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Towards a meaningful prudential supervision dialogue in the Euro area? A study of the interaction between the European Parliament and the European Central Bank in the Single Supervisory Mechanism

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***E.L. REV. 3 ABSTRACT**

In the context of the introduction of the Single Supervisory Mechanism (SSM) as part of the European Banking Union, the European Central Bank (ECB) has been assigned specific supervisory tasks relating to credit institutions established primarily in the euro area. One particularly remarkable feature of this new legislation, notably when compared with the monetary policy tasks of the ECB, is the introduction of an explicit accountability framework with a particular focus on the relationship between the ECB and the European Parliament. It is this relationship, and mainly the so-called supervisory dialogue, that form the focal point of this contribution, which offers an assessment of the legal framework, as well as of the actual practice in these first years of the existence of the SSM, against a clearly defined notion of accountability. With regard to the actual practice, the contribution focuses on the exchanges between the chair of the ECB's main decision-preparing body on SSM matters, i.e. the Supervisory Board, and the European Parliament's Committee on Economic and Monetary Affairs.

Keywords: EU law, European Central Bank, European Parliament, Eurozone, Single Supervisory Mechanism

INTRODUCTION

1 The Banking Union is often described as the single most ambitious European integration project since the introduction of the euro.¹ It currently consists of two pillars: the Single Supervisory Mechanism (SSM), which has centralised the arrangements for the supervision of banks established in those Member States that are participating in the Banking Union (currently, only the euro area Member States); and the Single Resolution Mechanism (SRM), which has centralised decision-making with respect to the resolution (restructuring) of banks that are failing or are likely to fail, thereby avoiding, whenever the public interest so requires, a costly and disruptive bankruptcy.² The “key rationale” for transferring supervisory and resolution powers to the EU level, **E.L. Rev. 4*

“is to strengthen an unbiased, neutral approach to bank oversight and resolution, thus mitigating forbearance and moral hazard, and to break the fatal link between sovereigns and their banks.”³

The SSM Regulation, which was adopted on the basis of art.127(6) TFEU, has conferred specific supervisory tasks on the European Central Bank (ECB). The latter is currently responsible for the supervision of 119 “significant” banks or cross-border groups that are established in euro area Member States,⁴ “with a focus on protecting the stability of the financial system of the Union”.⁵ These tasks are listed in the SSM Regulation⁶ and are carried out by the Supervisory Board, which is an internal body of the ECB, rather than a new autonomous agency.⁷ The national supervisory or competent authorities (NCAs) are in charge of supervising “less significant” banks or branches, which number over 3,000.⁸

One of the (many) remarkable features of the SSM Regulation is the inclusion of two provisions directly addressing the accountability of the ECB, and namely its Supervisory Board, vis-à-vis the European Parliament (EP or Parliament) and the

1. For a historical perspective see, e.g., E. Mourlon-Druol, “Banking Union in Historical Perspective: The Initiative of the European Commission in the 1960s–1970s” (2016) 54 J.C.M.S. 913.
2. Regulation 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions [2013] OJ L287/63 (SSM Regulation); Regulation 806/2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation 1093/2010 [2014] OJ L225/1 (SRM Regulation).
3. J. Gordon and W.-G. Ringe, “Bank Resolution in the European Banking Union: A Transatlantic Perspective on What It Would Take” (2015) 115 Columbia Law Review 1297, 1306.
4. ECB, “List of Supervised Entities” https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.list_of_supervised_entities_201812.en.pdf [Accessed 14 January 2019]. See generally A. Pizzolla, “The Role of the European Central Bank in the Single Supervisory Mechanism: A New Paradigm for EU Governance” (2018) 43 E.L. Rev. 3.
5. SSM Regulation, Preamble, Recital 13.
6. SSM Regulation arts 4, 5 and 9–18.
7. SSM Regulation art.26(1).
8. SSM Regulation art.6(6).

national parliaments (NPs) of the Member States that participate in the SSM.⁹ With this a practice is continued and extended that started with the monetary dialogue for monetary policy and thereafter found its way into secondary Union law in the shape of the economic dialogues as part of the Six Pack¹⁰ and Two Pack legislation.¹¹

As this supervisory dialogue between the ECB and the EP is a relatively new feature, this contribution aims to provide evidence for the effectiveness of this mechanism as a means to hold the ECB to account for its conduct in the context of the SSM by specifically analysing the interaction between the EP and the ECB, which is governed by the SSM Regulation and further specified in the related Interinstitutional Agreement between these two Union Institutions.¹² Rather than to duplicate existing studies offering a more or less descriptive analysis of the legal framework and the inter-institutional dynamics involved, this contribution will focus on a qualitative assessment of the actual practice in these first years of the **E.L. Rev. 5* existence of the supervisory dialogue. In doing so it focuses on the exchanges between the chair of the ECB's main decision-preparing body on SSM matters, i.e. the Supervisory Board, and the EP's Committee on Economic and Monetary Affairs. In this context, the notion of "meaningful prudential supervision dialogue", referred to in the title of this contribution, is directly linked to the notion of accountability. By evaluating the practical modalities and outcomes of the interaction between the ECB and the EP in the SSM against an explicit yardstick of accountability, tentative conclusions about the value of this procedure as a way to hold the ECB to account for the exercise of its prudential supervisory tasks can be drawn and, where applicable, recommendations can be made on the ways in which this interaction may be improved. Moreover, these findings can be put into perspective by looking at previous studies that have undertaken such an exercise

9. In the first instance, these are euro area Member States. Non-euro area Member States can also participate by means of a so-called close co-operation agreement concluded between the ECB and the competent national supervisory authority of the Member State concerned: see SSM Regulation art.9.
10. Regulation 1175/2011 amending Council Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies [2011] OJ L306/12; Regulation 1177/2011 amending Regulation 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure [2011] OJ L306/33; Regulation 1176/2011 on the prevention and correction of macroeconomic imbalances [2011] OJ L306/25; Directive 2011/85 on requirements for budgetary frameworks of the Member States [2011] OJ L306/41; Regulation 1173/2011 on the effective enforcement of budgetary surveillance in the euro area [2011] OJ L306/1; Regulation 1174/2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area [2011] OJ L306/8.
11. Regulation 472/2013 on the strengthening of economic and budgetary surveillance of Member States in the euro area experiencing or threatened with serious difficulties with respect to their financial stability [2013] OJ L140/1; Regulation 473/2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area [2013] OJ L140/11.
12. Interinstitutional Agreement between the European Parliament and the European Central Bank on the practical modalities of the exercise of democratic accountability and oversight over the exercise of the tasks conferred on the ECB within the framework of the Single Supervisory Mechanism [2013] OJ L320/1.

for the pre-existing monetary dialogue between the ECB and the EP and that have come up with rather mixed results in terms of the usefulness of this forum in increasing accountability.

The article is structured as follows. The discussion begins with the theoretical background and broad analytical framework for the study of parliamentary hearings as an accountability mechanism. Thereafter, the contribution offers a brief overview of the legal framework governing the relationship between the EP and the ECB in the framework of the SSM. The penultimate section offers a mostly qualitative analysis of the actual exchanges between these two Union institutions. The final section draws some preliminary conclusions on the current state of affairs, thereby providing a tentative answer to the question asked in the title of this contribution.

ON THE FUNCTION OF PARLIAMENTARY HEARINGS AS ACCOUNTABILITY MECHANISM

From a conceptual point of view, the function of parliamentary hearings in holding to account the ECB—or any other body exercising public authority for that matter—needs to be determined. For this purpose, the somewhat vague term “accountability” requires specification. Moreover, the conditions in which parliamentary hearings can fulfil an accountability function have to be identified.

As has become clear, namely from an analysis of the SSM Regulation and a study of the ever-growing literature on the subject-matter that does not have to be reproduced here, the ECB has been given numerous substantial powers not only relating to credit institutions under its direct supervision but also relating to the oversight over NCAs in the exercise of SSM-related tasks.¹³ The exercise of those supervisory powers intimately affects, among other fundamental rights, the exercise of property rights,¹⁴ such that it is argued that the central banks’,

13. For the sake of focus, these powers are not further discussed in this article. See B. Wolfers and T. Voland, “Level the Playing Field: The New Supervision of Credit Institutions by the European Central Bank” (2014) 51 C.M.L. Rev. 1463; N. Moloney, “European Banking Union: Assessing its Risks and Resilience” (2014) 51 C.M.L. Rev. 1609; E. Wymeersch, “The Single Supervisory Mechanism or ‘SSM’, Part One of the Banking Union”, NBB Working Paper No.255 (2014), available at <http://www.nationalebankvanbelgie.be/doc/ts/publications/wp/wp255en.pdf> [Accessed 19 December 2018]; T. Tröger, “The Single Supervisory Mechanism—Panacea or Quack Banking Regulation? Preliminary Assessment of the New Regime for the Prudential Supervision of Banks with ECB Involvement” (2014) 15 E.B.O.R. 449; G. Schuster, “The Banking Supervisory Competences and Powers of the ECB” (2014) EuZW-Beilage 3; J. Gren, D. Howarth and L. Quaglia, “Supranational Banking Supervision in Europe: The Construction of a Credible Watchdog” (2015) 53 J.C.M.S. 181; K. Alexander, “The European Central Bank and Banking Supervision: The Regulatory Limits of the Single Supervisory Mechanism” (2016) 24 E.C.F.R. 467.

14. Interestingly, while referring generally to fundamental rights and listing several such rights, the Preamble to the SSM Regulation does not explicitly mention the right to property: see Preamble, Recital 86.

