

TERMS OF REFERENCE

for possible communication on resources used for supervisory tasks in the SSM

With the establishment of the Single Supervisory Mechanism (SSM) in November 2014 the banking supervisory landscape in the countries participating in the SSM changed considerably, mainly because of the creation of a banking supervisory function at the ECB. Aiming to take stock of the development between 2013 (pre-SSM) and 2015, the Governing Council has established an Ad hoc Forum on Supervisory Fees (FSFee) with the mandate to conduct a comprehensive assessment of resources used for banking supervisory tasks in the Member States participating in the SSM. The findings of the FSFee are explained below. It is strongly recommended to use the data presented cautiously due to the fact that the different sizes and structure of the financial systems in the SSM countries as well as the complexity of different business models were not taken into account. Comparisons between the two years need to be interpreted prudently. In particular 2015 data depict a transition phase in the establishment of the SSM where an unprecedented set-up of a new function and newly established processes were implemented for the first time. The data should not be used for benchmarking purposes.

Changes in the banking supervisory environment

Organisational set-up at national level unchanged: the SSM commenced as a key pillar of the European banking union in November 2014. After the establishment of the SSM, the institutional allocation of supervisory tasks within the countries has not changed as shown in the table below:

| Countries with ... | ... NCA being part of the NCB. | | ... NCB and NCA sharing supervisory tasks. | | ...NCA solely performing supervisory tasks. | |
|--------------------|---|-----------|--|----------|---|----------|
| | 2013 | 2015 | 2013 | 2015 | 2013 | 2015 |
| Total | 12 | 12 | 3 | 3 | 4 | 4 |
| Countries | BE, CY, ES, FR, GR, IE, IT, LT, NL, PT, SK, SI | | AT, DE, LU, | | EE, FI, LV, MT | |

Additional tasks not significantly impacted: in most of the countries the supervisory authorities perform additional non-SSM-related tasks. The allocation of these tasks has not been substantially impacted by the establishment of the SSM. As these tasks are not considered strictly banking supervisory tasks, neither full time equivalents (FTE) nor costs were collected for them. For that reason, the table below only provides a high-level overview on the task allocation.

| Table 2: Additional tasks performed by supervisory authorities | | | | | | |
|---|---|-----------|---|-----------|---|-----------|
| Countries with NCBs/NCAs... | ... performing tasks falling under EIOPA scope. | | ... performing tasks falling under ESMA scope. | | ... performing tasks on other non-SSM institutions (besides EIOPA and ESMA) | |
| Year | 2013 | 2015 | 2013 | 2015 | 2013 | 2015 |
| Total | 14 | 13 | 13 | 12 | 19 | 19 |
| Countries | AT, DE, EE (only 2013), FI, FR, GR, IE, LT, LU, LV, MT, NL, PT, SK | | AT, DE, EE (only 2013), FI, IE, IT, LT, LU, LV, MT, NL, PT, SK | | all countries | |
| Countries with NCBs/NCAs... | ... performing tasks related to consumer affairs. | | ... performing tasks related to financial education. | | ... performing tasks related to anti-money laundering. | |
| Year | 2013 | 2015 | 2013 | 2015 | 2013 | 2015 |
| Total | 17 | 17 | 11 | 12 | 18 | 18 |
| Countries | all countries except BE, NL | | AT, DE, EE, ES, FI, IT, LT, LU, LV, MT, PT, SK (only 2015) | | all countries except ES (cooperation tasks) | |

NRA responsibilities of supervisory authorities increased: regarding the second pillar of the banking union, namely the Single Resolution Mechanism (SRM), the roles of some of the National Competent Authorities (NCAs) and National Central Banks (NCBs) has been amended by adding the responsibility as the National Resolution Authority (NRA). The table below shows the related changes:

| Table 3: NRA responsibilities performed by supervisory authorities | | | | | |
|---|---|-----------|---|--|-------------------|
| Countries with NCA or NCB... | ... performing the role of the NRA | | ... not performing the role of the NRA | | |
| Year | 2013 | 2015 | 2013 | 2015 | |
| Total | 11 | 16 | 8 | 3 | |
| Countries | CY, EE, ES, FR, GR, IT, LV, MT, NL, PT, SI | | all countries except DE, FI, SK | AT, BE, DE, FI, IE, LT, LU,, SK | DE, FI, SK |

