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COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

PUBLIC HEARING WITH CLAUDIA BUCH, CHAIR OF THE SUPERVISORY BOARD OF THE EUROPEAN CENTRAL BANK

BRUSSELS WEDNESDAY, 18 MARCH 2026

1-0002-0000

IN THE CHAIR: AURORE LALUCQ
Chair of the Committee on Economic and Monetary Affairs

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(The public hearing opened at 14:35)

1-0004-0000
Chair. – Good afternoon. I would like to welcome you to this public hearing in the ECON Committee with Claudia Buch, Chair of the Supervisory Board established at the ECB in the framework of the Single Supervisory Mechanism, the SSM.

As usual, your first hearing in the year will be dedicated to the presentation of the ECB annual report on the SSM. This is in line with the accountability requirements enshrined in the SSM Regulation according to the procedure foreseen in the Interinstitutional Agreement between the Parliament and the ECB. A confidential version of the draft report had already been made available to interested Members and is now also publicly available on the ECB website. This year's report covers the ECB's supervisory activities in 2025.

So, as always, you will have your opening statement – let's say 10 minutes. Then there will be a Q&A session with the ECON members. Welcome again.

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Claudia Buch, *Chair of the Supervisory Board of the ECB***.** – Madam Chair, dear Members of the European Parliament, it's always a pleasure to come here, not just for pure accountability reasons, but also we benefit a lot from the questions that we hear and from explaining what we do. So it's good to be here.

I would like to talk about two main issues which also characterised the past year. One is that the situation of the European banks is quite robust. They entered the phase of heightened political uncertainty with very robust indicators and strong capitalisation, but of course medium- to long-term risks remain elevated. So this is also one of the reasons why we're working on – and this is the second point – a comprehensive reform of European banking supervision, in order to become more efficient, more effective, more risk-based, and to focus on the material risks. The annual report provides information on what we do and how these reforms are scoped.

So let me start with capitalisation and the fundamentals of the European banking sector. Right now, the significant institutions have a Common Equity Tier 1 capital ratio of around 16 %. There's no significant sign of a deterioration in asset quality, so non-performing loans are around 2 %. But of course, there are pockets of vulnerabilities. This is lending to small and medium-sized enterprises and also still commercial real estate, so we are paying attention to that. And then of course banks need to monitor the exposures to sectors and borrowers that are vulnerable to external risks. The conflict in the Middle East is a case in point. It has added uncertainty to economic forecasts and could have negative impacts on credit quality that would show up at a later point in time. So this needs to be monitored very carefully.

Right now, the euro area banking sector has no difficulties in complying with the Basel III rules that are effective since last year. With the revised Capital Requirements Regulation, actually the average impact – and this is according to data we get from the EBA stress test – is close to zero for the last year. So this is actually roughly consistent with ex ante impact assessments. The reason is, of course, that there are phase-in arrangements and that the banks are also adjusting their balance sheets to be able to deal with the new requirements. I think this should also give all of us comfort that the implementation of Basel III should remain a policy priority. It maintains an international level playing field and also strengthens financial resilience.

That resilience is really key in the current environment because trade tensions and macroeconomic uncertainty can be transmitted to the banking sector, and the well-capitalised banks are in a better position to take - and also respond to - evolving risks. They can maintain lending to households and firms, in particular during periods of stress, rather than amplifying downturns. And this is particularly important because fiscal policy in the future will arguably have less space to buffer shocks to the economy than it did in the past. So, in the end, resilient banks protect taxpayers and also strengthen banks' competitiveness.

Given the uncertainties around us, we have two focus areas for our supervisory priorities. The first is to address banks' resilience to heightened geopolitical risks and macroeconomic uncertainties. We did this already with the stress test that I mentioned earlier. Last year with the European Banking Authority we looked at the impact of an adverse downturn scenario caused by geopolitical frictions. The result was that banks would have capital depletion but in a manageable range. And that was different across banks because the scenario was the same for all banks. So the capital depletion was different. This year we are reversing the set-up. We are asking banks to identify specific geopolitical risk events that would lead to a capital depletion of at least 300 basis points, and also to set out the preventive measures they can take to reduce that impact. So that's one forward-looking supervisory activity that we undertake.

