



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

Mr Sven Giegold
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 23 April 2018

Re: Your letter (QZ034)

Honourable Member of the European Parliament, dear Mr Giegold,

Thank you for your letter on the supervision of less significant institutions (LSIs), which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 4 April 2018.

In your letter, you raise the issue of the ECB's competence to take over the direct supervision of LSIs under Article 6(5)(b) of the Single Supervisory Mechanism (SSM) Regulation¹ and ask how often this competence has been used, in particular for reasons related to financial criminality.

Until now, the ECB has exercised this competence under Article 6(5)(b) of the SSM Regulation once. This was done upon request of an NCA to ensure consistent supervision of a group of three supervised entities that belong to the same owner, have a common supervisory board and are working towards a cross-border merger.

In this context, let me highlight the exceptional nature of this competence. The main objective of a decision by the ECB to take over the supervision of an LSI would be to ensure consistent application of high supervisory standards within the framework of the SSM, with a view to safeguarding its effective functioning. It is neither the standard nor targeted outcome of the ECB's oversight activities. Any alternative measure available to the national competent authorities (NCAs) and the ECB to ensure the effective functioning of the SSM should therefore be explored before any takeover of supervision by the ECB.

Nevertheless, as in the case described above, it is not possible to rule out exceptional circumstances which may justify exercising the ECB's competence under Article 6(5)(b) of the SSM Regulation, in cooperation with NCAs or even independently as a last resort. Such exceptional circumstances may include for instance,

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

the expectation of a future decision on the significance of a bank or when there is a need to ensure the consistent application of high supervisory standards as well as consistent and efficient supervision.

Finally, as regards financial criminality, as you know, the mandate of ECB Banking Supervision is restricted to prudential supervision. Its competence does not extend to the monitoring of the financial system with a view to preventing its use for money laundering, tax evasion or other criminal activities. These tasks are the responsibility of the relevant national authorities, regardless of the size of the credit institution. In the light of this, a decision by the ECB to take over the direct supervision of LSIs does not seem an appropriate measure to address issues related to financial criminality, which should be handled by the relevant national authorities. In this context, the ECB fully cooperates with the national authorities, which are competent to ensure the fight against money laundering in accordance with Recital 29 of the SSM Regulation, to the extent permitted by law². At the same time, it should be noted that the ECB can only rely on proactive information sharing by the NCAs to the extent that such information is relevant to its prudential supervisory tasks.

Yours sincerely,

[signed]

Danièle Nouy

² Owing to the principle of professional secrecy, such exchanges of information require a solid legal basis.