



EUROPEAN CENTRAL BANK  
EUROSYSTEM

*Danièle NOUY*

*Chair of the Supervisory Board*

*COURTESY TRANSLATION*

Mr Markus Ferber  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 18 July 2014

Honourable Member of the European Parliament, dear Mr Ferber,

**Re: Your letter of 11 July 2014**

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri MEP, Chair of the European Parliament's Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 15 July 2014.

The Single Supervisory Mechanism (SSM) is being established within the ECB to provide a single system of banking supervision across the euro area and Member States engaging in close cooperation which will be unified and neutral, as well as applying the highest standards of inspection, monitoring and enforcement. For this purpose, a single supervisory model and a single manual will be used by the ECB and the national competent authorities (NCAs) working together within the SSM. The ECB is the central authority of the SSM, and its Supervisory Board will have oversight of the functioning of the system as a whole. The only distinction between significant and less significant banks is the level of centralisation of supervisory action. While the ECB will be directly responsible for the supervision of significant banks, less significant banks will be supervised by the NCAs within the SSM.

The ECB may decide at any time, on its own initiative, to assume direct supervision of less significant credit institutions after consulting with national authorities or at the request of the NCA. In this specific case, the ECB may perform a comprehensive assessment of a bank's balance sheet, including an asset quality review (AQR).

However, this scenario of an AQR carried out by the ECB needs to be distinguished from (i) the AQR that is foreseen in the SSM Regulation as an exercise to be conducted by the ECB before taking on its supervisory tasks, and (ii) AQRs that may be carried out by NCAs as part of regular supervision. The latter form of AQR

is what I alluded to in my interview with Kauppalehti on 5 June 2014<sup>1</sup>, which you may have referred to in your letter. In fact, such regular AQRs should be in line with the recommendations on AQRs issued by the EBA to all competent authorities in the EU in October 2013<sup>2</sup>. Specifically, the EBA's recommendations also call for the proportionality of such exercises.

For the sake of completeness, the SSM toolbox would not exclude the conduct of an AQR exercise across all less significant banks, if deemed appropriate. However, I would stress that such an exercise is not currently under consideration.

Yours sincerely,  
[signed]

Danièle Nouy

---

<sup>1</sup> Interview with Danièle Nouy, Chair of the Supervisory Board of the SSM, conducted by Jorma Pöysä on 5 June 2014 and published on 11 June 2014, question 5, available at <http://www.ecb.europa.eu/press/inter/date/2014/html/sp140611.en.html>

<sup>2</sup> See <https://www.eba.europa.eu/documents/10180/449802/EBA-Rec-2013-04+Recommendations+on+asset+quality+reviews.pdf>