

The rise of national policy-making accountability to the EU level: the supervision of less significant banks in the Single Supervisory Mechanism

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Abstract

On 4 November 2014, the European Central Bank (ECB) assumed ultimate responsibility for the supervision of euro area headquartered banks. Together with national bank supervisors ('NCAs'), the ECB forms the Single Supervisory Mechanism (SSM) – a new vehicle for carrying out supervisory tasks in Banking Union (BU). The banking supervision in the SSM is principally a shared competence: the ECB supervises significant institutions (SIs) whereas NCAs the prevailing rest of them (less significant institutions, LSIs) but under the ECB oversight. When carrying out supervisory competences, the ECB and NCAs apply the 'Single Rulebook' which consists of a body of strengthened rules on prudential supervision defined at the EU level.

This paper explores in-depth the EU-level accountability arrangements underpinning the exercise of national supervisory competence within the SSM. By using tools offered by the Principal-Agent framework, we explore the NCA accountability for LSI supervision to selected majoritarian (political accountability) and non-majoritarian (technocratic accountability) principals. We draw an accountability chain of relations between the NCAs, the ECB and the European Parliament/Council. The NCAs are accountable for LSI supervision to the ECB, which in turn is accountable for its oversight over LSI supervision to the EU political government.

I claim that the national supervisors are indirectly politically and directly technocratically accountable to the EU level. In doing so, we identify a number traditional of the *ex-ante* (administrative procedures) and *ex-post* institutional arrangements (known as the 'police-patrols' and 'fire-alarms') governing LSI national supervision. Such a framework constitutes an improvement in comparison to the pre-crisis supervisory regime, in particular the newly introduced technocratic accountability can be seen as a real 'game-changer' in the European governance in banking supervision. The paper concludes by discussing important challenges which this new accountability framework may face.

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Introduction

On 4 November 2014, the European Central Bank (ECB) assumed responsibility for the supervision of euro area headquartered banks. Together with national bank supervisors (so-called 'National Competent Authorities' or 'NCAs'), the ECB forms the Single Supervisory Mechanism (SSM) – a new vehicle for carrying out supervisory tasks in Banking Union (BU). It was designed to address the problem of national supervisors disregarding cross-border externalities resulting from increasingly integrated European banking markets (Schüler 2003) which contributed to the EU financial crisis.

According to the division of responsibilities established in the SSM Regulation ([SSMR](#)), credit institutions designated as 'significant' ones (SIs) are directly supervised by the ECB whereas the rest of credit institutions, known as 'less significant' ones (LSIs), remain in the direct scope of 19 NCAs of the SSM Participating Member States.¹ It follows that banking supervision in SSM is principally shared between the EU and national level. When carrying out supervisory competences, the ECB and NCAs apply the 'Single Rulebook' which consists of a body of strengthened rules on prudential supervision defined at the EU level. The ECB holds however the sole and ultimate responsibility (and responsiveness) for the overall functioning of the SSM (Art. 6(1) SSMR) which covers both its conduct of the SI supervision and the LSI supervision by carried out NCAs.

This paper focuses on the **EU-level accountability arrangements** underpinning the exercise of (remaining) national competence within the SSM. The NCA remain responsible for day-to-day supervision of overwhelming number of SSM-headquartered banks representing approximately 18% of total bank assets in the euro area ([ECB 2016AR](#)). Although small in absolute terms, the LSI sector is nevertheless significant for the stability of the banking system, given close interconnectedness of many less significant institutions such as savings and cooperative banks with large, systemically relevant banks through institutional protection schemes ([Lautenschläger 2016](#)). Furthermore, it is of particular importance to Austria and Germany where it amounts to 80% of annual economic output (*ibid.*)

Importantly, the so-called 'Single Rulebook' for banking services has equipped competent supervisory authorities with strengthened powers vis-à-vis supervised entities. The principle of good governance assumes that power cannot be divorced from responsibility (Young 1989). Therefore, (more) responsibility should be commensurate with the (larger) extent of the power possessed (Turpin 1994). Given the paper's focus on banking supervision in the cross-border aspect, it does not discuss existing accountability arrangements at the national level which remain applicable in the SSM context (Art. 21 (4) SSMR).

I model accountability arrangements for LSI supervision as a chain of Principal-Agent (PA) relationships (Strøm 2000). In the SSM framework, the EU political government (the European Parliament and the Council) which are the primary principals delegated prudential supervisory tasks to the ECB and NCAs (Art. 4 in conjunction with Art. 6(4) SSMR) and entrusted the ECB with the competence to call the NCAs to account for the LSI supervision ('supervisor of

¹ With regard to LSIs, the ECB is however responsible for tasks defined in points (a) and (c) of Art. 4 SSMR ('Common Procedures'). The NCAs carry out remaining supervisory tasks listed in this article under the ECB's oversight.

supervisors') (Art. 6 (5c) SSMR). As a result, an accountability chain between NCA, the ECB and the EU political government has emerged. The NCAs are accountable for LSI supervision to the ECB, which in turn is accountable for its oversight over LSI supervision to the EU political government.

