



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Andrea ENRIA

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Dimitrios Papadimoulis
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 12 March 2019

Re: Your letter (QZ006)

Honourable Member of the European Parliament, dear Mr Papadimoulis,

Thank you for your letter on the ECB's crisis management for banks, which was forwarded to me by Mr Roberto Gualtieri, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 1 February 2019.

Regarding your question on the sharing of information with the European Court of Auditors (ECA), I should first like to clarify that the Treaty and the Statute of the ESCB¹ restrict the mandate of the ECA to audit the ECB "to an examination of the operational efficiency of the management of the ECB". This limitation to the ECA's mandate has been deliberately established by the legislators in order to safeguard the independence of the ECB. In line with this audit mandate, the ECB fully cooperates with the ECA in the course of its audits. The ECB has provided – and will continue to provide – all the information needed for the ECA to carry out its audits. Recently, as also requested by the European Parliament, the ECB and the ECA have commenced work on a possible interinstitutional arrangement on sharing information related to the operational efficiency of the management of ECB Banking Supervision. I am personally committed to contributing to the search for a positive solution, respectful of the Treaty and supportive of the effective accountability of ECB Banking Supervision vis-à-vis the ECA.

You also enquired about the finalisation of arrangements with other supervisors and the Single Resolution Board (SRB). So far the ECB has concluded memoranda of understanding (MoUs) with the SRB and other counterparties, such as supervisory authorities of non-euro area EU Member States and third-country supervisory authorities. These general MoUs comprise the modalities for ongoing cooperation and information-sharing as well as the modalities for cooperation among supervisory authorities in emergency situations. Specifically, in the case of incipient crises or events which may have an adverse impact, all authorities are prompted to seek coordinated responses and react immediately.

¹ See Article 27.2 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank.

Regarding the arrangements between the ECB and the SRB, a revised MoU on cooperation and information exchange between the two authorities was signed and came into effect on 30 May 2018. In order to ensure transparency, the revised MoU, including an annex pertaining to information exchange between the ECB and the SRB, has been published on both the ECB and SRB websites.²

Moreover, progress has been made with respect to the conclusion of written coordination and cooperation arrangements for colleges of supervisors, as required under Article 115 of the Capital Requirements Directive (CRD IV)³. Written arrangements have so far been concluded with 15 of the 27 supervisory colleges for which ECB Banking Supervision is the consolidating supervisor. We expect to finalise the remaining 12 arrangements by the end of 2019. While the drafting of a common text has been more challenging than initially anticipated, particularly with respect to large international groups, it has gathered momentum.

Furthermore, with respect to your question on the ECB's crisis management framework, the ECB followed up on most of the ECA's recommendations in 2018. The escalation procedures within the framework were refined by including an extended set of qualitative and quantitative indicators to define the transition from one stage of crisis monitoring to another. These indicators are fully aligned with the EBA guidelines on early intervention and failing or likely to fail (FOLTF).⁴ With respect to the quantitative indicators, clear thresholds have been defined to identify deterioration in a credit institution's financial situation. These indicators are centrally monitored on a continuous basis by the ECB's Crisis Management Division. The framework also provides for institution-specific indicators and thresholds, such as those defined in each bank's recovery plan. Notwithstanding the indicators, escalation to a higher stage of crisis monitoring can also be based on an expert assessment by the Joint Supervisory Teams (JSTs) and the ECB's Crisis Management Division. Finally, software tools have been made available to our JSTs to monitor and follow up breaches or potential breaches of prudential requirements, and ECB Banking Supervision intends to further enhance these tools.

Yours sincerely,

[signed]

Andrea Enria

² [Memorandum of Understanding between the Single Resolution Board and the European Central Bank in respect of cooperation and information exchange.](#)

³ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

⁴ [EBA Guidelines on failing or likely to fail \(EBA/GL/2015/07\).](#)