“newly fortified powers to oversee and set the terms of trade for banking and other parts of finance unambiguously make them part of the ‘regulatory state’.” *E.L. Rev.* 6¹⁵

To the extent that the European legislator has thus entrusted the ECB with the exercise of public authority, mechanisms must be in place to ensure the back coupling to one or more main political institutions, which ensure the democratic legitimacy of governance and the observance of the rule of law in the EU.¹⁶ As such, the basic case for the accountability of the ECB for its SSM-related tasks does not differ substantially from what has previously been abundantly argued for its monetary policy tasks.¹⁷ This is particularly the case since the legal basis of the SSM ensures the independence of the ECB and the NCAs “in carrying out the tasks conferred on it by this Regulation”, whereby the ECB’s Supervisory Board and the steering committee must act,

“independently and objectively in the interest of the Union as a whole and ... neither seek nor take instructions from the institutions or bodies of the Union, from any government of a Member State or from any other public or private body.”¹⁸

With regard to the latter part of this sentence, the SSM Regulation mirrors art.130 TFEU on the independence of the ECB and the national central banks of the Member States.¹⁹

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15. P. Tucker, *Unelected Power: The Quest for Legitimacy in Central Banking and the Regulatory State* (Princeton/Oxford: Princeton University Press, 2018), p.8.
 16. The ECB is presently not considered to fall into this narrowly defined category of political institutions. Moreover, the term “political institution” is used here in a narrower sense than that discussed in political science research: see, e.g., J. March and J. Olsen, “Elaborating the ‘New Institutionalism’” in S. Binder, R. Rhodes and B. Rockman (eds), *The Oxford Handbook of Political Institutions* (Oxford: Oxford University Press, 2008), pp.3–20.
 17. See, e.g., J. de Haan and L. Gormley, “The Democratic Deficit of the European Central Bank” (1996) 21 *E.L. Rev.* 95; F. Amtenbrink, *The Democratic Accountability of Central Banks: A Comparative Study of the European Central Bank* (Oxford/Portland, Hart Publishing, 1999). Generally, making the case for the accountability of financial market supervisors, see R. Lastra and H. Shams, “Public Accountability in the Financial Sector” in E. Ferrán and C. Goodhart (eds), *Regulating Financial Services and Markets in the 21st Century* (Oxford/Portland, Hart Publishing, 2001), pp.165–188; E. Hüpkes, M. Quintyn and M. Taylor, “The Accountability of Financial Sector Supervisors: Principles and Practice”, IMF Working Paper No.51 (2005), available at <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/The-Accountability-of-Financial-Sector-Supervisors-Principles-and-Practice-1801> [Accessed 12 December 2018]; F. Amtenbrink and R. Lastra, “Securing Democratic Accountability of Financial Regulatory Agencies—A Theoretical Framework” in R. de Mulder (ed.), *Mitigating Risk in the Context of Safety and Security: How Relevant is a Rational Approach?* (Rotterdam: OMV, 2008), https://www.researchgate.net/publication/228209991_Securing_Democratic_Accountability_of_Financial_Regulatory_Agencies_-_A_Theore [Accessed 28 November 2018]. Specifically concerning the ECB in the SSM, see G. ter Kuile, L. Wissink and W. Bovenschen, “Tailor-Made Accountability within the Single Supervisory Mechanism” (2015) 52 *C.M.L. Rev.* 155.
 18. SSM Regulation art.19.
 19. Whether the independence of the ECB for SSM-related tasks also derives from art.130 TFEU and thus from primary Union law has been the subject of debate: see, e.g., I. Angeloni, “Rethinking Banking

3 At the same time, it has been observed that accountability does not only function as a counterbalance to independence, but may actually be supportive of the latter, and, moreover, that accountability can be linked to agency performance.²⁰ With regard to the latter, Hüpkes, Quintyn and Taylor have observed that: **E.L. Rev. 7*

“A properly structured system of accountability lays down rules for subjecting the decisions and actions of the agency to review. As such, by reducing the scope for ad hoc or discretionary interventions, it potentially enhances the agency’s performance.”²¹

In the light of these considerations, it is little surprising that the importance of accountability arrangements for banking supervisors has also been recognised by international organisations and standard-setting bodies, such as the International Monetary Fund and the Bank for International Settlement.²²

As has been observed elsewhere, in theoretical terms “accountability” can be defined as a concept that stands for the “continuous control of power”, as well as “the notion that the accountee takes responsibility for failure and takes steps to prevent their recurrence”.²³ Arguably, an indispensable part of any meaningful accountability mechanism is that the party to which the accountee has to answer is

Supervision and the SSM Perspective (23 April 2015), <http://www.bankingsupervision.europa.eu/press/speeches/date/2015/html/se150423.en.html> [Accessed 28 November 2018]; A. de Gregorio Merino, “Institutional Report” in G. Bándi, P. Darák, A. Halustyyk and P. Láncoš (eds), *European Banking Union: Congress Proceedings—Vol.1* (Budapest: Wolters Kluwer, 2016); R. Lastra, “Financial Institutions and Accountability Mechanisms” in P. Iglesias-Rodríguez (ed.), *Building Responsive and Responsible Financial Regulators in the Aftermath of the Global Financial Crisis* (Cambridge: Intersentia, 2015); J.-V. Louis, “Democracy and the European Central Bank: Some Comments on Independence and Accountability” in G. Garzón Clariana (ed.), *Democracy in the New Economic Governance of the European Union* (Madrid: Marcial Pons, 2015); T. Tridimas, “General Report” in G. Bándi et al. (eds), *European Banking Union: Congress Proceedings—Vol.1* (2016).

20. M. Quintyn, S. Ramirez and M. Taylor, “The Fear of Freedom: Politicians and the Independence and Accountability of Financial Sector Supervisors”, IMF Working Paper No.25 (2007), available at <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/The-Fear-of-Freedom-Politicians-and-the-Independence-and-Accountability-of-Fi> [Accessed 12 December 2018]; Hüpkes, Quintyn and Taylor, “The Accountability of Financial Sector Supervisors” (2005).
21. Hüpkes, Quintyn and Taylor, “The Accountability of Financial Sector Supervisors” (2005), p.8.
22. See IMF, *Code of Good Practices on Transparency in Monetary and Financial Policy*, s.VIII; Basel Committee on Banking Supervision’s Core Principles for Effective Banking Supervision, Principle No.2.
23. Amtenbrink and Lastra, “Securing Democratic Accountability of Financial Regulatory Agencies” in *Mitigating Risk in the Context of Safety and Security* (2008), with reference to Hüpkes, Quintyn and Taylor, “The Accountability of Financial Sector Supervisors” (2005), p.6. For an overview of different concepts of accountability see Ter Kuile, Wissink and Bovenschen, “Tailor-Made Accountability within the Single Supervisory Mechanism” (2015) 52 C.M.L. Rev. 155, 157–160, with further references to relevant literature, including namely M. Bovens, “Analysing and Assessing Accountability: A Conceptual Framework” (2007) 13 E.L.J. 447, who offers different classifications of accountability. On the application of the principle-agent theory to the ECB see R. Elgie, “The Politics of the European Central Bank: Principal-Agent Theory and the Democratic Deficit” (2002) 9 J.E.P.P. 186. Critical on the application of the principal-agent theory on independent agencies is G. Majone, “Nonmajoritarian Institutions and the Limits of Democratic Governance: A Political Transaction-Cost Approach” (2001) 157 J.I.T.E. 57.

in a position, if needed, to assign consequences to its evaluation of the performance, e.g. in the case of bad performance or abuse of power. It is only in the presence of the latter power that in multiple principal–agent relationships, as can be observed in the case of the delegation of legislative or executive tasks on to independent agencies, the party at the helm of the accountability mechanism (principal), e.g. the government or parliament, can itself be held to account for the way in which it exercises its accountability powers vis-à-vis the independent agency, e.g. by parliament, the judiciary or the electorate.

From this abstract approach two principal elements of accountability can be dissected that provide a basic analytical framework for the evaluation of accountability arrangements in the books and in action (de jure and de facto), namely preconditions and instruments of accountability.²⁴ If the essence of accountability is that the party at the helm of the mechanism can pass an informed judgment on the performance of the agent and can assign consequences to this judgment, the existence of a sufficiently clear standard based on which the performance can be evaluated, as well as the availability of relevant information on the activities of the accountee, form two essential preconditions of accountability.

In the absence of clear, predetermined objectives or standards based on which the action by the accountee can be assessed, it remains unclear for the latter what exactly is expected in terms of performance. Moreover, in such a case any evaluation bears the danger of being aimless or arbitrary. Where the legislator has chosen to vest specific public powers in an independent agency, a clear and unequivocal yardstick also contributes to shielding the latter from undesirable political influence. The dangers loom large in the case of vague, very broad or multiple objectives without a clear hierarchical order.²⁵ Institutional exchanges, such as parliamentary hearings, may in the “best-case” scenario have the character of a general exchange of information, without, however, focusing on the question whether the accountee has met the predefined objectives or targets, and in the “worst-case” scenario deteriorate to a political settling of scores. As a side effect, this also makes any evaluation of the performance of the party at the helm of the accountability ***E.L. Rev. 8** mechanism problematic. As regards financial market regulation and supervision in general, it has been observed that they are often characterised not only by the pursuit of several objectives, but also by the co-existence of several instruments and at times even several agencies.²⁶ What is more, objectives can be formulated rather broadly or vaguely, such as financial stability, investor protection, or the conduct of business.

