



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Mario Borghezio
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 17 February 2016

L/MD/16/86

Re: Your letter (QZ-003)

Honourable Member of the European Parliament, dear Mr Borghezio,

Thank you for your letter, 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 15 January 2016.

The application of resolution tools such as the bail-in tool falls within the exclusive competence of the resolution authorities. The ECB, as the competent authority for the prudential supervision of credit institutions in participating Member States, is not a resolution authority and thus not competent on this matter. Therefore, the ECB is not in a position to decide whether to exclude certain liabilities from the scope of bail-in in order to safeguard financial stability in concrete cases of resolution. Similarly, the use of public funds is subject to EU State aid rules and the resolution principles and rules set out in the Bank Recovery and Resolution Directive (BRRD)¹. Hence, the ECB does not have the authority to decide on the use of public funds for the recovery or resolution of credit institutions either.

The ECB carefully monitors developments in the banking sector in order to identify and assess potential risks to financial stability. This also includes possible effects on depositor confidence stemming from the

¹ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council (OJ L 173, 12.6.2014, p. 190.)

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application of the new recovery and resolution framework in the European Union. However, let me point out that under the BRRD covered deposits have a “super priority”, while all eligible deposits held by natural persons and by micro, small and medium-sized enterprises have a “simple priority”, in the ranking of creditors. Moreover, deposit guarantee schemes ensure that depositors are protected up to the coverage level, regardless of whether a failing institution goes into insolvency or resolution. In this context, the establishment of a European Deposit Insurance Scheme would help to further underpin depositor confidence and to ensure that the level of confidence in the safety of bank deposits is equally high in all Member States.

Yours sincerely,

[signed]

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