



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

Mr Sven Giegold
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 23 January 2017

Re: Your letter (QZ127)

Honourable Member of the European Parliament, dear Mr Giegold,

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 21 December 2016.

Article 4 of the Bank Recovery and Resolution Directive (BRRD)¹ sets out the conditions enabling competent authorities to apply simplified obligations for recovery planning to non-systemic institutions whose failure and subsequent winding-up under normal insolvency proceedings would not be likely to have a significantly negative effect on financial markets, on other institutions, on funding conditions or on the wider economy. These conditions include an institution's membership of an institutional protection scheme (IPS) or other cooperative mutual solidarity systems².

The BRRD and the EBA Guidelines on the application of simplified obligations under Article 4(5) of Directive 2014/59/EU offer considerable flexibility as to how these simplified obligations for recovery planning can be applied by national competent authorities (NCAs).

It is actually not the case that the ECB has adopted a Guideline – which is a binding legal act – on less significant institution (LSI) recovery planning. Rather, a recommendation in the form of a joint supervisory standard on LSI recovery planning was issued to NCAs to foster convergence in the interpretation of the conditions set out in Article 4 and to promote consistency in supervisory practices applied in the assessment of recovery plans across the euro area.

¹ Directive 2014/59/EU of the European Parliament and of the Council.

² As referred to in Article 113(7) of Regulation (EU) No 575/2013.

The development of supervisory standards for LSIs, issued to NCAs that implement them with proportionality, is a key tool for the ECB to ensure the consistent application of supervisory standards by the NCAs. The supervisory standard on LSI recovery planning was developed by a drafting team that was chaired by a representative from an NCA and composed of members from several other NCAs. Representatives of the European Banking Authority (EBA) and the Single Resolution Board (SRB) participated as observers.

As previously explained in my letter of 2 October 2015, the ECB takes into account the priority ranking of LSIs³ to ensure that the supervisory standards are proportionate. This principle is also reflected in the supervisory standard for recovery planning applicable to LSIs, as high-priority LSIs are subject to more detailed requirements than non-high priority LSIs. In addition, LSIs which are members of an IPS can be waived from preparing individual recovery plans, in particular if those IPS members are small and regarded as low-risk institutions.

As part of the consultation process during the development of the standard, all NCAs were invited to review and provide comments on the draft standard, thereby ensuring that issues of particular importance in some Member States, could be appropriately considered and reflected.

The purpose of the LSI recovery planning standard is to support the NCAs in their LSI recovery planning responsibilities, taking into account the distinct characteristics of their banking systems. As such, it has not been made public. However, the policy regarding the publication of supervisory standards for LSI supervision will remain under review and the need to ensure transparency features prominently in our considerations.

Yours sincerely,

[signed]

Danièle Nouy

³ The prioritisation of LSIs is based on, first, the impact of the LSI on its domestic financial system and, second, the intrinsic riskiness of the LSI.