24. As developed in *Amtenbrink, The Democratic Accountability of Central Banks (1999)*, pp.334–380.

25. *Amtenbrink and Lastra, “Securing Democratic Accountability of Financial Regulatory Agencies” in Mitigating Risk in the Context of Safety and Security (2008)*, p.125.

26. Hüpkes, Quintyn and Taylor, “The Accountability of Financial Sector Supervisors: Principles and Practice” (2005), p.11; *Amtenbrink and Lastra, “Securing Democratic Accountability of Financial Regulatory Agencies” in Mitigating Risk in the Context of Safety and Security (2008)*, p.125.

Next to a clear yardstick, transparency forms a crucial precondition for accountability. For monetary and financial policies, transparency has been broadly described to entail,

“an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies’ accountability, are provided to the public on an understandable, accessible and timely basis.”²⁷

Information thus forms an important, albeit not the only, aspect of transparency, as the applicable legal framework predestines the degree of transparency of an agency to a considerable extent.²⁸ Focusing here on information, this can be provided by means of (legally prescribed) reporting requirements through regular publications, such as monthly, quarterly and annual reports or **4** projections, but can also emerge from institutional contacts between the accountee and the party at the helm of the accountability mechanism. In this context, it has been observed for the national context that contacts with parliament have to be considered “as the most important institutional contact for the democratic accountability of the agency”, as the latter regularly has the power to change the legal basis of the accountee.²⁹ While parliament can discuss the performance of the agency on a regular basis, the latter can “explain and justify its conduct” not only to democratically elected parliamentarians, but—in the case of public hearings—to the public at large.³⁰ It is thus hardly surprising that legal arrangements on the appearance of central bank officials before parliament are not uncommon around the globe.³¹ Institutional contacts can also exist with the (executive) government, which is of particular importance, if government is primarily or in the first line in charge of the accountability mechanism.

27. IMF, “Code of Good Practices on Transparency in Monetary and Financial Policies: Declaration of Principle” (1999), <https://www.imf.org/external/np/mae/mft/code/> [Accessed 28 November 2018].

28. On the role of transparency see R. Lastra, “How Much Accountability for Central Banks and Supervisors?” (2001) 12 *Central Banking* 69; F. Amtenbrink, “The Three Pillars of Central Bank Governance: Toward a Model Central Bank Law or a Code of Good Governance?” in IMF, *Current Developments in Monetary and Financial Law, Vol.4 (2005)*, pp.101–132. Treating accountability and transparency as separate concepts are S. Collignon and S. Diessner, “The ECB’s Monetary Dialogue with the European Parliament: Efficiency and Accountability during the Euro Crisis?” (2016) 54 *J.C.M.S.* 1296; D. Curtin, “Accountable Independence’ of the European Central Bank: Seeing the Logics of Transparency” (2017) 23 *E.L.J.* 28.

29. Amtenbrink and Lastra, “Securing Democratic Accountability of Financial Regulatory Agencies” in *Mitigating Risk in the Context of Safety and Security (2008)*, p.128.

30. Amtenbrink and Lastra, “Securing Democratic Accountability of Financial Regulatory Agencies” in *Mitigating Risk in the Context of Safety and Security (2008)*, pp.128–129.

31. See, e.g., the cross-country analysis by D. Stasavage, “Transparency, Democratic Accountability, and the Economic Consequences of Monetary Institutions” (2003) 47 *A.J.P.S.* 389.

While meaningful accountability is thus arguably impossible in the absence of a clear yardstick based on which performance can be evaluated,³² and in the absence of meaningful information relating to the achievement of the agency's objectives, this is not to say that the presence of a clear objective and arrangements ensuring transparency can in and of itself ensure the accountability of an agency. This requires instruments at the disposal of the party at the helm of the accountability mechanism to act based **E.L. Rev. 9* on its findings and, where necessary, to intervene. Various escalation levels can be differentiated in this regard, ranging from the dismissal of agency officials (performance-based dismissal), to the overriding of decisions, funding cuts, or amendments to the agency's legal basis. This is in addition to the possibility of judicial review of the action taken by the agency and any pecuniary consequences that may result therefrom.

In light of the preceding analysis, parliamentary hearings can in principle fulfil an important role in agency accountability. To what extent this is in fact the case depends not only on the concrete (legal) arrangements concerning such institutional contacts, the agency's objective(s) and the applicable transparency arrangements, but more generally on the extent to which parliament has instruments at its disposal to assign consequences to its evaluation.

THE ACCOUNTABILITY FRAMEWORK OF THE SSM REGULATION

Differently from what could previously be observed for the monetary policy function of the ECB, the legal basis of the SSM includes several provisions explicitly addressing the accountability of the ECB "for the implementation" of the SSM Regulation. Focusing presently on the EP, art.20(1) of the SSM Regulation provides that "[t]he ECB shall be accountable to the European Parliament and to the Council for the implementation of this Regulation". Interestingly, neither art.20 nor any other provision of the SSM Regulation contains a legal definition of the term "accountability".³³

Rather, the scope of this term has to be construed from the contents of art.20, as well as the Interinstitutional Agreement that has been concluded between the EP and the ECB, which complements the SSM Regulation.³⁴ The latter agreement sets out the practical modalities for the exercise of what is referred to as "democratic accountability and oversight over the exercise of the tasks conferred on the ECB within

32. Similarly, Hüpkes, Quintyn and Taylor, "The Accountability of Financial Sector Supervisors" (2005), pp.10–15.

33. Including, namely, SSM Regulation art.2 on "Definitions".

34. The conclusion of such an Interinstitutional Agreement is legitimised through secondary Union law, namely SSM Regulation art.20(9). Generally, on the legal nature and effects of such agreements in European law, see W. Hummer, "From 'Interinstitutional Agreements' to 'Interinstitutional Agencies/Offices?'" (2007) 13 E.L.J. 47.

the framework of the SSM”.³⁵ Applying the basic analytical framework introduced in the previous section of this article, the arrangements relating to preconditions of accountability and instruments can be differentiated in the following manner.

Provision of information and institutional contacts

The basic legal obligations introduced by art.20 SSM Regulation are reporting requirements, hearings and ad hoc exchanges, as well as the obligation to respond to written questions.³⁶ The ECB is obliged to submit an annual report not only to the EP, but also to the Council, the Commission and the Eurogroup. With regard to its content, while the SSM Regulation only in very general terms refers to “the execution of the ***E.L. Rev. 10** tasks conferred on [the ECB] by this Regulation”,³⁷ the Interinstitutional Agreement specifies in much greater detail what the annual report must cover, including not only the execution of supervisory tasks, but also for instance the sharing of tasks with the NCAs, the co-operation with other national or Union relevant authorities, and the separation between monetary policy and supervisory tasks.³⁸ The chair of the ECB’s Supervisory Board is obliged to present the report in public to the EP, whereby the latter receives the report on a confidential basis four working days in advance of the hearing.³⁹ The Annual Report must thereafter also be published on the website of the SSM.

The SSM Regulation and the Interinstitutional Agreement distinguish among three types of **5** parliamentary discussions. These are ordinary public hearings; ad hoc exchanges of views; and confidential meetings.⁴⁰ As to the scope of these discussions, while in the SSM Regulation reference is made in broad terms to the execution of the supervisory tasks, the Interinstitutional Agreement states that “all aspects of the activity and functioning of the SSM covered by Regulation (EU) No

35. Interinstitutional Agreement between the European Parliament and the European Central Bank [2013] OJ L320/1.

36. For a neat summary of those powers, see European Parliament, “Single Supervisory Mechanism (SSM): Accountability Arrangements and Legal Base for Hearings in the European Parliament: State of Play - September 2018” (19 September 2018), [http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/497742/IPOL_ATA\(2017\)497742_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2017/497742/IPOL_ATA(2017)497742_EN.pdf) [Accessed 11 January 2019]. For the powers conferred on the Council, Eurogroup and Parliament, see also Louis, “Democracy and the European Central Bank” in *Democracy in the New Economic Governance of the European Union (2015)*, especially pp.135–145; M. Markakis, “Political and Legal Accountability in the European Banking Union: A First Assessment” in M. Szabó, P. Láncoš and R. Varga (eds), *Hungarian Yearbook of International Law and European Law 2016 (The Netherlands: Eleven Publishing, 2017)*, Ch.32. For a discussion of the powers conferred on the EP and national parliaments vis-à-vis the ECB in the fields of monetary policy and prudential supervision, see D. Jan#i#, “Accountability of the European Central Bank in a Deepening Economic and Monetary Union” in D. Jancic (ed.), *National Parliaments after the Lisbon Treaty and the Euro Crisis: Resilience or Resignation?* (Oxford: Oxford University Press, 2017), pp.149–156.

