

PRESS RELEASE

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ECB harmonises supervisory rules for less significant institutions

- ECB moves another step forward with the harmonisation of options and national discretions also for less significant institutions.
- Proportionality is taken into account for smaller banks
- Final ECB guideline and recommendation now published following a public consultation

The European Central Bank (ECB) today published a guideline and a recommendation addressed to national competent authorities (NCAs) concerning the exercise of options and national discretions (O&Ds) available in European Union law. This affects banks which are directly supervised by NCAs (i.e. less significant institutions or LSIs).

Both documents, which were subject to a public consultation, are intended to further harmonise the way banks are supervised by NCAs in the 19 countries to which the Single Supervisory Mechanism (SSM) applies. The aim is to ensure a level playing field and the smooth functioning of the euro area banking system as a whole. Proportionality was fully taken into account when considering the exercise of the options in the context of the supervision of LSIs.

This effort regarding LSIs follows the ECB's harmonisation of the exercise of O&Ds in the supervision of significant institutions (SIs) under its direct responsibility. The current regulatory framework includes a number of O&Ds, many of which are reserved for competent authorities. Some of these should be applied in a general manner to all banks while others should be applied following a case-by-case assessment of the specific situation and characteristics of individual banks. Inconsistent application of these O&Ds in the euro area could potentially impact the overall robustness of the supervisory framework and the comparability of prudential requirements across banks.

In the two documents, many O&Ds are applied in the same way for LSIs as for SIs. Seven such options covered by the guideline are of a general nature, and 43 options covered by the recommendation are to be assessed on a case-by-case basis but following a common approach. For eight of the options covered by the recommendation, a specific simplified approach for LSIs is deemed to be warranted in order to reduce the burden on smaller banks.



In addition to increasing the safety and soundness of the banking system under the SSM, another aim of European banking supervision is to ensure a level playing field between banks in the euro area. Without this harmonisation undertaken by the ECB, it would be difficult for market participants and the general public to assess the soundness and regulatory compliance of credit institutions.

A feedback statement which outlines how the comments in the consultation were taking into account was also published today on the ECB Banking Supervision website.

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