The second is that we are assessing whether banks' loan-underwriting standards remain commensurate with the underlying risk. So the banks come out of a period with relatively low losses and they're facing intensive competition, including from non-banks. So this may be a situation in which lending terms could be weakening. We are not seeing this right now in the data, but we must also say that the data are quite incomplete, which also makes it difficult for the banks to assess their own policies against those of the market. So we will explore banks' underwriting practices more closely in a very proportionate manner to also understand emerging trends at an early stage.

Our second main priority is to address operational resilience because banks, as I said, face competition from many non-bank providers of digital payment services. They use artificial intelligence to improve their services. They're faced with more frequent cyberattacks, and they outsource many activities. So that means they need strong IT systems, strong operational resilience to make sure that, in the end, they also stay competitive in this changing environment. And, since they currently have good levels of profitability, they have a window of opportunity to make these investments in IT and in their operational resilience.

The second big part is not just about safeguarding resilience but also streamlining supervision. So I've reported before about the work we do in order to improve our supervision, to make it more risk-based, more efficient, more effective. And we're rolling this out across all of our activities. Just to give you a few examples, we're working with the EBA to collect less data for the stress test – as much as we need, but not more than that. We have reduced our own supervisory reporting by about 20 %. We are subjecting our processes to standardisation. So most of the decisions on authorisations and qualified holdings procedures are taken using a new risk-based approach, and this is all supported by digitalisation of our key processes.

This year, we are working on developing a more proportionate approach for small and non-complex institutions with regard to supervision, reporting and stress testing, and we are also streamlining our supervisory guides to make information more accessible and to once again underline their non-binding nature.

So we think that these two things – streamlining supervision and safeguarding resilience – are really key to prepare also the banks to compete successfully in a challenging environment. But we need support from policy and maybe let me conclude here. It's really important to strengthen the single market. I think this will in the end have positive implications for banks' ability to reap economies of scale, diversify their activities. So that means also harmonising the rules and removing barriers to cross-border provision of services. We very much welcome the European Commission's package on market integration and of course support that a lot. We actively contribute to the Commission's consultation on competitiveness of the banking sector. In the end, completing the Banking Union – and I've said it here before – would promote integration and improve crisis preparedness, because we really need strong supervision, credible resolution regimes to ensure that banks can innovate and compete successfully.

1-0006-0000

Luděk Niedermayer (PPE). – Welcome, Ms Buch. I fully endorse your observation that the financial stability, the banking sector stability, is on the high level. So this allows me to ask the two questions that are not directly linked to financial stability.

The first, after some hesitation, I guess it's clear: flagship agenda of the EU to build a more efficient single market. Part of that should be also the merger and acquisition activity. And there are some concerns, some observations being made in Europe that cross-border banking mergers are still incredibly complicated. So I wonder what's your view on that and what we should do to allow this market force to function.

And second, you mentioned two observations. The first was that Basel III is the priority. I agree that we are on the way. But at the same time, each Basel is creating more and more complexity, and this complexity is more and more difficult for small and medium-sized banks. And you just mentioned at the end that you are trying to work out a system that will make it easier for small and medium-sized banks to comply with all the regulatory requirements. But do you still believe that this is the right way to continue within the Basel framework for everyone, in finding such ways to reduce the burden, or that consideration to look at the systems in place elsewhere is also an option.

1-0007-0000

Claudia Buch, *Chair of the Supervisory Board of the ECB***.** – Thank you very much for the questions.

Indeed, we have many barriers to the full integration of the banking market. So for the banks, of course, we have the single rulebook. So it's clear we have the same rules. But then there are many other reasons why banking markets are still segmented. This is what we're also seeing in the data, where we still have quite a bit of local market power depending on the markets. The markets are very different and there's a limited degree of cross-border integration of key retail markets when it comes to deposit-taking and lending. And we've also seen, and this is the point you alluded to, that the intensity of cross-border merger activity has declined since the global financial crisis. There is actually quite a bit of merger activity, but often also at the domestic level.

Is it incredibly complicated, like you said? Well, if you look at our role, and this is what I can speak for, and our rules, I think they are very clear. So we have very clear guidance for how we address cross-border mergers that we put out in 2021, where we clearly explain what are the criteria we look at and how do we assess them. We look at mergers in a very neutral way, in the sense that we treat domestic and cross-border mergers alike. So I think the clarity that is needed from our side – what is needed in terms of prudential ratios, financing, governance – I think this is very clear. But as you've said, there are many other factors that are also holding back cross-border integration. But I think our role is very clear here.

