



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

Ms Pervenche Berès
Mr Othmar Karas
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 8 June 2018

Re: Your letter (QZ050)

Honourable Members of the European Parliament, dear Ms Berès, dear Mr Karas,

Thank you for your letter on the European Banking Authority (EBA) guidelines on internal governance and fit and proper assessments, 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 May 2018.

The ECB fully acknowledges the specificities and merits of the cooperative and saving banks' business models. The ECB also agrees that multiple business models can and should coexist in the European banking system. Such diversity increases stability and ensures that all the needs of the economy can be fulfilled.

In this context, attention should be drawn to the still highly diverse governance rules applicable in Europe which cause additional, undesirable fragmentation of the European banking landscape. Considering that further harmonisation and supervisory convergence are needed to create a level playing field and foster the effective functioning of the banking union, the ECB supports the joint European Securities and Markets Authority (ESMA)/EBA guidelines on suitability assessments and the EBA guidelines on internal governance, which will enter into force on 30 June 2018. As indicated on our website,¹ the ECB has notified the EBA of its intention to comply with both sets of EBA guidelines with respect to significant institutions under its direct supervision, subject to the limits of, and without prejudice to, national law provisions implementing the Capital Requirements Directive (CRD IV).

The EBA guidelines have raised the standards for banks' governance (including fit and proper assessments) and the ECB expects all significant institutions to adjust to the new rules over time. This is an evolutionary process, during which an appropriate pace of progress should be achieved.

¹ <https://www.bankingsupervision.europa.eu/legalframework/regulatory/compliance/html/index.en.html>.

The inclusion of independent members on the management body allows the effectiveness of checks and balances to be enhanced, ensures diversity and brings new perspectives to the discussion by decreasing the risk of group-think. The requirement of having a sufficient number of independent members is not precisely specified in the EBA guidelines, which gives supervisors the flexibility to take a proportionate approach. In addition, the “non-independence factors” set out in the EBA guidelines do not automatically qualify a member as being non-independent. Where a member falls under one or more of the situations set out in the EBA guidelines, the bank may demonstrate to the competent authority that the member should nevertheless be considered as “being independent”.

Against this background, the ECB will further promote the raising of requirements and a level playing field in the area of governance and fit and proper assessments. We expect significant institutions to make steady progress regarding the alignment of their governance arrangements with the EBA guidelines and ECB policies.

Yours sincerely,

[signed]

Danièle Nouy