president and vice-president of the future supervisory board in the ECB (approval). In another advance on democratic accountability, the EP and ECB will have to reach an "interinstitutional arrangement," an agreement to organise the ECB's accountability to the EP. MEPs will have a right of access to documents, for example.

On the other hand, on the participation of non-eurozone member states in the SSM, a very touchy question, the compromise makes almost no changes to the compromise reached by the 27, *Europolitics*learned.

Under this compromise, the decisions of the ECB's future supervisory board will be adopted unless the Governing Council challenges them (the ECB Governing Council alone is entitled to adopt formal decisions). If a non-eurozone state participating in the SSM disagrees with the Governing Council's objection, it can ask the ECB to end its participation in the mechanism. The state will not be allowed to rejoin the mechanism for three years.

This right to withdraw from the SSM was problematic for the EP. Some MEPs fear that it may call into question the inclusive nature and attractiveness of the SSM. The parties agreed on the following measure: the state deciding to pull out of the SSM will have to justify its decision. A revision clause is also provided.

## EBA

“The EBA has been empowered to exercise different rights,” commented Sven Giegold (Greens-EFA, Germany), rapporteur on the revision of the EBA regulation. It was not, however an easy task, in view of the Council’s reservations. For instance, the authority will have better capacity to collect information on banks. It will also have to consider every year the opportunity to carry out stress tests on banks.

However, as for the voting procedure within the authority, the Council - which refused to budge on it - won its case. To recall, the Commission has proposed applying a new voting procedure within the authority in order to protect the interests of the 27 member states.

The EP and the Council have proposed amendments to the Commission’s proposal. The two institutions have each proposed special voting procedures, which will no longer apply (EP position) - or which will be revised (Council position) - if there comes a time when only a small number of states outside the eurozone (four) are not participating in the SSM, in order to prevent a situation where one of them does not have the right of veto. Member states will discuss the method of revising these special rules. The compromise provides for a review clause. But the EP succeeded in preventing the introduction of a general consensus principle for all decisions of the EBA as proposed by the Council, *Europolitics* understands.