The second question you raised was about Basel and the inherent complexity. I always like to differentiate a little bit why the system that we have is complex. Modern banks are also quite complex entities. So I think hoping for a system which is very simple would be difficult, because it wouldn't address the needs, also, of the industry. So a lot of the complexity also comes in through consultations where industry points to issues that need to be addressed.

Having said that, the high-level task force of the Governing Council of the ECB has made recommendations also to the European Commission on how certain complexities could be reduced when it comes to the capital stack and also to reporting. I think this is an issue because you mentioned the small banks. This is something we hear a lot, that there are many different reporting requirements that sometimes overlap. There's insufficient information-sharing among authorities. So if we could make progress there, I think this would be a very good outcome of the current discussion.

The specific work we are doing is looking at the regime which is called the SNI – the small and non-complex institutions. A lot of the less significant institutions fall under this regime. They currently already face significantly lower reporting requirements than the banks, the institutions that are not within this regime. Still, we are checking whether more can be done in terms of supervisory frequency, intensity, always to make sure that we are proportionate to the underlying risk, because small doesn't necessarily mean less risky. But, of course, it's different issues that matter.

I think that the regime that we have in Europe – applying in principle the Basel rules also to the smaller banks, with the differentiation that they also take into account the specificities of the smaller banks – is a good approach which is targeted towards the situation we have in Europe. So I think we should work on whether within the regime we can be more proportionate than we currently are.

1-0008-0000
Jonás Fernández (S&D). – Madam Chair, Madam Buch, in recent days and even weeks, we have been reading in the media about a number of different, more or less unstable, situations involving private credit funds: mainly American entities that have been restricting – or appear to be restricting – clients' investment redemptions.

I would like to ask you to what extent the European banking sector may be exposed to any spillovers from this initial crisis – and we will see to what extent – from private credit funds.

The IMF estimated that non-bank financial institutions account for 9 % of total lending. Private credit funds are part of these non-bank institutions. Lastly, there are some signs that those funds do not represent a very substantial volume, but their restrictions on investment redemptions are certainly cause for concern and could spill over into Europe.

1-0009-0000
Claudia Buch, *Chair of the Supervisory Board of the ECB***.** – Thank you very much for the question.

The links between banks and non-bank financial intermediation and private credit has actually been for a long time one of our focus areas. So we looked at this very carefully. Generally what has happened, and this is also what we see in a lot of studies that have been done, for example, by the Financial Stability Board, is that banks have by and large maintained their market shares, but in some areas, activity has moved outside of the banking sector to non-bank financial intermediaries, in many times for good reasons, because maybe there's better risk-bearing capacity and so forth.

But at the same time, the banks have stayed very strongly linked to the non-bank financial intermediation and to private markets. So we have done a targeted review of the European banks that are most active on this market already a couple of years ago. It's not all the banks – the smaller and mid-sized banks are not so active on this market. And very often there are also lending relationships between the banks and the non-banks. So, this is why we have been very vigilant to understand what these linkages are and how, potentially, risks could also spill back into the banking sector and what the exposures of the banks are.

One needs to say that there's not always sufficient transparency about the private markets and the linkages to the banks. So, this is why it has long been one of the policy messages that we had, and we also bring this forward in international fora, that we need more transparency. We need also more reporting, perhaps, of the non-bank financial intermediaries. At the same time, we've worked with the banks so that they monitor their exposure to these markets very carefully. So, it's not that they shouldn't have any exposures, but they need to monitor them, and they need to have good risk-management systems. We are also working with the banks to ensure that they have the right exposures and good risk management there. We've also seen improvements, but if you look at things as a supervisor, you always find things for improvement, and this is where we're interacting with the banks.

Now on the very fluid, as you've mentioned, current situation, we have many market adjustments, discussions around AI, the links between private credit and artificial intelligence. I don't have better information than you have, but of course we monitor this very carefully to make sure that we don't overlook vulnerabilities. We also think that the banks are very much aware of this. Hopefully we can manage that situation well.

