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From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	The European Court of Auditors' Special Report No 29/2016: "Single Supervisory Mechanism - Good start but further improvements needed" - <i>Draft Council Conclusions</i>

1. On 20 December 2016, the Permanent Representatives Committee designated the Financial Services Committee to examine the European Court of Auditors' Special Report No 29/2016 entitled "Single Supervisory Mechanism- Good start but further improvements needed".
2. The Financial Services Committee examined the report at its meeting on 11 January 2017 and agreed on the attached text of draft Council conclusions via written procedure. The Economic and Financial Committee agreed the text of the draft Council conclusions on 13 February 2017 as set out in the Annex of this note.
3. The Permanent Representatives Committee is therefore invited to approve these draft Council conclusions and to submit them to the Council for adoption.

**Draft Council conclusions on the European Court of Auditors' Special Report No 29/2016:
"Single Supervisory Mechanism - Good start but further improvements needed"**

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES Special Report of the European Court of Auditors No 29/2016: "Single Supervisory Mechanism - Good start but further improvements needed";
2. HIGHLIGHTS that the Single Supervisory Mechanism (the SSM) is an essential element of the Banking Union and was set up by the ECB together with the national competent authorities within a challenging timeframe of 13 months;
3. TAKES NOTE of the ECB's reply to the findings of the Court presented in the Special Report, as well as of the good cooperation that took place between the ECB and the Court; however, REGRETS their disagreement on the access to information to assess the operational efficiency of the management of the ECB in accordance with the Statute of the ESCB;
4. STRESSES the importance of ensuring the highest standards in terms of accountability and transparency of the SSM and WELCOMES in this regard, the Commission's intention to examine the effectiveness of accountability arrangements in its upcoming report on the SSM;
5. HIGHLIGHTS that the ECB is responsible for the effective and consistent functioning of the SSM, which is composed of the ECB and the national competent authorities. In this context, ACKNOWLEDGES that the current arrangement of joint supervisory teams and on-site supervision has proven to work well and should be kept in its present form, without prejudice to the importance of continuing to improve its efficiency and transparency. In this respect, the ECB could further improve this efficiency and then consider the possibility of strengthening the participation of ECB staff as well as alternative options, where appropriate and necessary;

6. UNDERLINES the importance of a clear separation between the monetary and supervisory functions of the ECB; thus INVITES the ECB to present in its annual report on the execution of tasks conferred on it by the SSM Regulation¹, the extent to which shared services were used to support both functions;
7. Furthermore, INVITES the ECB to present in the above-mentioned report the evolution of the supervisory structure, in particular as regards the further streamlining of the decision-making process. For instance, delegation of certain decisions to lower levels could enable the Supervisory Board to focus on more demanding issues;
8. WELCOMES the fact that the ECB accepts to a large extent the Court's recommendations; INVITES the ECB to take them forward and to report to the Council on their implementation.

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.