



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Andrea ENRIA**

Chair of the Supervisory Board

*COURTESY TRANSLATION*

Mr Marco Zanni  
Mr Marco Valli  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 21 May 2019

**Re: Your letter (QZ027)**

Honourable Members of the European Parliament, dear Mr Zanni, dear Mr Valli,

Thank you for your letter, 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 12 April 2019.

Your questions relate to the role of BlackRock Financial Management Inc. (hereinafter “BlackRock”) during the 2018 stress test, in the context of the expression of interest for an investment in Banca Carige, which BlackRock eventually decided not to pursue.<sup>1</sup>

ECB Banking Supervision carried out the quality assurance for the EBA EU-wide stress tests for euro area banks in 2016 and 2018, as well as an ECB-internal Supervisory Review and Evaluation Process (SREP) stress test covering significant institutions that were not subject to the EBA stress tests, as clarified in my reply to Mr Zanni MEP<sup>2</sup> and in my predecessor's replies to Mr Schäffler MdB<sup>3</sup> and Mr Viegas MEP<sup>4</sup>. The quality assurance process is carried out over a period of three to five months and involves the Joint Supervisory Teams of all banks involved in the exercise as well as dedicated horizontal teams from the ECB's microprudential and macroprudential supervisory functions. In the past, ECB Banking Supervision and the national competent authorities were not able to provide the required number of risk experts and project management experts, therefore it was necessary to use external service providers.

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<sup>1</sup> [https://www.gruppocarige.it/grpwps/wcm/connect/a9fc62dd-3c64-477b-8fa2-efbc39e5dc1f/20190509+Comunicato+B\\_EN.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-a9fc62dd-3c64-477b-8fa2-efbc39e5dc1f-mGrv9q9](https://www.gruppocarige.it/grpwps/wcm/connect/a9fc62dd-3c64-477b-8fa2-efbc39e5dc1f/20190509+Comunicato+B_EN.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-a9fc62dd-3c64-477b-8fa2-efbc39e5dc1f-mGrv9q9)

<sup>2</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter190225\\_Zanni~9f21dee850.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter190225_Zanni~9f21dee850.en.pdf)

<sup>3</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter181001\\_Schauble.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter181001_Schauble.en.pdf) and [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter181108\\_Schauble.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter181108_Schauble.en.pdf)

<sup>4</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter180711\\_Viegas.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter180711_Viegas.en.pdf)

In my letter to MEPs of the Europe of Freedom and Direct Democracy (EFDD) group<sup>5</sup>, I provided details about the existing framework contracts and procurement procedures used to select external service providers for support during stress-testing activities, including the support provided by BlackRock during the exercises conducted in 2016 and 2018.

During the 2018 stress tests, staff members from BlackRock supported the work of the horizontal risk teams involved in the quality assurance, as well as the overall Project Management Office coordinating the exercise across ECB Banking Supervision. During the quality assurance process, these teams were responsible for assessing and challenging banks' stress test submissions, including peer benchmarking and horizontal analysis, as well as for project management activities. In this context, the consultants had access to the data submitted by all participating banks, as well as relevant information and tools needed to carry out the quality assurance activities.

When making use of such external service providers, ECB Banking Supervision carefully considers the risks involved and, in particular, any potential conflicts of interest. ECB Banking Supervision also ensures that these risks are mitigated to the greatest extent possible through provisions in the relevant contracts. First of all, it should be highlighted that BlackRock provided the requested consultancy services to the ECB through a specific advisory unit which is dedicated to the provision of consultancy services. This unit is separated from the rest of the BlackRock group by a full information barrier, preventing the exchange of information with other units dedicated to asset management activities. In addition, as highlighted by my predecessor in her letter to Mr Viegas MEP<sup>6</sup>, BlackRock was required to ensure a strict separation between the team supporting the stress test exercises and any other teams advising large financial institutions or investors. As a key requirement, BlackRock was not permitted to provide services related to stress tests to the banks while they were undergoing stress tests and during an appropriate cooling-off period thereafter. Furthermore, BlackRock staff members performing services for the ECB were bound by individual confidentiality agreements. They were subject to the ECB's rules for external staff during all visits to the ECB, including comprehensive requirements to safeguard the security and confidentiality of information, data and documents concerning the ECB, its staff, the contract and the performance thereof. In this context, any information, data or documents made available to BlackRock staff for the purposes of performing the services under the aforementioned framework agreement were shared using the ECB's information technology (IT) facilities. At no time were the ECB's information, data or documents accessible from outside its dedicated IT infrastructure. Moreover, information and data access rights were controlled to ensure that BlackRock staff could not access any information about the ECB's activities or supervised institutions beyond what was necessary for the performance of the purchased services. The ECB has been monitoring BlackRock's compliance with contractual obligations on an ongoing basis, both during the performance of the stress tests and after their completion in November 2018, when BlackRock staff members left the ECB.

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<sup>5</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter190327\\_EFDD-72ce418a16.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter190327_EFDD-72ce418a16.en.pdf)

<sup>6</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter180711\\_Viegas.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter180711_Viegas.en.pdf)

In conclusion, and as noted in my response to Mr Zanni MEP<sup>7</sup>, I would like to mention that the ECB's Governing Council has decided to recruit additional ECB staff to work on stress tests for the upcoming EBA EU-wide stress test in 2020, thereby reducing the reliance on consultants in both this and future stress test exercises.

Yours sincerely,

[signed]

Andrea Enria

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<sup>7</sup> [https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter190225\\_Zanni~9f21dee850.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.mepletter190225_Zanni~9f21dee850.en.pdf).