1-0010-0000
Jonás Fernández (S&D). – But on these recent cases where some funds are completely limiting the redemption for the investors, BlackRock and other operators in capital markets, I don't know if you are monitoring concretely these cases and their potential impact on the European banking sector.

1-0011-0000
Claudia Buch, *Chair of the Supervisory Board of the ECB*. – Generally, we know which banks are exposed to private credit and those markets. And of course, -the joint supervisory teams would also have discussions with the banks if any of these things come up. But I can't say anything specifically about specific exposures. It's more generally that we have very consistent supervisory approaches to the exposure to this market so that the banks are aware of what our expectations are in terms of risk management. So, I think there's a good dialogue also on this with the banks.

1-0012-0000
Enikő Győri (PfE). – Madam Chair, thank you, Ms Buch, welcome back, I have two questions for you in the context of the ECB High-Level Task Force report on simplification, of course, related to supervision.

One of the recommendations of the report is proposing a shift from directives to directly applicable regulations in order to reduce heterogeneity in transposition and harmonise supervisory practices across the EU. Aren't you concerned that the important national specificities – such as differences in banking models, market structures and legal traditions – will not be taken into account if we really shift to regulations? And how would you ensure that these specificities are taken duly into consideration?

And my second question is on the same report. The ECB also recommends to review and potentially harmonise certain national supervisory powers – such as those related to mergers, outsourcing or asset transfers – that are currently based on national law and differ across Member States. In your view, what should be the appropriate limit of such harmonisation, and how could the ECB ensure that any move towards greater alignment of supervisory powers does not weaken the effectiveness of supervision that relies on national legal frameworks, market structures and established accountability at Member State level?

My group is quite worried about these points, so I would be grateful for any clarification.

1-0013-0000
Claudia Buch, *Chair of the Supervisory Board of the ECB*. – Thank you for the question, because this is really core to the debate – also on where we can have more harmonisation, more of a single market, now.

And of course, we are not naive. We understand that there's different legal traditions across countries. We understand there's also good reasons for having different rules because there's specific national markets and that also needs to be taken into account.

And of course, from a practical perspective, if you look at our annual report, the vast majority of our decisions are fit and proper decisions, where we also operate with national legal frameworks. We have authorisations, we have qualified holdings procedures. So, we are able to deal with these national specificities.

Having said this, at the same time, of course, the rules are different across countries, and this is not so much an issue for us as supervisors, but also for the banks who want to be active across borders. So, a bank that wants to expand into another market needs to deal also with as many different national specificities when it comes to insolvency legislation, when it comes to the to the mortgage market. And this, I think, will never be harmonised overnight.

So, I think what needs to be done is to really look at what are good reasons to have differences. And there may well be. What are things that don't have a good reason anymore? Because we entered the Banking Union also with a lot of these national deviations, which maybe have lost a good rationale in the meantime.

And I think in the end, nobody wants to harmonise all business models of banks – we appreciate the diversity that is there. But I think continuing to work in a system where there's implicitly also different national rules also creates barriers of integration of markets for the single market. I think this can't be the solution for the future. And I think there's a big space in between that can really be explored to check for the legislators – within the established accountability rules, of course – what are rules that don't serve a specific purpose anymore, that are not really needed anymore, and where can more harmonisation be done?

I think in the end, this is the key to improving the competitiveness also of the sector, because the lack of scale, the lack of diversification is really holding back also the competitiveness of the banks.

1-0014-0000
Giovanni Crosetto (ECR). – Madam Chair, honourable colleagues, good afternoon, President Buch, as you know, we are in the middle of simplifying EU banking legislation – and I would add that this approach which we are seeing – of consultations by the Commission and recommendations by the ECB – should become the EU legislative standard.

I would like to focus here on the proposal to introduce a simplified prudential regime for smaller banks. As you know very well, this proposal was not only put forward by the main professional associations in the main Member States, but also the subject of specific recommendations by the ECB, which highlighted, among other things, the need for stronger harmonisation of the supervisory requirements, which are currently applied in an uneven manner across countries.

In many European regions, especially in rural areas, small banks are the only credit sources available – and I am thinking, for example, of the key role played by cooperative banks at European level.

Against that backdrop, Madam Chair, do you not think that it would be appropriate to support a more proportionate and simpler approach that takes account of the specific nature of those institutions without raising the spectre of deregulation?