37. SSM Regulation art.20(2).

38. Interinstitutional Agreement s.I.1, p.3.

39. SSM Regulation art.20(3); Interinstitutional Agreement s.I.1, p.3.

40. SSM Regulation art.20(5), (8) and (6).

1024/2013” can be addressed.⁴¹ The Interinstitutional Agreement also determines that the chair of the Supervisory Board participates in an ordinary public hearing twice a year on request of the EP’s competent committee, which according to the Rules of Procedure of the EP is the Committee on Economic and Monetary Affairs (ECON Committee).⁴² In addition, the chair of the Supervisory Board can be invited to additional ad hoc exchanges of views “on supervisory issues”.⁴³ Furthermore, upon request, the chair of the Supervisory Board can schedule confidential oral discussions behind closed doors with the chair and vice-chairs of the ECON Committee in cases “[w]here [it would be] necessary for the exercise of Parliament’s powers under the TFEU and Union law”.⁴⁴ The Interinstitutional Agreement stipulates that no minutes or any other recording of the confidential meetings must be taken, and that no statement is to be made for the press or any other media. Each participant in the confidential discussions must sign every time a solemn declaration not to divulge the content of those discussions to any third person.⁴⁵

Next to regular hearings and ad hoc exchanges, the ECB must reply in writing to questions put to it by the EP “as promptly as possible, and in any event within five weeks of their transmission to the ECB”.⁴⁶ These questions and replies are accessible on dedicated sections of the ECB and the Parliament’s website.⁴⁷ The ECB is further put under an obligation to co-operate with the EP during any investigations carried out by Parliament pursuant to art.226 TFEU on the setting-up of temporary committees of inquiry to investigate alleged contraventions or maladministration in the implementation of Union law.⁴⁸

Whereas the SSM Regulation does not include any additional details on this point, the Interinstitutional Agreement further contains a number of provisions on access to information by Parliament.⁴⁹ Notably, the ECB must provide the ECON Committee at least with a comprehensive and meaningful record of the proceedings of the Supervisory Board that enables an understanding of the discussions, including an annotated list of decisions. In the case of an objection of the ECB’s Governing Council against a draft ***E.L. Rev. 11** decision of the Supervisory Board,⁵⁰ the President of the ECB must inform the chair of the ECON Committee of the rea-

41. Interinstitutional Agreement s.I.2, pp.3–4.

42. Interinstitutional Agreement s.I.2, p.3. Rules of Procedure of the European Parliament (8th parliamentary term, January 2017), Annex V, s.VI.

43. Interinstitutional Agreement s.I.2, p.3.

44. SSM Regulation art.20(8).

45. Interinstitutional Agreement s.I.2, p.4.

46. SSM Regulation art.20(6); Interinstitutional Agreement s.I.3, p.4.

47. See, e.g., <http://www.europarl.europa.eu/committees/en/econ/banking-union.html> [Accessed 28 November 2018].

48. Interinstitutional Agreement s.III, pp.5–6.

49. See also SSM Regulation, art.20(9), according to which “appropriate arrangements” have to be concluded between the ECB and the EP on these and other “practical arrangements”.

50. Pursuant to SSM Regulation art.26(8).

sons for such an objection. In the event of the winding-up of a credit institution, non-confidential information relating to that credit institution shall be disclosed ex post, once any restrictions on the provision of relevant information resulting from confidentiality requirements have ceased to apply.⁵¹

The information duties of the ECB also extend to the acts it adopts. According to the Interinstitutional Agreement, the ECB must duly inform the ECON Committee of the procedures (including timing) it has set up for the adoption of regulations, decisions, guidelines and recommendations that are subject to public consultation in accordance with the SSM Regulation. The ECB must, in particular, provide information on the principles and kinds of indicators of information it is generally using in developing acts and policy recommendations, with a view to enhancing transparency and policy consistency. Moreover, the ECB must transmit the draft acts before the beginning of the public consultation procedure. Where the EP submits comments on the acts, there may be informal exchanges of views with the ECB on such comments, in parallel with the open public consultations. Once the ECB has adopted an act, it must forward it to the ECON Committee. Last, the ECB is obliged to regularly inform the EP in writing about the need to update adopted acts.⁵²

The benchmark—the objectives of the SSM

What becomes clear from this brief overview is that the SSM Regulation, taken in conjunction with the Interinstitutional Agreement, introduces a relatively detailed framework governing the provision of information by the ECB to, and its relationship with, the EP. Yet, as was argued in the previous section, whether institutional contacts and information provided can become the basis of meaningful accountability depends on the existence of a clear set of objectives or standards based on which the action of the accountee can be assessed. Article 20 of the SSM Regulation on the accountability of the ECB does not itself specify the object of this accountability, beyond referring in rather broad terms to “the implementation of this Regulation” and “the execution of its supervisory tasks”.⁵³ Moreover, an unequivocal objective cannot be found elsewhere in the SSM Regulation. In fact, the SSM Regulation very much underscores the observation made in the previous section concerning the characteristics of financial market regulation and supervision. It includes multiple, vague objectives, without establishing a clear hierarchical order between them. More specifically, the first paragraph of art.1 of [6](#) the SSM Regulation states that the objectives of the conferral of specific tasks relating to the prudential supervision of credit institutions are,

51. Interinstitutional Agreement s.I.4, p.4.

52. Interinstitutional Agreement s.V, p.6.

53. SSM Regulation art.20(1) and (5).

“contributing to the safety and soundness of credit institutions and the stability of the financial system within the Union and each Member State, with full regard and duty of care for the unity and integrity of the internal market based on equal treatment of credit institutions with a view to preventing regulatory arbitrage.”

To the extent that the safety and soundness of credit institutions and the stability of the financial system may be qualified as the core objectives of the ECB as a European supervisor,⁵⁴ they hardly amount to a quantifiable yardstick based on which the performance of the ECB can be objectively evaluated. It is furthermore unclear, as will be highlighted later, what is required to achieve these objectives. In this ***E.L. Rev. 12** connection, a bank failure may be deemed to constitute a supervisory failure, or may instead be regarded as inevitable and/or a necessary part of securing “the stability of the financial system”. In comparison, the ECB’s objectives for its monetary policy function are somewhat better defined in practice.⁵⁵ The ECB’s primary objective is to maintain price stability.⁵⁶ As a secondary, subordinated objective the ECB is to,

“support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union.”⁵⁷

Primary Union law does not offer a definition of the overriding, primary monetary policy objective, thus providing the ECB not only with instrument but also goal independence.⁵⁸ However, the ECB’s Governing Council itself has announced its definition of price stability, stating that “it aims to maintain inflation rates below, but close to, 2% over the medium term”, acknowledging that this “makes the monetary policy more transparent” and “provides a clear and measurable yardstick against which the European citizens can hold the ECB accountable”.⁵⁹

No such quantified objective providing for an easily measurable yardstick exists in the case of SSM banking supervision. ECB itself has defined financial

54. On financial stability, see generally *G. Lo Schiavo, The Role of Financial Stability in EU Law and Policy (Alphen aan den Rijn: Wolters Kluwer, 2017)*. On the duty of care for the unity and integrity of the internal market, see P. Schammo, “The European Central Bank’s Duty of Care for the Unity and Integrity of the Internal Market” (2017) 42 E.L. Rev. 3.

55. For a different view see D. Fromage and R. Ibrido, “The ‘Banking Dialogue’ as a Model to Improve Parliamentary Involvement in the Monetary Dialogue?” (2018) 40 *Journal of European Integration* 295, 307 who argue that “while the Monetary Dialogue concerns an area in which the ECB’s mission is not precisely defined, its tasks as banking supervisor are easier to trace and hence to control for MEPs”.

56. Article 127(1) TFEU.

57. Article 127(1) TFEU.

58. *Amttenbrink, The Democratic Accountability of Central Banks (1999)*, pp.359–360.

59. See <https://www.ecb.europa.eu/mopo/strategy/pricestab/html/index.en.html> [Accessed 28 November 2018].

stability as “a state whereby the build-up of systemic risk is prevented”.⁶⁰ In turn, according to the ECB:

“Systemic risk can best be described as the risk that the provision of necessary financial products and services by the financial system will be impaired to a point where economic growth and welfare may be materially affected.”⁶¹

While any attempt to quantify the objectives of the SSM must be applauded, in doing so the ECB is effectively replacing one vague yardstick with another, as it may be up to debate at what point economic growth and welfare are “materially affected”. The ECB is mandated to ensure the stability of the financial system not only within the Union, but also within each Member State.⁶² Yet, a clear, explicit hierarchy between these two not necessarily congruent objectives, similar to that found for the monetary policy objectives, is missing. Financial stability in the Union may, for example, demand that a credit institution is wound up, with considerable repercussions for the financial system of the Member State concerned. What is more, the other core objective of the SSM—that of ensuring “the safety and soundness of credit institutions”⁶³—is also too ambiguous to serve as a sufficiently clear benchmark, and the relationship between this and the other objectives is unclear.

Not only are the SSM’s objectives broad and vague, but it is also hard to monitor whether they are achieved in practice. This is because, as the European Court of Auditors notes: “A formal performance framework has not yet been developed to provide assurance about the achievement of the SSM objectives.”⁶⁴ The Court of Auditors further notes that: ***E.L. Rev. 13**

“[The ECB] has produced a tool, the SSM Supervisory Dashboard Pilot, which allows it to track and assess the most important aspects of its supervisory activities and to monitor the effectiveness with which supervisory priorities are translated into practice. However, this tool is available only to the Supervisory Board and to senior management, and thus does not provide assurance to other stakeholders about the achievement of the SSM objectives.”⁶⁵

Accordingly, it has been suggested that the ECB should create a public version of the SSM Supervisory Dashboard Pilot. This would, according to the argument, enable outside stakeholders to assess the extent to which the ECB achieves its

60. See <https://www.ecb.europa.eu/pub/fsr/html/index.en.html> [Accessed 28 November 2017].

61. See <https://www.ecb.europa.eu/pub/fsr/html/index.en.html> [Accessed 28 November 2017].

62. SSM Regulation art.1.

63. SSM Regulation art.1.

64. European Court of Auditors, “Single Supervisory Mechanism—Good Start but Further Improvements Needed”, Special Report No.29 (2016), p.46, <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=39744> [Accessed 28 November 2018].

