



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

Mr Roberto Gualtieri
Chair of the Committee on Economic and Monetary Affairs
of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 06 December 2017

**Re: Your letter on the draft “Addendum to the ECB Guidance to banks on non-performing loans:
Prudential provisioning backstop for non-performing exposures”**

Honourable Chair of the ECON Committee, dear Mr Gualtieri,

Thank you for your letter dated 30 November 2017, which follows up on our fruitful exchange of views on the draft addendum to the ECB Guidance to banks on non-performing loans (NPLs) during my hearing in the ECON Committee on 9 November 2017.

As I emphasised during the hearing, the draft Addendum is currently subject to a public consultation. The feedback received from Members of the European Parliament and the legal advice from the Parliament’s Legal Service, together with the submissions to the public consultation, will be extremely valuable in further improving the Addendum before it is finalised.

The Addendum was always intended to clarify supervisory expectations as a starting point for an institution-specific supervisory dialogue in the context of the Supervisory Review and Evaluation Process (SREP). It was never intended for any automaticity in the application of measures. We will review the wording in this regard and provide further clarifications in the final text. Regarding the finalisation of the Addendum, we will carefully consider all the replies received in the course of the public consultation. The published draft foresees an application of the Addendum to NPLs newly classified as such from January 2018 onwards. In the context of the public consultation, we will also review this reference date. However, any change to the reference date, just like any other change to the draft Addendum, would have to be decided on by the ECB Supervisory Board before being approved by the Governing Council through the non-objection procedure.

Lastly, this Addendum only relates to new NPLs and thus would not apply to the stock of NPLs. As pointed out in our press release announcing the public consultation of the addendum, we will present our consideration of further policies to address the existing stock of NPLs, including appropriate transitional arrangements, by the end of the first quarter of 2018.¹ We will continue to be as highly transparent on our work on NPLs as we have been so far. I stand ready to answer any further questions you may have on our approach and look forward to future exchanges with you and the other ECON Members.

Yours sincerely,

[signed]

Danièle Nouy

¹ See <https://www.bankingsupervision.europa.eu/press/pr/date/2017/html/ssm.pr171004.en.html>.