The future of banking in Europe: regulation, supervision, and a changing competitive landscape

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ViewPoints

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The largest global banks continue to face political, regulatory, and market pressure. European banks face particularly daunting changes. As a BGLN participant recently said, *"There are banks in Europe that fundamentally have to address their business models. CEOs are recognizing that what they had done for the last 10 years is no longer feasible."* With the establishment of a European banking union, the European landscape continues to evolve. The Single Supervisory Mechanism (SSM), having completed its first year, is seeking to establish itself as a strong regulator and to ensure the stability of the European banking system. At the same time, bankers, policymakers, and other commentators are debating what banking structures will best support European economic growth.

"There are banks in Europe that fundamentally have to address their business models."

– Participant

On 20th November 2015, Bank Governance Leadership Network (BGLN) participants met in Frankfurt to discuss the future of banking in Europe, with a particular focus on supervision and regulation under the European Central Bank's (ECB) SSM, as well as the implications of broader regulatory and market shifts. Non-executive directors and executives from large banks were joined for a portion of the discussion by Korbinian Ibel, Director General of the SSM, and Julie Dickson, a member of the ECB Supervisory Board.

This *ViewPoints*[i] outlines themes raised in the meeting on 20th November as well as in other relevant BGLN discussions.

The SSM is focused on improving cross-border supervision to support the functioning of the European market

Among the most significant developments in Europe is the push to complete a banking union within the eurozone. As the first step toward the creation of a banking union, the SSM officially launched in November 2014 with the primary objective of "ensuring the safety and soundness of the European banking system."[1] The SSM staff, composed of ECB staff as well as the national supervisory authorities of participating countries, is tasked with directly supervising the 123 largest banks in Europe – which represent almost 82% of banking assets in the eurozone – along with indirect supervision over other banks in the eurozone.[2]

A participant asked, *"What is the ultimate goal of the SSM? How will they measure success?"* Mr. Ibel stated, *"We are focused on protecting the functioning of the market,"* in Europe. Participants suggested that the SSM is likely to face pressure to be seen as a tough regulator as *"the new kid on the block"* whose very existence is based on the premise that national regulation failed. A participant noted, *"It is much*

[i] *ViewPoints* uses a modified version of the Chatham House Rule whereby the names of participants are public, but no comments or perspectives are attributed to any individual or institution. With their permission, comments from Korbinian Ibel and Julie Dickson have been attributed where noted.

easier to start tough and go the other direction." In fact, Ms. Dickson suggested strong supervision was in the interests of the banks, saying, *"We want to get to the point where [an] SSM-supervised bank gets an uplift as a result of the SSM having the reputation as a strong, capable regulator."*

Supervision will be conducted jointly with national supervisors

As the SSM becomes fully operational, some members have questioned how it will navigate potential overlap or conflict with national regulators. Prior to the November meeting, one executive cautioned, *"There is likely to be tension between the SSM and local national authorities. As of now, there is positive, pragmatic, and mutual respect amongst these regulatory institutions, but the NCAs [national competent authorities] are pretty unhappy about relinquishing power to the SSM."* One participant saw this leading to increased supervision: *"The intensity of supervision has doubled … it is simply double the people showing up and asking questions."*

> *"We want to get to the point where [an] SSM-supervised bank gets an uplift as a result of the SSM having the reputation as a strong, capable regulator."*
>
> – Julie Dickson, member, ECB Supervisory Board

In addressing these concerns, Mr. Ibel stated, *"Coordinating with the NCAs is what we do every day. We are part of the same system. We are one. The NCAs are all represented on the Supervisory Board. We have experts from them and from the ECB on the same issues. We conduct joint work and have joint task forces. Eighty percent of our [Joint Supervisory Teams] are NCA employees."* The SSM is promoting a supervisory structure in which each banking group is supervised by a Joint Supervisory Team, with the head member coming from the ECB and the other members of the team consisting of SSM staff and NCAs. In addition, Mr. Ibel emphasized that the European Banking Authority, which covers not only the eurozone countries under ECB supervision, but all countries in the European Union (EU), will continue to play an important role in ensuring consistency in supervisory approaches. Ultimately, a participant predicted, *"Convergence will be much faster than people think."*