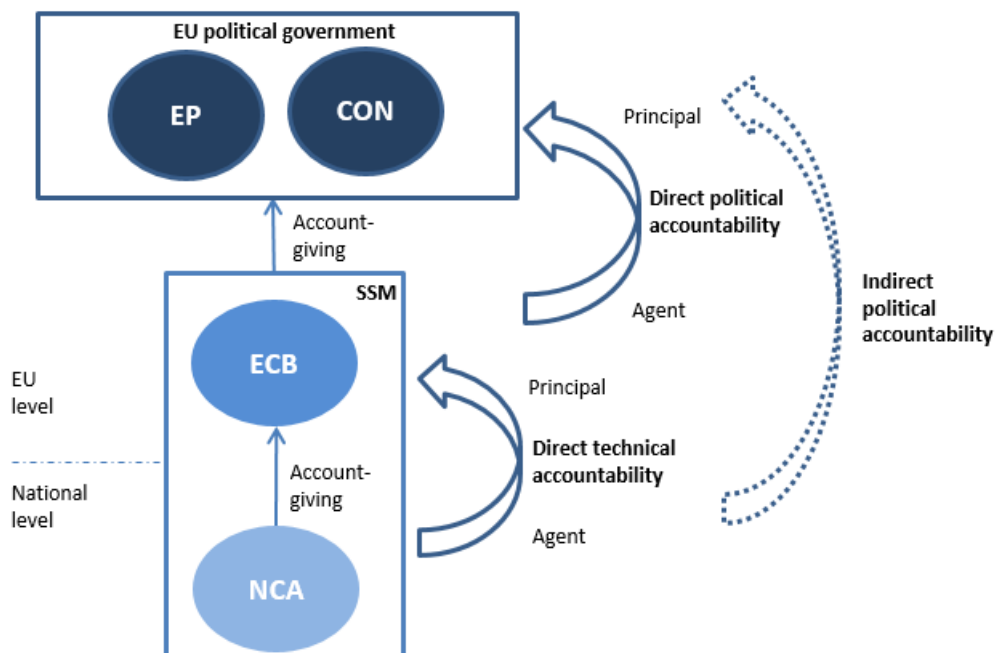


Figure 1: Accountability arrangements for LSI supervision viewed through PA lens

We identify a number traditional of *ex-ante* (ex. appointment procedures) and *ex-post* (ex. reporting requirements and parliamentary hearings) institutional mechanisms building the ECB political accountability vis-à-vis the EU political government which are also applicable to its oversight competence over national supervisory policy-making in the SSM. These arrangements result in **indirect national political accountability** to the EU level for supervisory policy-making. I conceive it as a noteworthy improvement in comparison to the pre-crisis supervisory regime.

More importantly however, at the national level the SSM has introduced a fairly new type of supervisory accountability which I offer to label as 'technocratic' (i.e., a mixture of traditionally distinguished administrative and professional accountability). This type of accountability is executed by the ECB vis-à-vis NCAs in the framework of its function of the 'supervisor of supervisors' via a range of the tailor-made *ex-ante* (ex. materiality notification, common procedures management), *ex-post* (ex. regular reporting, information requests, 'take-over' possibility) and 'ongoing control' (ex. country desks) mechanisms. It establishes **direct national technocratic accountability** to the EU level and constitutes a real 'game-changer' in the way that cross-border supervisory externalities are monitored and managed in comparison to pre-crisis times.

This paper is structured as follows. The first section introduces the notion of accountability in EU financial supervision in the context of Principal-Agent theory. The second section briefly

discusses the development of the ‘Single Rulebook’ which constitutes the regulatory backbone for prudential supervision in the SSM. The third and fourth section takes the Principal-Agent perspective on the ex-ante and ex-post mechanisms governing political and technocratic accountability for the LSI supervision in the SSM.

Accountability and financial supervision

The existence of independent regulatory/supervisory agencies (IRAs), such as national bank supervisors (NCAs) or European agencies, with delegated competences to apply rules and policies to supervised entities, has long been justified by the argument that complex regulatory oversight are best governed by technocratic authorities insulated from short-term political influence (Vibert 2007, Everson 2012). However, the principles of constitutional democracy demand that such a non-majoritarian, technocratic decision-maker whose decisions might be politically salient and entail a redistributive effect is publicly accountable in order to exclude the possibility of them becoming ‘uncontrollable centers of arbitrary power’ (Everson 1995). Ideally, delegation of powers shall be accompanied by a clear system of controls over an independent agency ([Commission 2005](#)) to hold it accountable for deviating from its objectives (Majone 1999)

Insights from Principal-Agent theory suggest that an agent may engage in opportunistic behaviour and may develop their own policy preferences diverging from those of its principal (Kiewet, McCubbins 1991). Using informational advantage, the agent may start to act in opportunistic ways and drift from fulfilling the objectives set in the agency mandate (a risk of ‘agency loss’). Therefore in order to remedy this situation and reap benefits from renouncing direct exercise of powers delegated to the agents, the principals are expected to set various ex ante and ex post mechanisms which would ensure the agency loss is less likely.

Basing on the agency theory (Weingast & Moran 1983; McCubbins & Schwarz 1984; Kiewet & McCubbins 1991; Pollack 1997; Tallberg 2002), one can distinguish ex-ante (preventive) and ex-post control stage (retrospective). In the ex-ante stage the principals define administrative procedures including the scope of the agent’s activity (mandate) and the kind of procedures it has to follow (ex. appointment procedures). In the ex-post stage, the principal engages in monitoring and sanctioning carried out directly (‘police patrolling’) or indirectly (‘fire-alarming’). The ex-ante and ex-post control distinction can be also used to better understand the notion of accountability, because as Bovens suggests accountability does not only cover ‘ex-post scrutiny but is also about prevention and anticipation’ (Bovens 2007: 453).

Another twist to understand the notion of accountability in the context of Principal-Agent framework is the fact that the forum to which the agent is obliged to give account to is not necessarily always its direct vertical principal. In accountability theory (Iglesias-Rodriguez 2015; Scholten 2014; Bovens et al. 2014; Busuioac 2009; Bovens 2007; Flinders 2001; Woodhouse & Alderman 1994), there exists various fora towards which an account may be given such as majoritarian institutions (political accountability), organizational superiors (bureaucratic accountability), fellow supervisory and accounting authorities (administrative accountability), professional peer bodies (professional accountability), courts (judicial accountability), stakeholders and general public (transparency). All those channels shall ensure that ‘no-one controls agency, yet the agency is under control’ (Moe 1990; Bovens et al. 2014). This indicates

that supervisory agencies inherently operate in a complex multiple principals' environment and indeed many principal-agent relations (both horizontal and vertical) can be denoted.

Therefore, while the necessity to establish proper accountability arrangements for the agents with delegated powers has been widely recognized, pursuing it in practice has often proven to be challenging (Hüpkens, Quintyn, Taylor 2005). A good example is (financial) bank supervisory authorities. The recent global financial crisis has initiated a big policy and academic debate on their pre-crisis institutional setting and inconsistencies in their accountability for their actions and inactions which might have contributed to the financial meltdown (Iglesias-Rodriguez 2015; de Larosière 2009).

Before the crisis, a rapidly advancing EU financial integration led to deeper systemic interlinkages between domestic banking sectors of the Member States. Supervisory policies and decisions adopted by national bank supervisors could also affect, either positively or negatively, other EU supervisory jurisdictions. This was however accompanied by their very weak accountability arrangements at the cross-border/EU level. The financial crisis has taught, among other lessons, that banking supervisors should look beyond national boundaries ([Angeloni 2016](#)).

The de Larosière Report pointed out that inconsistent implementation of EU substantive rules on banking supervision across domestic jurisdictions and insufficient mechanisms to hold national supervisors responsive for their often nationally biased supervision facilitated the wide spread of the last global financial crisis across the EU (de Larosière 2009). Those cross-border controls which existed were primarily based on voluntary peer-to-peer reviews and information exchange between national bank supervisors in the EU. As a result, supervisory accountability was effectively limited towards purely domestic political principals, such as national parliaments and governments.

