# Statement

## Ensuring fully auditable, accountable and effective banking supervision arrangements following the introduction of the Single Supervisory Mechanism

**We, the Contact Committee of the Heads of the Supreme Audit Institutions (SAIs) of the EU Member States and the European Court of Auditors (ECA),**

***recognising*** that the establishment of the Single Supervisory Mechanism (SSM) in November 2014 changed the architecture of EU banking supervision by conferring on the European Central Bank (ECB) the responsibility for supervision of banks in the euro area;

***noting*** that this includes almost 130 'significant' banks which come under direct ECB supervision representing a total asset value of €22 trillion;

***recalling*** the Contact Committee statement of 8 May 2013 on the *importance of appropriate audit and accountability arrangements in the Economic and Monetary Union and EU economic governance* as well as its statement of October 2011 on the *impact of the European Semester and other recent developments in EU economic governance of the Supreme Audit institutions of the Member States of the European Union and the European Court of Auditors*;

***emphasising*** the fundamental principles in these statements of ensuring sufficient transparency, appropriate accountability and adequate public audit when public funds are at stake;

***recognising*** that the introduction of the SSM brings new challenges to respecting these principles, as well as highlighting previously existing weaknesses, notably:

- a significant number of SAIs have partial or no mandate to audit their national supervisors and their (supervisory) activities, especially in the case when this is undertaken by central banks;
- a number of national SAIs have lost the mandate to audit the supervision of significant banks in their respective Member States with the transfer of the supervision responsibility to the ECB since the introduction of the SSM; and
- some national supervisors do not account or report to any national authority in respect of their supervisory activities;

***noting*** that specific financial institutions listed in the CRD IV directive[1] are excluded from supervision by the ECB, as well as from the jurisdiction of national supervisors;

***noting*** that public audit of banking supervisors and their activities (including unrestricted access to all relevant information), even when under the responsibility of central banks, is a standard procedure in countries such as the USA, Canada, Australia, Denmark, Sweden, France and Germany;

[1] Article 2(5) of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

***recognising*** that the ECA is preparing its first audits of the ECB's supervisory activities, but noting that the ECB considers that the ECA's mandate for the audit of operational efficiency of the ECB's management does not encompass policies and decisions related to its supervisory tasks;

***highlighting*** that a number of SAIs consider that there is an urgent need to fill the possible audit gaps that have emerged at national level due to previous audit mandates of national SAIs over banking supervision not having been compensated by the ECA's mandate at ECB level;

**Conclude that:**

An audit gap has emerged in those euro area countries where previous audit mandates of national SAIs over national banking supervisors are not being replaced by a similar level of audit by the ECA over the ECB's supervisory activities. There is a need to clarify what consequences, if any, there will be for the SAI's audit mandate if a non-euro area country joins the SSM. Furthermore, an audit gap remains in some countries where audit mandates of national SAIs over national banking supervisors are limited or absent altogether.

A fully auditable and accountable banking supervision in the European Union can only be achieved by national SAIs and the European Court of Auditors working closely together in order to close the audit gap, and in the meantime to minimise the risks arising from it;

**Recommend to raise awareness about the issue of ensuring fully auditable, accountable and effective banking supervision arrangements by:**

for SAIs at national and European level:

- **encouraging Member State SAIs to inform their own national governments and parliaments about these issues;**
- **inviting Member State SAIs to take part in the planned collaborative audit** of the supervision of individual non-significant banks in selected EU countries to be started in 2015, the results of which will be presented to the Contact Committee;

for EU institutions and national authorities:

- **encouraging the European Parliament, the Council of the European Union, the European Council and the European Commission to consider a strengthening of the ECA's mandate** concerning the audit of the ECB's single supervisory mechanism, including clarifying the scope of Art. 20(7) SSM regulation, and/or changing Art. 20(7) SSM regulation and Art. 27(2) ESCB and ECB Statute, if necessary;
- **encouraging national governments and parliaments to seek an extension of the audit mandates of their national SAIs** in line with the possibilities the Capital Requirements Directive IV (CRD IV) offers to SAIs in Art. 59(2), so as to ensure that it also encompasses the audit of central banks and financial supervisory authorities;
- **encouraging the European Commission** to address these issues in the first evaluation of the SSM, the results of which will be published by the end of 2015;

**Emphasise the importance of taking the above actions urgently and in a co-ordinated manner** as an appropriate response to the ongoing financial crisis and the opportunity it brings to establish fully auditable, accountable and effective banking supervision arrangements. This should also extend to the activities of financial institutions such as insurance or investment.

The Chair of the Contact Committee will send this statement to the European Parliament, the Council of the European Union, the European Council, the European Commission, the Eurogroup as well as the national parliaments and governments of the EU Member States.