



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Danièle NOUY**

Chair of the Supervisory Board

*COURTESY TRANSLATION*

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

Frankfurt am Main, 02 March 2016

**Re: Your letter (QZ-007/2016)**

Honourable Member of the European Parliament, dear Mr Borghezio,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 10 February 2016.

Please allow me to recall that the ECB cannot comment on the actions taken by individual financial institutions.

Regarding your question on the state of the banking system, let me emphasise that compared with 2012, the banking system today is considerably stronger as a result of a number of regulatory measures taken in response to the past crisis. Notably, both through Basel III at the international level and the Capital Requirements Regulation and Directive at the European level, banks' capital positions and liquidity buffers have been strengthened, providing safeguards against future banking crises.

Moreover, authorities now have at their disposal an improved toolkit comprising early intervention and resolution powers, introduced in Europe by the Bank Recovery and Resolution Directive (BRRD), which implements the internationally agreed standards of the Financial Stability Board's (FSB) Key Attributes of Effective Resolution Regimes. An important element of the resolution framework, which is also reflected in the recently adopted FSB standard on total loss-absorbing capacity for global systemically important banks, is that banks are required to have sufficient loss-absorbing capacity to be prepared for adverse scenarios. At the European level, the BRRD requires the competent resolution authorities, to set an adequate minimum requirement for own funds and eligible liabilities (MREL) for each bank. All resolution tools and powers have the key objective of preserving banks' most critical functions and maintaining financial stability. They have been designed to protect public funds, covered deposits and banking customers by ensuring that failing banks can be resolved in an orderly manner.

As a result, the banking system – at European and global level – is at present much better equipped to weather periods of stress. Should problems nevertheless occur, authorities are now in a far better position to intervene early using targeted tools, and in doing so protect the public interest.

Yours sincerely,

[signed]

Danièle Nouy