Governance will be an important part of the SSM's supervisory assessment process

Mr. Ibel noted the importance of governance to effective supervision, saying, *"Regulating details brings you only so far. The main factor is who is on top of the organization, how is it run, and how are the processes controlled."* Having completed their thematic review of governance, the SSM plans to integrate assessment of governance and engagement with boards into their supervisory methodology. Ms. Dickson noted that of all the issues they raise with the banks, governance, given the subjective nature of assessing its effectiveness, often prompts the most reaction. Given the need to review practices at 123 banks, Ms. Dickson and Mr. Ibel acknowledged that they have not yet been able to *"go very deep,"* but have been able to develop a useful baseline for additional work and benchmarking.

Mr. Ibel described some early insights, *"What I learned is simple solutions do not exist. I would say no one way is superior to others. One-size-fits-all does not work, given the diversity and the complexity of the financial institutions supervised by the ECB Banking Supervision."* Ms. Dickson added, *"Supervisors are trying to get to uniformity of outcomes. With 123 banks including 8 G-SIFIs [global systemically important financial institutions], there is so much to look at and a wide variety of*

practices. This gives the SSM a unique perspective and will be a strength in helping you to identify best practices." Feedback on the thematic review is likely to be shared via direct discussion with bank leaders, rather than being published in formal reports. In a recent speech, Ms. Dickson summed up the SSM's methodology around governance by saying that "it fosters engagement of supervisors with the boards of banks and encourages a great deal of interaction between the supervisor and boards and senior management."[3] This marks a departure from historical practice at some European domestic supervisors, where there was little or no direct engagement with non-executive directors (NEDs), or limited to formal communications. Ms. Dickson added, *"Supervisors are often one of the only sources of outside information that you are getting. The supervisor is pointing out weaknesses relative to your peers. You should pay attention to it."*

"The supervisor is pointing out weaknesses relative to your peers. You should pay attention to it."

– Ms. Dickson

Key questions remain regarding expectations for NEDs

BGLN participants have been debating the role and expectations for NEDs since the creation of the network, but it is particularly complicated in a pan-European context with different legal board structures, and varying cultural contexts and historical practices. Conversation in Frankfurt focused on the following questions:

- **What is the SSM's expectation for boards?** During the meeting, one participant asked, *"Given the differing roles of NEDs country to country, is there a minimum standard to which the SSM will hold boards?"* Mr. Ibel commented, *"You must be willing to own your role and not see it just as a nice job title which looks good on your CV. It is about your ability and willingness to control a business."* Some directors expressed concern about the expectation that part-time non-executives can "control" much. One director said, *"You need to be clear on what NEDs should control individually or as a group. I don't think we control as individuals."* Mr. Ibel explained by saying, *"The board controls management, is responsible for controlling things like strategy and risk appetite. It is not that we expect the board to tell management what to do, but to ask questions that can help prevent mistakes and errors … The chairman has the freedom to set up the board and governance within the legal statutes of their country, to ensure they can control management."*

"It is not that we expect the board to tell management what to do, but to ask questions that can help prevent mistakes and errors."