1-0015-0000
Claudia Buch, *Chair of the Supervisory Board of the ECB*. – Thank you very much for the question – it's a bit of a common theme across the questions that are being raised.

We are very much aware that proportionality is key. And let me say, also for us, proportionality is clearly embedded into our processes, because we also have to allocate our supervisory resources to what matters most. And this is the whole philosophy behind the reform that we are currently implementing, to be really focused on the most material risk.

And there are issues which we need to de-prioritise, because we are also lacking resources and we want to make sure that we do the best for all the banks that are active in Europe and for all the depositors that are there. Also the depositors of the very small banks, they also want to be reasonably sure that their banks are resilient, that they're safe, that they have a good level of cyber security, that they can deal with the challenges that are there also for the smaller banks – the ones that might not be active on the global markets, but that still are exposed to the risks of today.

So, this is why, when we talk about proportionality, it's really about the scope and the intensity of supervision. So, we look at how big the banks are, how systemically important they are, how connected they are. And from that we derive our supervisory intensity. And as I've explained earlier, we are doing a lot already to reduce also the reporting requirements for the smaller banks. So they only have 30 % of the reporting of the larger, more complex banks. And we're looking at this further – whether more can be done to be proportionate in our supervision.

I think, in the end, it's also the smaller banks that benefit from being integrated in a coherent system of supervision and reporting. As you know, we don't supervise the smallest banks directly. This is done by the national competent authorities, who also have, of course, a lot of local knowledge. But we have an oversight function, and that makes it possible for us and for the national competent authorities to identify issues that are similar across the banks and then also learn from each other. I think there's also a big benefit that we have with a Banking Union.

So yes, proportionality is really part and parcel of our activity. But it's not just about size. It's also about the underlying risk. And we are very careful to always review our procedures to make sure that we adhere to that principle.

1-0016-0000

Ľudovít Ódor (Renew). – Ms Buch, thank you for coming again and for discussing these important topics. I have three questions.

The first one is related to the global competition vis-à-vis the U.S. banks, that actually we have, in the European banking sector, higher capital ratios. So, what is your assessment of it? Is it because of different economic performance? To what extent is it a more cautious approach of regulators, or how do you see that? Of course, in a world full of risks, it is good to have higher capital ratios. But I just wanted to know your opinion on that.

My second question is that you mentioned pockets of vulnerabilities, including SMEs. So if you can elaborate a bit more on that, because we are also trying to increase lending to SMEs and also trying to invest into the future. So how do you see those risk factors?

And the third one is also related to the programme or the agenda of the ECON Committee – we are discussing a lot the digital euro or securitisation. So how do you feel that the banking sector is prepared for these two changes in the system?

1-0017-0000

Claudia Buch, *Chair of the Supervisory Board of the ECB***.** – Thank you for the whole range of questions. Let me try to be precise and focused.

So, the first point you mentioned was the global competition vis-à-vis U.S. banks. So, the one point that I would like to make here is that I think it's useful to think about this competition in terms of competition between banks. I don't think we should think about the European banking sector as such, or that the market is competing against the U.S., because my worry is that this would get us into a potential race to the bottom and a lowering of standards.

And I think what needs to be done at the global level is really to uphold the standards that we have agreed upon, the implementation of Basel III for the banking sector, and also work on – because we've heard about other vulnerabilities – common standards for non-bank financial intermediation and so forth. So, I think this is really the way we should think about it, not to compete in terms of regulatory intensity.

So, when it comes to the individual bank – and banks, of course, directly compete with each other – it's important to note that many of the banks that we supervise are not in direct competition to the U.S.. We've discussed this before: there's a lot of local competition still in Europe. And it's a few banks that are really active on global markets.

So, we've done some work in the ECB to compare the profitability – if you take that as an indicator of competitiveness – of European banks versus U.S. banks. And there's indeed some interesting results from this work. And the U.S. banks, for example, have tended to be more profitable in the past because they operate out of a larger market. They can realise economies of scale more than the European banks. So, this is one of the reasons why we're advocating so much for more market integration of the single market in in Europe.

