

Prudential supervision of credit institutions: conferring specific tasks on the European Central Bank (ECB)

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The Council held a policy debate on proposals aimed at establishing a single supervisory mechanism (SSM) for the oversight of credit institutions, as part of a broader plan to establish a banking union.

The proposals involve two regulations:

- one conferring supervisory tasks on the European Central Bank,
- the other [modifying Regulation 1093/2010 establishing the European Banking Authority](#). The draft EBA amending regulation is based on article 114 of the TFEU, which requires a qualified majority for adoption by the Council, in agreement with the Parliament.

In its conclusions of 18 and 19 October 2012, the European Council set 1 January 2013 as the deadline for agreeing on the legal framework set out in the two regulations, while indicating that work on operational implementation would take place during 2013. The European Council emphasised the need to:

- ensure a clear separation between ECB monetary policy and supervision functions, and the equitable treatment and representation of both euro and non-euro area Member States participating in the SSM;
- establish a single rulebook underpinning the centralised supervision;
- ensure a level playing field between those Member States which take part in the SSM and those which do not and to find an acceptable and balanced solution regarding changes to voting modalities and decisions under the European Banking Authority (EBA) Regulation;
- adopt rapidly the provisions relating to the harmonisation of national resolution and deposit guarantee frameworks based on the Commission's legislative proposals on bank recovery and resolution and on national deposit guarantee schemes;
- ensure a fair balance between home and host countries.

Lastly, the Council agreed to hold an extra meeting on a date yet to be set before the European Council on 13 and 14 December 2012 in order to reach an agreement that would enable negotiations with the European Parliament to start with the aim of approving the texts before the end of the year.