65. European Court of Auditors, “Single Supervisory Mechanism” (2016), p.46, <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=39744> [Accessed 28 November 2018].

objectives as a bank supervisor.⁶⁶ In this connection, the European Court of Auditors has further provided examples of formal performance indicators (and related metrics), which are commonly used in other jurisdictions and could therefore form part of such a framework, such as: indicators related to bankruptcies or the level of losses caused by defaults; **7** indicators related to (public) confidence in the banking sector or the banking supervisor; indicators of movement between different supervisory regimes or risk scores; and indicators based on stakeholder surveys.⁶⁷ A comprehensive, publicly available tool would greatly increase the capacity of the ECB's accountability holders, as well as of the general public and various interest groups, to assess its performance as bank supervisor.

The European Parliament's accountability instruments

Owing to the nature of the legal basis of the SSM, it is in principle possible to change the legal framework of the SSM by means of an amendment of secondary Union law. This stands in sharp contrast to the "quasi-constitutional status" of the legal and institutional arrangements on monetary policy, which are enshrined in EU primary law and hence are much more difficult to amend.⁶⁸ Yet, as the SSM Regulation was adopted pursuant to art.127(6) TFEU, a special legislative procedure applies which puts the Council at the helm of the process, with the EP only having a right to be consulted.⁶⁹ In fact, in procedural terms the ECB is put on an equal footing with the EP, as it too has the right to be consulted. Since the ordinary legislative procedure is not applicable, the possibility of amending the SSM Regulation cannot therefore be considered an instrument at the disposal of the EP. To be sure, any amendment of the SSM Regulation by the Council has to take place within the parameters of the EU Treaties and the relevant international standards.⁷⁰

Compared with the procedure for the amendment of the SSM Regulation, the role of the EP in the appointment and dismissal of the management of the Supervisory Board is somewhat more substantial, not least as a result of amendments introduced to the original Commission proposal for the SSM Regulation.⁷¹ First,

66. B. Braun, "Two Sides of the Same Coin? Independence and Accountability of the European Central Bank" (*Transparency International EU*, 2017), p.48, transparency.eu/wp-content/uploads/2017/03/TI-EU_ECB_Report_DIGITAL.pdf [Accessed 12 December 2018].

67. European Court of Auditors, "Single Supervisory Mechanism" (2016), p.47.

68. F. Amtenbrink and K. van Duin, "The European Central Bank before the European Parliament: Theory and Practice after Ten Years of Monetary Dialogue" (2009) 34 E.L. Rev. 561, 582–583; F. Amtenbrink, "The Metamorphosis of European Economic and Monetary Union" in D. Chalmers and A. Arnall (eds), *The Oxford Handbook of European Union Law* (Oxford: Oxford University Press, 2015) p.729; De Haan and Gormley, "The Democratic Deficit of the European Central Bank" (1996) 21 E.L. Rev. 95, 101.

69. Article 127(6) TFEU.

70. Louis, "Democracy and the European Central Bank" in *Democracy in the New Economic Governance of the European Union* (2015), pp.137–138.

71. ECON Committee, *Report on the Proposal for a Council Regulation Conferring Specific Tasks on the European Central Bank Concerning Policies Relating to the Prudential Supervision of Credit Institutions*, COM(2012)0511 – C7-0314/2012 – 2012/0242(CNS), on ex art.19(2) Commission Proposal. For

while the chair and vice-chair are formally appointed by the Council by means of an **E.L. Rev. 14* implementing decision, whereby the vice-chair has to be chosen from among the members of the ECB's Executive Board, this requires the approval of the EP.⁷² To this end, the Interinstitutional Agreement states that the ECB must provide Parliament with a shortlist of candidates for these two positions. The ECON Committee may submit questions to the ECB relating to the selection criteria and the shortlist of candidates. The ECB must then submit its proposals for the chair and the vice-chair to Parliament, together with written explanations of the underlying reasons. A public hearing of the proposed chair and vice-chair of the Supervisory Board is held in the ECON Committee. The Parliament must reach its final decision through a vote in the ECON Committee and in plenary. If the ECB's proposal is not approved by the EP, the ECB may decide either to draw on the pool of candidates that applied originally for the position or to re-initiate the selection process.⁷³

This involvement of the EP stands in sharp contrast to what can be observed for the appointment of the main managerial board of the ECB. It will be recalled that the EP is merely consulted on the appointment of the president, the vice-president and the other members of the executive board of the ECB.⁷⁴ It is thus little surprising that the EP considers the arrangements in the SSM Regulation "an important precedent for an enhanced role of the EP in an EMU governance based on differentiation", and calls,

"for the inclusion of Parliament in the appointment procedure of the President, Vice-President and other members of the Executive Board of the ECB in Article 283 TFEU, by requiring that it consents to the recommendations of the Council".⁷⁵

This proposal is reminiscent of the arrangements governing the Fed, whereby any appointment to the Board of Governors by the US President has to be confirmed by the US Senate.⁷⁶ The implementation of this proposal would, however, require an amendment of primary Union law. A substantial role for the EP in the appointment of the members of the executive board would also be a recognition of the fact that its members form an integral part of the ECB's Governing Council, which pursuant

the amendments proposed by the EP, see, further, M. Markakis, "Political and Legal Accountability in Economic and Monetary Union" (Dissertation, Oxford University, 2017), Ch.5.

72. SSM Regulation art.26(3).

73. Interinstitutional Agreement s.II, pp.4-5.

74. TFEU, second subpara. of art.283(2).

75. *Committee on Constitutional Affairs, Report on Constitutional Problems of a Multitier Governance in the European Union, 2012/2078(INI) (15 November 2013), paras 40 and 75, www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A7-2013-0372+0+DOC+XML+V0//EN* [Accessed 28 November 2018].

76. *G. Claeys, M. Hallerberg and O. Tschekassin, "European Central Bank Accountability: How the Monetary Dialogue Could Evolve", Bruegel Policy Contribution Issue No.04 (2014), p.5.*

to the SSM Regulation formally adopts (or objects to) supervisory decisions that are prepared by the Supervisory Board.⁷⁷

Secondly, the EP's approval is required for the removal of the chair or vice-chair of the Supervisory Board from office.⁷⁸ The ECB must submit any proposal to remove the chair or the vice-chair from office to Parliament and provide explanations.⁷⁹ The approval process again requires a vote in the ECON Committee and in plenary.⁸⁰ The chair or vice-chair is formally removed from office by the Council by means of an implementing decision.⁸¹ This process is different from the one of removing members of the ECB's Executive Board. If a member of the Executive Board no longer fulfils the conditions required for the performance of her/his duties, or if s/he has been guilty of serious **8** misconduct, the Court of Justice **E.L. Rev. 15* may, on application by the ECB's Governing Council or Executive Board, compulsorily retire her/him.⁸² There is no formal parliamentary involvement in that process.

More specifically, the SSM Regulation provides that the chair and vice-chair can only be removed from office if they no longer fulfil the conditions required for the performance of their duties or have been guilty of serious misconduct.⁸³ This brings the SSM Regulation into line with the primary law provisions on Executive Board members and governors of national central banks.⁸⁴ It is further provided that the SSM's vice-chair, who is chosen from among the members of the ECB's Executive Board,⁸⁵ may be removed from the Supervisory Board following her/his compulsory retirement from the Executive Board.⁸⁶ The EP (or the Council) may inform the ECB that it considers the conditions for the removal of the chair or the vice-chair from office to be fulfilled.⁸⁷ The ECB must provide its considerations in writing.⁸⁸ What becomes clear from this provision is that the dismissal procedure cannot in principle be used by the EP (or the Council, for that matter) as an accountability instrument to assign consequences to bad performance. It may only be used in "extreme" situations, namely when the chair or vice-chair no longer fulfils the conditions required for the performance of her/his duties or has been guilty of serious misconduct.

Concerning the financing of the SSM-related activities of the ECB, it will be recalled first of all that the budget of the ECB does not form part of the general budget of the EU. As such, it is not part of the decision on the annual budget pursuant

77. SSM Regulation art.26(8).

78. SSM Regulation art.26(4).

79. Interinstitutional Agreement s.II, p.5.

80. Interinstitutional Agreement s.II, p.5.

81. SSM Regulation art.26(4).

82. Statute of the ESCB and of the ECB art.11.4.

83. SSM Regulation art.26(4) first subparagraph.

84. Statute of the ESCB and of the ECB arts 11.4 and 14.2 second paragraph.

85. SSM Regulation art.26(3) first subparagraph.

86. SSM Regulation art.26(4) second subparagraph.

87. SSM Regulation art.26(4) third subparagraph.

88. Interinstitutional Agreement s.II, p.5.

to art.314 TFEU, which the EP takes jointly with the Council. Pursuant to art.26(2) Statute ESCB and ECB, it is the Executive Board of the ECB that draws up the annual accounts that have to be approved by the Governing Council. The ECB finances itself through own revenues and is only to a limited extent subject to scrutiny by the European Court of Auditors, as art.27.2. Statute ESCB and ECB limits the role of the latter institution to an examination of the “operational efficiency of the management of the ECB”.⁸⁹ This approach can be explained by the resolute of the drafters of the legal framework to ensure the (financial) independence of the ECB for its monetary policy tasks.