The crisis highlighted the need for tighter regulation and supervision of EU banking sector which would limit the regulatory and supervisory discretion at national level. In June 2009, the European Council unanimously recommended establishing a more harmonized 'single rulebook' applicable to all credit institutions operating in the single market. One of the aims was to limit the cross-border regulatory divergence and the possibility to engage in regulatory arbitrage by national supervisors. In January 2011, the European Banking Authority (EBA) responsible for drawing up specific banking rules and monitoring their application by national supervisors was established. These reforms reduced national supervisory bias and introduced more cross-border/EU accountability for national supervisory policymaking. Nevertheless, considerable margin for national adjustments was left (Babis 2015), including more than 150 options and discretions for national legislators and competent supervisors.

The real 'game-changer' for national banking supervision came with the Banking Union reform initiated in June 2012 and the operationalization of the Single Supervisory Mechanism in November 2014. These developments drastically reduced the scope and discretion of national supervisors' delegated powers. The NCAs lost supervisory competence vis-à-vis the most important domestic banking groups (significant institutions) and national supervision of remaining banks (less significant) has been put under an obligatory cross-border supervisory cooperation framework overseen by the ECB. As a result, the cross-border capacity to hold the national supervisors of the SSM Participating Member States accountable for their discretionary policies and actions has been reinforced.

The 'Single Rulebook' supervision in SSM

According to Art. 6(4) SSMR, prudential supervision in the SSM is a competence shared between the ECB and NCA. Whereas the ECB carries out a range of supervisory tasks defined in Art. 4 SSMR in relation to significant supervised entities, the NCA are competent to carry out those tasks in relation to less significant supervised entities with exception for 'common procedures'.

To get better understanding what prudential supervision means, it may be useful to distinguish between banking regulation and supervision. To regulate means to 'create rules and standards that govern credit institutions' (Larosière 2009: 13). To supervise is to engage 'in the process designed to oversee credit institutions in order to ensure that created rules and standards are properly applied' (*ibid*).

In simple terms, this means that supervision relates to application of supervisory legislation enacted in a given jurisdiction. In the EU context, the scope and level of granularity of applicable supervisory legislation evolved over years and now is enshrined in the so-called 'Single Rulebook' approach to supervision.

The 'Single Rulebook' entails an idea of creating a single set of EU rules applicable to credit institutions (or other entities of financial sector) operating in the single market. It has a long-standing history dating from the early 2000s when the first calls for creating 'a streamlined, uniform and flexible regulatory framework' for increasingly cross-border EU financial sectors (Padoa-Schioppa, 2004).

Prior to the global financial crisis significant progress was achieved in terms of harmonization of EU Member States' financial legislation. Following the issuance of the Financial Services Action Plan (FSAP) in 1999, a number of regulatory measures were subsequently adopted in the field of banking, securities and insurance services (Quaglia 2010). In 2004, the Lamfalussy framework for governing financial services became operational. It consisted of three advisory committees with powers to issue guidelines and recommendations, including the Committee of European Bank Supervisors (CEBS) for banking services.

However these developments did not prevent the Member States from engaging into the regulatory 'race to the bottom'. In the field of banking, national discretions provided in applicable EU banking regulations were arbitrarily used by the Member States to favor domestic banking markets and develop 'light-touch' supervisory approaches boosting competitive positions of national champions in the single market.

Faced with adverse developments on global financial markets in 2007 and 2008, the Member States adopted a range of unilateral actions to protect their domestic banking systems. This created negative externalities in the other Member States and facilitated the spread of financial contagion across the single market (XXX). The report called for a truly harmonized banking regulation based, wherever possible, on directly applicable EU regulations (Larosière 2009: 29).

Following the recommendations of the Larosière report, the Commission proposed creating 'one harmonized core set of standards (a single rulebook) can be defined and applied throughout the EU by all supervisors' ([Commission 2009](#)) which was subsequently endorsed by the June conclusions of the European Council ([Council 2009](#)). Building on the existing Lamfalussy framework, three advisory committees were replaced by the European Supervisory Agencies

and equipped with competences to spell out the 'Single Rulebook' for banking, securities and insurance supervision ([Commission 2011](#)). In the field of banking supervision, the European Banking Authority (EBA) was vested with powers to draft binding technocratic standards and guidelines specifying general rules and principles provided in the existing and future EU prudential legislation adopted by the Parliament and Council.

To lay down the foundations of the 'Single Rulebook' for banking regulation, in June 2011 the Commission proposed a legislative package consisting of the Capital Requirements Regulation and Capital Requirements Directive IV ([CRR/CRDIV package](#)) governing prudential supervision of credit institutions operating in the single market and in July 2012 the Banking Recovery and Resolution Directive ([BRRD](#)) for credit institutions' crisis management. The CRR/CRDIV regulatory package entered into force in all EU Member States in January 2014 and the BRRD in January 2015.

Currently, the Single Rulebook is composed by the CRR which is directly applicable in all Member States, national transpositions of the CRDIV and BRRD (Level 1); delegated and implementing acts specifying rules and principles set by the Level 1 legislation (such as EBA's Binding Technocratic Standards) (Level 2) and finally EBA's non-binding guidelines and recommendations directed to supervisors issued on a 'comply-or-explain' basis (Level 3). It follows that the Single Rulebook is far from being a single set of uniform EU rules and rather shall be understood as a political concept representing a multilevel regulatory governance comprising of EU and national rules which are applied in conjunction by competent authorities to supervised entities.

Therefore, to supervise is to apply 'the Single Rulebook' in a consistent way to credit institutions operating in SSM (Leterov 2015). The following sections will analyze the mechanisms of political and technocratic accountability for the application of the 'Single Rulebook' to less significant banks in the SSM.

Indirect national political accountability to the EU level in the SSM

Political accountability encompasses giving the account for supervisory actions and policies to political government (legislative and/or executive branch). In the P-A perspective on political accountability, bank supervisor (non-majoritarian agency) is the agent and the majoritarian forum (ie. elected governments) is the principal. The accountability relationship between the agent and the principal is expected to be modelled through a range of ex-ante and ex-post accountability mechanisms which are installed to keep the agent 'in check'.

In the context of LSI supervision, the ECB is accountable to the EU level for national supervisory policymaking in the SSM through its oversight function.

Recital 55 SSMR points out at the ECB accountability towards the EU's political government by stating that 'the ECB should be accountable for the exercise of [supervisory] tasks towards the European Parliament and the Council as democratically legitimized institutions representing the citizens of the Union and the Member States'. Art. 20 of SSMR delineates the scope of the ECB's accountability to supervisory tasks exercised in the SSM framework which also covers its function of 'supervisor of supervisors' (Art. 6 (5c) SSMR). As a result, an accountability relation between the EU political government (the EP and the CON, the primary principals) and the ECB

(the agent) can be drawn and a number of ex-ante and ex-post accountability arrangements governing the ECB's political accountability can be identified.