There's also differences in terms of IT investment. So, the US banks tend to have higher IT investments. That's why I think this is also an important driver of competitiveness. If anything, we don't see that differences in terms of regulation or capital requirements make such a big difference. So, on average – and this is of course, not yet taking the potential changes in the rules into account – but on average the capital requirements are similar, if anything, right now a bit higher for the large U.S. banks, a bit higher for the medium-sized banks in Europe. But there's not that big of a difference. So, I don't think, honestly, that this is the biggest driver of competitiveness or profitability.

As to your second question on the pockets of vulnerabilities: I was speaking about small exposures to small and medium-sized enterprises. That's indeed where we also see corporate insolvencies increasing more dynamically than in other areas. So, this is of course then also one of the drivers that in the end leads to loan losses or deterioration in credit quality. But I think – and this is what I said earlier – we haven't really seen the full impact of the tariff discussions, of the conflict in the Middle East on the corporate sector and thereby also on bank balance sheets yet.

Credit quality – if you look at our numbers in the report – is one of the core drivers of risks in banks, and this is why it's so important that the banks monitor this very carefully. And we also look at this very clearly.

There's a broader discussion maybe one can have about productivity in Europe and SMEs and what the thresholds are for the growth of SMEs. But maybe that is a little bit outside the scope of our role and our mandate here.

Digital euro and securitisation – these are both very big questions. So, I'm not sure where to start. Digital Euro: I think you've had also many discussions with the colleagues from the ECB. I think in the end the digital euro is supporting the digital business models of banks. And the colleagues have interacted very closely with the banking industry to make sure that the design, the scope of the digital euro is conducive to the digitalisation of the banks. And I think the recent decisions are very positive and go in the right direction. And we, of course, also contribute a lot to the work on the digital euro from the supervisory side.

In the end, the challenge that banks have to deal with is, I think, a different one. It's really about the digitalisation of financial services, the ability to have robust operational infrastructures, to invest in IT. So this is where the investment needs in the industry come from.

Securitisation – and the ECB has issued an opinion on this – of course, we are not against securitisation, because it can be a useful way of transferring risks to part of the financial system where there's actors that can bear these risks in a better way. But securitisation can be risky. So, this is why we are very careful when we do the approval process for significant risk transfers and the associated capital reductions in the banks. So, we monitor this very closely from a micro-prudential perspective. And securitisation can also be risky in particular if certain market developments become pro-cyclical from a systemic risk perspective, a financial stability perspective.

And that is something that we're doing, we do fast approvals of standardised securitisation products, but at the same time we collect information so that appropriate financial stability analysis can be done.

1-0018-0000

Siegbert Frank Droese (ESN). – Ms Buch, thank you for coming today, and for your report. My key takeaway from it was 'strong supervision'. I'd like to talk a bit about how supervision is carried out in practice, and put some questions to you in that area.

How does the ECB's Supervisory Board ensure that its decisions – in particular where systemically relevant banks are concerned – are strictly risk-based and independent and do not indirectly serve the political or fiscal interests of the Member States, for example to stabilise national banking systems?

My colleague has already asked about the digital euro and the tension there. With that in mind I'd like to ask you again, specifically, how does banking supervision take into account the potential risks a digital euro would pose to the stability of the banking sector, in particular with regard to possible deposit outflows from commercial banks towards a central bank digital currency?

I have another specific question on mechanisms: what specific mechanisms or oversight bodies are there within the supervisory system that can identify and actually restrict potential conflicts of interest or political pressure? And have there already been any such cases? Have those mechanisms already been used in practice?

1-0019-0000

Claudia Buch, *Chair of the Supervisory Board of the ECB***.** – Thank you very much for the question. I'd like to reply to it in English.

Thank you for the question about how we supervise systemically relevant banks. This is what we do directly, and there's the oversight function for the less significant institutions.

How do we ensure our independence? Well, first of all, I think our independence is clearly embedded in the in the regulatory framework that we have. So that provides very strong guardrails. So, everybody who comes to the table of the supervisory board, of course, takes decisions within this framework. So, the supervisory mechanism of the ECB is a strong protection of our independence. And we had the financial sector assessment programme of the International Monetary Fund recently, which also looked at that, and which found that the SSM in terms of decision making, the legal framework, and also the budget – I think this has also, of course, important implications for independence – has a strong degree of independence. And I'm really also grateful for the legislators who've enabled that.

