Andrea ENRIA
Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Nuno Melo
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 7 June 2022

Re: Your letter (QZ-015/2022)

Honourable Member of the European Parliament, dear Mr Melo,

Thank you for your letter on Novo Banco, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 3 May 2022.

As established in the Interinstitutional Agreement between the European Parliament and the European Central Bank (ECB), any reporting obligations vis-à-vis the European Parliament are subject to the relevant professional secrecy requirements outlined in the Capital Requirements Directive (CRD)[1]. I therefore cannot comment on individual credit institutions and their business decisions. Nevertheless, allow me to provide you with some general considerations in response to your questions, to the extent that they concern the ECB's competences regarding prudential supervision.

Regarding your question on variable remuneration, please note that ECB Banking Supervision pays close attention to the remuneration policies adopted by the banks under its supervision in order to ensure that those policies promote sound and effective risk management and are aligned with the long-term interests of banks across the European Union (EU).

[1] Directive 2013/36/EU of the European Parliament and the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (OJ L 176, 27.6.2013, p. 338).

In line with the EU regulatory framework[2], ECB Banking Supervision expects banks to duly consider the impact on the soundness of their capital base when establishing their policies on variable remuneration. Therefore, with regard to whether the ECB could prevent the distribution of bonuses to a bank's senior management, ECB Banking Supervision is empowered to require banks to limit variable remuneration as a percentage of net revenues when it is inconsistent with the maintenance of a sound capital base[3]. More precisely, when a bank's capital falls below the combined buffer requirement, the supervisors can restrict the distributions within the limits of the maximum distributable amount. In the case of Novo Banco, the bank is currently making use of the capital relief measures implemented by the ECB in response to the coronavirus (COVID-19) pandemic, and has been operating below the combined buffer requirement since the end of 2020. The amount of variable remuneration to be distributed by Novo Banco is compliant with the applicable regulation (i.e. the Capital Requirements Directive[4]) and is within the limits of the maximum distributable amount.

Finally, the issue of bonuses pending authorisation from the European Commission falls outside the ECB's remit. Therefore, we refrain from commenting.

Yours sincerely,

[signed]

Andrea Enria

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[2] See the EBA Guidelines on sound remuneration policies (EBA/GL/2021/04) for an overview of the Capital Requirements Directive and its incorporation into national regulation and best practices concerning remuneration policies.

[3] See Article 16(2)(g) of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

[4] As transposed in the Portuguese Legal Framework of Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*).