Ex-ante accountability arrangements

According to delegation theory, the ex-ante stage consists of a general framework which may define the practical modalities of the agent's accountability obligations and significant procedures it has to follow, such as appointment procedures.

In this regard, the SSM supervisory acquis provides for a framework governing the ECB's political accountability in supervisory matters at the EU level. Apart from Art. 20 of SSMR on the ECB accountability and reporting, there is an **Interinstitutional Agreement (IIA)** ([2013/694/EU](#)) regulating practical aspects the ECB's accountability vis-à-vis the EP. There also exists a **Memorandum of Understanding (MoU)** from 29 October 2013 setting the ECB's accountability arrangements towards the Council and the Euro Group. Both legal acts proactively stipulate the accountability contact between the ECB and the EU's political government which further list the ECB's specific ex-post arrangements vis-à-vis the EU political government.

Importantly, the SSM general accountability framework clearly defines **administrative procedures** concerning the appointment of SSM chief supervisors (Chair and Vice-Chair of the Supervisory Board). Both the Chair and Vice-Chair are appointed by the Council on the proposal of the Supervisory Board and after the approval of the European Parliament (Art. 26 (3) SSMR). The Chair's term of office is not renewable and limited to five years. Furthermore, the Interinstitutional Agreement (Section II) and Memorandum of Understanding (Section II.1-6) provide further specific provisions on the parliamentary and council stage of nomination procedures. The appointees shall act independently and in the interest of the Union as a whole (Art. 18 SSMR)

Ex-post accountability arrangements

The reporting requirements and parliamentary hearings are traditionally regarded as ways of exercising (political) accountability ex post (Lastra 2015). Insights from delegation theory offer also to distinguish '**police patrolling**' and '**fire alarming**' mechanisms available in the ex-post stage (McCubbins & Schwarz 1984). More specifically 'police patrolling' involves direct oversight and may be executed through regular reporting and parliamentary hearings (ex-post accountability in narrower sense). However, the principal may also rely on third parties (ex. on another technocratic agent, stakeholders or the general public) which may ring 'fire-alarms' in case the agent diverges from its policy objectives. Both 'police patrols' and 'fire alarms' can be identified in the ex-post accountability stage of the ECB.

'Police-patrols'

The ECB's regular reporting on supervisory matters is one of 'police patrols' mechanisms installed in the SSM supervisory acquis. The ECB submits on an annual basis to the EP, Council and the Euro Group a report (ECB Annual Report) on its supervisory activities (Art. 20 (2) SSMR) which must cover a range of fields, including the conduct of LSI supervision in the SSM (Section I, par. 1 IIA). The ECB Annual Report for the Council and the Euro Group shall also cover that area (Section I, par. 1 MoU). The Chair of the Supervisory Board must present it in public to the EP and Euro group (Art. 20 (3) SSMR). Since the creation of the SSM, the ECB has submitted two annual reports on supervisory activities (ECB Annual

Report 2014, ECB Annual Report 2015), four quarterly reports the progress in the operational implementation of the SSMR (1/2014, 2/2014, 3/2014 and 4/2014).

Hearings, discussions and exchange of views are another examples of 'police patrols' available at disposal of the EP and Euro group (emanations of the EU's political governments) vis-à-vis the ECB. The discussion may cover any aspect of the activity and functioning of the SSM, including the LSI supervision carried out by the NCAs.

At the request of the EP, the Chair of Supervisory Board must participate in a hearing on the execution of the ECB supervisory tasks by the EP's competent committees (notably the Committee on Economic and Monetary Affairs, ECON) (Art. 20 SSMR). Parliamentary hearings may be 'ordinary' or take forms of 'ad-hoc exchange of views' (Section I, par. 2 IIA). In 2015, the Chair of the Supervisory Board spoke before the ECON for the presentation of the 2014 ECB Annual Report on supervisory activities (31 March), took part in two ordinary public hearings (25 June and 19 October) and two ad hoc exchanges of views (25 June and 19 October) ([ECB 2016AR](#)). A number of issues related to LSI supervision were discussed during those meetings (interviews at the ECB, February 2015).

Furthermore, the Chair of the Supervisory Board may be invited to participate in 'exchange of views' on the execution of supervisory tasks in the SSM with the Euro group in banking union composition (Art. 20(5) SSMR). More specifically, the Chair must attend at least two such hearings and the information exchanged must remain confidential. The Euro group may also request additional 'ad-hoc exchange of views' (Section I, par. 2 MoU). In 2015, the Chair attended two meetings of the Euro group in banking union composition: on 24 April the Chair presented the 2014 ECB Annual Report on supervisory activities and on 7 December (ECB 2016AR).

The ECB must also respond to questions posed by the EP or the Euro group (art. 20 (6) SSMR). They have to be addressed as promptly as possible, and in any event within five weeks of their submission (Section I, par. 3 IIA, Section I, par. 3 MoU). In the course of 2015, the ECB replied to 26 questions from MEPs on supervisory matters (ECB 2016AR), including those related to national supervision of less significant banks (interviews at the ECB, February 2016). The

Additionally, the ECB has to disclose to the EP comprehensive and meaningful records of the proceedings (minutes) of the Supervisory Board and reasons of objections to the Supervisory Board supervisory decision expressed by the ECB Governing Council (Section I, par. 4 IIA). In the contest of LSI supervision, this accountability mechanism may be relevant as far as the ECB carries out common procedures, notably authorizations or withdrawals of authorization.

'Fire-alarms'

The ECB's is obliged to publish a guide to supervisory practices on its website, release non-confidential information relating to the winding-up of a SSM credit institution (Section I, par. 4 IIA). These mechanisms assume monitoring of general public and stakeholders who may ring 'fire-alarms' directed at the EU political government. In the LSI supervision context, a guide becomes relevant when it comes to the scrutiny of the ECB oversight function against the 'Single Rulebook' and general EU principles. The second arrangement may become relevant in those cases where the ECB was formally engaged in resolution process in the

framework of common procedures (ie. withdrawal of authorization) and/or its oversight function and it became a publicly salient issue.

Furthermore, one can distinguish a number of ‘fire-alarms’ which may be activated by other agents of the EU political government: the Commission and the EBA.

The ECB is obliged to exchange information with the Commission on the conduct of supervision in the SSM i.a. in the context of state aid framework (Recital 74 SSMR). In the context of LSI supervision, this may be relevant the ECB executes its oversight function in the context the BU crisis management framework (BRRD & SRMR) supervisory early intervention and application of resolution tools requiring withdrawal of authorization (bridge banks, asset management tools) are concerned. Signing of a MoU between the ECB and Commission, similarly as in the cases of the EP and Council, could further strengthen the ECB (ex post) accountability (Kuile et al. 2015). Every three years, the Commission is obligated to produce a detailed report² on the application of the SSM Regulation (by the ECB and NCA) which must be forwarded to the Council and the EP (Art. 32 SSMR). Additionally, the Commission representative may attend the meetings of the Supervisory Board as an observer upon invitation (Art. 26 (11) SSMR).

