

Ms Irene Tinagli
European Parliament
Chair of the Committee on Economic and
Monetary Affairs
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Written questions QZ-011/2022 & QZ-012/2022 addressed to the Chair of the Single Resolution Board (SRB)

Dear Chair Tinagli,

Thank you for your letter of 15 March 2022, in which you submitted several questions in connection with the failure of Sberbank Europe AG posed by Mr. Rasmus Andresen and Mr. Ernest Urtasun, Members of the European Parliament.

With regard to the first question that concerns the choice of the resolution tool, I would like to highlight that Sberbank Europe AG and its subsidiaries experienced significant deposit outflows as a result of the reputational impact of the escalation of the Russia-Ukraine conflict. This led to a rapid deterioration in the bank's liquidity position with no available measures offering a realistic chance of restoring this position either at group level or in each of its subsidiaries within the Banking Union. As a result, the banks were declared to be failing or likely to fail (FOLTF) due to them being unable, in the near future, to pay their debts or other liabilities as they fall due. In this respect, it is worth recalling that, in each resolution case, the SRB has to devise the best solution in the public interest and, in particular, for the achievement of the resolution objectives, based on the circumstances of the crisis and the characteristics of the bank at hand, at the moment of FOLTF. In this particular case, the SRB applied the sale of business tool to the Banking Union subsidiaries where financial stability issues - and, in the case of Sberbank banka d.d., a critical function - were identified. The use of the bail-in tool would not have addressed the liquidity issues faced by the group.

Responding to the second question as regards further details about the sale process of the Croatian subsidiary Sberbank d.d., it should be noted that the SRB has already published summary details of the resolution decisions adopted in respect of both Sberbank d.d. and Sberbank banka d.d., whose shares were respectively transferred to Hrvatska Poštanska Banka d.d. and to Nova Ljubljanska banka d.d.. The relevant national resolution authorities (NRAs) also provided details. This information can be accessed on the SRB website (<https://www.srb.europa.eu/en>). Furthermore, as in past cases, the SRB is currently preparing the publication of non-confidential versions of the resolution decisions. To recapitulate, the SRB ordered the Croatian NRA to transfer all the shares of Sberbank d.d., in line with the process required under the SRMR.

Finally, concerning helpful indications for the wider crisis management framework, including the possible setup of a European Deposit Insurance Scheme (EDIS), this case should trigger a renewed impetus for EDIS to overcome the national sovereign-bank nexus to deposit reimbursement. I would like to start by stressing the excellent cooperation between authorities, and re-iterate that this crisis case has demonstrated the effectiveness of the Banking Union resolution framework, as the decisions helped to protect financial stability and the public interest without resorting to using public funds. Following the decision by the SRB that there was no public interest in the resolution of Sberbank Europe AG, the Austrian Financial Market Authority prohibited the group from undertaking any further business operations, which triggered a payout event in accordance with Directive 2014/49/EU and with the Austrian Act on Deposit Guarantee Schemes and Investor Compensation ("Einlagensicherungs- und Anlegerentschädigungsgesetz"). Since the majority of the deposits were held by depositors of Sberbank's German branch (Sberbank Direct), the operational processing of the



pay out of deposits in the German branch is being carried out by the German “Entschädigungseinrichtung deutscher Banken (EdB)” while the funds are provided by the Austrian deposit insurance system (Einlagensicherung Austria/ ESA). Due to the sale of business no payout event in Croatia and Slovenia was triggered.

As repeatedly stated, the SRB believes that an EDIS would significantly contribute to instill financial confidence, that is, to assure depositors that they are equally protected independently of the country of establishment of the bank in the Banking Union, which is particularly relevant, but not limited to, cross-border customers. This would be particularly important in case of cross-border cases in the future and it might become relevant if one DGS encountered several and/or very material payout events in a short period of time, since an EDIS would be more apt to conserve depositors’ confidence. Moreover, a centrally managed EDIS would enhance further the cooperation and coordination in a cross-border payout event that involves multiple jurisdictions, while at the same time ensuring the equal treatment of all depositors.

The Sberbank case is also a vivid reminder of the need to harmonise national insolvency systems for banks. Not only would this greatly facilitate to plan and carry out resolution decisions for cross-border banking groups at the level of resolution authorities, but harmonised rules and procedures could in the long run help increase the speed of winding up, increase recovery values and lead to similar outcomes of a failure in all Member States. In addition, such harmonization would also benefit the establishment and functioning of the Capital Markets Union.

Yours sincerely,

Elke KOENIG
Chair