



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Danièle NOUY**

Chair of the Supervisory Board

*COURTESY TRANSLATION*

Ms Paloma López Bermejo  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 11 January 2018

**Re: Your letter (QZ-113)**

Honourable Member of the European Parliament, dear Ms López Bermejo,

Thank you for your letter concerning Banco Popular Español (BPE), 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 December 2017.

The European crisis management framework, as defined by the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR), foresees a specific mandate for the ECB, as the direct supervisor of significant institutions, in the context of the resolution procedure.

In particular, according to Article 18 of the SRMR, the ECB is responsible for determining a bank as failing or likely to fail, after consulting the Single Resolution Board (SRB), if at least one of the conditions mentioned under Article 18(4) is met. In the specific case of BPE, following the determination of failing or likely to fail by the ECB, the SRB decided that the remaining conditions for resolution of BPE had been met, i.e. there were no alternative measures to prevent failure, and resolution was necessary in the public interest. On the basis of this decision, the SRB adopted a resolution scheme that involved the sale of the bank to Santander S.A. and the write-down and conversion of liabilities, which was endorsed by the European Commission and implemented by the Spanish Fund for the Orderly Restructuring of the Banking Sector (FROB).

The recent experience has shown that the system is operationally effective. The ECB, the SRB, the European Commission and the relevant national authorities demonstrated that they can cooperate closely to deal effectively with failing banks and to handle the whole process smoothly, even in a short period of time, as required by the situation.

Naturally, there are lessons to be learned from the recent bank failures, and the ECB is working closely with the European legislators in the context of the ongoing BRRD review in order to make any necessary improvements.<sup>1</sup>

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<sup>1</sup> For further details, please consult the [Opinion of the ECB on revisions to the Union crisis management framework](#).

Let me turn to your question on a possible follow-up by the ECB to press leaks concerning BPE. As also highlighted in the [“Failing or Likely to Fail” determination](#), before its resolution, BPE had been subject to negative media coverage over a period of several months.

This negative news coverage was largely based on publicly available information (e.g. disclosure of information by the bank itself or other institutions). The ECB is not aware of any information leaks about BPE from within the Single Supervisory Mechanism (SSM). The investigation of possible leaks from outside the SSM is not a task for ECB Banking Supervision.

Regarding your question on whether the ECB would demand an independent public audit of “both Deloitte and the European regulator”, let me clarify that the SRB is fully responsible for preparing resolution decisions, including the commissioning of an economic valuation in order to inform the choice of resolution actions to be adopted. Therefore, any decision about an independent public audit of Deloitte does not fall under the remit of the ECB.

Finally, with regard to your request for a review of the decision not to publish Deloitte's valuation in its entirety, please note that, as the owner of the report, the SRB is the appropriate authority for such a decision.

Yours sincerely,

[signed]

Danièle Nouy