



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Danièle NOUY**

Chair of the Supervisory Board

Mr Sven Giegold  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
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**State of play regarding the nationality of Joint Supervisory Team coordinators and rotation**

Honourable Member of the European Parliament, dear Mr Giegold,

Further to your questions on the margins of the public hearing of 19 June, I would like to provide you with some additional information regarding the issue of the nationality of the Joint Supervisory Team (JST) coordinators and the state of play concerning JST members' rotation at the ECB.

In order to foster and emphasise neutrality, the JST coordinator is generally not from the home country of the bank under his or her supervision, as indicated in the ECB's "Guide to banking supervision"

When the ECB initially took up banking supervision responsibilities, there were certain cases in the Directorate General Microprudential Supervision II where the JST coordinator had the same nationality as the supervised entity. Since June 2016 we have been progressively phasing out such cases. This process will soon be completed. As of August 2017 there should no longer be any JST coordinator who comes from the home country of the bank he or she is supervising.

As stated in the first "ECB Annual Report on supervisory activities", published in March 2015, to prevent the development of overly close relationships with the supervised entities a rotation principle will also be applied among JSTs, whereby, as a rule, JST coordinators must change banks every three to five years. Consistently with this, the ECB's "Guide to banking supervision" specifies that "JST coordinators are appointed for a period of three to five years, depending on the risk profile and complexity of the institution" and "JST coordinators and members are expected to rotate on a regular basis".

Against this background, work is currently ongoing to establish how best to implement the above-mentioned principles in practice. A framework for the rotation policy is being finalised, with a view to making it operational by the year-end.

The framework is built on the following core principles. Rotation is a sound practice which helps to avoid supervisory capture. It is also an opportunity for professional development. Rotation is to take place on a

regular basis and is to encompass all JST members at the ECB. At the same time, it should be carried out in a way that preserves institutional knowledge and the ability of the ECB to deliver on its mission. It should also comply with the above-mentioned principle that the JST coordinator should not have the same nationality as the bank he or she is supervising.

We are working on identifying the first group of staff to be subject to rotation with effect from 1 January 2018. Subsequently, rotation will continue on an annual basis, and we plan to rotate all JST staff at the ECB within a five-year period, subject to the above principles.

I am confident that this fosters supervisory independence and professionalism. I look forward to discussing this very important topic further at the next opportunity.

Yours sincerely,

[signed]

Danièle Nouy