THE EUROPEAN CENTRAL BANK AND FINANCIAL STABILITY: A QUARTER OF A CENTURY OF EVOLUTION AND TRANSFORMATION (1998-2023)

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Abstract

This article examines the evolution of the mandate and tasks of the European Central Bank (ECB) in the field of financial stability since its establishment in 1998. Over this period, the significance of the ECB's financial stability function has increased markedly, in parallel with the growth of macroprudential policy and driven by the institutional reforms stemming from the creation of the European Systemic Risk Board in 2010 and the start of the Single Supervisory Mechanism (SSM) in 2014. To carry out its tasks, the ECB has a Financial Stability Committee, which is made up of representatives of the central banks and banking supervisory authorities of the SSM area – including the Banco de España – , that acts as an internal forum for the ECB's governing bodies to prepare issues relating to the analysis of risks and vulnerabilities and national macroprudential policies in the banking union. Lastly, an overview is provided of the main ECB publications and public interventions in this field.

Key words: macroprudential policy, systemic risk, financial stability, institutions.

1 Introduction

Modern central banks have increasingly oriented their activities towards safeguarding the stability of the financial system in the face of crises and adversity. As authorities endowed with the privilege of issuing currency and as lenders of last resort, over time central banks have played a key and irreplaceable role in ensuring the proper functioning of the financial system and the economy. Historically, the mandate, objectives and functions of central banks around the world have evolved significantly in line with economic, financial, political and social developments and advancement. In this process, and based on the premise that price stability and financial stability are mutually supportive, the latter has gradually been explicitly enshrined as an objective in the basic legislation of these bodies[1], often linked – in many, but not all, jurisdictions – to the function of supervising the solvency of financial institutions.

The European Central Bank (ECB), which celebrates its first 25 years of operations in 2023, has a significant financial stability mandate in the European

1 By way of example, in the case of Spain, Article 7.5 of Law 13/1994 of 1 June 1994 on the Autonomy of the Banco de España stipulates that the Banco de España shall exercise the function of "promoting the smooth functioning and stability of the financial system". Subsequently, Law 10/2014 of 26 June 2014 designated the Banco de España as the authority responsible for the formulation, adoption, implementation and oversight of macroprudential measures applicable to credit institutions in Spain.

Union (EU). The ECB, which since 1998 stands as one of the seven EU institutions[2], has since its foundation been assigned the duty to contribute – through the European System of Central Banks (ESCB)[3] "to the smooth conduct of policies pursued by [national] competent authorities relating to [...] the stability of the financial system"[4]. In connection with this task, the Statutes of the ESCB and of the ECB provide for a specific advisory task: "The ECB may offer advice to and be consulted by the Council, the Commission and the competent authorities of the Member States on the scope and implementation of Community legislation relating to the prudential supervision of credit institutions and to the stability of the financial system[5].

The notion of "financial stability" lacks a commonly accepted definition, and its interpretation differs depending on the context in which it is employed. Thus, the ECB has traditionally promoted in its financial stability reports[6] the definition of "a condition in which the financial system – which comprises financial intermediaries, markets and market infrastructures – is capable of withstanding shocks and the unravelling of financial imbalances. This mitigates the prospect of disruptions in the financial intermediation process that are severe enough to adversely impact real economic activity". Other central banks may define it slightly differently[7] to underline that the maintenance of financial stability can be seen as the absence of instability events, in the form of periods of crisis or episodes of stress. Ultimately, as the ECB points out, financial stability is "all about balance"[8].

Consequently, there is no single benchmark indicator available to provide an informative and reliable summary regarding the (un)stable nature of the financial system.[9] This makes the analysis of financial stability decidedly difficult and means that any assessment thereof calls for a wide range of information (both quantitative and qualitative) to be able to monitor cyclical and structural developments in financial markets, their main participants and, in general, the macro-financial context. This analysis is often disclosed by central banks as a descriptive and narrowly focused account of the predominant risks and vulnerabilities to the stability of the financial system.

Risks to financial stability can have a wide variety of origins and take on different forms. For example, as the ECB notes on its website, a general economic

2 Article 13 of the Treaty on European Union (TEU).

3 The ESCB is made up of the ECB and the national central banks of the EU Member States.

4 Article 127.5 of the Treaty on the Functioning of the European Union (TFEU).

5 Article 25.1 of the Protocol on the Statutes of the ESCB and of the ECB (annexed to the TEU and to the TFEU).

6 See, for example, the Foreword of the *ECB Financial Stability Review* of November 2019.

7 Similarly, the Banco de España defines on its website that a stable financial system is one that "will be able to absorb the impact of shocks and the materialisation of risks without the financial intermediation process being adversely affected and further damage being inflicted on economic activity".

8 "Spotlight on financial stability", 24 May 2016 (website content of the ECB).

9 In contrast to other economic concepts such as "price stability" (for which metrics based on widely used consumer price indices are available).

slowdown raises the level of indebtedness of homeowners and causes their properties to fall in value, while the lenders who financed their mortgages may find customers without sufficient means to repay their debts[10]. This increase in default as regards banks' loan portfolios erodes their solvency, with a consequent adverse impact on their ability to finance new projects for households and businesses.

To safeguard financial stability, macroprudential policy has been established and developed in recent years. One of the lessons of the 2008 global financial crisis (GFC) was the need to complement the traditional microprudential supervisory approach – based on the stability and resilience of individual institutions (a necessary, but not sufficient, condition for maintaining financial stability) – with a new set of tools that banking authorities could aim towards strengthening the solvency of the financial system as a whole (or significant portions of it).

The aim of macroprudential policy is twofold. First, to contribute preventively to checking the development of risks that could be systemic in nature – i.e. affect the whole of a country's banking system – and, further, to strengthen the solvency (resilience) of institutions in order to mitigate the negative effects arising from the possible manifestation of such risks. In other words, a primary objective of macroprudential policy is to address systemic risks that evolve over the credit cycle (time dimension); for example, in a situation of credit growth that is branded exuberant or unsustainable, macroprudential policy would seek both to curb this growth path and to strengthen the financial system so that it is better able to absorb any losses that could be generated. The other objective of macroprudential policy is linked to its structural (cross-sectional) dimension, which has to do with the impact on systemic risk arising from the size, complexity and interconnectedness of banks[11]. With this second objective, macroprudential policy aims to ensure that the most systemically important institutions internalise the impact that their decisions have on other institutions and the economy as a whole. This aspect is another lesson from the GFC, when certain strongly interconnected institutions collectively had a major impact on the development of this crisis.

