

**ORGANISATIONAL RESTRUCTURING OF ECB SUPERVISION**

European Central Bank (ECB) Banking Supervision underwent far-reaching restructuring in October 2020. This was in response to the new strategic orientation building on the experience gained during the initial years of the Single Supervisory Mechanism (SSM), with a view to furthering the supervisory arm's development to ensure more effective and efficient supervision.

At the SSM's inception (November 2014), microprudential supervision at the ECB was structured into a Secretariat to the Supervisory Board (SB) of the ECB and four directorates general (DG): DG-MS1 and DG-MS2 for the direct supervision of significant institutions (SIs); DG-MS3 for the indirect supervision of less significant institutions (LSIs) and DG-MS4 for on-site inspections and horizontal and specialised functions. Certain subsequent adjustments had been made (such as the secretariat's conversion into a directorate general), but the overall organigram remained unchanged.

In July 2020, reorganisation plans for the ECB were submitted to the SB, as a key step towards shifting the supervisory focus.

The former DG-I, DG-II and DG-III were reorganised into three other DG, with the same ongoing supervisory functions for the institutions supervised directly or indirectly by the ECB, but grouping the institutions based on their business models: DG Systemic and International Banks, DG Universal and Diversified Institutions and DG Specialised Institutions and Less Significant Institutions. The aim was to shift towards more risk-focused supervision, create more synergies and allow a better comparison of common risks and challenges. Meanwhile, the integration of SI and LSI supervision will help to eliminate overlaps and ensure greater supervisory consistency.

The former DG-IV is now split into two: DG Horizontal Line Supervision (DG-HOL) and DG On-Site and Internal Model Inspections (DG-OMI).

DG-HOL retains some of the traditional horizontal areas, while also incorporating specialisation based on risks or supervisory areas (business model and capital adequacy, credit risk, market and liquidity risks, non-financial risks and stress tests), with the aim of creating groups of experts that will be in close contact with the joint supervisory teams and the on-site inspection teams. The aim was to strengthen risk-related technical skills in the supervision of institutions.

For its part, the DG-OMI, which is dedicated to on-site supervision, will comprise four divisions: financial risks inspections, non-financial risk inspections, internal models investigations and operations and integration.

A further new development was the creation of the Directorate Supervisory Strategy and Risk (D/SSR), responsible for strategic analysis and planning, resource allocation, defining and monitoring supervisory risk appetite and analysing the quality and consistency of supervision. It is organised into four areas: strategic analysis, financial risk, non-financial risk and strategic planning office. The D/SSR includes the second line of defence.

The former DG Secretariat was converted into the DG SSM Governance and Operations. It retains the same functions as before (secretariat to the SB; authorisations; fit and proper, which is separated from the previous function; and sanctioning proceedings), while a new technology and innovation division is added.