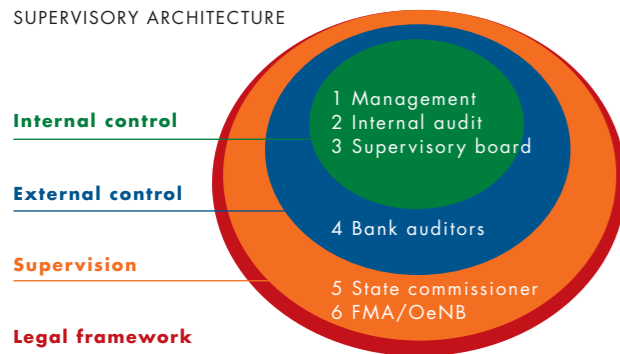


The supervision of banks (credit institutions) is a multi-stage process that involves the cooperation of various control bodies, which, in turn, have different responsibilities and duties. Both internal and external control structures, i.e. internal units or officials at the supervised banks on the one hand and supervisory authorities on the other, carry out specific tasks in the supervisory process.

At the top of this multilayer structure are those institutions commonly referred to as the „supervisors“: the Financial Market Authority (FMA) and the Oesterreichische Nationalbank (OeNB). In addition, large banks (with total assets over EUR 1 billion) are assigned State Commissioners who act as officers of the FMA and, inter alia, participate in these banks' supervisory board meetings.

SUPERVISORY ARCHITECTURE



In Austria, banks account for the bulk of the financial market. Since they are of key importance to the Austrian economy, they have traditionally been subject to a high degree of regulation and supervision.

The FMA and the OeNB have joint responsibility for the supervision of banks. The division of tasks between these two institutions is clearly defined by law and ensures a high standard of supervision, also by international comparison, while avoiding overlaps and duplications.

The FMA and the OeNB share supervisory responsibilities as follows: The OeNB is the institution responsible for fact finding, which means that its experts regularly draw up analyses of every credit institution in Austria; the scope of these analyses depends on the complexity of the relevant institution's structure and its systemic importance. In addition, the OeNB conducts on-site inspections, usually with a special focus on certain types of risk. The FMA, by contrast, is in charge of decision making, that is, it considers the results of the OeNB's analyses and inspections as the responsible public authority and takes supervisory measures if necessary.

With Austrian banks increasingly pursuing cross-border activities, it has become more and more important for Austria's supervisors to cooperate with supervisory authorities in other countries. As members of the Committee of European Banking Supervisors (CEBS), the FMA and the OeNB are contributing significantly to the harmonization of European regulatory provisions and to achieving greater convergence in supervisory practice. Moreover, in its capacity as the home supervisor of the major Austrian banking groups, the FMA, together with the OeNB, regularly confers with numerous Central and Eastern European supervisors and plays a leading role in cross-border supervision.

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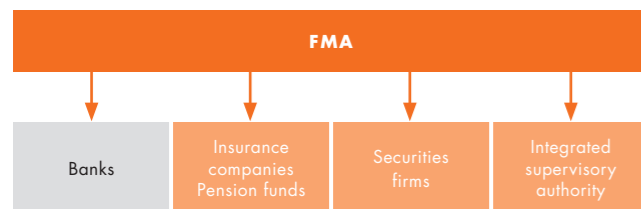
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## BANKING SUPERVISION IN AUSTRIA

# SECURITY THROUGH COOPERATION – THE TASKS AND RESPONSIBILITIES OF THE FMA AND THE OeNB

## THE FMA – THE INTEGRATED FINANCIAL SUPERVISOR



The FMA is Austria’s independent integrated financial supervisory authority, responsible for supervising not only banks but also insurance companies, financial conglomerates, pension funds and the securities market, including the Vienna stock exchange. This integrated approach to supervision takes account of the contemporary trend for banks, insurance companies and other financial institutions to evolve into financial conglomerates and for transactions and products to no longer be clearly assignable to a single category.

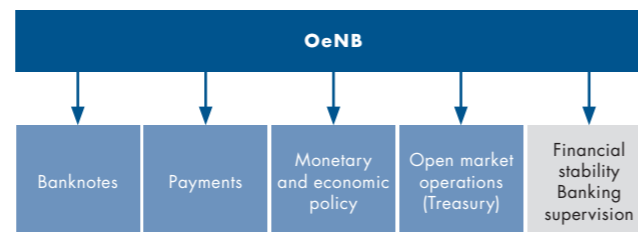
## THE FMA’S ROLE IN BANKING SUPERVISION

The FMA fulfills the role of enforcement agency, with the power to issue official orders and to take official measures. Among other things, the FMA grants, extends or revokes banking licenses. If a bank fails to comply with its legal duties, the FMA may instruct the bank to restore legal compliance; it may, for instance, prohibit a bank’s board members from continuing management activities.

