



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

# Banking Union in 2017:

How the world's biggest banking sector (outside China) is supervised

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# Subsidiarity

- This principle underpins European banking supervision
- Formation of banking union reflects subsidiarity. European perspective provides:
  - The correct scope to consider full implications
  - An unbiased and impartial approach
  - A good basis for financial integration – to support good competitive outcomes
- NCAs retain a critical role
  - Involved in SI supervision - SIs
  - LSI supervision
  - Participation in all decision making
- We aim for “seamless cooperation”

# Proportionality

- Our legal framework already places great emphasis on this:
  - CRR – Recital 46
  - CRD – Recital 66 & 92
  - SSMR – Article 1 and Recital 17
- This principle is therefore already ingrained in SSM processes:
  - Minimum Engagement Level (MEL)
  - Extra supervisory intensity on top of MEL – depending on size, risk, complexity
  - Proportionality – reflected in plans for e.g. OSIs and IMIs
- How to improve further?
  - Let's not compromise on safety – do not forget the lessons of the past
  - Proportionality on reporting, rather than standards
  - Take care in identifying “safe” banks – reflect multiple dimensions of bank risk

- **Subsidiarity**
- **Proportionality**

Are key elements in supervising the world's biggest banking industry outside China



Let's use this inspiration in the rest of our discussions!