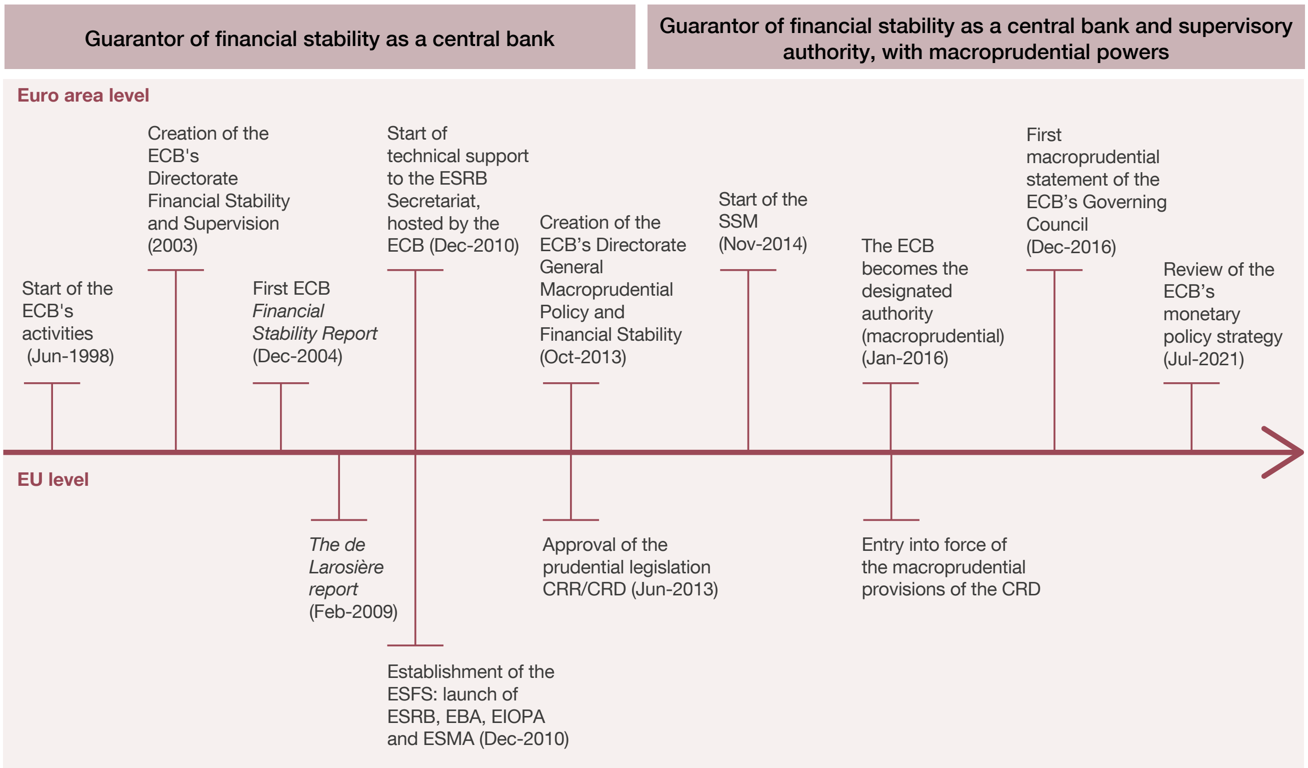
Macroprudential policy is articulated through various instruments or tools to prevent financial stability risks and vulnerabilities from increasing and spreading to the rest of the financial system[12]. On the one hand, there are capital buffers, such as the countercyclical capital buffer (CCyB) and capital buffers for systemically important institutions, which are calibrated by macroprudential authorities and serve to increase institutions' own funds available to absorb potential losses. Also, in certain countries, use is also made of so-called "borrower-based measures", that condition the maximum amount of a loan granted by a bank

10 They will also have to set aside more provisions because of falling house prices and lower collateral coverage, even in the event that customers do not default.

11 Mencía and Saurina (2016).

12 Estrada and Mencía (2021).

Schema 1
MILESTONES IN THE DEVELOPMENT OF THE ECB'S FINANCIAL STABILITY AND MACROPRUDENTIAL POLICY FUNCTION



SOURCE: Banco de España.

depending, for example, on the collateral provided or the income of the loan applicant, or the maximum term of the transaction. The introduction of macroprudential policy is a relatively recent phenomenon, made possible by the far-reaching regulatory changes agreed upon at global level (since 2010, in the context of the Basel III framework) and at EU level (since 2014) and developed and implemented by national legislators[13].

The ECB monitors risk factors and vulnerabilities affecting the euro area financial system and reports on possible national macroprudential policy actions in the banking sector. As illustrated in Schema 1 and explained in this article, the ECB's financial stability function has evolved over the past decade as a result of two deep institutional changes stemming from the GFC and the ensuing sovereign debt crisis: i) the creation in 2010 of the European Systemic Risk Board (ESRB), which is hosted and chaired by the ECB; and ii) the establishment in 2014 of the Single Supervisory Mechanism (SSM), which entailed the attribution to the ECB of prudential supervisory powers – including macroprudential policy tasks – in all countries of the banking union[14].

13 Hernández de Cos (2021).

14 At the time of writing, the banking union consists of the 20 euro area Member States and Bulgaria (which joined voluntarily).

2 The European Central Bank and the establishment of the European Systemic Risk Board

The 2008 GFC triggered an exhaustive reform of financial regulation and supervision globally and in Europe, with major implications for the design of the institutional framework[15]. The GFC underscored the inadequacy of the traditional purely microprudential supervisory framework (focusing on the solvency of individual institutions) to ensure financial stability, and also prompted a rethink of central bank governance in this area[16]. It was therefore necessary to develop mechanisms to enhance the monitoring of the financial system as a whole, as well as the national and international interconnections between its constituent parts. In the years following the GFC, the EU and Member States undertook reforms of their institutional architecture in order to: i) shore up cooperation between authorities with mandates in the area of financial system stability, regulation and oversight, usually divided between the central bank and a variable number – depending on the country – of financial supervisory authorities (banking, securities markets, insurance and pension funds), and ii) formalise the allocation of macroprudential policy responsibilities. In this context, the EU established the ESRB in 2010 following a recommendation made in a consultative report prepared by the High-Level Group on EU Financial Supervision, chaired by Jacques de Larosière.

The *de Larosière Report,* published in February 2009, proposed strengthening the ECB's financial stability function with the creation of a European Systemic Risk Council[17]. The report called for the ECB to become more involved in the macroprudential oversight of the European banking sector and recognised that for the ECB/ESCB to effectively fulfil their financial stability role, it was necessary to endow them with a formal mandate to assess macro-financial risks and, if necessary, to issue macroprudential warnings. The de Larosière Group emphasised the unique position of the ECB, at the head of the ESCB, to carry out these tasks, in close cooperation with national authorities[18]. For this reason, the de Larosière Group recommended the creation of a European Systemic Risk Council within the ECB with the task of promoting financial stability and mitigating negative impacts on the internal market and the real economy of the EU. The new body should be chaired by the head of the ECB and logistically supported by it.

15 Rodríguez Rico, Corcóstegui and Vendrell Simón (2020).

16 Bank for International Settlements (2011).

17 See The de Larosière Group (2009) and a summary thereof in Field and Pérez (2009).

18 The ECB, as part of the Eurosystem and in cooperation with the FSC of the ESCB, monitored financial stability risks and assessed the resilience of the euro area financial system. During this period, the focus was placed on credit institutions, which were the main financial intermediaries. However, it also monitored other financial institutions and other non-financial sectors which were considered to be closely related to the banking sector in their intermediation function.

Remaining faithful to the proposal of the de Larosière Group, the EU co-legislators agreed in November 2010 to establish the ESRB[19]. In Regulation (EU) No 1092/2010, the EU Council considered that the ECB and national central banks should have "a leading role in macroprudential oversight because of their expertise and their existing responsibilities in the area of financial stability". It was also envisaged that the ECB should provide "analytical, statistical, administrative and logistical support" to the new body, with technical support and advice coming from central banks and national supervisory authorities. This support was to entail the establishment of the ESRB Secretariat at the ECB[20] – Regulation (EU) No 1096/2010 – and the periodic provision of non-confidential statistical information (under a Memorandum of Understanding signed by the ECB and the ESRB in 2013). From its inception, the President of the ECB would chair the ESRB and the Vice-President of the ECB would be a voting member on the ESRB General Board. The support provided by the ECB to the ESRB should be without prejudice to the principle of the independence of the ECB in the performance of the tasks pursuant to the TFEU.

The establishment of the ESRB has made it easier for the ECB to extend its financial stability function. Among other matters, with the launch of the ESRB in 2010, the ECB has been involved in work and discussions on a variety of issues which, in addition to macro-economic and banking issues, affect the stability of the EU financial system. The ESRB also facilitates the ECB's regular contact and institutional relations with a wide range of national prudential authorities, including securities markets, insurance and pension fund supervisory authorities – both in the euro area and in other EU/EEA countries – with which it does not coincide at other fora and committees at the European or global level. The ECB has fostered ongoing coordination with the ESRB through its Financial Stability Committee (FSC), as explained below.

3 The European Central Bank as a macroprudential authority in the Single Supervisory Mechanism

The establishment of the SSM in 2013 was motivated by financial stability. The euro area sovereign debt crisis of 2011-2012 – aggravated by the so-called sovereign-bank nexus –[21] highlighted the fragmentation of the financial sector as a threat to the integrity of the euro and the EU's internal market. Against this backdrop, between 2012 and 2013 EU leaders agreed to intensify the integration of banking supervision in the euro area in order to restore financial stability and lay the foundations for

19 Gutiérrez de Rozas (2022) provides a detailed account of the organisation, work and publications of the ESRB in its first decade of activity.

