



Brussels, 10 August 2017
SRB/CM/ARES/(2017)4403207

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Subject: Question for written answer Z-072/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Zanni,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

With regards to the procedure and timing of the resolution decision, I would first like to note that the SRB's day-to-day resolution planning activity and crisis management work are carried out on a priority and risk basis. In the recent Banco Popular Español's resolution case, the SRB enhanced the oversight and, while there was little time, launched internal preparations in anticipation of possible failing or likely to fail notification by the ECB, which would set in motion the formal decision-making process for a resolution decision.

Responding to your first question, concerning the time of the formal initiation of the resolution procedure, I can inform you that this event took place on 6 June 2017 when the ECB consulted with the SRB and submitted its "failing or likely to fail" assessment of the bank according to Article 18(1) SRMR. On the same day and after considering the SRB's formal response, the ECB concluded its final assessment concerning the failure or likely failure of the institution on the circumstances established in Article 18(4)(c) SRM Regulation.

Secondly, you inquire why the SRB did not take an earlier decision e.g. on 2 June 2017 to limit the significant outflow of liquidity. In its assessment for a resolution decision the SRB is required to assess three conditions for resolution:

1. The entity is failing or likely to fail.





2. There is no reasonable prospect that any alternative private sector measure or supervisory action would prevent the failure within a reasonable timeframe.
3. Resolution action is necessary in the public interest.

While the legal framework also recognises the SRB power to declare the entity failing or likely to fail, given the circumstances of Banco Popular Español at the time and its liquidity situation, the ECB was best placed to exercise its discretion and decide on the timing of such declaration. As a result, the ECB concluded its final assessment concerning the failure or likely failure of the entity on 6 June 2017.

I hope that my reply clarifies your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Etke", is written over the typed name "Etke KÖNIG".

Etke KÖNIG
Chair





Brussels, 10 August 2017
SRB/CM/ARES/(2017)4403537

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Subject: Question for written answer Z-073/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Giegold,

I refer to your written questions Z-073/2017, concerning the number of SRB resolution plans and MREL target level decisions, obstacles to resolution and lastly, the conformity of SRB resolution plans to the relevant EBA guidelines.

Before responding to your first two questions, which concern the number of adopted resolution plans for SRB banks and enforceable MREL decisions, let me emphasize that the SRB takes a gradual approach for drafting resolution plans, which focuses both on the size and complexity of the entity under our remit, as well as the level of priority assigned to it. Following this approach, resolution plans differ with respect to the level of their development.

As a result of the 2016 resolution planning cycle, the SRB drafted and adopted a total of 92 resolution plans. Going forward, the SRB will continue to pursue its gradual approach in which the number and content of resolution plans will be increased progressively. This work will also include the setting of binding and enforceable MREL target levels. Given the wide diversity of banking groups in participating Member States and the evolving regulatory environment for MREL, the SRB previously noted that there would not be a final MREL methodology available for the Banking Union in 2016. As a result, the SRB decided to only calculate informative MREL levels for 2016, taking into account the approach adopted by other EU resolution authorities outside the Banking Union. These informative MREL levels were non-binding, non-enforceable and non-challengeable and aimed to help banks prepare for future target levels and gradually adapt their funding structure, where necessary.





With regard to your third question, concerning the number of resolution plans free from obstacles to resolution, I would like to underline that the identification of impediments to resolvability presents a key priority for the SRB, which will shift in the focus of our activities as of this year. Although the SRB did not determine any substantive impediments to resolution in 2016, we did identify areas of potential impediments to resolution for each of our banks and requested banks to suggest measures which might be undertaken to overcome those potential impediments. A determination of whether any of these identified impediments qualify as substantive for the purposes of Article 10 SRMR will be undertaken in 2018. Beyond these bank specific observations, I would like to note that a number of general obstacles relating to judicial, operational and financial challenges currently exist in the Banking Union and therefore the SRB is in the process of identifying them more specifically.

As regards the last question concerning the compliance with the minimum content requirements for the resolution plans, first of all I would like to stress once more the gradual approach that the SRB has followed also with regard to the adoption of resolution plans. The SRB has adopted resolution plans for banks under its remit for the first time in 2016. The SRB acknowledges that there are some elements of the resolution plans which will need to be further developed and has committed to work more on these elements in the next resolution planning cycles.

I hope that my response clarifies all your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Elke König", is written over the typed name and title. The signature is stylized and extends downwards with a long vertical stroke.

