

Impact of Supervisory Reform: Cooperation between centre and nationals?

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Agenda

1. Banking Union: The idea + unfinished business

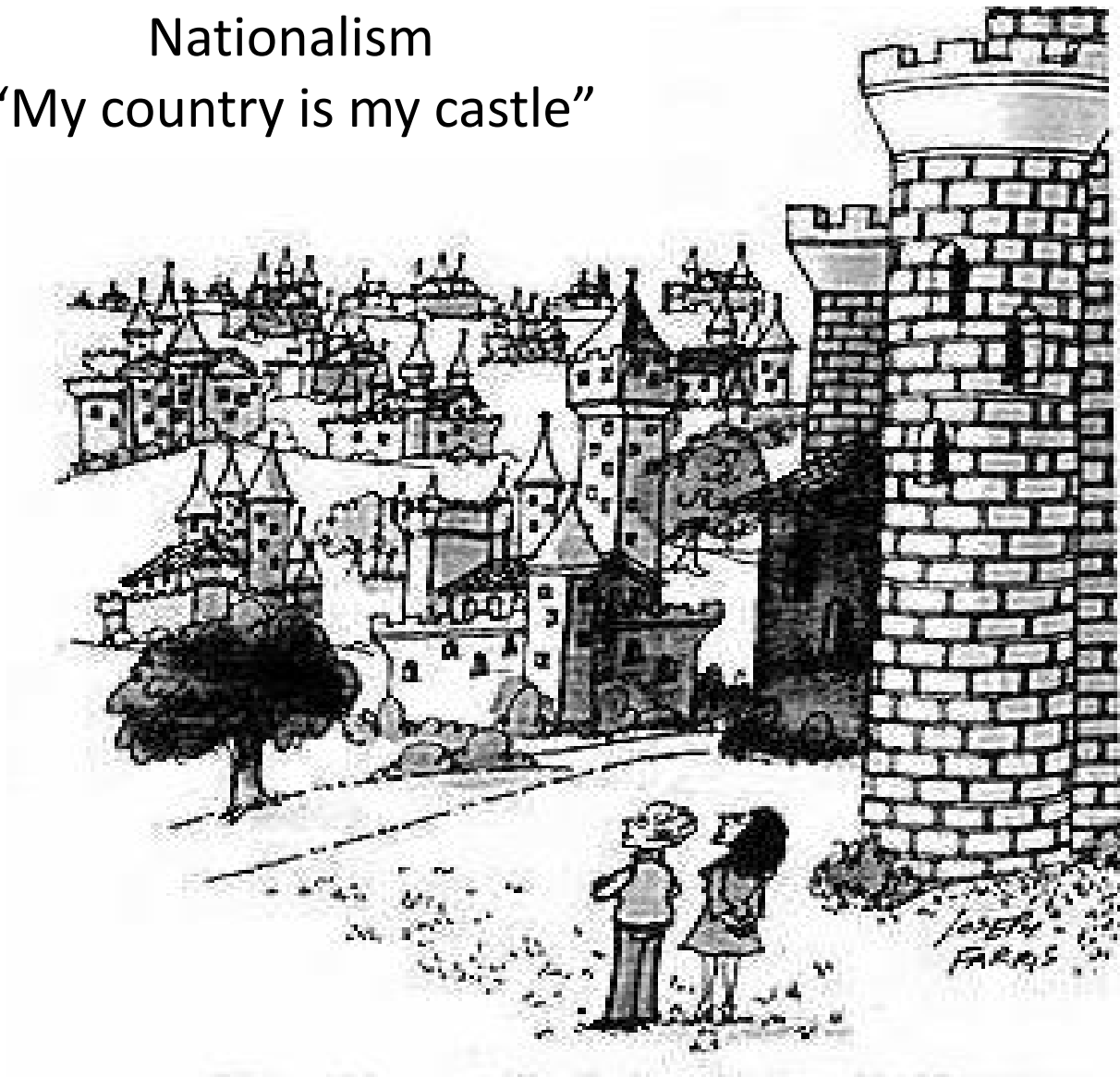
2. SSM: Supervision in practice

- Joint Supervisory Teams
- Consolidated approach vs ring fencing

3. SRM: Resolution – just started

- Start with group resolution plans
- Need for single entities?