– Mr. Ibel

- **What level of engagement, understanding, and detail is appropriate for NEDs?** As expectations for bank directors have expanded, some participants questioned whether those expectations have been properly calibrated, or whether there is a shared understanding among banks and their supervisors as to what expectations are appropriate. A participant cited examples of NEDs being questioned by supervisors about minute details regarding things like structural hedging and detailed information about technical aspects of a subsidiary's business. Without a shared understanding of what is expected of NEDs, this participant suggested accountability was impossible: *"Our NEDs understand that they need to engage sufficient time and energy to get up to speed, but if it is not clear, when something goes wrong and fingers are pointed, then how does the NED know they are on the right side of the line?"*

Things like model validation, a commonly cited area of confusion regarding the expectations for NEDs, served as an illustrative example in the meeting. Mr. Ibel noted that directors can challenge without needing to be modelers or mathematicians or to understand all of the models in detail. Instead, he said, *"The board should understand the mechanics: what does the model react to? What parameters are driving it? What is the sensitivity? If the answer you get is mathematical, the executive is on shaky ground. You need an economic answer."*

- **What expertise is needed for bank boards to be effective?** Unlike some national regulators, the SSM is required to approve all director candidates for large banks. Several participants questioned how the SSM would consider individual director candidates in the context of the mix of skills and expertise needed for a balanced, effective board. One director said, *"We are the only sector with a requirement of industry expertise, but that can lead to a lack of diversity of opinion."* While both Mr. Ibel and Ms. Dickson acknowledged the need for diversity, Ms. Dickson suggested there was still room for improvement in the nomination process at some banks: *"I have been surprised by some of the people proposed for board roles."* Mr. Ibel also added clarification by saying, *"The board as a whole has to have relevant experience. Directors are approved individually, but mindful of how the board functions as a team. If you only have people with no record in finance, that is not good. If someone is put forward for a position on a board, but without the experience we would expect to see, we might take a closer look, but we don't expect all directors to have banking experience."*

"Directors are approved individually, but mindful of how the board functions as a team."

– Mr. Ibel

The SSM's most significant actions to date

In its early stages, the SSM focused on building up its capabilities and initial infrastructure, including finalizing the first version of the supervisory manual, preparing the reporting required from the banks, and getting the IT systems running.[4] The following activities highlight the SSM's main initiatives thus far:

- **Completing the comprehensive assessment.** The comprehensive assessment, which began prior to the SSM's formal launch, involved reviewing and examining the risks at 130 banks, amounting to about 85% of the banking assets in the euro area.[5] The assessment, composed of an asset quality review followed by a stress test, revealed a capital shortfall of almost 25 billion euro, which banks had until July 2015 to address.[6]

- **Implementing the annual supervisory review and evaluation process (SREP).** This review process is an annual assessment that involves looking at the business models, governance, risk management, risk to capital, and funding of all eurozone supervised banks. The process will enable the ECB to propose a mix of capital, liquidity, and other supervisory measures best suited to the specific issues of a given firm.

- **Launching a horizontal review of corporate governance practices.** The SSM is creating quantitative and qualitative benchmarks and conducting a peer-review analysis of existing practices in order to establish regulatory baselines.[7] The goal is to leverage the large sample size of the 123 banks involved to provide an "unparalleled opportunity globally to compare practices and determine strong versus weak practice."[8] The horizontal thematic review will then feed into the wider annual SREP.

The SSM's forward-looking agenda: key risks in European banking

As the SSM builds on the progress of its first full year, BGLN participants were keen to understand its agenda and priorities for 2016. Mr. Ibel noted that the agenda and priorities for 2016 were in the process of being finalized by the SSM, but he shared his views on some of the important risks that will likely be a focus for supervision:

- **Business model sustainability and profitability.** Mr. Ibel said, *"The situation of the banking sector still has to normalize. Regulation is not finalized, there are low interest rates, and high cost problems. We need to assess whether business models are sustainable, even in adverse scenarios."* At the BGLN Summit in October, discussions focused on this very issue – the array of well-documented forces putting pressure on banks' profitability and the need for business models to continue to adapt in response.[9] Much of the SSM's concern is that pressure for returns will lead to risky practices. Mr. Ibel noted the return of covenant-lite loans as an example of a practice returning to the market despite assurances from the banks that they would no longer offer such products.

- **Governance and risk appetite.** The SSM has been keen to understand how banks are developing risk appetite frameworks and where best practices for risk governance are emerging. They intend to discuss with bank leaders how their

practices compare with those of their peers and what best practices they might adopt, and also to gather feedback from the banks on an ongoing basis.