20 Following, therefore, an organisational model similar to that of the global committees hosted at the Bank for International Settlements in Basel.

21 For an analysis of the timing and associated risk channels, see Box 2.3 of the *Financial Stability Report,* autumn 2021, Banco de España.

economic recovery. To this end, it was decided to confer specific tasks on the ECB with regard to the prudential supervision of banks in order to contribute to their resilience and soundness, and thus to the stability of the financial system of the EU and its Member States[22].

The TFEU already provided for the possibility of entrusting the ECB with supervisory tasks over financial institutions[23]. Through Regulation (EU) No 1024/2013 (SSM Regulation), the Council made use of this option under the TFEU to confer specific tasks on the ECB in respect of policies relating to the prudential supervision of credit institutions[24], although the ECB's governance structure is separate from its monetary governance structure to avoid potential conflicts of interest. The regulatory text appreciated that, "as the euro area's central bank with extensive expertise in macroeconomic and financial stability issues, the ECB is well placed to carry out clearly defined supervisory tasks with a focus on protecting the stability of the financial system of the Union". This decision was also influenced by the fact that in most Member States – as well as in other jurisdictions in the rest of the world – central banks were already responsible for banking supervision[25].

The new responsibilities conferred on the ECB in the SSM Regulation also include macroprudential policy tasks. The SSM Regulation acknowledged that "The ECB's tasks should include measures taken in pursuance of macroprudential stability, subject to specific arrangements reflecting the role of national authorities". To this end, and to ensure coordination within the SSM, an advanced notification obligation was stipulated for the relevant national authorities to inform the ECB of those macroprudential instrument measures that they intend to adopt in respect of credit institutions[26], as well as the ECB's power to – on reasoned grounds of systemic risk – impose stricter requirements (top up) than those applied by national authorities (Art. 5 SSM Regulation)[27].

The SSM thus configures the ECB as an asymmetric macroprudential authority. While national authorities can introduce, recalibrate (upwards or downwards) or terminate a macroprudential measure, the ECB can introduce or tighten (but not relax or unwind) a macroprudential measure in a Member State. This peculiar set-up

22 In this case, the advice of the de Larosière Group went unheeded, as in its 2009 report it ruled out a SSM linked to the ECB: "While the Group supports an extended role for the ECB in macro-prudential oversight, it does not support any role for the ECB for micro-prudential supervision." The proposal for microprudential supervision was based on an integrated network of supervisors – the European System of Financial Supervision (ESFS) – consisting of national supervisory authorities, the European Banking Authority, the European Securities and Markets Authority, and the European Insurance and Occupational Pensions Authority.

23 With the exception of insurance undertakings (Art. 127.6 of the TFEU).

24 For further information on the origin, organisation and operation of the SSM, see Torres (2015).

25 As is the case of the Banco de España in Spain.

26 Without a distinction between significant institutions (subject to direct microprudential supervision by the ECB) and less significant institutions (supervised directly by national authorities and indirectly by the ECB).

27 Detail on the practical operationalisation of these tasks is set out in Regulation (EU) No 468/2014 (SSM Framework Regulation).

– which sets the ECB apart from any other authority in Europe or the rest of the world – is explained by the need to reconcile the aims of: i) maintaining the regular exercise of macroprudential policy at the national level (albeit on a common regulatory basis at the EU level); ii) endowing the ECB with powers to offset possible biases of inaction by national authorities; and iii) enhancing the ECB's role in conducting analysis on cross-border effects and disseminating best practices, thereby increasing the coordination and consistency of national macroprudential policies[28].

The ECB's scope of action is also limited in terms of the raft of macroprudential instruments under its control. Macroprudential instruments subject to ECB scrutiny include the CCyB, the buffers for institutions identified as systemically important, the systemic risk buffer and other macroprudential own funds instruments provided for in the Community directive and regulation on capital requirements for credit institutions[29]. The ECB's macroprudential mandate does not cover national measures on macroprudential instruments for which the legal basis is not contained in Union legal acts, as is the case, for example, of measures on limits on the terms and conditions on lending (currently developed exclusively in national legislation, at the discretion of the Member States)[30].

When performing its macroprudential tasks, the ECB has consistently assessed notifications of new measures submitted by national authorities. In particular, since 2016 – when most of the macroprudential instruments of the CRD were first implemented – ECB staff have been thoroughly assessing the adequacy of the macroprudential measures proposed by national authorities. In 2021 alone, the ECB received more than one hundred macroprudential notifications[31] from SSM national authorities. Each of these notifications is processed internally at various levels and forwarded on to the Supervisory Board for subsequent escalation and decision by the ECB's Governing Council. This process is mandatory for the subsequent formal adoption and implementation of the measures by the national authorities.

To date, the ECB has not exercised the power to apply more stringent macroprudential measures than those applied by national authorities. The

28 Draghi (2017).

29 Directive 2013/36/EU and Regulation (EU) No 575/2013 (CRD and CRR).

30 Among them, Spain. Other macroprudential instruments available in Spanish legislation, but not included in EU legislation – and therefore outside the control of the ECB – are the sectoral concentration limits and the sectoral CCyB.

31 European Central Bank (2022b). By way of illustration, by December 2022 the Banco de España had notified the ECB of a total of 45 proposals for macroprudential measures, of which 29 relate to the CCyB, eight to global systemically important institutions (G-SIIs) and eight to other systemically important institutions (O-SIIs). In this period, the Banco de España maintained the CCyB at the regulatory percentage of 0% for credit exposures located in Spain, and set buffers for one G-SII (Banco Santander, S.A.) and six O-SIIs (at the date of writing four institutions: Banco Santander, S.A., Banco Bilbao Vizcaya Argentaria, S.A., CaixaBank, S.A. and Banco Sabadell, S.A.). The frequency of these measures is set out in the CRD (quarterly for the CCyB and annually for the systemic institutions buffer). In all cases, the Banco de España's notifications were favourably assessed by ECB staff – and backed by its decision-making bodies – .

ECB has not publicly notified any authority to change or tighten any of its macroprudential measures and neither has it exercised the competence conferred by the SSM Regulation to tighten a measure previously adopted at the national level. In this regard, the ECB's consultative role – and the ongoing dialogue of its staff with national authorities – has allowed a shared understanding to be attained on the most appropriate macroprudential measures, taking into account the specific circumstances (cyclical, structural or otherwise) of each country, which appears to have contributed to correcting the inaction bias mentioned earlier and to reducing the possible scenarios that would lead the ECB Governing Council to agree upon a direct intervention in a country's macroprudential policy.

In relation to systemically important institutions, one aspect of the ECB's favourable assessment of national macroprudential measures relates to its participation in the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB), and also to the existence of macroprudential policy guidelines agreed upon in the ECB's Governing Council. In the particular case of G-SII buffers, there is a commitment between the ECB and national authorities to implement the capital buffers identified in the annual lists of global systemically important banks (G-SIBs)[32] in Basel. This commitment stems from the membership of the ECB/SSM and the main national authorities of the SSM of both the FSB and the BCBS. Moreover – as mentioned below – for so-called "other systemically important institutions" (at the national level), since 2016 the ECB has used a framework that guides the minimum calibration (floors) of buffers for these institutions in the banking union according to a mapping scheme for predefined buckets based on scores of systemic importance (as explained below).

Lastly, it should be noted that the launch of the SSM made the ECB a potential recipient of ESRB warnings and recommendations. In the early years of the ESRB's activity, the ECB's status as the central bank responsible for monetary policy in the euro area meant that it was not subject to guidance from the ESRB, as was the case for national central banks with responsibilities for financial supervision and macroprudential policy. This situation has changed since November 2014, with the transformation of the ECB into i) a competent authority for the microprudential supervision of credit institutions, and ii) a designated authority for the (possible) tightening of macroprudential requirements applied by national authorities[33]. The EU co-legislators amended the founding Regulation of the ESRB in 2019 in order to, among other changes, explicitly reflect the new status of the ECB (and ECB Banking Supervision) in the ESRB. In connection with this change, the participation of a representative of the ECB's Supervisory Board on the General Board of the ESRB

32 The global list of G-SIBs is approved and published annually by the FSB, following a proposal by the BCBS.

33 Thus, when Recommendation ESRB/2020/7 on restricting distributions during the COVID-19 pandemic was issued in May 2020, one of the authorities to which it was addressed was the ECB, in its dual capacity as competent authority (microprudential) and designated authority (macroprudential).

was formalised. The chair of the ESRB was also conferred, on a permanent basis, on the President of the ECB.

