

## E-ALERT | Financial Institutions

October 17, 2013

### THE EUROPEAN COUNCIL GIVES FINAL APPROVAL TO THE CREATION OF THE SINGLE SUPERVISORY MECHANISM FOR THE EUROZONE

On 15 October 2013, the European Council gave final approval to the creation of the Single Supervisory Mechanism (“SSM”), which is the first stage in creating a banking union across the European Union (“EU”).

The proposal for SSM regulation consists of two proposals for banks led by the European Central Bank (“ECB”). The proposal for the SSM regulation aims to confer upon the ECB specific supervisory tasks over credit institutions in the EU. The accompanying proposal for the regulation on the European Banking Authority (“EBA”) aims to introduce limited amendments to the Regulation setting up the EBA to ensure a balance in its decision-making structures between the Euro area and non-Euro area Member States.

The establishment of the SSM is the first step towards a banking union and one of the pre-conditions for direct recapitalisation by the ESM. The proposed integrated “Banking Union” will include a common bank resolution mechanism and will be governed by a single rule book.

Britain is opposed to joining a banking union which would place the City under the authority of the ECB. The FCA and HM Treasury believe that convergence of national regulatory frameworks and supervisory practices may be desirable, but differences in national markets mean that domestic supervisors frequently would need to adopt different approaches and apply different tools in relation to supervising the firms they are responsible for.

You can read the European Commission Memo, with a statement by President Barroso and Commissioner Barnier, following the European Council’s final approval of the creation of the SSM here: [http://europa.eu/rapid/press-release\\_MEMO-13-899\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-899_en.htm).

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