- **Capital adequacy.** A key component of SREP is to monitor capital adequacy of individual firms. While the SSM acknowledged that they expect Pillar II to remain relatively stable, banks' overall capital and core tier-one equity demands will continue to increase because of the phasing in of new capital buffers, including those at the national level. This will cause individual banks to face different challenges. Mr. Ibel stated, *"We want to know if banks are really prepared and preparing."*
- **Credit risk.** It is estimated that 826 billion euros of non-performing loans (NPLs) are currently sitting on the balance sheets of European banks supervised by the SSM.[10] As these NPLs in certain countries continue to increase, it causes a drag on banks' profitability and market confidence. Mr. Ibel noted that tackling these credit risks would likely be a key supervisory priority for the SSM in 2016. He noted that local insolvency laws about how to deal with such loans could complicate how these issues are addressed.
- **Cyber risk and information technology (IT).** As with many regulators, cybersecurity and IT concerns are a growing priority for the SSM. Mr. Ibel expressed concerns that investment in IT had actually been reduced in many banks since the financial crisis. This raises concerns, given the aging legacy systems in banks. Mr. Ibel asked, *"Are banks investing in their aging architecture? If something goes wrong, then what happens to the bank?"* Much of the prioritization on IT will come through regulatory requirements on data aggregation. Mr. Ibel asked, *"Are the systems tied to the right things? Are you able to slice and dice data, gain intelligence? Are finance and risk data able to be aggregated?"* He warned, *"Test it. If it is hard for you, then there is a problem."*

"Are banks investing in their aging architecture? If something goes wrong, then what happens to the bank?"

– Mr. Ibel

Some participants were surprised that market liquidity was not included among these risks. Recent BGLN discussions on top and emerging risks highlight the potential adverse consequences of the issue.[11] Mr. Ibel was interested in participants' views on market liquidity and whether and how it could impact the banking sector. Some data suggest market liquidity has merely returned to 2005 levels, which could simply be a correction to what was an overheated market leading up the crisis. A participant noted, however, *"The market dries up completely. It used to be very flexible. Now it is either plenty of liquidity or zero. It has become binary. Then, how do you market-value your assets?"*

The ECB wants strong regulation and supervision to support European banking

The refrain from bank leaders throughout the process of regulatory reform has been for greater harmonization of regulations to create a global level playing field. Prior to the discussion on 20th November 2015, some BGLN participants wondered whether the ECB, as the largest bank regulator in the world, could help not only harmonize regulation across the eurozone, but improve harmonization globally. In addition, some participants asked whether the ECB would be an advocate for European banking

in global negotiations. Yet, the discussion on 20th November highlighted the fact that, despite the expanded influence of the ECB as a pan-European regulator, political context will remain a constraint to broader international harmonization. As a result, European banks may face higher standards than some of its foreign peers.

"If the ECB doesn't stand up for European banks, who will?"

– Director

Coordination and harmonization will remain complicated by political realities

Participants hoped a single European regulator would be an advocate for European banking. A director stated, *"We cannot pretend that all these regulations have been harmonized globally. Yes, they are converging, but not quite. Why should European banks always bow to US pressure and not the other way around? If the ECB doesn't stand up for European banks, who will?"*

While the ECB and the SSM will clearly be influential actors in global fora like the Basel Committee and the Financial Stability Board, or in bilateral and trilateral engagement with regulators from other major markets like the United States and the United Kingdom, geopolitical realities mean global differences in regulation will persist. Even within Europe, with a new supervisor, a resolution board, the European Systemic Risk Board, and the ECB's monetary policy and economic objectives, a participant asked, *"Where is the single mind? The control?"* Mr. Ibel said, *"You have to accept that we are not living in one jurisdiction. It is a very decentralized system … We have Basel agreements, which are then put into law by the relevant lawmakers. It is a system with a lot of decentralized power in national countries. It is designed to be a democratic, federal system."* As for global differences in regulation, Ms. Dickson stated, *"As supervisors, we have to live with it. As banks you have to live with it."*

Increasing capital requirements are particularly challenging for European banks

"Uncertainty is just as important as the total levels of capital."

