



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Markus Ferber
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 23 May 2017

Re: Your letter (QZ032)

Honourable Member of the European Parliament, dear Mr Ferber,

Thank you for your letter regarding the collection of data by the SSM on profitability forecasts for less significant institutions, 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 25 April 2017.

This specific data collection which you mention takes place in the context of the thematic review on business model and profitability; the Single Supervisory Mechanism (SSM) decided to extend the profitability survey conducted on significant institutions to a sample of 124* less significant institutions (LSIs). The objective of the survey is to gather information about the forward-looking strategy and financial plans of LSIs in the context of generally low profitability in the banking sector. The data collected will inform the ECB's internal analysis of risks to the LSI sector. The survey will provide additional information about groups of institutions across countries, and will support national competent authorities (NCAs) in assessing banks' forecasts and their business models, which is part of the Supervisory Review and Evaluation Process (SREP).

During its planning phase, the LSI profitability forecast exercise was extensively coordinated with the NCAs on most aspects of the survey (e.g. the timeline of the project and the questionnaire and instructions to banks). Moreover, the selection of banks involved in the survey was agreed with each NCA, reflecting the size and specificities of the LSI sector in each country. The ECB also consulted banking associations at both the European and national levels. It circulated a preliminary version of the questionnaire in December 2016 and held a teleconference in order to gather comments, which led to the modification of parts of the questionnaire.

In this context, the questions of proportionality and language regime which you raise in your letter have been duly taken into account.

* The number of banks surveyed has been corrected.

With respect to proportionality, the survey covers only a very small fraction of the LSI sector (less than 3%), whereas all SIs were covered. In addition, the questionnaire for LSIs is a subset of the survey for SIs, covering fewer than half of the data points collected from SIs. The survey on LSIs is a one-off exercise limited to the year 2017, and banks have been asked to reply on a best-effort basis, i.e. report data on their latest available budget and for the time horizon they normally forecast. In addition to quantitative questions, the survey contains qualitative questions (e.g. on expected trends and questions with predefined answers regarding profitability drivers) intended to reduce the burden of compilation.

Finally, with respect to the language regime, both the questionnaire and the accompanying guidance note have been translated into German to facilitate completion by banks. In addition to this, a Q&A process has been established where NCAs serve as the direct point of contact for all questions or issues the participating institutions may have. Lastly, institutions are free to provide comments on each data field in any of the official languages of the European Union.

Yours sincerely,

[signed]

Danièle Nouy