4 Revision of the European Central Bank's monetary policy strategy

In July 2021 the ECB adopted a revised monetary policy strategy which, inter alia, emphasises the importance of financial stability as a precondition for price stability, and vice versa[34]. The ECB's new strategy explicitly acknowledges the interdependence of price stability and financial stability, and the possible interactions – often complementary – of monetary policy and macroprudential policy. The ECB also notes that monetary policy can have undesirable effects on financial stability, and that macroprudential policy may be constrained at certain stages of the financial cycle.

In view of the risks to price stability associated with financial crises, it is noted that the ECB should take financial stability considerations into account in its regular monetary policy deliberations. The ECB anticipates that these considerations be addressed under a flexible approach (i.e. without predetermined monetary policy reactions to financial stability risk contingencies) and without losing sight of the objective of medium-term price stability, as it is for microprudential and macroprudential policies – each with their own requirements and instruments – to be the lines of defence against financial stability risks[35]. The ECB maintains, in any event, the application of a principle[36] of separation of objectives, tasks and internal processes between monetary policy and macroprudential policy (and microprudential supervision).

The ECB's monetary policy strategy assigns an important role to the analysis of monetary and financial indicators. One of the objectives of this analysis is to provide the Governing Council of the ECB with a regular assessment of the build-up of financial imbalances and vulnerabilities and their implications for GDP and inflation in extreme scenarios. Furthermore, the analysis also aims to assess the extent to which macroprudential measures implemented at the national level are effectively mitigating those systemic risks that are relevant from a financial stability standpoint.

The relationship between price stability and financial stability is a close one[37] **and is a focus of attention for the ECB, considering the importance of monetary and macroprudential policy coordination.** The assessment of this issue is conducted on a regular basis and is underpinned and complemented by the ECB's

34 European Central Bank (2021a).

35 Guindos (2018).

36 Schnabel (2021).

37 As evidenced by the March 2023 macro-financial developments that affected individual US financial institutions with business models vulnerable to interest rate risk.

extensive work in preparing its spring and autumn financial stability reports. From a communication standpoint, the ECB has let it be known that financial stability and macroprudential policy issues take centre stage at its Governing Council meetings in June and December (see Chart 1.3).

5 Internal organisation and governance of the European Central Bank

In the early years of the ECB's existence, the financial stability function had not yet taken root in the organisation charts of the national central banks. The process was gradual from the publication of the Bank of England's first report on financial stability in the autumn of 1996 onwards. Central banks around the world steadily followed the Bank of England's lead by establishing financial stability units and starting to publish regular financial stability reports on a six-monthly or annual basis.

In 1998 the ECB brought together various financial stability tasks within the remit of its Prudential Supervision Division. This division had been created mainly to carry out tasks deriving from the TFEU with regard to the ECB's contribution to: i) the proper conduct of policies implemented by the competent authorities in the field of prudential supervision and financial system stability; ii) support in the preparation of advisory opinions on proposed Community and national legislation relevant to banking supervision and stability; and iii) other tasks that might arise from a direct conferral of new financial supervisory responsibilities. Through this division, the ECB would manage the secretariat of its Banking Supervision Committee (BSC) – explained below – as a forum for liaison with the Eurosystem central banks on financial stability matters.

Shortly after the introduction of the euro in 2003, the ECB established a Directorate Financial Stability and Supervision, consisting of two divisions. This change in the organisational structure reflects the ECB's intention to increase its resources in this field in order to catch up with other Eurosystem central banks[38] and, among its new tasks, to start publishing a regular financial stability report every six months. The first edition would appear a year later, at the end of 2004[39].

The ECB would be further strengthened in 2010 by reconfiguring this area of its organisational structure as the Directorate General Financial Stability (DG-F). This restructuring was driven by a number of factors linked to developments related to the sovereign debt crisis, most notably including: i) the reform of the European System of Financial Supervision, with the establishment of the ESRB – which

38 By way of comparison, the Banco de España's Financial Stability and Macroprudential Policy Department has its origins in the Financial Stability Division, created in 2000 and transformed into a department in 2005. It has had its current name since 2017.

39 The Banco de España had published its first *Financial Stability Report* two years earlier (in November 2002).

required new analytical support tasks (although its Secretariat was not integrated within the ECB's Financial Stability staff) – and of the European Banking Authority – in which the ECB participated as an observer – ; ii) the development of new analytical capabilities, such as those related to the conduct of stress tests; and iii) the ECB's technical cooperation (in the International Monetary Fund and European Commission's adjustment programmes for the economies and financial systems of several euro area countries, known as "troikas"). With this reorganisation, the ECB positioned financial stability as a policy area of comparable importance to other policy areas that had been established at the institution since its early days, such as monetary policy (economics), market operations, market and payment infrastructures, statistics and economic research.

In 2013 the ECB undertook what is, to date, its last major reorganisation and expansion of its financial stability staff, with the formalisation of the Directorate General Macroprudential Policy and Financial Stability (DG-MF). The creation of the SSM (approved in October 2013 and in operation a year later, in November 2014) entailed the incorporation of the new tasks conferred on the ECB in the area of macroprudential measures (Article 5 of the SSM Regulation) into the pre-existing Directorate General Financial Stability, which thus saw its functions – hitherto, for the most part, analytical – significantly extended to include involvement in the macroprudential policy of the national authorities. Moreover, as a result of the SSM, the ECB would see its status as a member institution (full participant in working groups) in various international bodies, such as the BCBS and the FSB in Basel, increase in 2014.

As with other policy areas, the ECB has recently continued to review its organisational structure. The Directorate General Macroprudential Policy and Financial Stability was expanded in 2017 with a new division dedicated to market issues and non-bank financial intermediation. In view of the increasing workload and responsibilities, its management team was reinforced in 2018 with a second Deputy Director General (complementary to the one introduced with the 2010 reform)[40]. Schema 2 shows the organisational evolution described above, which illustrates the growing functional and human resources importance of this policy area for the ECB and the Eurosystem – an importance that has also been reflected in an increasing number of publications and public statements on the subject by the ECB (see the communication section below) – .

The ECB entrusts its Vice-President with the internal management of the financial stability and macroprudential policy area. In the distribution of responsibilities of the members of the Executive Board of the ECB, the Vice-President has traditionally (for the last two decades) been assigned this responsibility[41]. The

40 European Central Bank (2023).

41 European Central Bank (2022a).

Schema 2

EVOLUTION OF THE BUSINESS AREA OF FINANCIAL STABILITY AT THE ECB

(1998) Inception of the ECB	**Prudential Supervision Division**
(2002) Commencement of circulation of the euro	**Directorate Financial Stability and Supervision** — Financial Stability Division — Financial Supervision Division
(2010) Establishment of the ESFS	**Directorate General Financial Stability** — Financial Stability Surveillance Division — Financial Stability Assessment Division — Financial Services Policy Division
(2013) Creation of the SSM	**Directorate General Macroprudential Policy and Financial Stability** — Financial Stability Surveillance Division — Macro-Financial Linkages Division — Macro-Financial Policies Division — Financial Regulation Division
Since 2017	**Directorate General Macroprudential Policy and Financial Stability** — Systemic Risk and Financial Institutions Division — Stress-Test Modelling Division — Macroprudential Policy Division — Market-Based Finance Division — Financial Regulation and Policy Division

SOURCE: ECB and devised by author.

current head of the ESRB is therefore Luis de Guindos, who was preceded by Vítor Constâncio and Lucas Papademos. For her part, the President of the ECB is responsible for overseeing the organisational unit of the ESRB Secretariat. To the extent that macroprudential policy issues have an important connection with SSM banking supervision, an ECB representative is also appointed to its Supervisory Board for macroprudential issues (for more details, see the Annex).