The ‘fire-alarm’ which is at the EBA’s disposal originates from its role of the ‘guardian of the Single Rulebook’ (Enria 2016). Firstly, to ensure coordination with the Union’s supervisory policies, the EBA representative may be invited to attend the meetings of the Supervisory Board (Recital 70 of the SSMR). Secondly, the EBA has the power to investigate alleged breaches of EU law by competent authorities (Art. 17 EBA Regulation, [EBAR](#)). In the LSI supervision context, this means that the EBA may held the ECB accountable for the application of the ‘Single Rulebook’ in its oversight function and for common procedures. Furthermore, there also exists a possibility for the EBA to override the ECB supervisory decisions in cases the Council determines the existence of an emergency situation (Art. 18 EBAR) which could be hypothetically caused by a serious ECB deviation from its supervisory objectives.

The ECB’s accountability in the context of its NCA oversight function		
Ex ante arrangements	Ex post arrangements	
Administrative procedures	‘Police patrols’ (direct mechanisms)	‘Fire alarms’ (indirect mechanisms)
<i>General framework</i>	<i>Vis-à-vis the EP</i>	<i>Via the Commission:</i>
<ul style="list-style-type: none"> specific accountability arrangements with the EP and the Council 	<ul style="list-style-type: none"> ECB annual reporting hearings and exchange of views (ordinary and ad-hoc) 	<ul style="list-style-type: none"> the COM’s reporting on the SSM framework, exchange of information with the ECB/SSM,

² Notably, this report shall evaluate the functioning of the SSM within the ESFS, the division of tasks between the ECB and NCAs within the SSM, the effectiveness of the ECB’s supervisory and sanctioning powers, the interaction between the ECB and the EBA, fiscal effects of SSM supervisory decisions; and also other aspects listed in Art. 32 SSMR.

	<ul style="list-style-type: none"> disclosure of the SB minutes responses to the MEP's questions 	<ul style="list-style-type: none"> the COM rep's participation in the SB meetings
<i>Appointment procedures</i>	<i>Vis-à-vis the Euro group/Council</i>	<i>Via the EBA:</i>
<ul style="list-style-type: none"> involvement of the EP and the Council 	<ul style="list-style-type: none"> ECB annual reporting hearings and exchange of views with the EP and Euro group responses to the questions 	<ul style="list-style-type: none"> the EBA's role as a 'Guardian of the Single Rulebook', the EBA rep's participation in the SB meetings, the EBA's decision-making in emergency situations
		<i>Via general public:</i>
		<ul style="list-style-type: none"> publication of a guide to SSM supervisory practices release of information on winding-up of an SSM bank

Figure 2: Overview of the political accountability arrangements governing the LSI supervision in the SSM

Direct national technocratic accountability to the EU level in the SSM

Accountability arrangements of independent regulatory/supervisory agencies are usually scrutinized vis-à-vis political government which is a direct source of delegated powers (political accountability). In this perspective, accountability is viewed in the context of ‘democratic chain of delegation’ consisting of multiple levels of principal-agent relations between the citizens and the agency (Strøm 2000, Müller 2000). Although this perspective is central to accountability and delegation theory in political science, it is nevertheless not the only accountability dimension. In the accountability scholarship, different accountability dimensions can be distinguished including managerial (account is given to the direct superior in the chain of bureaucratic organization) administrative (account is administrative bodies, agencies or institutions) and professional (account is given to peers and professional bodies of oversight) (Bovens et al. 2014).

Our in-depth analysis of accountability mechanisms governing LSI supervision in the SSM suggests that the BU reform introduced a new and tailor-made dimension of national supervisors’ accountability which is a mix of administrative and professional accountability type. We offer to call it ‘technocratic accountability’ (Lastra 2015).

This ‘**technocratic accountability**’ of national supervisors was introduced by the Single Supervisory Mechanism in order to foster responsive supervisory framework and tackle the weaknesses of pre-crisis EU supervisory regime identified by the Larosière Report (Larosière 2009). It consists of the NCA ex-ante, ex-post and ‘on-going’ accountability vis-à-vis the ECB in the framework of its oversight function (Art. 6(5)(c) SSMR). On the one hand, it is a type of professional accountability because the NCA are obligated to report to ECB supervisors (their peers) based in the ECB’s Directorate General Micro-prudential Supervision III (professional body of oversight) on their application of the Single Rulebook to supervised entities (technocratic rather political character). On the other hand, it is an example of administrative accountability given ECB-NCAs intra-institutional dynamics within the SSM. These arrangements can be regarded as an example of ‘technocratization’ or ‘scientification’ of highly complex policy areas such as banking supervision which are becoming increasingly subjected to technocratic oversight governed by the ‘experts’ (Vibert 2007).

Ex-ante accountability arrangements

In the ex-ante stage of accountability, the principal is expected to set a general framework and significant administrative procedures regulating its accountability relationship with the agent. In particular, it may set practical arrangements regarding the accountability contact with the agent with a view to facilitate ex-post oversight by defining the scope of evaluation criteria.

▪ ECB-NCA general cooperation framework setting

To carry out supervisory tasks in the SSM, the ECB has been vested with discretionary power to establish the modalities of its cooperation with NCAs both with regard to supervision of significant and less significant institutions (Art. 6(7) SSMR). With a view to fulfill these obligations, the ECB adopted two acts arranging the exercise of SSM shared supervisory competences: the Framework Regulation (FR) ([ECB/2014/17](#)) and the SSM Supervisory Manual (SM). It arranged its oversight function in a dedicated directorate general (DG-MSIII) which mandate includes general oversight, sectoral oversight and analytical/methodological support ([SSM 2015 Guide: 60](#)). The FR and the SM specify the

SSM supervisory procedures and processes relating to less significant institutions, including NCA ex-ante and ex-post obligations vis-à-vis the ECB (i.a. Part V of the FR, dedicated confidential chapter of the SM).

▪ **Common procedures**

The management of the SSM supervisory procedures known as ‘common’ constitutes another example of NCA ‘ex-ante’ technocratic accountability vis-à-vis the ECB. The SSM common supervisory procedures encompass: bank licensing, withdrawal of bank license and assessment of acquisitions of qualifying holdings in bank’s ownership structure (Art. 80-87 FR). Bank licensing and withdrawal of bank license constitute the key elements of the supervisory process, as they decide on the start and the end of supervisory process.