Number of supervised entities decreased: Between 2013 and 2015 the number of significant institutions (SIs) at highest level of consolidation did not change as all entities considered significant in 2015 existed already in 2013 and were considered significant by the FSFee also for 2013. The number of SIs at the level of individual entities however declined from 2013 to 2015. For less significant institutions (LSIs), the numbers at the highest level of consolidation and at individual level showed a decrease between 2013 and 2015.

| Table 4: Number of supervised entities | | | | |
|---|---|------------|--|--------------|
| Number of... | ... SIs at highest level of consolidation | | ... LSIs at highest level of consolidation | |
| Year | 2013 | 2015 | 2013 | 2015 |
| Total | 125 | 125 | 3,361 | 3,318 |
| Δ 2013 to 2015 | 0.0% | | -1.3% | |
| AT | 8 | 8 | 557 | 537 |
| BE | 7 | 7 | 21 | 23 |
| CY | 4 | 4 | 8 | 8 |
| DE | 20 | 22 | 1,641 | 1,639 |
| EE | 2 | 2 | 10 | 10 |
| ES | 15 | 14 | 70 | 71 |
| FI | 3 | 3 | 59 | 62 |
| FR | 10 | 10 | 116 | 116 |
| GR | 4 | 4 | 16 | 18 |
| IE | 11 | 9 | 32 | 27 |
| IT | 13 | 14 | 535 | 514 |
| LT | 3 | 3 | 5 | 10 |
| LU | 5 | 5 | 58 | 57 |
| LV | 3 | 3 | 16 | 19 |
| MT | 3 | 3 | 21 | 17 |
| NL | 7 | 7 | 51 | 46 |
| PT | 4 | 4 | 124 | 124 |
| SI | 3 | 3 | 10 | 9 |
| SK | 0 | 0 | 11 | 11 |

Resources used for banking supervision in the SSM

Overall development: Following the intention of the European legislator to improve and intensify banking supervision in the SSM area, the conduct of supervisory tasks was rearranged. This led to a significant increase in the resources employed for banking supervision. This increase in resources is mainly related to the new supervisory function at the ECB. However, a part of the increase is also stemming from the SSM countries which overall increased their resources to take care of many new tasks including coordination activities with the ECB and for the reinforcement of their contributions to the joint supervisory teams.

Supervision of SIs and LSIs: When analysing individual functions of banking supervisory tasks, it can be observed that in absolute terms the supervision of SIs is by far the main driver of the increase, both in terms of FTEs¹ and costs². This development is nearly entirely attributable to the SSM function at the ECB. In contrast to this development, the supervision of LSIs consumes slightly less FTEs in 2015 compared to 2013 while the costs of this function slightly increased. The supervision of SIs and LSIs count for roughly two thirds of the overall resources (FTEs and costs) used for banking supervision (for other activities see the following paragraphs). Compared to 2013, the ratio was slightly reduced.

Horizontal functions: With the establishment of the SSM, more emphasis was put on the horizontal functions, like contribution to policies, advisory and regulatory functions, resulting in a considerable

¹ FTE refers to direct FTEs

² Costs refer to total costs

absolute increase in FTEs and costs. This development is nearly entirely attributable to the ECB. Horizontal functions count for roughly 16% of the overall FTEs and 19% of the overall costs.

Crisis management: Between 2013 and 2015 the resources allocated to crisis management showed large increases in relative terms, with nearly half of the increase taking place at the ECB. Relative to the other resources used for banking supervision this function is very small (below 2%).

Macroprudential Tasks: For 2013 no data on this task were collected by the FSFee. In 2015, the shares in the overall resources amount to roughly 3% for FTE and 3% for total costs of the total resources used for banking supervision.

Statistical functions: Statistics are an important basis for conducting sound banking supervision and the related resources have therefore been collected by the FSFee. The results show that both FTEs and costs for statistical functions have increased since the establishment of the SSM. While FTEs show an increase of roughly one fifth, costs have grown more significantly by nearly 50% with most of the increases being attributable to the SSM function at the ECB.