– Participant

Participants expressed concerns that while all banks face still higher capital requirements, particularly as the Total Loss Absorbing Capacity (TLAC) requirements are implemented, European banks will actually be held to higher standards than other global competitors. A bank economist recently asserted, "TLAC is the most underestimated burden for European banks."[12] A participant observed, *"You have the ECB requirement, then national buffers for domestic SIFIs, then the requirements of the SRB could remove capital efficiency."* The rules on risk weighting of assets are of particular concern. A participant elaborated, *"We are looking at the calculation of capital in the bank today. We have a 6% core tier 1 equity requirement, and 12% to 13% capital total. We are looking at the new requirements having the potential to increase risk weights by 50% to 70%, so now we are looking at the equivalent of 18% total capital … I don't think the US banks have the same level of risk weights. And the ECB is looking at [loss given default], which could require another recalibration."* Participants expressed concerns about the overall capital levels, including the possibility that banks will move to more capital-light businesses, which can create new risks, or that the capital-intensive activities will simply move out of the regulated banks. Others said, finalizing requirements was essential: *"Uncertainty is just as important as the total levels of capital."* Mr. Ibel assured the participants that rules were close to completion: *"Basel is speeding up. We want it to come to a conclusion and then it will trickle*

down. We think Pillar II is pretty stable … Basel will clarify a lot when it comes to the risk weights."

European banking faces significant transformation

A combination of regulations and market changes is changing banking globally, and European banks face a unique set of challenges. With legacy business issues still on many European banks' books, ever-increasing capital requirements and structural market impediments relative to some global competitors, European banks will have to transform themselves to compete. A participant said, *"I am concerned about how far behind European banks are."* Discussion centered on the following forces impacting European banking:

- **Continuing regulatory pressure.** Participants emphasized the need to consider the impact of the myriad regulatory changes still being implemented. One said, *"I have real sympathy for management. We need a better partnership on the pace of these changes. When does it end? There is huge pressure on institutions. Give institutions a chance to manage it."* Another added, *"Now, after completing much of the G20 regulatory agenda, we are seeing all that has been done is having a profound impact on the shape of the banking industry. We need to stand back and see what it has wrought. To what extent will the ECB look at the banks in the aggregate and say, 'This is what we meant to happen'?"*

"To what extent will the ECB look at the banks in the aggregate and say, 'This is what we meant to happen'?"

– Participant

- **Shrinking and consolidation.** Participants noted that while the shrinking of the European banking sector, driven by regulators and the market, is a needed correction for what was an "overbanked" Europe, the cycle of *"permanent downsizing"* has reached a level that is concerning. A banking commentator recently observed, "As Napoleon discovered on his way back from Moscow in 1812, retreating can be at least as hard and risky as advancing."[13] There is some consolidation occurring as a result, but it is happening via roll-ups, not through meaningful cross-border M&A. According to some participants, while consolidation has been encouraged by regulators in some countries, the impact across Europe has been reduced lending.

- **Transforming systems, operations, and people.** The rise of financial technology companies is putting pressure on banks to improve agility and the customer experience. To avoid *"death by a thousand cuts,"* as these companies cherry-pick profitable businesses, banks must address legacy systems and improve efficiency. One bank described its efforts to drastically reduce things like mortgage approval times. These improvements are costly, but will ultimately improve efficiency. A participant also noted the impact on employment: *"Digitization will have a major impact on headcount. Major players will be there, but they will look very different. We will employ far fewer people."* Banks are also hiring different kinds of people. One participant said, *"We are hiring new people with new skills. We are hiring developers who, 10 years ago, never would have thought of working in a bank."*

"We are hiring developers who, 10 years ago, never would have thought of working in a bank."