6 The Financial Stability Committee of the European Central Bank

In performing its work in the area of financial stability, the ECB has always maintained permanent contact with national authorities at various levels. In the spirit of Eurosystem cooperation, the ECB has established a number of thematic committees – for each relevant area of activity – to bring together expert staff from the national central banks (and, where appropriate, other national prudential banking supervisory authorities) to exchange information, share knowledge and jointly develop work which, with relative frequency, is ultimately submitted for deliberation to the ECB's highest decision-making body – the Governing Council (comprising the six members of the ECB's Executive Board and the governors of the euro area national central banks) – . One of these committees is specifically dedicated to financial stability and macroprudential policy issues.

In 1998, the ECB established the Banking Supervision Committee (BSC). Formally established as an ESCB (EU-wide) committee, the BSC was given a general mandate to assist the Eurosystem in the exercise of its tasks in the field of prudential banking supervision and financial stability[42]. In a setting marked by the expectation of increasing banking integration as a consequence of the introduction of the euro and the implementation of EU financial regulation, the BSC focused – from an aggregate perspective – on analysing issues related to structural changes and the solvency of the banking sector, as well as possible threats to financial stability.

In 2011 the BSC became the FSC[43]. Following the major institutional changes in 2010 described above, the ECB aligned the name of the committee with that of its organisational unit, from which the secretariat work supporting it is carried out. The FSC would see its importance and tasks strengthened from 2014 onwards, as it also became the committee in charge of all matters related to macroprudential analysis and policy, including the assessment of national macroprudential measures. Over time, the composition of the FSC has increased with the enlargement of the Eurosystem (in 2002 there were 12 countries in the euro area, in 2023 there are 20)[44] and, since 2014, other SSM supervisory authorities[45].

During this time, the FSC has been the main consultative body in the preparation of banking-related reports and other related ECB publications. Special mention must be made of the *Financial Stability Report,* published regularly in May and November, which is the ECB's flagship publication in this field, and, to a lesser extent, also the (multi-)annual reports on financial integration and structures in the euro area. The FSC has been involved in other tasks related to the ECB's advisory role, supporting the ECB in providing opinions on draft EU legislation, formulating responses to public consultations or at the request of the European Commission (on future legislative initiatives), and preparing ECB Governing Council statements on

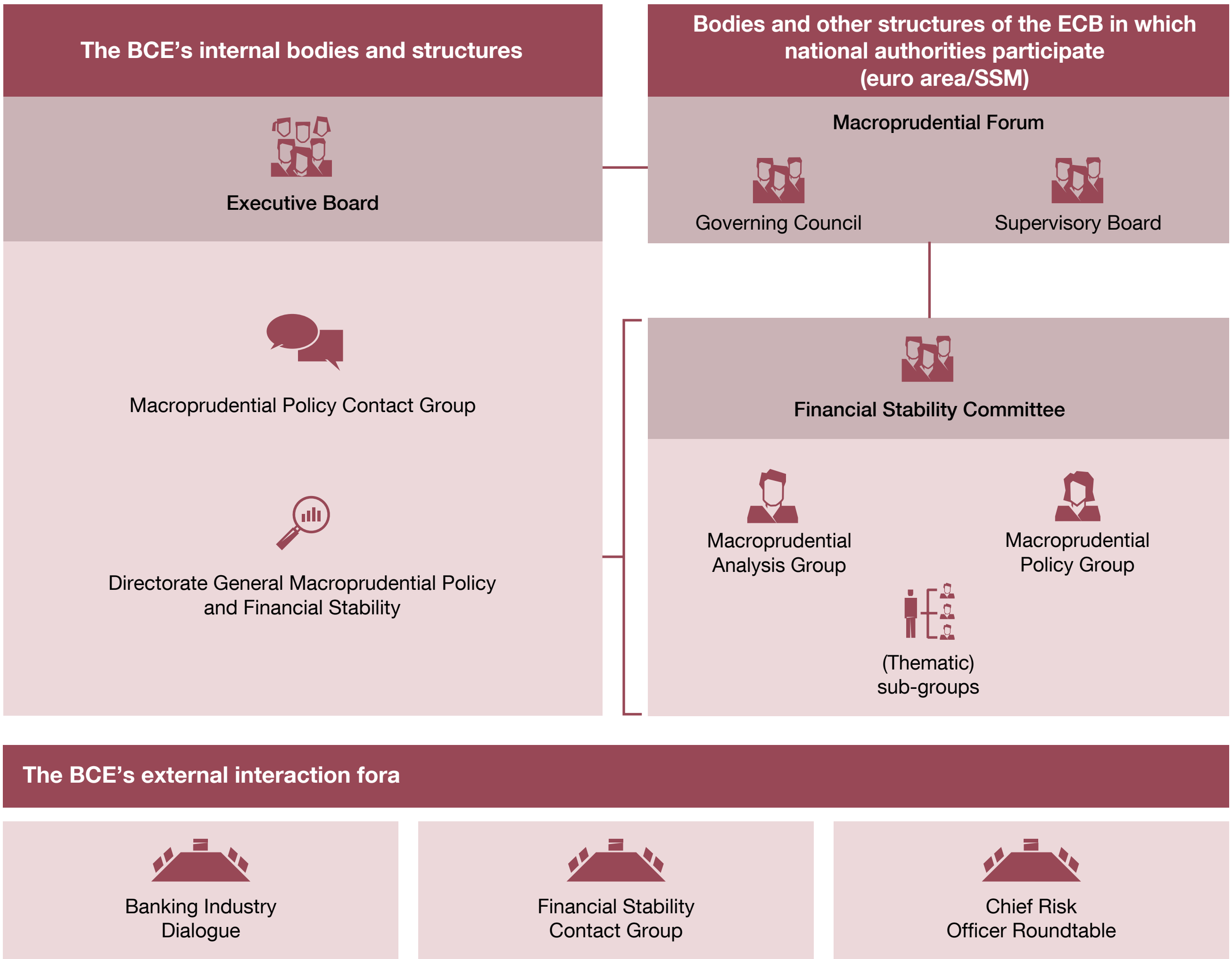
42 Scheller (2004) and Grande (2017).

43 *Financial Stability Committee.*

44 During this period, Slovenia (2007), Malta and Cyprus (2008), Slovakia (2009), Estonia (2011), Latvia (2014), Lithuania (2015) and Croatia (2023) joined the euro area. Moreover, Bulgaria (together with Croatia) joined the banking union in October 2020.

45 In 2023 there are seven banking union countries with supervisory authorities institutionally separate from the national central bank (Austria, Estonia, Finland, France, Germany, Luxembourg and Malta). Until 2022, Latvia also found itself in this situation.

Schema 3
ECB STRUCTURES RELATED TO THE AREA OF FINANCIAL STABILITY



SOURCES: ECB and devised by author.

macroprudential policy. Schema 3 shows how the FSC fits into the ECB's working and decision-making structures.

Through the FSC, the ECB coordinates with the ESRB. The FSC is configured as a committee with its own technical and thematic working sub-structures, involving expert staff from the ECB and national authorities. The FSC and the ESRB regularly exchange information and coordinate their work programmes to ensure that they are aligned (with the aim of enhancing synergies and avoiding overlaps) – given that there is also significant cross-membership in the FSC and the ESRB – . Evidence of this close cooperation can be found in the reports published jointly in areas of shared interest (such as risk analysis in a low interest rate environment or, more recently, studies of the risks associated with climate change for the financial system).

The ECB relies on the FSC to address issues prior to their referral to the decision-making bodies. Following a bottom-up approach, the FSC – which at its highest level is composed of national financial stability officials and senior ECB staff – regularly submits its work to the Governing Council and, depending on the dossier, also to the Supervisory Board. To facilitate high-level discussions between the Eurosystem and the SSM, a Macroprudential Forum (MPF) was established as a common platform in which to address, inter alia, issues raised by the FSC. The preparation of MPF meetings is the responsibility of an internal ECB coordination body, the Macroprudential Policy Contact Group, which is co-chaired by the Vice-President of the ECB and a representative of the ECB on the Supervisory Board[46].