In the SSM, common procedures are carved out from NCAs supervisory final decision-making (Art. 6 (4) SSMR) and vested within the ECB, both for significant and less significant institutions. There exists however operational division of work between EU and national level. The NCAs serve as ‘entry point’ for incoming requests and provide a draft ECB decision. The ECB’s dedicated business lines (Division Authorization and Division Supervisory Oversight & NCA Relations) jointly evaluate drafts submitted by national level and decide whether it shall be forwarded to the Supervisory Board for endorsement or returned to an NCA/NCAs involved for further amendments. In 2015, 205 common procedures were carried out in the SSM, concerning both SIs and LSIs. This included 7 license applications, 61 license withdrawals³ and 137 acquisitions of qualifying holdings (ECB 2016 AR: 49).

▪ **Prioritization framework**

The ECB has developed so-called ‘prioritization framework’ which classifies LSIs as low, medium and high priority according to their riskiness (the RAS scores, business model criterion), interconnectedness (this may include cooperative banks) and potential impact on domestic economy (size criterion) (ECB 2016 AR: 43). Such classification requires a degree of supervisory (and political) judgment. It allows for aligning the level of supervisory oversight and the intensity of supervisory activities taking into account the principles of proportionality and of adequate levels of supervisory activity which govern prudential supervision in the SSM (ECB Guide: 8). The high-priority group of SSM LSIs are of special interest for the ECB and therefore the monitoring of national supervisory activities vis-a-vis those particular institutions in the ex post NCA accountability stage is more focused and intensified (ie. materiality notifications). There are around 100 high priority LSIs headquartered in the SSM (ECB Banking Supervision website).

▪ **Materiality notification**

The NCAs are obligated to report ex-ante on financial deterioration of banks under their supervisory scope (Art. 96 FR) and on ‘material’ supervisory procedures and decisions concerning LSIs (Art 97 and 98 FR). Material supervisory procedures and decisions include i.a. the removal of bank management board members, the appointment of special manager (Art. 97 (2a), Art. 98 (2a) FR,) and those procedures which have a ‘significant impact’ on a less significant bank (Art. 97 (2b), Art. 98 (2b) FR). The NCAs shall also notify the ECB on such supervisory procedures and decisions which they consider material (Art. 97 (4a) FR) or

³ Including lapses

which the ECB views are sought (Art. 98 (3a) FR) as well as those which may negatively affect the SSM reputation (Art. 97 (4b), Art. 98 (3b) FR).

The ECB is competent to provide views and requests for further supervisory assessment of the draft 'material' decisions and procedures. At its discretion, the ECB shall define the notification framework and general criteria for 'significant impact' taking into account the risk situation of the bank and the potential impact on the domestic financial system with possible follow-up actions in case the ECB's feedback is not taken into account by a given NCA (such as issuance of binding instructions).

This arrangement allows the NCA held accountable at the EU level for their 'material' supervisory activities, possibly having cross-border effect, and monitor their compliance with high supervisory standards even before the action/decision has been taken.

However, the initialization of this preventive oversight mechanism lies on the NCA side and largely remains at their interpretation of 'materiality' premises. It might take some time to develop a common understanding of materiality among the NCAs given pertaining differences in national supervisory traditions and structures of domestic banking sectors. In this context, the use of supervisory powers listed in order to carry out Supervisory Review and Evaluation Process (SREP) (Art. 104 CRDIV) or exercise of options and national discretion available in relevant Union law ('Single Rulebook') could provide common denominators for 'materiality' premise. In 2015, the ECB received and assessed 54 ex-ante NCA notifications covering a wide range of supervisory issues (e.g. capital, liquidity and governance) (ECB 2016AR: 42).

Ex-post accountability arrangements

'Police-patrols'

▪ Information gathering

At the ECB's request, the NCAs are obliged to provide ad-hoc or on continuous information concerning the LSI supervision (Art.6 (5e) SSMR). This arrangement allows the ECB to reflect on supervisory assessment methodologies used by the NCAs in order to monitor risks and vulnerabilities which can materialize in short and medium term. Furthermore, the SSM supervisory acquis requires the NCA to regularly submit supervisory financial information on less significant supervised entities according to formats, frequencies, reference dates and periods specified by the ECB (Art 140 and 141 FR) according to the templates laid down by the 'Single Rulebook' legislation⁴. A detailed SSM supervisory reporting framework is provided by the ECB⁵ which stipulates the extent of supervised entities reporting obligations vis-à-vis the NCA which serve as 'the first port of call for data collection' (ECB 2016AR: 19). This information can be used by the ECB to hold the NCA accountable for the quality and accuracy of data collected on less significant supervised entities.

▪ NCA regular reporting

⁴ See Commission Implementing Regulation No. 680/2014 laying down implementing technocratic standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 (CRR)

⁵ See ECB Regulation No. 532/2015 on reporting of financial supervisory information

Each year the NCA are requested to submit an annual report on their supervisory activities concerning less significant banks, on basis of which the ECB evaluates their performance and the quality of their 'Single Rulebook' application to supervised entities (Art. 99 and 100 FR). This arrangement also allows the ECB to draw cross-country comparisons concerning domestic supervisory approaches (incl. SREP application, frequency of interactions with supervised entities, average durations of on-site inspections and a number of supervisory decisions taken), assess a degree of supervisory convergence among 19 NCAs and therefore better prioritize the development of various Joint Supervisory Standards (ECB 2016AR: 42-43).

▪ **Investigatory procedures**

The SSM supervisory acquis provides for three investigatory procedures with various levels of intrusiveness which constitute retrospective checks on national supervision the SSM. When carrying out those procedures, the ECB shall however respect NCA direct supervisory competence vis-à-vis less significant entities (Art. 138 FR).

The first procedure allows the ECB to directly request from less significant supervised entities any ad-hoc or recurrent supervisory information necessary to ensure the application of the 'Single Rulebook' in the SSM (Art. 10 SSMR). When carrying out this procedure, the ECB shall however make sure that LSI are not subjected to double reporting requirements. Therefore before initializing it, the ECB shall resort to supervisory information already available at an NCA (Art. 139 (2) FR) and once it has been put in place, the ECB shall copy to the NCA any information obtained from LSI(s) involved (Art. 139(3) FR).

The second procedure entrusts the ECB with a power to conduct general investigations vis-à-vis SSM supervised entities (Art. 11 SSMR). When carrying out investigation, the ECB has at its disposal a range of instruments to collect necessary information such as requests for the submission of documents, books and records examinations, written or oral explanations and interviews.