– Participant

- **Gradually shifting financial centers.** With an increasing integration of European banking and capital markets, and the "non-zero" chance of a UK exit from the EU, some have predicted a shift of financial services out of London to Paris or Frankfurt. One participant questioned whether, even with a UK exit, activity would necessarily move out of London, which has the infrastructure, because *"most business is done on a computer terminal that could be anywhere."* Others generally agreed that a rapid shift of financial services out of London is unlikely in any event, but more gradual "leakage" is possible. Some banks and other financial services companies are already threatening to leave the UK because of regulations and things like the new bank levy. Participants do not expect Frankfurt – which one pointed out had a total population not much greater than the number of people in financial services alone in London – to suddenly become the center of finance in Europe. Instead, cities like Amsterdam, Dublin, Frankfurt, and Paris will all likely see some growth of specific activities. In effect, each could become a center for a different segment of financial services.

A European "champion" is needed, but is unlikely to emerge

Writing in the *Financial Times*, Frédéric Oudéa, chief executive of Société Générale, asserted that Europe "needs a few large players with strong capabilities on financial markets. Europe's prosperity and its influence on global capital markets are now at stake."[14] Meeting participants agreed that there is benefit in having large banks, including investment banks, within Europe in order to have well-functioning capital markets. In crisis, foreign banks could simply withdraw from European markets. Investment banks also served as an important conduit for liquidity from central banks in past crises, a role unlikely to be fulfilled by foreign institutions. One participant stated, *"It must be beneficial to have investment banking capability based in Europe … It is not that banks and governments are strategic partners, but in crisis, politics comes to bear."*

> *"It is not that banks and governments are strategic partners, but in crisis, politics comes to bear."*
>
> – Participant

The American investment banks benefit from a deeper market, higher pricing, and better margins. One participant asserted that they are also better organized and led than their European counterparts. Given differences in market structures, large European banks need to become much more efficient to achieve similar returns.

Ultimately, support for large "European champions" may depend on the ability to articulate a socially acceptable model that will be seen to support economic growth. A participant observed, *"Much of the investment banking model was created to feed 'socially useless' activities. A lot of it was about financial intermediaries playing in markets … Is that model safe? Does it really provide benefits to economies? I am not sure that as a structure it is sustainable."* In the current political climate, it is unlikely that regulators will be anxious to encourage, or even allow, a major asset swap or combination.

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A participant noted the unique position of bank boards: *"There is no one trying to look at the whole picture of European banking. [Prudential] regulators are focused on protecting two main stakeholders: depositors and taxpayers. There are other*

regulators looking out for customers. No one has the whole picture, except for bank boards." Boards must balance the interests of shareholders with those of the perceived public good. In the current environment, with major regulatory constraints, balancing those interests, and building competitive, sustainable banks is a monumental task. In theory, centralized regulation and supervision should improve coordination between the objectives of regulation – safe, sustainable functioning of banking and capital markets – and the broader policy objectives of supporting economic growth in the eurozone.

About the Bank Governance Leadership Network (BGLN)

The BGLN addresses key issues facing complex global banks. Its primary focus is the non-executive director, but it also engages members of senior management, regulators, and other key stakeholders committed to outstanding governance and supervision in support of building strong, enduring, and trustworthy banking institutions. The BGLN is organized and led by Tapestry Networks, with the support of EY. *ViewPoints* is produced by Tapestry Networks and aims to capture the essence of the BGLN discussion and associated research. Those who receive *ViewPoints* are encouraged to share it with others in their own networks. The more board members, senior management, advisers, and stakeholders who become engaged in this leading-edge dialogue, the more value will be created for all.