The FMA uses the analyses carried out by the OeNB as a basis to conduct official investigations, which may result in official measures being taken. If, for instance, the FMA considers a bank’s capital base to be too low given its risk exposure, the FMA may require this bank to increase its capital ratio. Furthermore, the FMA has at its disposal a set of special instruments to protect bank creditors against

potential losses. It may, for instance, appoint a trustee to oversee operations or apply at court for receivership. Finally, the FMA has the right to charge banks penalty interest (if they fail to meet regulatory capital requirements) and to issue administrative fines. The FMA’s official supervisory activities are guided by the principle of proportionality, which means that the scope of supervision depends on a bank’s type, size and business operations.

## THE OeNB – THE CENTRAL BANK OF THE REPUBLIC OF AUSTRIA



The OeNB is the central bank of the Republic of Austria. Its key tasks include contributing to a stability-oriented monetary policy within the Eurosystem, safeguarding financial stability in Austria (also through fulfilling its role in banking supervision) and supplying the general public and the business community in Austria with high-quality, i.e. counterfeit-proof, cash. In addition, the OeNB holds and manages reserve assets (gold and foreign exchange holdings) with a view to backing the euro in times of crisis, draws up economic analyses, compiles statistical data, actively participates in international organizations and is responsible for payment systems oversight. Furthermore, the OeNB operates a payment system for the euro, promotes knowledge and understanding among the general public and decision makers within the framework of its comprehensive communications activities, and supports research in Austria.

## THE OeNB’S ROLE IN BANKING SUPERVISION

In fulfilling its monetary and stability policy tasks, the OeNB has established a close relationship with the banking system, which makes it a natural partner for the FMA in banking supervision. In addition to its macroprudential tasks, i.e. providing analyses of the macroeconomic situation as well as of systemic risks in banking and payments, the OeNB is also involved in microprudential supervision, i.e. drawing up analyses of the economic situation of individual institutions and examining compliance with regulatory provisions as the basis for monitoring institutions’ financial stability. These tasks involve the following key functions:

- collecting and processing data under the supervisory reporting scheme
- conducting, on a regular basis, on-site inspections of individual banks
- providing analyses of individual banks on an ongoing basis

Like the FMA, the OeNB follows the principle of proportionality in carrying out its tasks.

## THE FRAMEWORK FOR COOPERATION

The legal framework for banking supervision is set out in the Austrian Banking Act, the Federal Act on the Oesterreichische Nationalbank, the Financial Market Supervision Act as well as regulations issued by the FMA.

To supplement this framework, the FMA and the OeNB have set up the “single point of contact” scheme, under

which one person at each of the two institutions is appointed as a contact person for a given bank; likewise, each bank has one designated contact person for the two supervisory institutions. This system helps guarantee that communication between banks and supervisors takes place in a timely and targeted manner. Moreover, the FMA and the OeNB coordinate their activities on an ongoing basis to ensure efficiency and effectiveness in the supervisory process.

The clear division of tasks between the OeNB and the FMA as well as their joint responsibility for banking supervision has enhanced the timeliness and efficiency of supervisory action taken to strengthen the Austrian financial market.

Of course, isolated cases of problems at individual credit institutions can never be ruled out altogether. However, the reform of the financial market supervision framework in 2008 has provided an even better basis for the FMA and the OeNB to limit the emergence and impact of problems as far as possible as well as to safeguard the stability of the financial system.

For more detailed information on banking supervision and the cooperation between the FMA and the OeNB, see Banking Supervision in Austria, available online at [www.fma.gv.at](http://www.fma.gv.at) and [www.oenb.at](http://www.oenb.at). where you will also find current press releases, publications and statistics. In addition, the FMA’s website offers links to public authorities and other organizations as well as complaint forms, and the OeNB’s website features a credit and savings calculator (the latter are available in German only).

### DIVISION OF TASKS AND RESPONSIBILITIES

|                         | Reporting | Analysis | On-site inspection | Administrative and decision-making authority |
|-------------------------|-----------|----------|--------------------|--|
| Responsible institution | OeNB      | OeNB     | OeNB               | FMA  |