



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Claudia BUCH**

Chair of the Supervisory Board

*COURTESY TRANSLATION*

Mr Markus Ferber  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 28 March 2025

**Re: Your letter (QZ-003)**

Honourable Member of the European Parliament, dear Mr Ferber,

Thank you for your letter, which was passed on to me by Ms Aurore Lalucq, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 21 February 2025. Your letter concerns ex ante funds of institutional protection schemes (IPSS) and the European Central Bank's (ECB) approach to the exercise of the related options and discretions available to supervisory authorities under Union law.

The ECB Guide on options and discretions available in Union law<sup>1</sup> (hereinafter the "Guide") sets out the ECB's approach concerning the exercise of options and discretions provided for in the European Union legislative framework for the prudential supervision of credit institutions, namely in the Capital Requirements Regulation<sup>2</sup> (CRR) and in the Capital Requirements Directive<sup>3</sup> (CRD). This Guide aims to provide coherent, effective and transparent guidance on the supervisory policies that will be applied within the Single Supervisory Mechanism in relation to significant credit institutions.

In response to the three questions you pose in your letter, I should like to make the following remarks.

First, you ask about the legal basis for the ECB's proposal to stipulate in the aforementioned Guide that IPSS be segregated from IPS ex-ante funds. The legal basis can be found under Article 113(7) of the CRR, which

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<sup>1</sup> See "[ECB Guide on options and discretions available in Union law](#)", ECB, March 2022.

<sup>2</sup> Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

<sup>3</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

states that institutions within an IPS must obtain prior permission from the relevant competent authorities before assigning a risk weight of 0% to exposures to counterparties that are members of this same IPS. When deciding whether to grant prior permission under Article 113(7), the ECB must first assess whether the conditions laid out therein are met. In this context, the aforementioned Guide sets out the ECB's understanding of the conditions required to conclude that "the arrangements ensure that the institutional protection scheme is able to grant support necessary under its commitment from funds readily available to it", as stipulated under Article 113(7)(b) of the CRR. From a supervisory perspective, this means that an IPS must have the necessary flexibility to provide sufficient and timely support under all circumstances, without legal impediments resulting from the fund being simultaneously used for the purpose of a DGS. These two types of scheme serve different purposes: IPSs protect their member credit institutions, while DGSs protect depositors, in particular, against the consequences of the insolvency of a credit institution. For these reasons, a segregated IPS fund is vital.

Second, you ask to what extent the proposal set out in the aforementioned Guide is in line with other ongoing legislative proposals. As mentioned earlier, the Guide sets out the ECB's expectations in relation to the existing legal provisions and therefore it provides transparency vis-à-vis the ECB's supervisory policies under the currently applicable legal framework. We regularly review these policies to ensure full alignment with legislative changes, and we will continue to do so in the future.

Third, you ask whether the ECB has assessed the impact of establishing segregated IPS ex ante funds. Such an assessment would need to take into account the fact that credit institutions that have entered into an IPS not only pay contributions to the IPS ex ante fund but also receive IPS-related benefits, such as capital relief, under the CRR. The amount of capital relief depends on the individual IPS and the interconnectedness between its members, including the central institutions. On average, the IPS-related capital benefits – including those resulting from prior permission to apply a 0% risk weight under Article 113(7) of the CRR – significantly outweigh the target amounts for IPS ex ante funds. Moreover, it should be noted that the three IPSs that currently operate in the euro area, and which are simultaneously recognised as DGSs, have already established segregated IPS ex ante funds and have either already reached or are working towards reaching the target level. Therefore, the Guide's expectations regarding segregated IPS funds are not expected to have an adverse quantitative impact that outweighs the IPS-related capital benefits.

Yours sincerely,

[signed]

Claudia Buch