With regard to the ECB’s role in the SSM, the SSM Regulation provides that:

“The ECB shall be responsible for devoting the necessary financial and human resources to the exercise of the tasks conferred on it by this Regulation.”⁹⁰

To this purpose, it levies an annual supervisory fee on credit institutions and branches established in participating Member States, which must cover expenditure incurred by the ECB in relation to the tasks conferred on it under arts 4 –6 SSM Regulation⁹¹:

“The ECB’s expenditure for carrying out the tasks conferred on it by this Regulation shall be separately identifiable within the budget of the ECB.”⁹²

Moreover, the SSM Regulation provides that:

“The ECB shall, as part of the [annual] report referred to in Article 20, report in detail on the budget for its supervisory tasks. The annual accounts of the ECB drawn up and published in accordance *E.L. Rev. 16 with Article 26.2 of the Statute of the ESCB and of the ECB shall include the income and expenses related to the supervisory tasks.”⁹³

That the SSM-related budget is thus considered to be part of the general budget of the ECB also derives from art.29(2) SSM Regulation, according to which, in line with art.27.1 Statute ESCB and ECB, the supervisory section of the annual accounts shall be audited by independent external auditors recommended by the Governing Council and approved by the Council.⁹⁴ The role of the Court of Auditors is again limited to examining the operational efficiency of the management of the ECB,

89. With regard to the monetary policy tasks of the ECB, see R. Smits, *The European Central Banks: Institutional Aspects* (The Hague and London: Kluwer Law International, 1997), p.168.

90. SSM Regulation art.28.

91. SSM Regulation art.30(1).

92. SSM Regulation art.29(1).

93. SSM Regulation art.29(2).

94. SSM Regulation art.29(3).

and the exact scope of this role has been the subject of heated debate between the two institutions.⁹⁵

INITIAL EVIDENCE FROM PARLIAMENTARY PRACTICE

In observing parliamentary practice to date, this contribution focuses on two main aspects that deserve consideration, namely the internal organisation in the ECON Committee and the actual course of events during the encounters with ECB officials.

Organisational aspects

9 As regards the internal organisation of the EP, in preparation for the coming into operation of the SSM, the so-called Banking Union Working Group (BUWG) was set up in October 2014, which is composed of 15 MEPs from the ECON Committee. It comprises the Committee's chair and four vice-chairs, as well as MEPs from the eight political groups currently represented in the European Parliament. According to the publicly available documentation by the EP, the BUWG,

“monitors the implementation of the SSM, scrutinizes the exercise of the ECB's tasks as bank supervisor and deals with any related matters concerning the SSM”.⁹⁶

While little additional information is publicly available on the internal workings of the BUWG, from queries by the authors of this contribution it can be assumed that the role of BUWG is primarily that of an agenda-setter for the scrutiny of the ECB, inter alia for its supervision-related tasks. This goes beyond a mere preparation of the regular hearings, as the Group has its own working programme and meets more often than twice a year, which is the frequency rate of the regular hearings at ECON. It is also the BUWG that decides on the topics to be covered in briefing papers by external experts for the ECON Committee in preparation of the exchanges with the ECB. These external experts are contracted by the ECON Committee, namely the Economic Governance Support Unit (EGOV) of the EP's Directorate-General for Internal Policies, for the duration of the legislative term. Similarly to what can be observed in the context of the monetary dialogue,⁹⁷ these briefing papers take the form of an in-depth analysis of specific issues. In the case of the SSM, this includes

95. See *European Court of Auditors, “Single Supervisory Mechanism” (2016)*. European Court of Auditors, “European Central Bank Must Allow Full Scrutiny of Banking Supervision, Say Auditors” (14 January 2019), https://www.eca.europa.eu/Lists/ECADocuments/INPL19_ECB/INPL19_ECB_EN.pdf [Accessed 22 January 2019].

96. See www.europarl.europa.eu/cmsdata/121342/Banking%20Union%20Working%20Group%2020170614.pdf [Accessed 28 November 2017]. The BUWG also monitors the implementation of the SRM.

97. On the role of the panel of monetary and economic experts in the monetary dialogue, see Arntenbrink and Van Duin, “The European Central Bank before the European Parliament” (2009) 34 *E.L. Rev.* 561, 579–581; S. Eijffinger, “Monetary Dialogue 2009–2014: Looking Backward, Looking Forward” (2015) *Kredit und Kapital* 1.

items such as bank structural reform, conduct risk and internal rating models. Interestingly, on the website of the ECON Committee no specific information on the composition and selection procedure of this expert group could be found, and its composition can only be divined by **E.L. Rev. 17* glancing at the authors of the expert studies that are made available on the website. This opaqueness surrounding the external experts is quite remarkable considering that the EP regards these briefing papers to “form part of the scrutiny of the Banking Union”.⁹⁸

Next to the external briefing papers, EGOV also issues its own briefing papers in preparation for the regular hearings and ad hoc exchanges with the ECB. These internal briefings analyse issues based on publicly available information and, according to the EP, are made available for information purposes only. An illustration thereof is the briefing paper for the meeting of 19 June 2017 which focused on the resolution of Banco Popular, including inter alia a timeline of events and reflections on previous supervisory assessments; supervisory expectations for the relocation of banks to the euro area after Brexit; supervisory banking statistics on profitability, non-performing loans, and so on; and recent SSM publications.⁹⁹ Moreover, the internal briefing paper typically includes a summary (or an abstract) of the external briefing papers. In case there are more than one external briefing papers for a meeting, there can also be a separate note (or a “summary”) consolidating the summaries of those external briefing papers. For example, before the ECB took on its new banking supervision tasks, it carried out a financial health check of all banks to be supervised, consisting of an asset quality review and a stress test. Given the importance of those preparations, the ECON Committee commissioned two experts to assess the “Robustness, Validity and Significance of the ECB’s Asset Quality Review and Stress Test Exercise”, and the key findings of their studies were then outlined in a two-page note.¹⁰⁰ One last aspect regarding the ECON scrutiny of the SSM is, according to the information received by the authors, the existence of a secure reading room where MEPs can consult confidential documents such as the reports of the SSM boards, supervisory reports, and so on.

98. See [www.europarl.europa.eu/RegData/etudes/BRIE/2017/602070/IPOL_BRI\(2017\)602070_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/602070/IPOL_BRI(2017)602070_EN.pdf) [Accessed 28 November 2018].

99. See [www.europarl.europa.eu/RegData/etudes/BRIE/2017/602087/IPOL_BRI\(2017\)602087_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/602087/IPOL_BRI(2017)602087_EN.pdf) [Accessed 28 November 2018].

100. See [www.europarl.europa.eu/RegData/etudes/ATAG/2014/528764/IPOL_ATA\(2014\)528764_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/ATAG/2014/528764/IPOL_ATA(2014)528764_EN.pdf) [Accessed 28 November 2018].

OBSERVATIONS FROM THE REGULAR HEARINGS AND AD HOC EXCHANGES

The structure of the hearings

Turning to the actual encounters between the ECON Committee and ECB officials, we examined 13 hearings. These include nine ordinary public hearings and four presentations of the SSM's annual report.¹⁰¹ In contrast to what can be observed for the monetary dialogue, for the time being no transcripts of these meetings are (publicly) available on the ECON Committee's website. What are instead accessible from the online multimedia library of the EP are video recordings.¹⁰² We cross-checked these recordings with the written transcripts from the chair's speeches which are available on the SSM's website, in order to ensure that no meetings where Ms Nouy was present were left out of the scope of this contribution. **E.L. Rev. 18*¹⁰³

These hearings follow a set pattern. They commence with an introduction given by the chair of the ECON Committee (who is also a member of the BUWG), clarifying what type of meeting this is **10** (ordinary public hearing, ad hoc exchange of views, and so on), welcoming the chair of the ECB's Supervisory Board to the Committee, and explaining how the meeting will proceed. This is followed by an introductory statement from the chair of the Supervisory Board, and a Q & A session between the MEPs and the chair of the Supervisory Board. About 25 questions are asked by the MEPs during each hearing. Overall, a hearing will last for about 90 minutes.

The types of questions

What emerges from an initial analysis of the Q & A session is that questions can be placed into different categories. First, there are questions which arguably clearly focus on (the duties of) the SSM. Here, a whole range of issues are discussed, concerning bank supervision, non-performing exposures (notably, non-performing loans), capital requirements, stress tests, the Basel rules, accounting standards, proposed EU rules whose adoption is still pending, and the completion of the Banking Union's architecture. Moreover, the institutional interaction between the SSM, the European Banking Authority (EBA), the monetary policy function of the ECB and the NCAs is also the subject of debate. What is further notable is that many questions relate to the situation of specific credit institutions (mostly those that

101. These are the meetings of 19 June 2018, 26 March 2018, 9 November 2017, 19 June 2017, 23 March 2017, 9 November 2016, 13 June 2016, 22 March 2016, 19 October 2015, 25 June 2015, 31 March 2015, 3 November 2014, 18 March 2014.

102. See <http://www.europarl.europa.eu/committees/en/econ/banking-union.html?tab=Banking%20Supervision> [Accessed 28 August 2017]. It should be stressed that the video recording from the ad hoc exchange of views that took place on 4 February 2014 was not available to watch, and we have not been able to solve the problem through our contacts with the EP.

