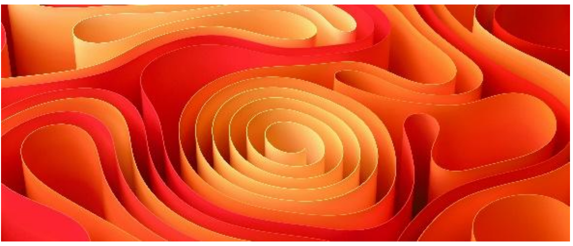
Pills

Regulatory/Supervisory Pills | N.130 September 2026

Author: Dario Esposito



TOPICS:

Banking Supervision

SOURCE:

European Banking Authority

ECB: More Risk-Focused and Effective On-site Investigations

- The ECB is **reforming its on-site investigation (OSI) framework** under its "next-level supervision" initiative, with the objective of making banking supervision more efficient, timely and risk-based without weakening supervisory quality. On-site investigations remain **a core supervisory tool, complementing Joint Supervisory Teams (JSTs)** by assessing banks' risk management, governance and internal controls; investigations continue to be conducted closely with national competent authorities (NCAs).
- A central element of the reform is **greater prioritisation of material risks and weaknesses**. The ECB is streamlining interactions with banks, simplifying internal processes and using technology to accelerate investigations and remediation. In 2026, investigations are being completed approximately **10% faster than in 2025**, with the average period from investigation kick-off to final report falling from **33 to 29 weeks**. Further reductions are expected as reforms are embedded through end-2026 and during 2027.
- The ECB is also strengthening coordination between inspectors and JSTs, including more systematic interaction throughout investigations and greater participation of JST members. For the 2027 programme, supervisory planning will increasingly integrate supervisory priorities, institution-specific risks and other planned supervisory activities. **Shorter, targeted investigations** will be used more frequently, while intensive investigations will focus primarily on material, complex or broad-scope risks. Credit-risk file sampling will also be calibrated more closely to portfolio complexity and underlying risk, potentially reducing banks' data-production burden.
- **For banks**, the reforms place increased importance on **timely cooperation and remediation**. Institutions are expected to provide requested information promptly, concentrate responses on material supervisory issues and address findings without undue delay. While banks retain the right to communicate in local languages, the ECB encourages English during investigations, particularly for internationally active institutions, where this can improve efficiency.