But of course, in everyday decision making, we also need to make sure that we have a clear structure for our decisions, that we have a clear process for how we take decisions, how we set our priorities, that we also challenge our own decisions. So, we have, first of all, a clear process for risks and priorities – and I've described our priorities a bit before. Then we have a strong second line function, which is making sure that all decisions that we take are benchmarked within the organisation. That is also challenging the individual teams with their decisions. And I think these are a lot of ingredients that we have embedded in our processes to make sure, within the very strong independence framework that we have, that all decisions are properly challenged.

And, not least – maybe I should have said this at the beginning – the very reason that I'm here today, and that we presented our annual report, that I'm answering your questions, I think is also a strong element of our accountability. And with the interinstitutional arrangement that we have, I think we've established a lot of mechanisms which are which are also serving that purpose.

Then the second question you asked was about the digital euro – so how are we involved in assessing the risks of the digital euro? So of course there's many benefits that have been also discussed here, but clearly the whole digitalisation of financial services has implications for the banking sector. And the banks need to make sure that they compete successfully against, in the first place, private suppliers of digital payment solutions. So, I think this is the real competitive threat to the banks, not the digital euro, which is actually facilitating banks digital business model. So, this is something that we've always made very clear.

And to the concrete question, could it be that there's deposit outflows from the banks to the digital euro? First of all, there's a lot of elements in the design of the digital euro that mitigate that risk. But then we've also very concretely worked with the data on the banks that we have to see what is the potential outflow risk. We've also worked with the national authorities, who have more information about the less significant institutions. And honestly, we don't see this as a significant risk. Of course, we always have adjustments to new information that is coming in. But I think the design of the framework and also the functionality and also the evidence that we have does not lead to the conclusion that this is a significant risk.

And in the end, I think the trust in the banks comes also from good supervision, good rules. And this is also a key element, of course, when it comes to changes in deposits. I should say maybe that's also relevant for the debate here: European deposit insurance, so completing the Banking Union, for me is a core element of making sure that depositors have trust in the system and that the same rules and protection apply.

1-0021-0000

Irene Tinagli (S&D). – Thank you very much for being here and answering all the questions.

Actually, I want to go back to something that Luděk Niedermayer asked in his first question regarding banking mergers and cross-border mergers in the European Union. You already answered with respect to what the SSM does. However, what we have seen in recent times is cases where you see they use either national Golden Power instruments, or in other cases, public statements, interventions, interviews, everything to discourage market operations. So regardless, of course, of what the SSM does, but these kinds of instruments, attitudes and interventions from the national side – don't you think it's actually creating the kind of environment that is not conducive to the objective that we all talk about all the time?

So how do you assess the impact? Maybe I'm wrong, but I would like to hear your opinion on how you assess the impact of these interventions on market dynamics, especially when listed companies are entailed, because these, of course, can affect market valuation and market dynamics.

How do you view the recent use of Golden Powers in potential banking mergers? Because I think these can also affect the Banking Union's credibility, don't you?

1-0022-0000

Claudia Buch, *Chair of the Supervisory Board of the ECB***.** – Thank you very much for the question, which of course, also for those familiar with the debate, potentially sounds related to specific cases. And let me make very clear at the beginning that nothing of what I say is related to specific cases.

I think the Golden Powers, there was one example for Italy of that discussion coming up. And this is something on which the Commission has also taken a stance. And my understanding is that there was a response also from the Italian side and this is currently being assessed, and I hope you understand that I don't want to get into that discussion.

What I've said is that we have a very clear role. And we've also communicated this role very clearly, how we see mergers. But this is now, I think, a discussion which is also happening also at the political level. So I don't want to comment on the details.
In terms of concluding remarks, I think the key message – and I think it was also very useful to have the discussion with you today – is that we live in an environment where we have this situation that the banks are stable, they're well capitalised, we have built up a lot of resilience in the system, but we also have a lot of risks and uncertainty around us. So for me, a good outcome of the discussion we are having also this year about competitiveness and how to assess the rules and the framework would be that we retain this resilience, that we maintain international cooperation and coordination and at the same time see where more streamlining can be done, and also where more harmonisation can be done, because many of the questions also centred around what more can be done to really provide the single market for financial services in Europe, what more can be done

to complete the Banking Union. So that would be, for me, a good outcome of that discussion. I also look forward to discussing this with you next time.

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(The public hearing closed at 15:23)