

Press release

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ECB launches consultation on updates to options and discretions policies

- ECB consults on proposed updates to its options and discretions policies
- Goal is to provide transparency on supervisory activities
- Updates account for legislative changes since ECB first published options and discretions policies
- Consultation ends on 23 August 2021

The European Central Bank (ECB) today launched a public consultation on updates to its harmonised policies for exercising the options and discretions that it is allowed to exercise under European Union law when supervising banks.

The European legislative framework grants supervisors the authority to exercise a significant number of options and discretions when supervising banks. In 2016 the ECB first harmonised 122 options and discretions to streamline its supervision in the countries participating in the Single Supervisory Mechanism.

The ECB is proposing revisions to its policies primarily to account for legislative changes adopted since they were first published in 2016. Most of the revisions pertain to options and discretions in the application of liquidity requirements. The consultation relates to many aspects of supervision, including permissions for banks seeking to reduce their capital, the treatment of certain exposures in the calculation of the leverage ratio as well as some exemptions from the large exposures limit.

The ECB's policies concerning options and discretions are laid down in four instruments:

- an [ECB Guide](#) containing policy guidance for Joint Supervisory Teams when exercising options and discretions on a case-by-case basis in relation to significant institutions (SIs);
- an [ECB Regulation](#) in which the ECB exercises several options and discretions of a generally applicable nature in respect of SIs;

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- an [ECB Recommendation](#) addressed to national competent authorities concerning the exercise of options and discretions on a case-by-case basis in relation to less significant institutions (LSIs);
- an [ECB Guideline](#), also addressed to NCAs, concerning the exercise of options and discretions of a generally applicable nature in relation to LSIs.

These instruments provide transparency as to how the ECB exercises options and discretions in its supervision of SIs, ensure the consistent application of high supervisory standards, and support consistency in the supervision of SIs and LSIs.

The consultation begins today and ends on 23 August 2021. The consultation documents, comprising a draft revised version of the Guide, a Regulation amending the ECB Regulation, a Recommendation amending the ECB Recommendation, a Guideline amending the ECB Guideline and an Explanatory Memorandum, are published on the [ECB's Banking Supervision website](#).

Following the public consultation, the ECB will publish the comments received along with responses and an evaluation.

Further details on the ECB's policies on options and discretions can be found in this [Q&A](#).

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