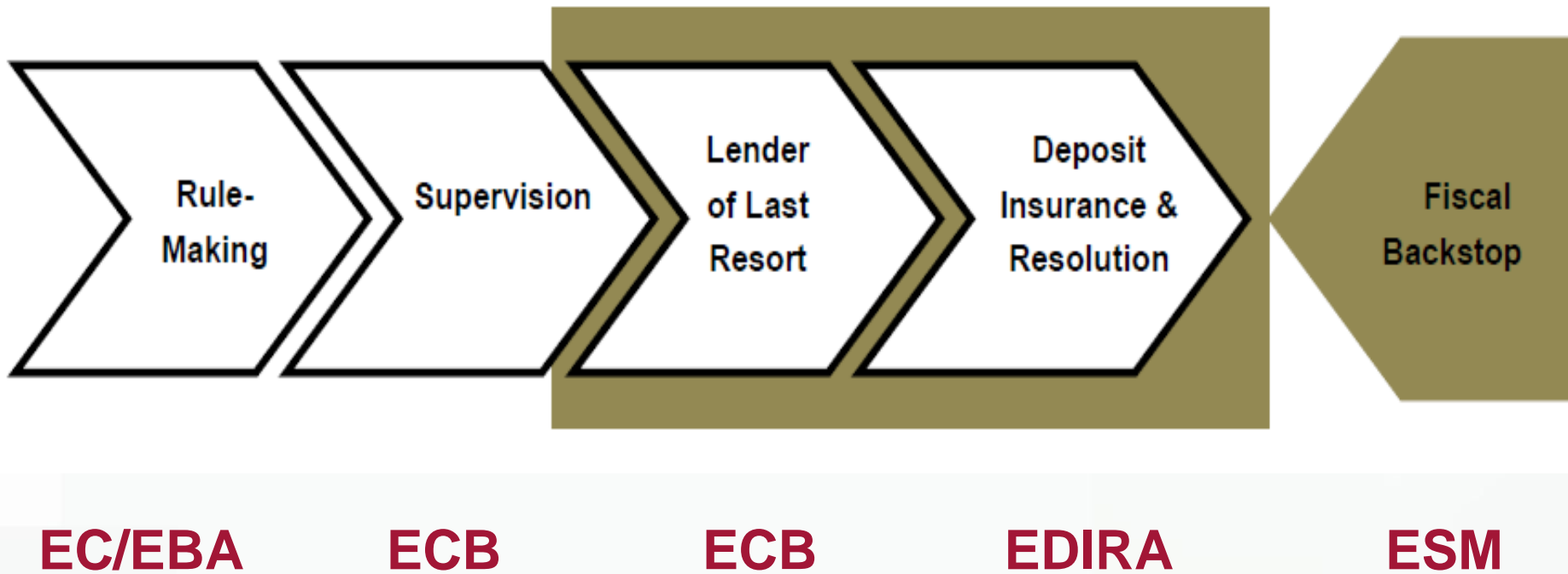
Nationalism
“My country is my castle”



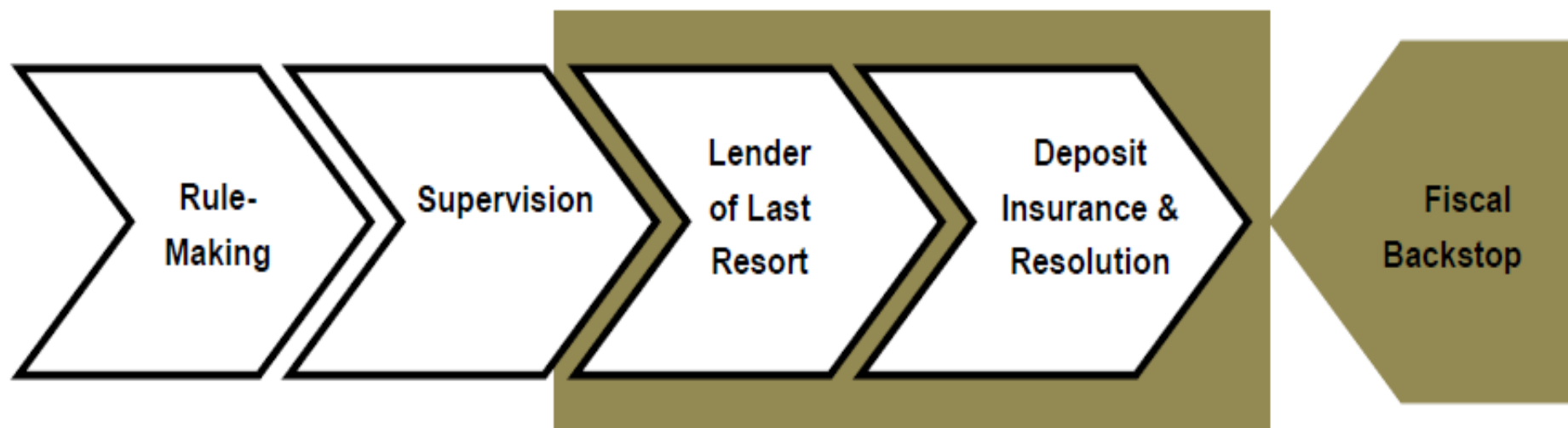
Why Banking Union?

- 1. Diabolic loop: solvency of banks and nation states intertwined**
- 2. Resolution (rescues and liquidations) of banks to Euro area level**
 - Risk sharing
- 3. Then also supervision (ex ante) to Euro area level**
 - Risk reduction

The Idea – An integrated framework



But some unfinished business



EC/EBA

ECB

ECB

EDIRA

ESM

**largely
done**

done

still NCBs

**SRB
No EDIS yet**

**direct
recap?**

Supervision in practice

▪ **Joint supervisory teams**

- Headed by non-national
- Cooperation ECB and national supervisors
- Made a good start

▪ **Experience so far: ups and downs**

- ↑ Spreading of best practices
- ↑ More business like: less capture
- ↓ Transition: ECB, national supervisors and banks have to get to know each other + to understand what to expect
- ↓ Huge data requests, but ECB will not be able to process all data it receives

Consolidation vs ring fencing

■ Consolidated approach

- The group as a whole is relevant (banking groups fail)
- Consolidated supervision looking at overall health
- All depositors treated equally
- Assumes trust between centre and nationals within SSM

■ Ring fencing

- Still evidence of ring fencing measures (local liquidity and capital controls + intragroup limits)
- National supervision of single entities
- Assumes that a single entity can fail, but not the group?

Resolution

- **SRB starts with group resolution plans**
 - Good idea, that is the most relevant resolution plan

- **Need for single entity resolution plans?**
 - Yes, if banking group is run as a string of stand-alone subs
 - No, if group is run as an integrated bank
 - Can we strike a deal - only group resolution plan?
 - Banking group ensures equal treatment across Banking Union
 - It would save a lot of work for supervisors at SSM, resolution people at SRB and regulatory units at banks (and save fees for consultants)
 - And reinforce free cross-border flows: Single Market in Banking!

Thank you!

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