About Tapestry Networks

Tapestry Networks is a privately held professional services firm. Its mission is to advance society's ability to govern and lead across the borders of sector, geography, and constituency. To do this, Tapestry forms multi-stakeholder collaborations that embrace the public and private sector, as well as civil society. The participants in these initiatives are leaders drawn from key stakeholder organizations who realize the status quo is neither desirable nor sustainable, and are seeking a goal that transcends their own interests and benefits everyone. Tapestry has used this approach to address critical and complex challenges in corporate governance, financial services, and healthcare.

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Appendix: discussion participants

Over the autumn of 2015, Tapestry and EY held conversations with directors, executives, regulators, supervisors, and other thought leaders on the future of banking in Europe, which culminated in the meeting on November 20th in Frankfurt. Insights from these discussions informed this *ViewPoints* and quotes from these discussions appear throughout.

The following individuals participated in BGLN discussions on the future of banking in Europe:

BGLN participants:

- Norman Blackwell, Chairman, Lloyds
- Julie Dickson, Member, Supervisory Board, European Central Bank
- Korbinian Ibel, Director General, Microprudential Supervision IV, European Central Bank
- Andrew Keating, Chief Financial Officer, Bank of Ireland
- Rachel Lomax, Conduct & Values Committee Chair, HSBC
- Richard Meddings, Audit Committee Chair, Deutsche Bank
- Scott Moeller, Risk Committee Chair, JPMorgan Securities
- Roberto Nicastro, Deputy Chairman, Bank Pekao and Director, UniCredit Bank Russia and Bank Austria
- Bill Parrett, Audit Committee Chair, UBS
- Nathalie Rachou, Risk Committee Chair, Société Générale
- Alexandra Schaapveld, Audit and Internal Control Committee Chair, Société Générale
- Matias Viola Ochoa, Head of Supervisory and Regulatory Affairs, BBVA
- Alexander Wolfgring, Internal Controls and Risks Committee Chair, UniCredit
- François Veverka, Audit Committee Chair and Risk Committee Chair, Credit Agricole

EY

- Andy Baldwin, EMEIA FSO Regional Managing Partner
- Thomas Huertas, Partner, Chair Global Regulatory Network
- Ted Price, Senior Advisor, Risk Governance
- Isabelle Santenac, EMEIA FSO Assurance Managing Partner

Tapestry Networks

- Dennis Andrade, Principal
- Jonathan Day, Vice Chairman
- Colin Erhardt, Associate

Endnotes

[1] "Single Supervisory Mechanism," European Central Bank, accessed November 3, 2015.

[2] Ibid.

[3] Julie Dickson, "The Relevance of the Supervision of Behaviour and Culture to the SSM" (speech, "Looking Forward: Effective Supervision of Behaviour and Culture at Financial Institutions" conference, Amsterdam, September 24, 2015).

[4] Ibid.

[5] Ibid.

[6] Julie Dickson, "Will the Eurozone Caucus on Financial Regulation?" (speech, Centre for European Reform, Morgan Stanley, London, September 1, 2015.)

[7] Cecile Sourbes, "SSM: Banks Fret Over Giant Supervisor's First Steps," Risk.net, May 1, 2015.

[8] Julie Dickson, "Will the Eurozone Caucus on Financial Regulation?"

[9] Bank Governance Leadership Network, *Building sustainable models for banks and their investors*, *ViewPoints*, (Waltham, MA, Tapestry Networks, November 18, 2015.

[10] David de Jong, "Euro Banks Barely Cut Bad Debt Levels Under ECB, Linklaters Says," *Washington Post*, November 1, 2015.

[11] Bank Governance Leadership Network, *Building sustainable models for banks and their investors*, *ViewPoints*, (Waltham, MA, Tapestry Networks, November 18, 2015.

[12] Silvia Pavoni, "The Global Economic and Banking Outlook for 2016," The Banker, December 2015.

[13] John Gapper, "Europe's Banks Face a Difficult Global Retreat," *Financial Times*, October 21, 2015.

[14] Frédéric Oudéa, "Europe Needs Homegrown Bulge Bracket Banks," *Financial Times*, October 11, 2015.