

Box 2.4

PROGRESS MADE IN THE SUPERVISORY CULTURE OF THE SINGLE SUPERVISORY MECHANISM

In January 2024, the Supervisory Board of the Single Supervisory Mechanism (SSM) launched an initiative to review its supervisory culture, following the recommendation made by a group of experts that, in 2023, analysed the effectiveness and efficiency of the Supervisory Review and Evaluation Process (SREP) and its implications for other supervisory processes.

Throughout the year, work was carried out to define the elements of supervisory culture, which affects, to some extent, all the national competent authorities within the SSM. Initially, the focus was on the successful implementation of the initiatives that are deemed strategic by the Supervisory Board:

- **Achieving greater effectiveness and efficiency in supervisory activity:** enhancing its impact on institutions through the implementation of reforms to the SREP, such as the reduction in process times and greater use of proportionality for smaller and less complex institutions. The aim is also to enhance the impact of supervision through strategies for the progressive application of increasingly severe and/or intrusive supervisory measures when institutions exhibit unjustified delays in resolving the problems identified and communicated by the supervisor.

The aim of the above is not only to reduce the bureaucratic burden and the complexity of internal processes, but fundamentally to resolve the

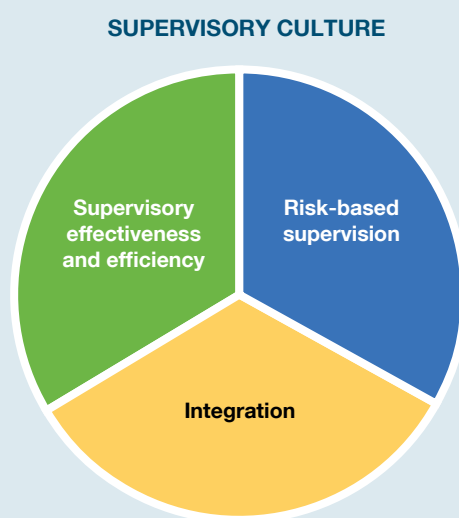
problems identified within a reasonable time horizon.

- **Strengthening risk-based supervision:** prioritising the identification of the most important vulnerabilities so that institutions can address their remediation, in view of emerging risks and the current greater uncertainty.

The supervisory risk tolerance framework is key to achieving this objective. The framework promotes the use of expert judgement to identify, for each institution, the areas in which less supervisory risk should be assumed, so that greater supervisory intensity can be focused on these areas. The designed process is based on global supervisory priorities and identifies, in each exercise, the priority risk areas in each institution, in order to finally define the specific supervisory action plan for the year.

- **Integration of the SSM:** furthering the integration of the various national authorities that make up the SSM to create a working environment that allows them to act as a coordinated and efficient team. To this end, several initiatives have been undertaken, such as the development of common IT tools, the organisation of staff mobility programmes between the competent national authorities and the European Central Bank, and the promotion of cross-border training plans.

Figure 1
Progress made in the SSM supervisory culture



SOURCE: Banco de España.

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PROGRESS MADE IN THE SUPERVISORY CULTURE OF THE SINGLE SUPERVISORY MECHANISM (cont'd.)

The review carried out on the occasion of the SSM's tenth anniversary highlighted the considerable progress that has been made. However, there are still areas where further improvements are needed to make the process more effective, efficient and focused on priority risk areas and to achieve greater integration.

The cultural change is already underway. And these initiatives are part of the review of the main components

of the SSM's strategic framework, including its mission, values and vision. In order to achieve this objective, the various layers of the organisation are being involved and contributing their opinion on the potential improvements to the strategic initiatives identified by the Supervisory Board. Ultimately, these initiatives to improve the supervisory culture will enable us to reconfigure and enhance the way we work, collaborate and supervise banks, which should result in higher-quality supervision.