The last and the most intrusive investigatory procedure available is the ECB's competence to schedule on-site inspections vis-à-vis SSM supervised entities (Art. 12 SSMR). An ECB on-site inspection can be conducted by ECB officials or ECB appointed persons (ie. specialized consultancies) together with designated NCA officials or NCA appointed persons who are required to actively assist the ECB (Art. 12(4) SSMR). An on-site inspection must be based on the ECB decision (Art. 12 (3) SSMR) and subject to authorization by a national judicial authority if necessary according to applicable national laws (Art. 13 SSMR).

As a general rule, the ECB informs an SSM supervised entity concerned about the planned on-site inspection however in cases it could jeopardize the efficiency and proper conduct of an on-site inspection the ECB may carry out on-site inspections without prior notification (Art. 145 (2) FR). The NCA which is competent for direct supervision of an inspected entity shall be always notified about the planned ECB on-site inspection (Art. 145 (1) and (2) FR).

▪ **Take-over of LSI supervision**

A possibility to take over the supervision of one or more less significant banks from NCAs (Art. 6 (5b) SSMR) constitutes the most escalated ex post check on national supervisory policy-making in the SSM. It effectively shifts a power balance between the EU and national level in the SSM without legislative intervention and may amount to a public sanction of NCA

performance. In procedural terms, the SSM supervisory acquis describes take-over procedure rather vaguely (Art. 68 and 69 FR) which raises issues concerning practical aspects of putting this procedure in practice. No doubt, a potential take-over has to take form of an ECB decision adopted in a procedure provided for supervisory matters (Art. 26 SSMR). Therefore, as such it can be administratively and judicially challengeable.

This accountability arrangement is activated if the ECB determines a need to 'ensure consistent application of high supervisory standards'. This premise is very broad, but some further guidance is provided in the FR which stipulates a list of possible reasons for the activation of a take-over procedure. It covers both LSI- and NCA-related factors.

The former group includes bank's proximity to the criteria determining its significance, bank's interconnectedness, the scope of bank's cross-border activities and the grant of indirect ESM assistance to the bank (Art. 67 FR). For these factors, the necessary conditions for take-over initialization are relatively easy to determine (rule-based criteria) although they also include a degree of supervisory judgment in some instances. The significance criteria are clearly defined in law (Art. 6 (4) SSMR) and include bank's size, its economic importance, its cross-border activities and receipt of ESM direct financial assistance. The question of bank's interconnectedness is more ambiguous however. In this context, the 'Single Rulebook' provides some useful yardsticks against which the interconnectedness could be measured. These include participation of a bank in question in institutional protection schemes (Recital 14 BRRD, Recital 49 SRMR) and existence of interconnections between credit institutions based on common or shared personnel, facilities and systems; capital, funding or liquidity arrangements; existing or contingent credit exposures; cross-guarantee agreements, cross-collateral arrangements, cross-default provisions and cross-affiliate netting arrangements; or risk transfers and back-to-back trading arrangements; service level agreements (Annex Section B (15) BRRD). The ESM indirect assistance covers such situations, in which a Participating Member State is a recipient of direct financial assistance and make its available for its domestic banking sector through a dedicated national scheme or a specific purpose vehicle.

Among NCA-related factors, the FR lists NCA non-compliance with ECB instructions and non-compliance with Union law ('Single Rulebook'). This group of possible reasons for take-over is much broader, highly sensitive and may imply political consequences. Given potential reputational damage for an NCA, under the supervision of which an LSI concerned was, this ex-post arrangement is likely to be activated in extreme situations (i.e. in the context of massive bank failures) as an ultimate 'nuclear option' given potential negative and unintended consequences, including NCA/SSM reputation, negative market reactions and distortions on EU interbank markets.

'Fire-alarms'

▪ Staff exchange

The SSMR provides the ECB with an opportunity to develop arrangements for exchange and secondment of staff with and between NCAs (Art. 31 SSMR). Furthermore, if deemed necessary, the ECB may relocate the national supervisory personnel between the different NCAs as regards to direct supervision of LSI (Art. 7 FR). Although this arrangement is perceived more as indirect ex post check, it has also some elements of direct ECB involvement as far as the exchange of ECB supervisory staff is concerned. Such an intra-

SSM mobility may be a good way to support NCA capacities, better allocate resources and know-how and enhance cooperation of national supervisory teams responsible for individual cross-border LSIs. This allows for timely ‘fire-alarming’ in case some weaknesses have been detected.

So far, the ECB has launched Supervisory Support Programme which is designed to cover specific needs for additional resources and expertise that may arise during NCAs’ LSI supervision. In this framework, experts from the ECB, and potentially from other NCAs, are deployed for a temporary period to work alongside NCA staff on a given project. In 2015, a number of ECB supervised were deployed to NCA to work on LSI on-site missions. The supervisory support programme is to be expanded in 2016 (ECB 2016 AR).

▪ **The ESRB’s warnings and recommendations**

The European Systemic Risk Board (ESRB) is the EU-wide macro-prudential body tasked with the oversight of the EU financial system in order to detect and mitigate potential systemic risks to financial stability ([Art. 3 \(1\) ESRB Regulation](#)). To fulfill this function, the ESRB may emit non-binding warnings and recommendations to the EU as whole, competent authorities and individual Member States. Because of its composition, the ESRB has a strong focus on banking issues than on other financial sectors and therefore has a capacity to activate louder ‘fire-alarms’.

Over years, the ESRB has established itself as a strong analytical center on cross-border macro-prudential issues (e.g. over-banking, interconnectedness, quantitative and qualitative indicators of systemic risks). Such aggregated and country-specific insights may provide the ECB with a more comprehensive view on LSI sector and landscape in specific NCA jurisdictions. Therefore, to reap benefits from this potential ‘fire-alarming’ arrangement, the ECB shall seek to establish an effective cooperation framework with the ESRB and establish a point of entry for informal notifications and early warnings about individual SSM countries. They could serve as an additional indirect ex post check on the ways how national supervision is conducted, particularly as regards the assessment of risks to which individual LSIs are exposed (RAS) and the application of macro-prudential tools (Art. 5 SSMR) by NCAs.

▪ **The Eurosystem liquidity and market oversight**

Market operations information which is at the Eurosystem’s disposal may the ECB Banking Supervision with two important insights on LSI sectors. Firstly, high frequency bank-specific data on recourse to monetary policy operations, bidding behavior and collateral provide early stress signals at the SSM level. Secondly, market intelligence provides early information on financial innovations and market developments, which are important for the comprehensive risk assessment of LSI sector, both generally and on country basis ([Bindseil 2015](#)).

