Sabine Lautenschläger: Looking ahead – closing remarks at the ECB Forum on Banking Supervision

Closing remarks by Ms Sabine Lautenschläger, Member of the Executive Board of the European Central Bank, at the SSM Banking Supervision Forum, Frankfurt am Main, 4 November 2015.

*   *   *

Let me close this conference by making a few remarks on the political climate in which regulators and supervisors are working and which the previous panel discussed. And while today is certainly a day for celebration, I also want to mention one major challenge the SSM is facing in the years to come.

In my view, we should fairly swiftly bring to a close the global reform agenda. After nearly a decade of regulatory reforms the public, the media and policy-makers are weary. Regulatory fatigue is spreading; the pendulum is swinging back from widespread pressures for regulation to a preference for lighter banking regulation and supervision. We therefore have to carefully channel what is left of the original momentum.

I join those calling for an end to the development phase and a turn to the implementation phase of regulatory reforms. In this context, it will be key that we not only implement the many new rules and standards diligently; it is even more important to actually use newly acquired supervisory instruments in a consistent and risk-oriented manner. We cannot allow the fatigue we are experiencing to lead to supervisory forbearance.

Turning now to the SSM, I would like to mention one challenge I am very concerned about. Although many projects such as the work on harmonising options and national discretions are making good progress in reducing divergence, the SSM on its own is not sufficient to address the remaining fragmentation in the euro area banking system. The flexibility given to Member States when implementing directives might result in a worst-case scenario consisting of 19 different national banking acts varying from a word-by-word transposition of European norms to national gold-plating. Don't misunderstand me: the transposition of directives into national law is the prerogative of national lawmakers. But as many directives define key supervisory powers, it is of utmost importance to agree on common key supervisory instruments that are available to the SSM. Let me just provide one example. Diverging national implementations of the BRRD result in noticeable differences across countries. The ECB has to be sure that the distinct national requirements are met before it issues, for example, a "failing or likely to fail" verdict. For a "single" supervisor this is a far-from-ideal situation.

These few words of caution have all the more weight and relevance as we have had a very successful first year of European supervision. The setting-up of the SSM has taken banking supervision in the euro area to a new level – not just institutionally but also in the goals we set for ourselves and the supervised banks. My heartfelt wish is that we continue to aim for those goals.

Let me close by extending a big thank you on behalf of the Executive Board of the ECB to all the panellists, speakers and organisers of the conference, who have contributed so much to the success of the SSM's first anniversary.

Ladies and gentlemen, colleagues, I thank you for your interest in our first ECB Forum on Banking Supervision. I hope that you all enjoyed the remarkable series of deep and thoughtful discussions on this first anniversary. I wish you all a safe trip home.