



Council of the
European Union

Brussels, 23 March 2018
(OR. en)

7461/18

EF 92
ECOFIN 285
FIN 254

'I/A' ITEM NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council
Subject: Special Report No 23/2017 "Single Resolution Board: Work on a challenging Banking Union task started, but still a long way to go"
Special Report No 2/2018 "The operational efficiency of the ECB's crisis management for banks"
- Draft Council Conclusions

1. On 14 February 2018, the Permanent Representatives Committee designated the **Financial Services Committee** to examine the European Court of Auditors' Special Reports No 23/2017 entitled "Single Resolution Board: Work on a challenging Banking Union task started, but still a long way to go" and No 2/2018 entitled "The operational efficiency of the ECB's crisis management for banks".
2. The **Financial Services Committee** examined the report at its meeting on 21 February 2018 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 23 March 2018, also via written procedure, 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

Special Report No 23/2017 “Single Resolution Board: Work on a challenging Banking Union task started, but still a long way to go”

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES the Special Report of the European Court of Auditors No 23/2017: "Single Resolution Board: Work on a challenging Banking Union task started, but still a long way to go";
2. HIGHLIGHTS the role of the Single Resolution Board (the SRB), together with relevant Member States' authorities, in the framework of the Single Resolution Mechanism (the SRM) as an essential element of the Banking Union;
3. ACKNOWLEDGES the considerable work undertaken by the SRB, within a very challenging timeframe, in setting up the SRM framework, in order to minimise the impact and negative consequences of destabilising and disruptive bank failures, with the view to limiting fiscal costs and reinforcing financial stability;
4. WELCOMES the good cooperation that took place between the SRB and the Court. Nevertheless, TAKES NOTE that although not all documentation requested was provided the Court was able to draw well-evidenced conclusions, although in some areas it led to scope limitation;

5. **UNDERLINES** that the task of setting up and operation of the SRB still poses a very significant challenge, as highlighted in the Court's Special Report, in particular, in areas related to human resources, resolution plan preparation and prioritisation, establishing rules and guidance for resolution, sharing tasks and responsibilities with relevant national authorities, the cooperation framework with the ECB and the legislative framework; and **UNDERLINES** the importance that the SRB completes the resolution planning for the banks under its remit and finalises its system of rules for resolution planning, resolution planning manual and guidance;
6. **HIGHLIGHTS** the responsibility of the SRB for an effective and consistent functioning of the SRM, where there is a need for close cooperation between the SRB, the relevant national authorities, the ECB, the Commission and the Council; in this context **STRESSES**, in particular, the need to continue ongoing work for relevant improvements on the availability and flow of information with the ECB, in the framework of the memorandum of understanding established between the SRB and the ECB in respect of cooperation and information exchange;
7. **WELCOMES** a timely and effective exchange of information between the SRB, the Commission and the Council, so as to continue the constructive cooperation and allow the corresponding institutions to fulfil their mandates in the context of the SRM framework;
8. **TAKES NOTE** of the SRB's reply to the findings of the Court presented in the Special Report. **WELCOMES** that the SRB has accepted to a large extent the Court's recommendations and has declared having already taken significant steps to address the shortcomings identified by the Court; and **INVITES** the SRB to take them forward and to periodically report to the Council on their implementation;
9. **INVITES** the SRB to relate in its annual report the concrete steps it has taken or will take to implement the recommendation set out in the Court's Special Report No. 23/2017.

Draft COUNCIL CONCLUSIONS

on

Special Report No 2/2018 "The operational efficiency of the ECB's crisis management for banks"

THE COUNCIL OF THE EUROPEAN UNION:

1. WELCOMES Special Report of the European Court of Auditors No 2/2018: "The operational efficiency of the ECB's crisis management for banks";
2. HIGHLIGHTS that the Single Supervisory Mechanism (the SSM) is an essential element of the Banking Union, including the bank crisis management framework;
3. TAKES NOTE of the ECB's replies to the findings of the Court as set out in the Special Report, as well as of the generally satisfactory degree of cooperation that the ECB gave to the Court; however, REGRETS their disagreement on the issue of access to certain information that the Court deemed necessary to assess the operational efficiency of ECB's crisis management, in its supervisory function;
4. STRESSES the importance of granting the Court of Auditors access to all documents and information necessary in order to carry out its tasks, in the interest of ensuring an appropriate level of accountability of the ECB;
5. HIGHLIGHTS that the ECB is responsible for the effective and consistent functioning of the SSM, and ACKNOWLEDGES that the arrangements implemented for bank crisis management purposes proved effective and should remain in their current form. Notwithstanding the foregoing, ACKNOWLEDGES that, in the light of the Court's findings, the ECB should do more to improve those arrangements;

6. TAKES NOTE, in particular, of the Court's recommendations for the ECB to improve cooperation with external actors and its internal guidance and management of certain key items and other specified matters in connection with recovery planning, crisis identification and crisis response;
 7. WELCOMES the fact that the ECB accepts the majority of the Court's recommendations; and INVITES the ECB to take them forward and to periodically report to the Council on their implementation;
 8. To this end, INVITES the ECB to relate in its annual report the concrete steps that it has taken or it will take to implement the recommendations set out in the Court's Special Report No. 2/2018.
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