The functioning of the SSM is however governed by the principle of separation (“Chinese Walls”) between the ECB’s monetary (ECB Eurosystem) and supervisory (ECB Banking Supervision) activities (Art. 25 SSMR) which has been further specified in the [ECB Decision 2014/723/EU](#). Under this regime the access and disclosure of confidential information is subjected to strict rules and professional secrecy requirements. Exchange of certain liquidity and market information originating from the Eurosystem oversight function and monetary analysis could enhance the ECB Banking Supervision indirect oversight of developments on

specific financial and interbank markets, and therefore provide a check on accuracy of NCA forward-looking dimension of supervision. In 2015, several exchanges of information on need-to-know basis took place between the ECB monetary and supervisory arms concerning credit institutions headquartered in the countries under the ESM programme (ECB 2016AR).

Mixed accountability arrangements ('ongoing monitoring')

- **Professional interactions**

Professional interactions, such as conference calls, technocratic calls, workshops, meetings of Senior Management Network and country visits constitute informal monitoring channel for national supervisory policymaking. They allow for direct peer-to-peer accountability of NCA without resorting to more hierarchical arrangements and provide the ECB with possibility to collect, assess and benchmark first-hand supervisory information on the application of 'the Single Rulebook' to supervised entities. They also provide an opportunity to identify good supervisory practices and potential deficiencies and inconsistencies. In particular, informal side conversations may offer valuable insights how day-to-day operational supervision is carried out, notably the SREP application.

- **Country desks**

Specialized country desks covering 19 SSM Participating Member States are channels which facilitate holding the NCAs continuously accountable for supervisory activities vis-à-vis LSIs. They allow the ECB to engage in a real-time dialogue with the NCAs on developments at the level of sectors and individual institutions, in particular those institutions classified as high-priority. In 2015, the country desks gave particular attention to monitoring NCAs crisis-related measures concerning a number of institutions facing a significant deterioration of their financial situation (ECB 2016AR).

- **Issuance of non-binding and binding acts**

Information collected through ex-ante, ex-post and mixed accountability arrangements may lead to a need of supervisory action aimed at bringing more supervisory consistency across the SSM. For this purpose, the ECB may consider to adopt non-binding and bin-legal instruments regulating the conduct of LSI supervision such as recommendations and binding guidelines, general instructions and regulations addressed to the NCAs (Art. 4(3) SSMR, Art. 6(5) SSMR). In this context and in the spirit of 'the Single Rulebook', the ECB has started to develop binding Joint Supervisory Standards and common methodologies for NCAs. One of the joint standards developed in 2015 relates to the supervisory planning process, through which NCAs prioritize, plan and monitor the execution of key on-site and off-site supervisory activities for less significant institutions (ECB 2016 AR). Over last year the ECB together with NCAs also produced joint standards on recovery planning and currently there is a dedicated stream working on joint standards applicable to institutional protection schemes (ECB 2016 AR).

Technocratic accountability vis-à-vis the ECB	
Ex ante arrangements	Ex post arrangements
	‘Police patrols’
▪ ECB-NCA cooperation framework	▪ Information gathering
▪ Common procedures	▪ NCA regular reporting
▪ Prioritization framework	▪ Investigatory procedures
▪ Materiality notifications	▪ Take-over of LSI supervision
Mixed (ex ante/ex post) arrangements	‘Fire-alarms’
▪ Professional interactions	▪ Staff exchange
▪ Country desks	▪ ESRB early warnings/recommendations
▪ Issuance of non-binding/binding acts	▪ Euro system oversight

Figure 3: Overview of the technocratic accountability arrangements governing the LSI supervision in the SSM

Conclusions

This paper identified and explained **seven** specific political accountability and **fourteen** tailor-made technocratic accountability arrangements vis-à-vis the EU level which underpin the exercise of (remaining) national supervisory competence within the SSM. The political accountability of national supervisory policymaking takes an indirect form and it is exercised by the ECB towards the European Parliament and Council in the context of the central bank's ultimate responsibility for the consistent and efficient functioning of the SSM. On the other hand, the technocratic accountability of national supervisory policymaking is directly exercised by NCA vis-à-vis the ECB. We suggest that the new SSM political and technocratic accountability mechanisms drastically improve national responsiveness and responsibility at cross-border/EU level in comparison to the crisis EU supervisory cooperation regime. In particular, the latter form of accountability - **direct national technocratic accountability** – can be regarded as a real ‘game-changer’ in power relations between EU and national level in the field of common prudential supervision. Nevertheless, many challenges still remain.

The first issue concerns a rather limited ECB political accountability for national supervision which takes place only in the context of its oversight function. The last ECB Annual Report for supervisory activities dedicated only one section to give an account for the supervision of less significant banks conducted by NCAs. However recent developments may indicate that the factual ECB's role in day-to-day LSI supervision is much more substantial than one assigned to it by the SSM supervisory acquis, especially in the context of crisis management under the Single Rulebook's BRRD framework ([Financial Times, 29 January 2016](#); [Reuters, 13 January 2016](#); [Financial Times, 7 January 2016](#); [Reuters, 14 November 2015](#)). Although national

resolution authorities are competent for resolution proceedings of less significant banks, effectively however the ECB may play a decisive role given its power to authorize the creation of a bridge bank and its subsequent conversion in an asset management tool. Recently, the bridge bank tool (Art. 40-41 BRRD) has been increasingly used in SSM resolution proceedings, including those concerning Greek, Italian and Portuguese LSIs. Against this backdrop, both the EP and Council should take it into account when scrutinizing the ECB's supervisory actions and policies in the context of LSI supervision.

The second relates to the activation of more formal and intrusive technocratic accountability arrangements in politically salient areas such as development of joint supervisory standards, use of investigatory powers and take-over of LSI supervision. All these actions are carried out on the basis of a formal ECB decision which means that the Supervisory Board must vote on such a draft and the Governing Council has to endorse it a non-objection procedure. Although representatives of NCAs shall act in an independent capacity and in the sole interest of the Union when assembled in the Supervisory Board (Art. 19 SSMR), for political reasons, it may be difficult to conceive their approval for investigatory or take-over procedures based on non-compliance of their home NCA with Union law. Such a tendency was noted with regard to the national representatives in the EBA Board of Supervisors who maintained national bias rather than pursued a truly European perspective to banking supervision ([IMF 2013, par. 25](#); [EP 2013: 34](#); [EP 2014, par. AU](#); [Commission 2014: 9](#)). The occurrence of similar situations may take place in the Supervisory Board even more often given the fact that unlike the EBA Board of Supervision, the Supervisory Board has direct supervisory competence vis-à-vis supervised entities and its decisions may imply serious redistributive consequences for domestic economies.

To sum up, this paper welcomed positive developments regarding enhanced national accountability to the EU-level for the application of the 'Single Rulebook' and at the same time highlighted some institutional weaknesses in the SSM political and technocratic accountability framework.

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