

Sabine Lautenschläger: European banking supervision - towards a common culture

Statement by Ms Sabine Lautenschläger, Member of the Executive Board of the European Central Bank and Vice-Chair of the Supervisory Board of the European Central Bank, at the Eurofi Financial Forum 2018, Vienna, 6 September 2018.

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Since 2014, we have made huge steps towards establishing a truly European system of banking supervision and embracing a common supervisory culture.

Does this mean nothing more needs to be done? Not quite. For a fully-fledged common culture you need to have three things:

- ♦ First, you need a truly unified legal basis. You simply cannot build a comprehensive common supervisory culture if you have to apply a different set of rules in each of the 19 countries. Just think how we need to treat fit and proper assessments differently from one country to the next.
- ♦ Second, you need harmonised administrative practices. And here, we have made good progress in the last four years – wherever the legislator granted us scope. We established practices for all the major areas of supervision, such as the SREP, the treatment of NPLs, stress tests, the ICAAP, the ILAAP, and so on.
- ♦ Third, you need time and cooperation. After all, staff from 19 countries and 26 authorities have to be persuaded to leave their cultural comfort zone and align how they think, assess and act.

I measure how far we have come by the frequency with which banks ask about changes in supervisory actions.

In other words: how often do banks complain about changes in the way they are being supervised? They complain a great deal, I can tell you.

And we keep pushing forward. Let me give you just a few examples:

- ♦ We strive to increase the number of cross-border on-site missions, with even more on-site supervisors working on banks outside their home country. The success of this initiative will largely depend on the number of on-site supervisors the national authorities are willing to send.
- ♦ We have established a rotation scheme for members of our Joint Supervisory Teams. This too will help to spread a common culture. At the same time, it helps to avoid supervisory capture.
- ♦ We foster exchange between supervisors from across the euro area. We bring them together in many different working groups to devise training manuals and supervisory guidance.

But the ECB cannot create a common supervisory culture by itself. The national authorities can and should contribute, too. I understand, of course, that it is difficult to let go of traditions that have been honed over decades. Culture is a sticky thing.

But national authorities should embrace the European idea. And they should seize the opportunity to contribute to a new, common supervisory culture. They should let more of their staff come to the ECB, for a while at least. Let them work in a European environment and carry this culture back to their home countries.

And the idea of a European supervisory culture should be reflected in how we deal with banks. For example, national reporting requirements should be dropped; instead, we should aim for a single European reporting framework.

To sum up: a common supervisory culture is emerging, but it still needs to be nurtured and nudged.

Thank you for your attention.