EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Claudia Buch
Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Dimitrios Papadimoulis
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 13 March 2024

Re: Your letter (QZ-001)

Honourable Member of the European Parliament, dear Mr Papadimoulis,

Thank you for your letter on the levels of interest rates on deposits in Greece, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 2 February 2024.

You inquired about how supervisors assess the deposit rates in Greece in relation to the European average, and whether they consider that there is scope to raise interest rates on deposits, given the improved profitability and liquidity ratios of Greek banks.

The SSM Regulation[1] confers on the ECB the task of supervising credit institutions from a prudential perspective, while supervisory tasks not conferred on the ECB, including competition and consumer protection[2], remain the responsibility of the national competent authorities. Supervisors do not assess the adequacy of deposit rates offered by credit institutions, as the setting of rates is a business decision and an element of an institution’s contractual relationship with its clients. Therefore, I cannot comment on such matters. It is instead up to competition and consumer protection authorities to ensure that competition is not inhibited by artificial barriers to enter or exit the banking market and that clients can choose freely between alternative offers.

1 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), available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R1024.

2 ibid., Recital 28.

In general, as prudential supervisors, ECB Banking Supervision, in conjunction with the national supervisory authorities, aims to ensure that banks remain resilient even in times of stress. In this context, supervisors monitor liquidity ratios and profitability from the perspective of assessing vulnerabilities that may potentially endanger the safety and soundness of credit institutions. For example, as part of our work on the SSM supervisory priorities[3], we currently assess the preparedness of credit institutions to cope with more volatile funding sources, higher funding costs (including on deposits), a potential fall in asset quality and a further repricing in financial markets in the short and medium term.

The speed of transmission of interest rates is relevant in this context as it affects banks' net interest margins. In general, remuneration on deposits tends to respond to policy rate increases with a degree of lag. Across European banks this trend has in recent months bolstered profitability and resilience, as interest rates on loans have adjusted more rapidly than those on deposits. However, from a prudential standpoint, this phenomenon can have implications for the sustainability of banks' profits, their liquidity and funding profiles, and their management of interest rate risks in the banking book. Against this background and as highlighted in the SSM supervisory priorities, supervisors are conducting targeted reviews and on-site inspections of banks' liquidity and funding plans, as well as their asset and liability management practices.

As regards potential differences in deposit rates across euro area countries and specific details related to Greece, please see also a recent study from the Bank of Greece[4].

Yours sincerely,

[signed]

Claudia Buch

[3] SSM supervisory priorities for 2024-2026, ECB, 2023, available at: https://www.bankingsupervision.europa.eu/banking/priorities/html/ssm.supervisory_priorities202312~a15d5d36ab.en.html.

[4] See Bank of Greece Interim Report 2023, available at: https://www.bankofgreece.gr/Publications/Inter_NomPol2023.pdf (only available in Greek).