



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Andrea ENRIA

Chair of the Supervisory Board

Mr Luke Ming Flanagan
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 4 April 2019

Re: Your letter (QZ018)

Honourable Member of the European Parliament, dear Mr Flanagan,

Thank you for your letter to Mr Mario Draghi, President of the European Central Bank (ECB), which was passed on by Mr Roberto Gualtieri, Chair of the European Parliament's Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 18 February 2019. In your letter you raised questions relating to alleged regulatory breaches by the Irish subsidiary of UniCredit. As this topic is related to the ECB's supervisory tasks, and as the President, in a previous written reply dated 22 December 2016¹, invited you to address any future questions relating to the exercise of the tasks conferred on the ECB within the framework of the Single Supervisory Mechanism (SSM) to the Chair of the ECB's Supervisory Board, he forwarded your letter to me.

As regards your question on the notification of a national supervisor in the context of alleged regulatory breaches by a foreign subsidiary that occurred before 4 November 2014, i.e. the date on which the ECB assumed the supervisory tasks and powers conferred on it, let me briefly make some general remarks on the role of the national authorities competent for banking supervision prior to and following the creation of the SSM.

Before the SSM was established, the prudential supervision of credit institutions was the responsibility of the national competent authorities (NCAs). For cross-border banking groups, colleges of supervisors were set up to facilitate coordination and cooperation between NCAs. The main task of these colleges was to plan and carry out supervisory activities in a coordinated manner, both in the context of ongoing supervision and during crisis situations. However, the supervisory colleges had no supervisory tools at their disposal to address breaches by individual banks that were part of cross-border groups. Instead, it was the respective NCAs that were responsible for investigating and handling regulatory breaches. In the case to which

¹ https://www.ecb.europa.eu/pub/pdf/other/20161222letter_flanagan.en.pdf.

you refer, this was the Central Bank of Ireland. As set out in the SSM Framework Regulation, supervisory decisions taken by NCAs before 4 November 2014 shall remain unaffected.²

The financial crisis showed that mere coordination between national supervisors was not enough to ensure the smooth and sound supervision of cross-border banking groups, particularly in a single currency area.³ Since ECB Banking Supervision became operational on 4 November 2014, supervisory tasks and powers in relation to significant institutions, including their subsidiaries in the participating Member States, have been conferred on the ECB with a view to ensuring coherent and high-quality prudential supervision of credit institutions in all participating Member States.

Regarding the specific case to which you refer in your letter, the ECB President clarified in his written reply dated 22 December 2016 that the Central Bank of Ireland had carried out an in-depth investigation into the matter and considered it to be closed. During his visit to the Irish Parliament on 8 November 2018, the ECB President repeated this position to the Committee on Finance, Public Expenditure and Reform, and Taoiseach.⁴

Yours sincerely,

[signed]

Andrea Enria

² See Article 150 of Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014.

³ See Recital 5 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 A transcript is available at:
https://data.oireachtas.ie/ie/oireachtas/debateRecord/joint_committee_on_finance_public_expenditure_and_reform_and_taoiseach/2018-11-08/debate/mul@/main.pdf.