103. See <https://www.bankingsupervision.europa.eu/press/speeches/speaker/chair/html/index.en.html> [Accessed 28 November 2018].

have run into difficulties for various reasons). It can be observed that in many, albeit certainly not in all, instances the MEPs focus on issues that are of interest to the banking sector of the country where they come from. A notable example in this regard is when Irish MEPs ask questions concerning the health of individual banks in Ireland.¹⁰⁴ The significance of this observation lies in the fact that MEPs do not, in principle, represent national constituencies, but rather the Union citizens.¹⁰⁵ In instances where questions concern specific cases of supervised credit institutions, the chair of the Supervisory Board regularly invokes her confidentiality obligations under EU banking legislation and answers the question in a somewhat more general fashion.¹⁰⁶

A second category of questions that can be observed from the hearings are those that concern issues that clearly fall outside the remit of the SSM. Notwithstanding (and perhaps partly because of) the complex division of tasks between the national and EU Institutions, bodies and agencies acting in this area, the MEPs do not sharply distinguish between bank supervision, banking resolution, and indeed monetary policy issues. This is interesting, especially because of the emphasis that was put on the organisational separation between the monetary policy function and the supervisory tasks of the ECB when the SSM was created.¹⁰⁷ While the majority of questions indeed concern bank supervision, there are also questions on various other issues concerning, inter alia, bank resolution, monetary policy, state aid to banks, or consumer protection. While some questions overtly concern issues that fall outside the remit of the SSM, other questions touch upon issues falling outside the SSM's sphere of competence but are posed in a way that brings them within the SSM's remit. To provide an example of the latter type of question, the MEPs sometimes address issues relating to, say, monetary policy (e.g. the level of interest rates) from a supervisory perspective: what are the consequences of a low-interest rate environment for bank profitability and what is the chair's assessment of the situation?¹⁰⁸ Another example is the connection between decreasing profitability of banks and fin tech (the latter also falling outside the SSM's remit). **E.L. Rev. 19*¹⁰⁹

A third, distinct, category comprises questions that touch upon cross-cutting issues that do not only fall within the remit of one institution, agency or body, such as where a bank was put into resolution, and there were also questions about money laundering, or questions about whether low interest rates are having an impact on the profitability of banks.¹¹⁰ There are two sub-categories of such ques-

104. See, e.g., the meeting of 3 November 2014.

105. Articles 14(2) and 10 TEU.

106. Some typical examples of the words used by the chair are: "but to respond in a general fashion ..."; "again, without entering into confidential information ..." (Meeting of 19 October 2015).

107. We are grateful to René Smits for this valuable observation. See SSM Regulation art.25.

108. See, e.g., the meeting of 23 March 2017.

109. See, e.g., the meeting of 19 October 2015.

110. See, e.g., the meeting of 23 March 2017.

tions or issues. In some cases, these issues concern both the tasks conferred upon the ECB's Supervisory Board and those given to another EU agency/body, such as in the case of a credit institution that is put into resolution, whereby questions are raised about the supervisor's role in preventing the failure of the bank.¹¹¹ This would have also been a matter for the Single Resolution Board (SRB), which is a separate Union agency. In other cases, questions may concern the exercise of the duties of the Supervisory Board and the national authorities concerned, such as in the case of a bank which was recapitalised and there were also problems with money laundering. Money laundering can be a sign of poor risk management and internal control.¹¹² What can be observed is that the chair of the Supervisory Board commonly refers to the limits of her mandate, and retorts that this is a question for the national justice concerned (in the case of money laundering), the SRB (in the case of bank resolution), or the monetary policy function of the ECB (with respect to interest rates), and so on.

From the standpoint of accountability, this practice raises the interesting question of what the appropriate forum then is for discussions on such cross-cutting issues with the relevant institutions, bodies or agencies—at least for those issues that are closely linked, such as supervision and resolution. This is all the more challenging whenever a question concerns different branches of **11** government (e.g. the judiciary and the executive) located at different levels of this system of governance (national and EU level). Questions that need an answer in this context are whether there are issues that therefore “slip through the cracks”; and what the implications are for institutional design in this area. It has been suggested that it is the responsibility of the MEP concerned to bring the issue up again in the relevant hearing; and that, with respect to written questions, Mr Draghi may for example, depending on the question, suggest that it would be better for Ms Nouy to reply instead.¹¹³ Moreover, how would these problems be addressed (if at all) if there were to be a single European capital markets supervisor, as envisaged in the Five Presidents' Report¹¹⁴ and the Commission's reflection paper on the future of EMU?¹¹⁵

Though not strictly speaking falling within the category of hearings that this article is looking at, it may be observed that there are interparliamentary committee meetings taking place at the EP which may provide a forum for discussion of such cross-cutting issues. These meetings bring together both MEPs and national

111. See, e.g., the meeting of 19 June 2017.

112. See the meeting of 19 June 2017.

113. We are grateful to Johannes Lindner for this observation.

114. J.-C. Juncker in close co-operation with D. Tusk, J. Dijsselbloem, M. Draghi and M. Schulz, “Completing Europe's Economic and Monetary Union” (22 June 2015), p.12, https://ec.europa.eu/commission/sites/beta-political/files/5-presidents-report_en.pdf [Accessed 22 October 2018].

115. European Commission, “Reflection Paper on the Deepening of the Economic and Monetary Union” COM(2017) 291, p.20, https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-emu_en.pdf [Accessed 28 November 2018].

parliamentarians (also from outside the Banking Union). In the meeting of 16 February 2016, for example, both Ms Nouy (chair of the SSM's Supervisory Board) and Ms König (chair of the SRB) were present. European and national parliamentarians were given the opportunity to make short statements/comments and to ask questions to them. Thereafter, Ms Nouy and Ms König gave some comments (albeit rather briefly). Apart from providing the MEPs and members of national parliaments with an opportunity to address issues that touch upon the duties of both the SSM and the SRM, such meetings also give the opportunity to the chairs of the EU Institutions concerned to appeal to MEPs and national parliamentarians **E.L. Rev. 20* to help them fulfil their mission.¹¹⁶ This is crucial in cases of “de novo” or “mixed” administration, where the EU Institutions/agencies work with and through the Member State administrations, and highlights in our opinion the need also for the SSM/SRM to be able to address both the EP and NPs.¹¹⁷

A first assessment of these hearings

Notwithstanding the questions that concern issues (partly or fully) falling outside the SSM's remit, a qualitative assessment of these hearings allows the conclusion that overall the MEPs raise informed questions that show an understanding of the relevant issues. Moreover, an interesting feature of those hearings is that the MEPs follow up on questions asked by their colleagues when these were not answered to their satisfaction. It is also common in those meetings for the chair of the ECON Committee to briefly comment (in one to two sentences) on the answer given by the chair of the Supervisory Board, right after it is given, in order to indicate his disagreement with her assessment of the relevant issues. Furthermore, the members of the Committee sometimes repeat their question if they deem that it was not (adequately) answered by the chair of the Supervisory Board in her reply.

While it can be observed that the “atmosphere” in those meetings was, generally speaking, very polite and civil, the mood notably deteriorated whenever the MEPs sensed a failure of the SSM, such as whenever a bank had run into difficulties and a meeting was held shortly afterwards, or whenever a bank had been preventatively recapitalised. Two prominent examples are the recapitalisation of Portuguese and Italian banks, as well as the resolution of Banco Popular.¹¹⁸ Such events are evidently deemed by (at least some) MEPs to indicate a failure of the

116. More specifically, Ms Nouy commented that: “The SSM was created by the Union legislators with a mission to pursue, and we are doing our best to accomplish it. There are, however, limits to what we can do on our own and we will need your help, the legislators, both at European and national level, to achieve truly single supervision. We need to work together to reduce existing fragmentation and we need to be vigilant on draft legislation, both at national and Union level, to ensure that prudential rules for banks are fully harmonised, to accomplish the mission that you have entrusted us with.”

117. On the visits by Mr Draghi to NPs, see T. Tesche, “Instrumentalizing EMU's Democratic Deficit: The ECB's Unconventional Accountability Measures during the Eurozone Crisis”, *Journal of European Integration* (2018), <https://doi.org/10.1080/07036337.2018.1513498> [Accessed 28 November 2018].

118. See the meeting of 19 June 2017.

SSM. In this connection, it should be noted that even a “failure” in this sense is not always regarded as a failure of the European supervisor by the chair of the Supervisory Board. By the same token, the resolution of the bank was “modestly” seen as a success.¹¹⁹ This complicates the assessment of the SSM’s performance by its accountability holders.

Other, more “critical”, questions asked by MEPs concern the issue of equal treatment of banks across Member States (clearly a very sensitive topic). Questions in this direction can be linked to the broad objective stated in the SSM Regulation, notably the duty of the ECB to have,

“full regard and duty of care for the unity and integrity of the internal market based on equal treatment of credit institutions with a view to preventing regulatory arbitrage.”

The efficiency of the SSM’s operations and the treatment of smaller banks have also been a focal point of those discussions (e.g. with respect to “burdensome” reporting obligations incumbent on those banks). On some occasions, MEPs use statements made by officials from (national or EU) institutions other than the ECB to raise an issue with the chair of the Supervisory Board.¹²⁰ The chair of the Supervisory Board is also frequently asked to comment on the actions of the monetary policy function of the ECB—an issue clearly falling outside her mandate, which nevertheless touches upon bank profitability. ***E.L. Rev. 21**

12 Overall, the impression one gets from a first qualitative analysis of these hearings is that the MEPs do not (explicitly) ask questions on the achievement of the SSM’s objectives, but rather focus on the overall performance of the banking sector or the financial health of individual banks.¹²¹ Accordingly, the chair of the Supervisory Board is asked to give an assessment of the situation in the banking sector in the SSM countries or to give an account for the board’s action or inaction with respect to individual banks. The chair is further asked to comment on issues that fall squarely within her mandate (for example, non-performing loans),¹²² or issues that can have an impact on objectives falling within the board’s mandate (for example, a lack of investor and consumer protection can have an impact on financial stability).¹²³ This makes for a rather contextual discussion, which does not sharply focus on whether the ECB has achieved its objectives as prudential supervisor. To be sure, this might be an inevitable consequence of the young age of the SSM, which has only been operating for less than four years. It should further be noted that the MEPs are clearly very grateful for the work done by the SSM officials, and

119. See the reply by the chair of the Supervisory Board to the follow-up question asked by the chairman in the meeting of 19 June 2017.