7 The European Central Bank's structures for external interaction

The ECB has established a number of high-level fora for dialogue with the private sector on financial stability issues, which are an important channel for gathering market intelligence. According to the ECB's website, there are currently three operational groups: i) the Banking Industry Dialogue; ii) the Financial Stability Contact Group; and iii) the Chief Risk Officer Roundtable. The existence of these groups is part of the ECB's strategy of interacting with representatives of economic (and social) groups in the EU on a wide range of issues related to its mandate. These groups afford the ECB first-hand access to information relevant to the performance of its tasks. With considerable transparency, the ECB publicly disseminates the mandate (charter), agendas and summaries of the content of the meetings (e.g. aggregated results of financial stability surveys completed by the attendees). The ECB convenes each of these meetings by invitation (thereby avoiding permanent or priority attendees and, at the same time, fostering business, geographical and gender diversity of interlocutors).

The Banking Industry Dialogue (BID) is a forum between the ECB and some of the main banks active in the euro area. It aims to provide the ECB with input from senior industry experts on recent macro-financial developments and other economic issues of relevance to financial stability and macroprudential policy. It is chaired by the President of the ECB and its composition includes the members of the ECB's Governing Council, members of the ECB's senior management and CEOs from various banks. Since 2016 it has met on an annual or biannual basis and has been attended by around 15 banks on each occasion.

Similarly, the Financial Stability Contact Group (FSCG) brings together market analysts and representatives of the various sectors of the financial system. It is chaired by the Vice-President of the ECB and since 2015 has held two meetings a year to discuss the financial stability risk situation with representatives of banks,

46 Constâncio et al. (2019).

investment fund managers, insurance undertakings, clearing houses, rating agencies and also consultancy firms (up to 20 participants per meeting).

More recently established is the ECB's Chief Risk Officer Roundtable. Established in 2022, this contact group meets annually to discuss issues related to conjunctural and structural risks affecting financial stability and macroprudential policy. The Vice-President of the ECB leads this group, which has a smaller membership than the two previously mentioned fora: around ten risk officers, mainly from euro area banks and insurance undertakings.

8 The European Central Bank's advisory role in the regulatory field

The ECB plays an important advisory role on draft Community and national legislation. This task was assigned to the ECB at the time of its establishment, with the TFEU, Article 127(4) of which stipulates that the ECB shall be consulted: (i) on any proposed Union act in its fields of competence; and (ii) by national authorities regarding any draft legislative provision in its fields of competence. The ECB may submit opinions (which are of a non-binding nature) to the appropriate Union institutions, bodies, offices or agencies or to the national authorities of the Member States on matters in its fields of competence.

As regards Community legislation, the ECB has made numerous contributions through various channels. As regards opinions issued on the occasion of proposed regulations and directives – such as those on capital requirements for credit institutions – it should be noted that the ECB has also contributed its technical expertise on an ad hoc basis in the form of Eurosystem responses – or ECB responses – to documents submitted for public consultation on potential draft regulations (green papers) or responses to calls for advice from the European Commission (which is the EU institution that retains the power of legislative initiative). A recent example is the ECB's response to the European Commission's call for advice on the review of the EU macroprudential framework. In 2022 the ECB prepared a report[47] in which it reviewed its assessment of the current regulatory framework for macroprudential tools and put forward proposals for the Commission's consideration with a view to its further development and improvement.

At the national level, the ECB issued a total of 23 opinions on draft Spanish legislation between 1998 and 2022. Of these, four opinions are of particular relevance from a financial stability perspective. The creation of the Spanish Macroprudential Authority Financial Stability Council (AMCESFI) in early 2019 and, in parallel, the attribution of new powers to the Banco de España on macroprudential tools, were preceded by favourable ECB opinions. More recently, the ECB issued an

47 European Central Bank (2022c).

Chart 1
SELECTION OF ECB OPINIONS ON SPANISH LEGISLATIVE INITIATIVES

Identifier	Approval	Opinion
CON/2013/3	9.1.2013	On early intervention, restructuring and resolution of credit institutions in Spain
CON/2018/58	21.12.2018	On macroprudential tools
CON/2019/10	28.2.2019	On the establishment of a macroprudential board
CON/2022/36	2.11.2022	On the imposition of temporary levies on certain credit institutions

SOURCES: ECB and devised by author.

opinion on the proposed new levy on net interest and fee commission income earned by banks. The ECB considered the proposed design and assessed its implications from financial stability, prudential supervision and monetary policy standpoints.

Occasionally, the ECB has even issued opinions on national macroprudential measures for which the legal basis is not contained in Union legal acts. While it is usual for national authorities to implement their macroprudential policy measures through administrative acts, it is also possible that a Member State may decide to do so by means of a regulation. In such cases, under Article 127(4) TFEU, the ECB may issue an opinion, making known its assessment of the appropriateness of the proposed measure.

9 Financial stability publications and macroprudential policy statements

The *Financial Stability Review* (FSR) is the ECB's core publication. It summarises much of the regular work carried out by the Directorate General Macroprudential Policy and Financial Stability, and also reflects the technical insights provided by national authorities through the FSC. The FSR follows a mainly quantitative and indicator-based approach – based on extensive use of statistical and market information – which is complemented by market intelligence, i.e. qualitative information gathered from the private sector by ECB staff through various channels. In its current structure, the report provides an in-depth review of the macro-financial and credit environment in the euro area and the situation in financial markets, analyses recent developments in the banking and non-bank financial sectors, and then goes on to addresses the latest regulatory and macroprudential policy developments.

The FSR is published twice a year (May and November) and is complemented by several thematic ***special features and boxes*****, which are usually authored by ECB staff members.** Since its first edition in 2004, the FSR has grown in depth and sophistication, while – along with other authorities – the ECB has made headway in developing methodologies for financial stability analysis and new sources of exploitable data have emerged. Naturally, the ECB has adapted the FSR to focus on issues of significance for macroprudential policy, for which it has been partly co-responsible since the launch of the SSM.

Another benchmark publication is the ECB's *Macroprudential Bulletin*. More recently established, the *Macroprudential Bulletin* compiles short, informative articles by ECB authors on regulatory macroprudential analysis and policy issues. With a varying frequency (since 2016 there have been between two and three issues per year), each bulletin has a monographic focus. The topics covered include some of the most pressing (and still the most attention-grabbing) issues among central banks and supervisors, such as risks in the real estate market, the challenges associated with crypto-assets and decentralised finance, climate risks, the reform of money market funds, the estimated macroeconomic impact of the Basel III reforms, the impact of restrictions on dividend payouts by banks (during the COVID-19 pandemic) and the usability of credit institutions' capital buffers. The topics dealt with in the ECB's *Macroprudential Bulletin* represent a highly representative sample of the research work produced in the Directorate General Macroprudential Policy and Financial Stability (in certain cases also with authors from other areas of the ECB).

At another level are the macroprudential statements of the ECB's Governing Council. These statements – which are intended to provide guidance on the use of macroprudential tools or considerations on systemic risks – are not a regular publication, and they are issued at the discretion of the ECB's highest decision-making body. Since the the start of the SSM, four statements have been released, three of which were concentrated in 2022.

An important issue addressed by the ECB in its macroprudential statements concerns the setting of capital buffers for O-SIIs. In its first statement in December 2016, the ECB reported on the issues discussed at a meeting of the Macroprudential Forum (MPF) and detailed the agreement reached between the ECB and the euro area national authorities to use a common reference framework for setting capital buffers for O-SIIs in the future (an issue that can be treated differently depending on the authority concerned, as EU legislation is not prescriptive in this respect). At the end of 2022, the ECB unveiled a new – and more stringent – framework for minimum O-SII buffers[48], which will guide its assessments of proposals notified by national authorities in relation to the use of these buffers from 1 January 2024 onwards. These minimum buffers range – depending on the score of systemic importance obtained for each O-SII – from 0.25% to 1.5% of the banking group's risk-weighted assets on a consolidated basis.

