



TOPICS:

Banking Supervision

SOURCE:

European Central Bank

ECB: On-Site Inspections - A Sharper Focus for Greater Supervisory Impact

- The ECB is reforming its approach to **on-site inspections (OSIs)** to make them more focused, timely, efficient and risk-based, while maintaining their role as a core component of European banking supervision. OSIs provide direct evidence on banks' operations, risk management, decision-making and internal models, with findings feeding into the **Supervisory Review and Evaluation Process (SREP)** and subsequent supervisory actions.
- A central element of the reform is greater **European integration**. National competent authorities (NCAs) continue to provide most inspection staff, but the ECB now directly leads around one-quarter of investigations. The ECB aims for an approximately **50/50 split between cross-border missions and domestically led NCA missions**, supporting methodological consistency and a level playing field.
- The revised approach also emphasises **transparent supervisory dialogue without predetermined outcomes**. Banks should receive a precise inspection scope, understand how the investigation will proceed and have opportunities to discuss evidence and challenge assessments.

Significant observations should be communicated early, enabling banks to provide additional evidence, correct factual misunderstandings and understand the prudential implications before reports are finalised.

- Operationally, the ECB is strengthening coordination between **Joint Supervisory Teams (JSTs), horizontal functions and on-site teams**. Existing information should be reused where possible, reducing duplicative requests. Reports should become shorter, clearer and focused on material findings, while investigation timelines and consistency checks are being more tightly managed.
- Additional measures include **highly targeted missions**, more risk-based credit file reviews and an **AI-based SSM tool** allowing supervisors to compare findings and supervisory measures across European banking supervision. Early results indicate that in 2026 reports were approximately **20% shorter** than in 2025, while average investigation-to-final-report time declined from **33 to 29 weeks**.