120. See, e.g., the meeting of 25 June 2015.

121. See, e.g., the meeting of 25 June 2015.

122. Among the very many examples, see, e.g., the meeting of 23 March 2017.

123. See the meeting of 22 March 2016.

that they have repeatedly made that clear, especially in the very first hearings.¹²⁴ Be that as it may, they can also be very critical of the performance of the SSM on other occasions, as noted above.

Moreover, considering the questions asked by the MEPs so far, there is no (explicit) dissatisfaction shared among them with the accountability arrangements for the SSM that are currently in force or with the role given to the EP in holding the Supervisory Board to account for the exercise of its duties.¹²⁵ This is not to say that there are no references to accountability or transparency. However, such terminology seems to be used to bolster a substantive point made by MEPs or when more information is requested on a specific issue. On rather a few occasions, the MEPs have asked for (or recommended) the publication of reports by private entities¹²⁶ or lobbying letters¹²⁷ or the impact assessment (if any) for the ECB's Addendum on non-performing loans.¹²⁸ On a related matter, there are a small number of questions on whether the chair of the SSM feels independent enough (from the ECB) to exercise her supervisory duties.¹²⁹ It is no secret, and indeed it is hardly a surprise, that some MEPs do not seem to be satisfied with the institutional form that the Supervisory Board took, i.e. as a body of the ECB, rather than as a separate institution.

As regards the use made of the *internal* and *external* briefing papers referred to in the beginning of this section, the MEPs mostly draw on issues discussed in the notes (or briefing papers) prepared by the EGOV in advance of the meetings of the ECON Committee. These are, largely speaking, the "issues of the day", which makes for a rather contextual discussion. That being said, there are clearly many questions that do not specifically draw on the issues discussed in those internal briefing papers. Moreover, there are very few explicit references to the *external* briefing papers drawn up by experts in the questions asked by the MEPs. There are, however, a number of questions that touch upon the issues "flagged" in those papers. Clearly, a better use could have been made of those papers, in order to facilitate an informed discussion on the relevant issues. To be sure, this is not a problem that is specific to the ECON Committee's interaction *E.L. Rev. 22 with the SSM. Previous research has identified this problem also with respect to the ECB's monetary dialogue with the EP.¹³⁰

124. See, e.g., the hearings of 18 March 2014 and 3 November 2014.

125. It is worth noting that in the beginning of the meeting of 22 March 2016, the President thanked the chair of the Supervisory Board "for the very open and transparent dialogue with the European Parliament". For a rare exception, see the meeting of 18 March 2014 (concerning the frequency with which the record of the proceedings of the Supervisory Board is made available to Parliament).

126. See the meeting of 19 June 2017.

127. See the meeting of 22 March 2016.

128. See, e.g., the meeting of 26 March 2018.

129. See, e.g., the meeting of 25 June 2015.

130. Amtenbrink and Van Duin, "The European Central Bank before the European Parliament" (2009) 34 E.L. Rev. 561, 579–581.

Conclusions

The inclusion of explicit provisions on the accountability of the ECB for the conduct of its supervisory tasks in the framework of the SSM may be an acknowledgement of the difference in quality of the tasks of banking supervision from the conduct of monetary policy. In a broader sense, it may also be evidence for the evolving role of the EP in the monitoring of the performance of European Institutions and bodies in European monetary, economic and financial governance that has commenced with the initiation by the EP of the monetary dialogue, which has previously been extended to economic policy co-ordination in the European Semester.¹³¹

As the only directly elected Union institution, the EP is predestined to take centre stage in the accountability of a Union institution which—in exercising public power—has been deliberately positioned at arm's length from other Union institutions and bodies, as well as from national governments. Yet, the extent to which the EP can fulfil a meaningful role in this regard depends on several variables that are closely linked to the conceptualisation of the appropriate type and degree of accountability.

Leaving aside for the moment the pertinent question as to what extent the necessary preconditions are in place, the most blatant shortcoming of the current accountability relationship between the EP and the ECB is the absence of meaningful instruments that would allow the EP to assign consequences to its judgment of the performance of the ECB. First, it has been noted that the EP **13** does not exercise budgetary control over the ECB and its SSM-related operations. Secondly, differently from what can be observed for the monetary policy tasks of the ECB, the legal basis of the SSM has not been insulated from amendments through constitutionalisation. Yet, whereas the legal basis of the SRM puts the EP on an equal footing with the Council in the legislative process through the application of the ordinary legislative procedure,¹³² this is not the case for the SSM Regulation, which is based on art.127(6) TFEU. Considering the position of the EP in the European constitutional construct, it is difficult to justify why its formal rights in the legislative procedure establishing or amending the SSM do not even exceed those assigned to the ECB itself. Referring in this context to the independent position of the ECB is somewhat misplaced, as the role accorded to the Council under art.127(6) TFEU means that another Union political institution can amend the SSM Regulation.

Thirdly, though the EP does have a substantial role in the appointment and dismissal of the chair and vice-chair of the Supervisory Board, the function of this involvement as an accountability instrument is impaired by the fact that

131. The latter refers to the economic dialogue inter alia referred to in Regulation 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies [1997] OJ L209/1, as amended, art.2ab; Regulation 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure [1997] OJ L209/6, as amended, art.2a.

132. Regulation 806/2014 is based on art.114 TFEU.

performance-based dismissal is excluded. What is more, according to the applicable legal framework, supervisory decisions are formally attributed to the ECB's Governing Council rather than its Supervisory Board. In this context, it has been argued in this contribution that, at least, the EP's *consent* should be required for the appointment of the members of the ECB's Executive Board (who also participate in the Governing Council). However, this would require an amendment of art.283(2) TFEU.

This rather sober assessment of the instruments at the disposal of the EP to hold the ECB to account for the exercise of its duties is all the more regrettable considering that it derives from the analysis offered in this contribution that the information requirements under the SSM Regulation and the Interinstitutional ***E.I. Rev. 23** Agreement, coupled with the (internal organisation of the) regular hearings and ad hoc exchanges, in principle provide a robust basis for the EP to understand and evaluate policy decisions and their rationale and, more generally, to remove information asymmetries, also with regard to the public at large. This positive picture is somewhat mitigated by the relative vagueness of the SSM's objective(s), as well as the parallel existence of other Union bodies and agencies which pursue partially overlapping objectives. It is further mitigated by the valid concerns expressed in the literature with respect to supervisory data transparency.¹³³

As regards the actual practice of prudential supervision dialogues, the focus in this contribution has been on a—mostly—qualitative assessment of the public hearings at the EP. There is cause for concern that there may be issues related to the Banking Union or monetary policy that “slip through the cracks”, in the sense that they are not addressed to the right person during those hearings and then the point may be lost before the next relevant hearing. From a theoretical standpoint, the concern is that “the ‘police patrols’ will generally occur in isolation”,¹³⁴ which means in this context that the ECB president, the chair of the Supervisory Board, the chair of the SRB, and other heads of agencies (such as EBA) will be held separately to account for the performance of their duties. The setting-up of a single European capital markets supervisor may or may not simplify the accountability framework in this respect and would, in any event, most likely entail a substantial role for the competent national authorities, which would again be held to account separately from one another.¹³⁵

A related concern relates to cross-cutting issues addressed by the MEPs in those hearings that fall within the mandate of multiple EU Institutions, bodies and agencies. In the most problematic of those cases from an accountability perspective, the Institutions concerned are also situated at different levels of government (national

133. C. Gandrud and M. Hallerberg, “Does Banking Union Worsen the EU's Democratic Deficit? The Need for Greater Supervisory Data Transparency” (2015) 53 J.C.M.S. 769.

134. Gandrud and Hallerberg, “Does Banking Union Worsen the EU's Democratic Deficit?” (2015) 53 J.C.M.S. 769, 773.

135. For the NCAs in the Banking Union, see Gandrud and Hallerberg, “Does Banking Union Worsen the EU's Democratic Deficit?” (2015) 53 J.C.M.S. 769, 773–774.

and EU level). Interparliamentary co-operation (for example within the confines of the art.13 TSCG conference) may only alleviate and clearly cannot fully solve this problem.¹³⁶ The key challenge is to synchronise the operation of such accountability mechanisms, as well as to create information flows between the EP and the parliaments of the participating Member States. What is more, it will be recalled that the division of competence between and within the two levels of government is, in some cases, not crystal clear. This serves to exacerbate the concern outlined above.

Overall, it is presently submitted that the Banking Union has a long way to go in terms of accountability (and transparency). There is certainly scope for improvement, but that would in some cases require a Treaty amendment, which may for the time being be politically unfeasible.

136. Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, https://www.consilium.europa.eu/media/20399/st00tscg26_en12.pdf [Accessed 28 November 2018]. See generally V. Kreiling, "Inter-Parliamentary Cooperation and its Challenges: The Case of Economic and Financial Governance" in F. Fabbrini, E. Hirsch Ballin and H. Somsen (eds), *What Form of Government for the European Union and the Eurozone?* (Oxford/Portland: Hart Publishing, 2015), Ch.15.