



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Marco Zanni
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 19 July 2017

Re: Your letter (QZ-062)

Honourable Member of the European Parliament, dear Mr Zanni,

Thank you for your letter regarding supervisory monitoring of liquidity, 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 29 June 2017.

ECB Banking Supervision monitors the liquidity situation of supervised banks closely and makes sure they have a sound framework for managing liquidity and funding risk, both under normal business conditions and when facing financial difficulties.

In its day-to-day activities, ECB Banking Supervision conducts an assessment of the liquidity risk based on liquidity reporting templates submitted by credit institutions on a monthly and quarterly basis. The reporting follows the European Banking Authority (EBA) standards on liquidity, which provide competent authorities with harmonised information on institutions' liquidity risk profiles, taking into account the nature, scale and complexity of their activities. Through the Supervisory Review and Evaluation Process, ECB Banking Supervision assesses compliance with supervisory expectations regarding the sound management of liquidity risks. Supervisory measures, both of a qualitative and a quantitative nature, are used if deficiencies are identified. They are imposed to remedy deficiencies identified in banks' risk controls, their internal liquidity adequacy assessment processes, or in their liquidity risk profile.

If the financial situation of a bank deteriorates, the frequency of the liquidity monitoring conducted by ECB Banking Supervision increases to the extent deemed necessary. In some cases, the institution needs to report on a daily or intraday basis on, among other things, historical trends and forward-looking developments of funding, as well as unencumbered assets which could be used as collateral in accordance with Article 414 of the Capital Requirements Regulation. In addition, ECB Banking Supervision is also informed about the liquidity situation via regular telephone contact with the staff of the supervised bank.

Please note that ECB Banking Supervision and the ECB's monetary policy functions have set up a framework to exchange information on the basis of Article 6 of Decision ECB/2014/39. In this context, information on the liquidity situation of supervised banks can be exchanged, both in normal and in stressed circumstances, on a need-to-know basis.

Regarding emergency liquidity assistance (ELA), as the ECB President has explained on previous occasions, the provision of ELA is a national task that falls under the competence of the respective national central bank.¹ Further details on the allocation of responsibilities for ELA operations can be found on the ECB's website.² As a consequence, against the background of this division of labour and the specificities of each ELA request/decision, and while ECB Banking Supervision always assesses the availability and quality of collateral in banks for refinancing purposes in general, it should not take the fulfilment of ELA conditions nor the availability of ELA funding for granted.

Yours sincerely,

[signed]

Danièle Nouy

¹ See, for example, http://www.ecb.europa.eu/pub/pdf/other/ecb.170511letter_de_masi.en.pdf

² See https://www.ecb.europa.eu/pub/pdf/other/Agreement_on_emergency_liquidity_assistance_20170517.en.pdf