



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Danièle NOUY**

Chair of the Supervisory Board

*COURTESY TRANSLATION*

Mr Gerolf Annemans  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 17 February 2015

**Re: Your letter (Z-03/2015)**

Honourable Member of the European Parliament, dear Mr Annemans,

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 16 January 2015.

You address the issue of the risk weights attached to holdings of government bonds by credit institutions. Article 114(4) of the Capital Requirements Regulation,<sup>1</sup> which is applicable to banks supervised by the ECB, provides that exposures to Member States' central governments and central banks denominated and funded in the domestic currency of that central government and central bank are assigned a risk weight of 0%.<sup>2</sup> As a supervisor, the ECB encourages credit institutions to make their own assessments of the risks attached to their exposures and to take a more prudent stance where deemed necessary in the context of each credit institution's internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP).

Yours sincerely,

Danièle Nouy

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<sup>1</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, OJ 2013 L 176/1.

<sup>2</sup> Until 31 December 2017 the same treatment will be given to exposures to the central governments or central banks of Member States denominated and funded in the domestic currency of any Member State (Article 495(2) of the CRR). This equal treatment will be subsequently phased out gradually until 31 December 2019 (Article 114(6) of the CRR).