48 For more detail, see Section 3.2 of the *Financial Stability Report,* spring 2023, Banco de España.

Chart 2
ECB GOVERNING COUNCIL STATEMENTS ON MACROPRUDENTIAL POLICY

Link	Date of publication	Statement issues
CCGPM-1	15.12.2016	Situation of cyclical systemic risks and real estate risks Designation of global systemically important banks in 2016 Main national macroprudential decisions in the SSM area published in the last three months The ECB's methodology for assessing O-SII buffers
CCGPM-2	27.6.2022	Treatment of the European banking union in the assessment methodology of G-SIBs
CCGPM-3	2.11.2022	Reaction of the ECB to the warning from the ESRB on vulnerabilities in the Union financial system
CCGPM-4	21.12.2022	Review of the ECB's methodology to assess O-SII buffers

SOURCE: ECB and devised by author.

In June 2022, the ECB issued a macroprudential policy statement on the revision of the assessment methodology for G-SIBs[49]. The document expands on the previous announcement[50] made by the BCBS on the review of its G-SIB framework. In order to adequately reflect the level of integration achieved in the banking union – as a supranational jurisdiction endowed with single supervision and resolution mechanisms – , the methodology reviewed by the BCBS entails a parallel measurement of an institution’s systemic importance through the 66% reduction of cross-border exposures within the banking union. The ECB develops the application of this adjustment – known as ASTRA (Adjustment for Structural Regional Arrangements) – , which supposes the recognition of the level of regional integration achieved with the establishment of the banking union.

The analysis of the situation of systemic risks also led to a macroprudential statement from the ECB. In November 2022, the Governing Council endorsed the ESRB risk assessment contained in ESRB Warning/2022/7, on vulnerabilities in the EU financial system[51]. The ECB shares the ESRB’s diagnosis that in several banking union countries macro-financial vulnerabilities have increased in recent years, in particular as a result of the COVID-19 pandemic, and that the outbreak of the war in Ukraine in February 2022 has contributed to worsening the situation, with the consequent increase in the probability of short-term risks materialising. The ECB calls for the cautious application of macroprudential policy, the response to which must take into account the current short-term disturbances to economic growth, in order to prevent an increase in capital buffers from translating into a situation of excessive tightening of credit conditions.

49 Global Systemically Important Banks.
50 Basel Committee on Banking Supervision (2022).
51 European Systemic Risk Board (2022).

The ECB disseminates information on macroprudential measures in the banking union. Through its website[52], the ECB disseminates – in the form of a regularly updated repository – information on macroprudential measures implemented in the countries participating in ECB Banking Supervision, with particular attention to the CCyB, the buffers for systemically important institutions and the buffer against systemic risks. In coordination with the ESRB, the ECB provides information resources on the size and composition of the combined buffer requirement for each of the systemic entities identified in the banking union.

10 Communication through public speeches and other documents

The public speeches of the members of the Executive Board represent one of the most important communication channels available to the ECB. Due to the context in which they are made and the media attention they receive, the speeches of the ECB's senior officials represent a valuable source of information on the most relevant issues that concern the institution at all times. In the context of their relative importance in the ECB's mandate, the issues of financial stability and macroprudential policy have figured regularly – albeit variably – in public speeches, mainly by ECB vice-presidents (due to their status as members of the Executive Board of the ECB with responsibility entrusted to them in this area)[53].

An interesting indicator of the importance attached by the ECB to this issue is given by the number of mentions of the terms "financial stability" and "macroprudential" in its speeches. As illustrated in Chart 1, the concept of financial stability began to receive regular attention in the public speeches of the ECB's Vice President from 2005 onwards, coinciding with the start of the publication of the six-monthly financial stability reports. From 2009-2010 it becomes evident that "financial stability" begins to give way to "macroprudential" (policy)[54], coinciding with the creation of the ESRB as a result of the sovereign debt crisis in the euro area, and again from 2013 onwards, on the occasion of the legislative process that would lead a year later to the establishment of the SSM – and to conferring policy tasks to the ECB in this area – .

Analysis of the terminology in the ECB's annual reports and monetary policy reviews reflects different patterns to those observed in public speeches. Unlike the wording of the speeches, the ECB's annual reports have a relatively stable content structure, including a chapter dedicated to the European financial sector, where financial stability and macroprudential policy issues are concentrated. The

52 It may be consulted in this section.

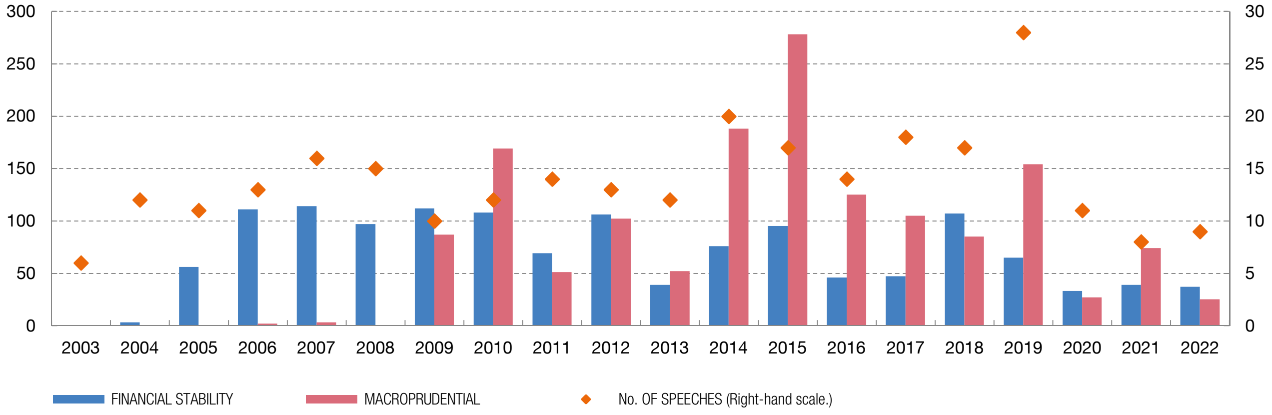
53 On a more occasional basis, other members of the Executive Board of the BCE also address issues related to financial stability in their speeches.

54 As documented in Clement (2010), prior to the GFC (and the subsequent reforms of the Basel III framework by the BCBS), the general use of the term "macroprudential" had been relatively limited at international level.

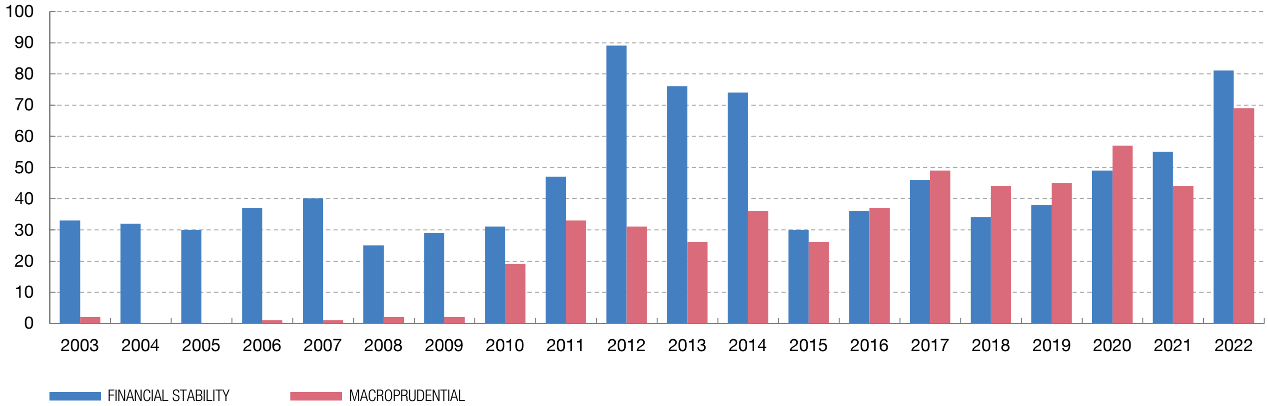
Chart 1

MENTIONS OF THE TERMS "FINANCIAL STABILITY" AND "MACROPRUDENTIAL" IN ECB COMMUNICATIONS (2003-2022)