Elke KÖNIG
Chair





Brussels, 10 August 2017
SRB/CM/ARES/(2017)4492226

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Subject: Question for written answer Z-074/2017 to the Chair of the Single Resolution Board (SRB) regarding the decisions on Veneto Banca and Banca Popolare di Vicenza

Dear Mr Giegold,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

Your first question is whether the SRB, in its determination of whether the resolution of Veneto Banca and Banca Popolare di Vicenza was warranted in the public interest, assumed that the liquidation under normal Italian insolvency proceedings would entail the provision of State aid as provided in the Italian law and as approved by the Commission. In its analysis, the SRB takes into account normal insolvency proceedings, as mandated by SRMR, and as foreseen in the national legislation of the Member State at the time of issuing its decision. In this case, the law granting State aid and the relevant Commission decision were not approved at the moment the SRB took its decisions but were adopted afterwards¹. As you are aware, State aid granted by Member States is subject to clearance by the European Commission: the SRB plays no role in these procedures, either for precautionary recapitalisation or for liquidation aid.

Secondly, you ask why the SRB came to the conclusion that the use of resolution tools was not in the public interest. In its technical assessment of whether a resolution is in the public interest, the SRB takes into consideration whether resolution is needed to achieve the resolution objectives indicated in the BRRD and SRMR, which are basically:

- (1) Ensuring the continuity of critical functions;
- (2) Avoiding significant adverse effects on financial stability; and

¹ EC press release: http://europa.eu/rapid/press-release_IP-17-1791_en.htm
Italian law decree: <http://www.gazzettaufficiale.it/eli/id/2017/06/25/17G00115/sg>



(3) Protecting public funds, covered depositors and investors, client funds and assets.

These objectives are of equal importance but the resolution authorities need to balance them as appropriate depending on the nature and circumstances of the case.

In the case of these two banks the SRB concluded that:

- (1) Neither of them carried out functions critical to the economy of Italy: the assessment is based on a detailed technical analysis of market share data and dynamics and considerations on the substitutability of the functions carried out by the two banks in the national and the regional markets.
- (2) Their failure, individual or combined, was not expected to have significant adverse effects on financial stability : the potential impact of their failure was assessed based on their financial and operational interconnectedness with other institutions, their relevance for the Italian funding market, their systemic relevance and the disconnect between the market perception of these two banks and the rest of the sector in Italy, as shown in the market prices for the banks' bonds.
- (3) Normal Italian insolvency proceedings would have achieved the other resolution objectives (protection of public funds, of covered depositors and investors, client funds and client assets) to the same extent as resolution.

I hope that this clarifies your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,



Elke KÖNIG
Chair



Brussels, 10 August 2017
SRB/CM/ARES/(2017) 4492546

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Subject: Question for written answer Z-080/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Valli,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

I would first like to note, as your question notes, that the ECB is responsible for the assessment of credit risk underlying the portfolios of commercial banks. As such, the approach to level 2 and level 3 assets in a going concern context is not within the remit of the SRB.

With regard to how these assets might be treated in resolution, it is useful to note that the SRB takes a bank-specific approach to setting resolution strategies, which accounts for the specificities of individual banks under the SRB's responsibility. The business model and the assets of the bank are taken into due account.

I hope that my response clarifies all your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,


Elke KÖNIG
Chair





Brussels, 10 August 2017
SRB/CM/ARES/(2017)4493921

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Subject: Question for written answer Z-081/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Urtasun,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

In the recent Banco Popular Español's resolution case, the European Central Bank had decided that Banco Popular Español was "failing or likely to fail" on 6 June 2017 and notified the SRB accordingly. The SRB took resolution action and adopted a resolution scheme providing for the application of the sale of business tool to the institution. The resolution was in the public interest as it protects the depositors of Banco Popular Español and ensures financial stability (further information has been published on the SRB website).

Given that the bank failed on a Tuesday, had there not been a willing buyer there would have been a risk of a disruptive failure, taking into account the laws which would have applied to the bank. Therefore, there are advantages to the resolution authority having a Moratorium Tool to "buy time", if need be or to take us to the weekend in case a bank is declared "failing or likely to fail" by the European Central Bank in the middle of the week. Such a tool would only be used in exceptional circumstances, given its intrusive nature.





It should be noted that the European Commission's November 2016 comprehensive banking package of reforms includes, amongst other items, the moratorium tool and that this is currently being debated by the European co-legislators. From our perspective, regarding the scope of this tool, it would be important for such a tool to cover sufficient liabilities to provide the authorities with sufficient time to manage a bank failure effectively. For example, if deposits were not in the scope of the power and a retail bank failed in the middle of the week, then it is unlikely the tool would be usable. As such, it would be better for the tool to cover all liabilities, subject to the discretion of the resolution authority.

I hope that my response clarifies all your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,



EIKE KÖNIG
Chair





Brussels, 10 August 2017
SRB/CM/ARES/(2017) 4494405

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Subject: Question for written answer Z-082/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Urtasun,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

On 26 July 2017, more than 90% of the Liability Data Template (LDT) reporting files had been delivered and correctly processed by the SRB. At present the remaining files are expected, mainly due to requests to re-submit corrected LDTs following review by the Internal Resolution Teams. The LDT from Banco Popular Español was among those received by the SRB.