Other enabling functions: banking supervision is supported by a number of shared services (like human resources or administrative services). While the costs of these functions have been allocated to the costs of the functions explained above, the FSFee has collected the FTEs used for shared services that are closely working for banking supervision (secretariat services to decision making bodies, language services and legal services). It can be observed that the related FTEs have significantly increased since 2013 both in absolute and relative terms in view of the additional needs for the coordination within the SSM. While a large part can be allocated to the ECB's SSM function, a considerable part is also related to the SSM countries. The related functions count for roughly 6% of the overall FTEs used for banking supervisory tasks.

Cost recovery and fees for banking supervisory tasks: In accordance with the SSM Regulation the ECB recovers all costs incurred by it for its supervisory tasks. At the national level, cost recovery arrangements across the Member States participating in the SSM vary considerably depending on the national legal framework. In total, around two thirds of national costs are not recovered. This represents almost half of the costs for banking supervision in 2015 when including the cost of the ECB. The amounts not recovered are attributable to NCBs with either sole or shared competence for banking supervisory tasks. All NCAs that are not an NCB fully recover their costs, with the vast majority levied on the banking sector. By contrast, only five NCBs with competence for banking supervision report 100% financing of banking supervisory tasks from the banking sector.

Overview tables

More details on the resources used for banking supervision in the SSM area can be found in the two tables below.

| Table 5: Human resources used for banking supervision in the SSM (in Full Time Equivalents - FTE) | | | | | | | | | | |
|---|-------|-------|----------------|------|----------------|-------|-----------|-----|---------------|-----|
| | FTE | | Share in total | | Δ 2013 to 2015 | | ECB share | | NCA/NCB share | |
| | 2013 | 2015 | 2013 | 2015 | | | 2015 | | 2015 | |
| | FTE | | % | | FTE | % | FTE | % | FTE | % |
| Total | 4,417 | 5,633 | 100% | 100% | +1,216 | +28% | 908 | 16% | 4,726 | 84% |
| Supervision of SIs and LSIs | 3,163 | 3,714 | 72% | 66% | +551 | +17% | 491 | 13% | 3,223 | 87% |
| thereof: Supervision of the SIs | 1,532 | 2,115 | 35% | 38% | +583 | +38% | 421 | 20% | 1,694 | 80% |
| thereof: Supervision of the LSIs | 1,631 | 1,599 | 37% | 28% | -32 | -2% | 70 | 4% | 1,529 | 96% |
| Horizontal functions | 701 | 922 | 16% | 16% | +221 | +32% | 181 | 20% | 741 | 80% |
| Crisis management | 47 | 82 | 1% | 1% | +35 | +74% | 16 | 19% | 66 | 81% |
| Macroprudential tasks | - | 150 | 0% | 3% | +150 | n/a | 27 | 18% | 123 | 82% |
| Statistical functions | 340 | 405 | 8% | 7% | +66 | +19% | 57 | 14% | 349 | 86% |
| Other functions | 166 | 360 | 4% | 6% | +194 | +117% | 136 | 38% | 224 | 62% |

| Table 6: Total Costs used for banking supervision in the SSM (in million Euro) | | | | | | | | | | |
|--|--------------|-------|----------------|------|----------------|-------|--------------|-----|---------------|-----|
| | costs | | Share in total | | Δ 2013 to 2015 | | ECB share | | NCA/NCB share | |
| | 2013 | 2015 | 2013 | 2015 | | | 2015 | | 2015 | |
| | million Euro | | % | | million Euro | % | million Euro | % | million Euro | % |
| Total | 830 | 1,155 | 100% | 100% | +325 | +39% | 277 | 24% | 878 | 76% |
| Supervision of SIs and LSIs | 619 | 780 | 75% | 67% | +161 | +26% | 157 | 20% | 623 | 80% |
| thereof: Supervision of the SIs | 306 | 461 | 37% | 40% | +155 | +51% | 139 | 30% | 322 | 70% |
| thereof: Supervision of the LSIs | 313 | 319 | 38% | 28% | +6 | +2% | 18 | 6% | 301 | 94% |
| Horizontal functions | 139 | 225 | 17% | 19% | +86 | +62% | 77 | 34% | 148 | 66% |
| Crisis management | 7 | 17 | 1% | 1% | +10 | +155% | 5 | 27% | 12 | 73% |
| Macroprudential tasks | - | 35 | 0% | 3% | +35 | n/a | 11 | 32% | 24 | 68% |
| Statistical functions | 66 | 99 | 8% | 9% | +34 | +51% | 28 | 28% | 72 | 72% |