# EU agrees on ECB bank regulatory role

By James Fontanella-Khan in Brussels


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Eurozone banks will be regulated by a single supervisor in Frankfurt starting from mid-2014 after EU lawmakers and member states reached a provisional deal on Tuesday aimed at strengthening the single-currency bloc.

The European Central Bank will be granted sweeping powers to supervise all 6,000 banks operating in the 17-country bloc and will have the power directly to bail out troubled banks.

A deal was struck after EU member states agreed to give greater powers than the commission previously envisaged to the European Parliament over the appointment of top officials at the new single supervisor.

MEPs will have the right to approve the ECB's candidate for the role of chairman and deputy-chairman of the supervisory board.

National governments will have the final vote on whether to approve the nominees.

"The final legislation is a breakthrough for democratic control of the financial sector," said Sven Giegold, the German politician spearheading negotiations for the European Parliament.

"Crucially, the agreement reached today will provide for strengthened democratic accountability under the proposed system, with the European Parliament getting a clear scrutiny role over the European Central Bank in its performance of its tasks," he added.

The European Parliament will meet the ECB in coming weeks to negotiate to what extent the central bank is willing cede powers to MEPs. Under EU treaties the ECB is meant to be independent and cannot be influenced over its monetary policy decisions.

The European Banking Authority, which advises on technical standards, will also be given the power to carry regular stress tests on the resilience of European banks.

The main elements of the banks' supervision mechanism remain as agreed late last year. The ECB will directly supervise about 150 large banks with assets worth more than €30bn or constituting at least 20 per cent of their home country's gross domestic product.

The remaining banks will remain under the direct purview of national regulators although the ECB will be the overarching regulator. Non-eurozone banks will not be directly affected by the new legislation.

“The single supervisor is the core element of banking union and a vital step in breaking the vicious link between the banks and the sovereigns,” said Michael Noonan, the Irish finance minister who spearheaded the negotiations for member states.

The deal aims to restore confidence among investors over the long-term stability of the eurozone’s banking sector, which came under considerable stress during the sovereign debt crisis and the credit crunch.

“This is the first fundamental step towards a real banking union which must restore confidence in the eurozone’s bank and ensure the solidity and reliability of the banking sector,” said Michel Barnier, the EU commissioner responsible for the proposal.