



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

COURTESY TRANSLATION

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

Frankfurt am Main, 09 June 2016

Re: Your letter (QZ056)

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

In your letter passed on by Mr Roberto Gualtieri, Chair of the European Parliament's Committee on Economic and Monetary Affairs, to Mr Mario Draghi, President of the European Central Bank, with a cover letter dated 11 May 2016, you raised questions relating to the ECB's supervisory tasks. The President has therefore forwarded your letter to me.

The European Central Bank (ECB) carefully monitors developments in the banking sector in order to identify and assess potential risks to financial stability. This includes monitoring possible effects on depositor confidence and market sentiment stemming from the application of the relevant EU competition and resolution frameworks. Moreover, the ECB follows trends in the evolution of credit quality and the amount of impaired and other non-performing loans on banks' balance sheets, which are seen as a major impediment to the sustainable recovery of Italian banks in particular.

Regarding your question on the criteria that were used to monitor and assess financial stability in relation to the case of four specific banks, allow me to point out that those banks were classified as "less significant institutions" in accordance with Article 6(4) of the SSM Regulation¹ and, as such, were under the prudential supervision of the Banca d'Italia. ECB Banking Supervision was involved in its supervisory oversight capacity and maintained regular contact with the Banca d'Italia on matters relating to this case. In line with the resolution framework, the Banca d'Italia was also responsible for taking resolution actions with regard to the four banks in question and for evaluating the related consequences for the domestic banking sector. This area of responsibility is not governed by the SSM framework.

Yours sincerely,

[signed]

Danièle Nouy

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013.