

Banca d'Italia

**The SSM After The Start-Up:  
Achievements And Challenges**

**5th Banca d'Italia Training Workshop for supervisors**

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Good afternoon everyone.

This is the 5<sup>th</sup> year that this workshop has taken place, serving as an important training initiative offered by Banca d'Italia for our supervisors. Each year, the workshop has addressed a number of topics, such as the organizational set-up of the SSM, the functioning of JSTs and on-site teams, comparative analyses on banking risks, as well as the direct experience of our colleagues. Since the 'start-up' phase of the SSM has somewhat come to a close, this year we wanted to organize something special. We invited speakers who are experts in their field to address a variety of highly relevant topics, and we've had an impressive turnout in terms of attendance. From the preliminary feedback I've received, these interventions have enriched our point of view and made us feel part of a truly global community.

Before turning to supervisory issues, let me highlight a point which is of utmost importance to me. The SSM is now an important part of our community. Banca d'Italia is strongly committed to its development, not least by contributing to its staffing with our personnel. Working internationally provides an excellent training opportunity to all of us, from junior to senior staff members, and it has been an important driver for change, prompting us to review our policies and our organizational structure. At the same time, I am confident we have enriched the SSM by sharing our experience and expertise in several areas. Events like this one can certainly contribute to enhancing our commitment, motivation and expectations.

Going back to the title of the workshop "Achievements and challenges", my impression is that our achievements so far have been remarkable. From the operational set-up of the SSM, to the way supervisors from every NCA work together in close collaboration, to the functioning of the Supervisory Board, we have made

significant progress. Nevertheless, the challenges we are facing are all but negligible. From an operational point of view, we must simplify the framework, increase the involvement of all stakeholders, and fine-tune the procedures and methodologies. From a strategic point of view, there is certainly room for improvement. We must continue to level the playing field, increase the interaction between micro and macro prudential supervision, and enhance the common SSM culture.

I'd like to add something about these issues. In supervision, the importance of the arm's length is undisputable, but excessive distance between supervisors and intermediaries, decision makers and countries involved, could increase the risk of unleveling the playing field. Shaping the banking market is not the business of supervision, but supervisors must try to avoid creating wrong incentives, for instance in the process of NPL disposal or banking consolidation. Mutual trust between the ECB and the NCAs is definitely a key factor in enhancing the common SSM culture. I would underline that the full involvement of the senior and middle management of the NCAs is fundamental as well.

The success of the SSM relies not only on resolving these important issues but also on fixing the regulatory framework on crisis management, as we discussed during this workshop. At the same time, it is important to complete the institutional framework within which the SSM operates, an institutional framework characterized by complex interactions between numerous institutions and authorities with different powers and responsibilities. This institutional complexity, further complicated by the fact that the anti-money-laundering, fairness and transparency checks of intermediaries still fall within the remit of the national authorities, creates coordination and cooperation problems among the authorities involved. In light of proportionality and subsidiarity principles, the overlap between the tasks carried out by each component of the current supervisory structure must be limited. A clearer division of the roles and responsibilities of each component and, in particular, a better

exploitation and a reasoned expansion in the role of the national authorities would help to minimize the overlap. Doing so would increase the efficacy and timeliness of supervisory activities and avoid the imposition of duplicative and additional burdens on supervised entities.

Coming back to the content of the workshop, we touched upon a number of key issues, such as:

- where we are going as a member of the Supervisory Board;
- what areas we can improve upon from an ECB standpoint;
- how the SSM is seen by important external stakeholders like the IMF,
- the main regulatory challenges facing EU banks.

The general impression I got from the discussions that we had on these topics is that the start-up phase is coming to an end and that a second phase is about to begin, a phase where both supervisors and banks may face a number of risks that are different, but not necessarily lower, than those experienced in the aftermath of the financial crisis; risks such as the uncertainty of the external environment, IT challenges, competition from non-banks, and the viability of ‘traditional’ banking. No less demanding will be handling the trade-off between controlling new risks and addressing innovation.

We will continue to work hard in order to address these risks and, most importantly, to make sure our people have the right skills and attitude to tackle any future challenges. In conclusion, I believe today’s workshop has greatly contributed to raising our awareness of the main problems that we are facing and has helped to stimulate new thoughts and ideas. Let me thank you again, together with the organizers of this workshop, for having participated. I hope this is one of many occasions for us to come together and share our experiences and best practices.