



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Miguel Viegas
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 21 March 2018

Re.: Your letter (QZ006)

Honourable Member of the European Parliament, dear Mr Viegas,

In your letter to Mr Mario Draghi, President of the European Central Bank (ECB), which was passed on by Mr Roberto Gualtieri, Chair of the European Parliament's Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 13 February 2018, you raised questions relating to the European Court of Auditors' (ECA's) audit of ECB Banking Supervision. The President has therefore forwarded your letter to me.

The ECB appreciates the work undertaken by the ECA and its contribution to further strengthening the operational efficiency of the ECB's management in the area of banking supervision. Whilst they cover only a part of the ECB's activities, the ECA's audits of the ECB often provide a constructive external perspective.

The ECA's latest report on ECB Banking Supervision¹ provides constructive input to further improve the efficiency of the Single Supervisory Mechanism's crisis management. The ECB has accepted most of the recommendations and work is already well under way to implement them – including in the areas of cooperation with the Single Resolution Board, recovery indicators, and early intervention assessments.

The ECB shared more than 500 documents, totalling almost 6,000 pages of documentation, with the ECA in the context of the audit and held 38 meetings and teleconferences with the ECA's audit team to provide further detailed policy, process-related and bank-specific information. Bank-specific information was anonymised in order not to reveal the identity of specific banks. Through the breadth of information received, the ECA was able to produce a detailed report and issue recommendations on a range of topics related to cooperation, recovery planning and crisis identification and response.

With regard to the ECA's complaint about the limited sharing of information, please allow me to clarify the matter.

¹ https://www.eca.europa.eu/Lists/ECADocuments/SR18_02/SR_SSM2_EN.pdf

The ECA does not have an all-encompassing mandate to audit the ECB. The Treaty² defines the ECA's mandate to audit the ECB as the task of examining "the operational efficiency of the management of the ECB". This means that the ECA may only examine the management of processes of the ECB, but not the ECB's substantive decisions. Legislators deliberately restricted the ECA's mandate in this way with a view to preserving the ECB's independence.

Similarly, the ECB's duty to protect confidential information is also defined in the Treaty.³ This duty implies that, where the ECA requests confidential information from the ECB, the ECB can only provide such information if it is necessary for the ECA to examine the operational efficiency of the management of the ECB.

The ECB's independence is established under EU law. The ECA has a specific audit mandate with regard to the ECB, including for banking supervision, which must be considered in the context of the comprehensive framework of complementary accountability relationships and reviews applicable to ECB Banking Supervision and based, inter alia, on the following elements:

- Accountability to the European Parliament and the Eurogroup;
- Judicial reviews by the European Court of Justice;
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- Regular reviews of the SSM Regulation⁴ by the European Commission;
- Regular scrutiny under the IMF's Financial Sector Assessment Program; ECA audits of operational efficiency of the management.
- Scrutiny, by all relevant institutions and the public, of the ECB Annual Report and related external auditor statements.

Yours sincerely,

[signed]

Danièle Nouy

² Article 27.2 of the Statute of the ESCB and the ECB.

³ Article 37 of the Statute of the ESCB and the ECB, and Article 27 of the SSM Regulation.

⁴ Council Regulation (EU) No 1024/2013 of 15 October 2013.