The process for reporting the LDT has been significantly improved this year, benefitting both the data accuracy and reporting speed. The 2017 data collection process involved the collection of LDTs in Excel format from banks by National Resolution Authorities (NRAs). NRAs were then provided with access to the new SRB's data collection portal which served not only to collect the data in a secure and structured format (the portal converts Excel files into XBRL, a standards-based way to communicate and exchange business information between business systems), but also ran basic consistency and formatting checks on data. LDTs that did not respect these checks were invalidated by the portal and banks needed to correct and resend the data.





At the moment, several banks are still finalizing the necessary IT infrastructure to report the LDT within 24 hours. The SRB is committed to monitor banks' ability to deliver such information in a timely and structured manner on an ad-hoc basis. The bank's ability to produce the data "on the spot" is essential though it might take some time for the banks to achieve it.

I hope that my response clarifies all your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,

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Elke KÖNIG
Chair





Brussels, 10 August 2017
SRB/CM/ARES/(2017) 4494846

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Subject: Question for written answer Z-083/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Urtasun,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

Before responding to your questions, let me emphasize that the SRB acts within the strict boundaries of Regulation (EU) No 806/2014, agreed by the co-legislators.

The Regulation (EU) No 806/2014 allows the use of the SRF "only to the extent necessary to ensure the effective application of the resolution tools". This implies that any provision of liquidity can only be carried out within a resolution scheme, should it be considered necessary, without prejudice to the state aid framework.

Besides, the SRB has to bear in mind the SRF's limited capacity with regard to the amount that liquidity support may require, notably when looking at large institutions.

The traditional lender of last resort to any solvent bank is its Central Bank. A successful resolution should ensure the possibility for the bank to subsequently access Central Bank funding. Hence, once a resolution has been carried out successfully, banks should have access to Central Bank funding subject to the relevant rules (such as adequate solvency and





the availability of high quality collateral). The SRB is in dialogue with the European Central Bank on this topic.

In response to your second question, it should be noted that national insolvency laws are currently fragmented across the Banking Union and a harmonized insolvency framework would not only facilitate the SRB's decision-making when assessing whether a bank can be put into liquidation under national insolvency, but would also create a level playing field for the consideration and application of resolution tools.

Finally, the question whether costs related to staff reductions pose a substantive impediment to resolvability is case-specific and depends on various factors such as the scale of layoff, the types of contracts and the available liquid means to compensate employees. These factors will be taken into account by the SRB should the resolution decision entail a restructuring of the bank. A general classification per Member State is not intended, however, national specificities will be considered in resolution planning and the preparation of resolution decision.

I hope that my response clarifies all your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,



Elke KÖNIG
Chair





Brussels, 10 August 2017
SRB/CM/ARES(2017) 4495103

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Subject: Question for written answer Z-084/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Lamberts,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

With regards to resolution cases, we can certainly take lessons regarding MREL, and the importance of having sufficient high quality MREL to effectively undertake resolutions. Subordination is one of the key components which determines whether MREL is of a high quality.

Directive 2014/59/EU further requires that exclusions, where anticipated, be accounted for in the MREL setting process. Article 45(6) of the directive highlights "the need to ensure that if the resolution plan anticipates that certain classes of eligible liabilities might be excluded from bail-in under Article 44(3) or that certain classes of eligible liabilities might be transferred to a recipient in full under a partial transfer, that the institution has sufficient other eligible liabilities to ensure that losses could be absorbed and the Common Equity Tier 1 ratio of the institution could be restored to a level necessary to enable it to continue to comply with the conditions for authorisation and to continue to carry out the activities for which it is authorised under Directive 2013/36/EU or Directive 2014/65/EU".

If it becomes clear that certain liabilities are too sensitive to be exposed to losses, then it would make sense for the resolution authority to consider means of ensuring the resolvability of the firm, possible through setting a higher MREL requirement. It should be recalled that covered depositors are always protected.





I hope that my response clarifies all your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Elke König".

Elke KÖNIG
Chair



Brussels, 10 August 2017
SRB/CM/ARES(2017) 4495407

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Subject: Question for written answer Z-085/2017 to the Chair of the Single Resolution Board (SRB)

Dear Mr Lamberts,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 July 2017.

The provision of bank data from the ECB to the SRB is governed, in particular, by Article 7(2) of the memorandum of understanding agreed between the ECB and the SRB on 22 December 2015. Where the ECB is custodian of bank data and that bank data is required by the SRB in order to perform its functions, the ECB provides that bank data to the SRB.

The SRB's internal resolution team coordinators work closely with the ECB's joint supervisory team coordinators and the flow of information between our two institutions is satisfactory. This exchange of information intensifies when banks are in distress and at risk of possible resolution.

I would also remark that the ECB and the SRB are currently preparing for the revision of the memorandum of understanding to reflect the gained experience of the cooperation during the last two and a half years and include more appropriately certain operational aspects, inter alia, enhanced information flows.

I hope that my reply clarifies your questions and look forward to continuing the dialogue with the European Parliament and to working together pro-actively on resolution-related matters.

Yours sincerely,



Elke KÖNIG
Chair