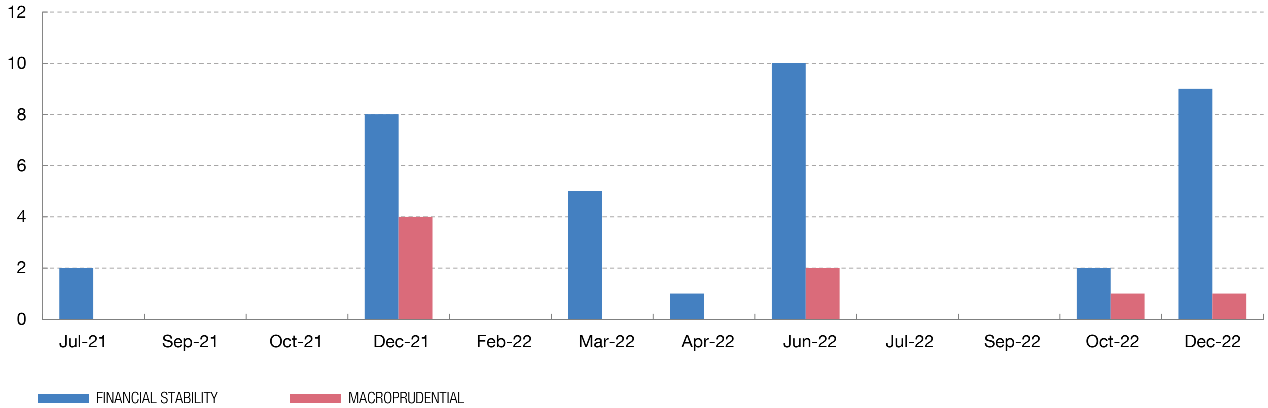
1 SPEECHES OF THE ECB'S VICE-PRESIDENT



2 ECB ANNUAL REPORTS



3 MONETARY POLICY ACCOUNTS (2021-2022)



SOURCES: ECB and devised by author.

attention paid to financial stability peaks in 2012 (with the *Annual Report 2011)* and significantly reduces in 2015 (*Annual Report 2014),* once the SSM was up and running. Since then, both "financial stability" and "macroprudential" (policy) have obtained a comparable number of mentions, with an increasing trend also witnessed during the period of the COVID-19 pandemic.

Lastly, it should be noted that the public reviews of the ECB Governing Council meetings still do not provide enough information to be able to assess the scope of the changes introduced in the 2021 review of the monetary policy strategy. The monetary policy reviews published by the ECB provide an indication of the attention devoted to financial stability issues in the meetings at the end of each six-month period – June and December – . However, the relative absence of references to macroprudential policy in the summaries of the monetary discussions of the ECB's governing body suggests that the interaction of both policies is an issue that has room for development in the future, since their complementarity (also with fiscal policy) is key to addressing inflationary shocks and imbalances in the financial system[55].

11 Final comments

In the first quarter of a century of the Eurosystem's activity, the ECB's financial stability function has undergone a profound transformation, which has been especially intense over the last 12 years. As reviewed in this article, this evolution is attributable to factors of a diverse nature, but, ultimately, it has been the institutional changes triggered by the GFC and the sovereign debt crisis in the euro area that have led to a marked acceleration in the organic and functional evolution of the institution. In this period, the number of ECB staff dedicated to these tasks has increased exponentially, in line with the increased responsibilities assigned and also with the increasing complexity of the macroeconomic environment and the financial system.

The financial stability function is not a stand-alone area within the work performed by the ECB. Naturally, financial stability clearly interacts with banking supervision and monetary policy. Other key central banking areas of action are also permeable to financial stability, as evidenced, for example in the area of payment systems, by the current ECB project for a digital euro. Its impact from the point of view of financial stability is a major focus of attention[56].

In parallel to the changes described in this article for the ECB, there has also been a significant strengthening of the financial stability function and

55 Guindos (2022).

56 Panetta (2022).

macroprudential policy at national central banks in the EU. In the majority of Member States, the attribution of macroprudential policy powers derived from changes in Union legislation on capital requirements or by recommendation of the ESRB[57] has fallen – totally or partially – on the central banks (as in the case of Spain)[58]. These national institutional developments that have taken place in the last decade have facilitated and strengthened the intense institutional link between the ECB and the national authorities in the Eurosystem and the SSM. In the future, the evolution of the function of financial stability and macroprudential policy at the national level and in the ECB will continue to condition each other.

57 European Systemic Risk Board (2013). Recommendation ESRB/2011/3 led to the creation in various EU Member States of inter-agency committees with the participation of the national central bank and regulatory and supervisory bodies with responsibilities for financial stability. In this context, the AMCESFI was created in Spain.

58 Since 2014, the Banco de España has been the designated authority to propose, approve and implement measures of macroprudential instruments applicable to credit institutions. In addition, it is a member institution of AMCESFI – since its creation in 2019 – and holds ex officio the vice-chair of its Council (in the person of the governor) and the chair and secretariat of its Technical Committee on Financial Stability (respectively, in the persons of its deputy governor and director general Financial Stability, Regulation and Resolution).

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BASIC REGULATIONS

Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (SSM Regulation).

Council Regulation (EU) No 1096/2010 of the Council of 17 November 2010 conferring specific tasks upon the European Central Bank concerning the functioning of the European Systemic Risk Board.

Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (consolidated version).

Law 13/1994, of 1 June, on the autonomy of the Banco de España.

Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (consolidated version).

Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation).

Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (consolidated version).

Treaty on the Functioning of the European Union (consolidated version).

Annex

Chart A1
POSITIONS OF RESPONSIBILITY IN THE ORGANISATIONAL STRUCTURE OF THE EUROPEAN CENTRAL BANK

Dates	Presidents		Vice-Presidents (since 2003, members of the ECB's Executive Board with responsibility for financial stability)
Since Nov-2019	Christine Lagarde	Since Jun-2018	Luis de Guindos
Nov-2011 - Oct-2019	Mario Draghi	Jun-2010 - May-2018	Vítor Constâncio
Nov-2003 - Oct-2011	Jean-Claude Trichet	Jun-2002 - May-2010	Lucas Papademos
Jun-1998 - Oct-2003	Wim Duisenberg	Jun-1998 - May-2002	Christian Noyer

	Senior management (a)	Position
Since Dec-2022	Cornelia Holthausen	Director General Macroprudential Policy and Financial Stability
Jan-2015 - Nov-2022	Sergio Nicoletti Altimari	Director General Macroprudential Policy and Financial Stability
Mar-2014 - Dec-2014	John Fell	Acting Director General Macroprudential Policy and Financial Stability
Oct-2013 - Feb-2014	Ignazio Angeloni	Director General Macroprudential Policy and Financial Stability
Sep-2012 - Sep-2013		Director general Financial Stability
Feb-2010 - Aug-2012	Mauro Grande	Director general Financial Stability
Feb-2003 - Jan-2010		Director Financial Stability and Supervision
Since Oct-2013	John Fell	Deputy Director General Macroprudential Policy and Financial Stability
Feb-2010 - Sep-2013		Deputy Director General Financial Stability
Since May-2022	Livio Stracca	Deputy Director General Macroprudential Policy and Financial Stability
Dec-2018 - Apr-2022	Fatima Pires	Deputy Director General Macroprudential Policy and Financial Stability

	Chairs of the BCE's Supervisory Board		Vice-Chairs of the ECB's Supervisory Board (members of the ECB's Executive Board with responsibility for banking supervision)		Representatives of the ECB's Supervisory Board, with responsibility for macroprudential issues
Since Jan-2019	Andrea Enria	Since Feb-2021	Frank Elderson	Since Oct-2019	Kerstin af Jochnick
Jan-2014 - Dec-2018	Danièle Nouy	Nov-2019 - Dec-2020	Yves Mersch	Apr-2019 - Sep-2019	(vacant)
		Feb-2014 - Oct-2019	Sabine Lautenschläger	Mar-2014 - Mar-2019	Ignazio Angeloni

SOURCES: ECB and devised by author.

a Since December 2018, the Directorate General Macroprudential Policy and Financial Stability has had two deputy directors general.

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