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ECB to Hire Hundreds of Supervisors

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BRUSSELS—The European Central Bank is looking to hire around 800 new supervision staff over the next year to fulfill its new role as Europe's single banking watchdog, two people familiar with the matter said, in what some say could prove a big challenge in such a short time period.

That is the number recommended by an internal ECB report aimed at assessing the institution's staffing needs once it starts supervising some of the 6,000 banks in the 17-nation euro zone in mid-2014, one of these people said.

The second official said a staff of 800 was the "starting point" the bank was looking at to fulfill its supervision tasks but the numbers would likely increase over time. The person said there was no clear estimate of how many staff the ECB would need for its supervisory tasks in several years time.

Under an agreement reached last December by member states, the ECB is supposed to take up its responsibilities as Europe's single supervisory mechanism by mid-2014. The supervisory board will work as an agency within the ECB but the ECB's Governing Council will retain the final say. National supervisors will maintain an important role in the new system.

The supervisor will oversee the financial health of regional banks, hoping to avoid the risky lending and low capital cushions that led to the financial crisis.

While some ECB policy makers had expressed concerns last fall about ensuring a strict separation between the ECB's monetary and supervisory responsibilities, one of the bigger concerns now is a more practical one—ensuring the ECB can hire enough top-level supervisors in time.

Even though initial estimates were that the ECB would need even more staff for the job, recruiting even 800 staff is "a very ambitious objective" if the ECB is to start its supervision work as planned by July next year, a senior euro-zone official said. The official said identifying enough people either with direct supervision experience or at least with sufficient know-how of financial markets and training them up in time would be difficult.

"It's not going to be easy," the official said. At present, the ECB employs upward of 50 people in a financial stability-unit monitoring the health of the region's banks.

Senior ECB officials have stressed the importance of the bank having enough resources to carry out its new supervisory role effectively. In a speech in late January, ECB Vice President Vitor Constancio said that creating a "strong center" in the decentralized new supervisory system "will be crucial to provide the ECB with the necessary means to ensure it will have the resources to effectively fulfill its functions without endangering its reputation." Mr. Constancio said in December the ECB would need at least 500 new staff to carry out its role.

"The knowledge and skills of the system's human capital will contribute to creating a strong center," he said. "Therefore the recruitment of skilled and experienced staff, particularly banking supervisors, will be a priority."

Still, the 800 new staff being targeted initially is likely to be far fewer than the 2,000 staff called for by 2017 in a separate report by consultancy Promontory Financial Group, which was presented to the ECB's governing council in January.

The difference arises because the Promontory report assumed all banks would be supervised under a centralized approach, and didn't acknowledge that even the more direct supervision of some big banks would be shared with national regulators, the senior euro-zone official said.

The official said a staff of 800 should be enough initially because the ECB will only do the bulk of the supervision work on around 30 of the largest banks. For the remainder of the 150-200 banks the ECB will initially be given responsibility for, work will be split between ECB staff and national supervisors.

The ECB currently employs slightly above 1,500 staff in various locations around Frankfurt, and provides office space for several hundred other consultants, trainees and staff from national central banks. It is due to move to a new headquarters on the banks of the river Main in 2014, which will be able to house up to 2,900 staff.

An ECB spokeswoman said the institution cannot take any binding organizational and administrative decisions until a legal text is approved. "The number of staff will depend on the actual structure" agreed, she said. Promontory didn't respond to calls for comment.

European Union finance ministers agreed in December to create a single policeman for the largest euro-zone banks as a first step toward a banking union. The decision marked a crucial step toward addressing a root cause of Europe's debt crisis: the mutual dependence between weak banks and struggling governments that has sapped confidence in Europe's common currency.

Under the plans, the ECB will directly supervise some of the region's larger and more troubled banks and be empowered to intervene in the remaining banks if necessary, with national supervisors retaining day-to-day oversight of those.

Officials from the European Parliament and European governments are currently thrashing out the final technical details of the so-called Single Supervisory Mechanism, and aim to produce a final legal text in the coming weeks.