



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Andrea ENRIA

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr Frank Schäffler
Member of the German Bundestag
Platz der Republik 1
11011 Berlin

Frankfurt am Main, 21 July 2020

Re: Your letter of 29 May 2020

Honourable Member of the Bundestag, dear Mr Schäffler,

Thank you for your letter, which was passed on to me by the President of the Bundestag, the honourable Dr Schäuble, accompanied by a cover letter dated 4 June 2020.

With regard to your questions related to ongoing monitoring of the institutional protection scheme (IPS) of the German Savings Banks Association (DSGV) (hereinafter “IPS DSGV”), while the European Central Bank (ECB) cannot comment on the outcome of individual assessments for confidentiality reasons, we would like to provide you with information that may clarify the role of supervisory authorities within the Single Supervisory Mechanism (SSM) in relation to this matter. In addition to the response provided below, you can find further information in my letter of 3 July 2020¹ to four Members of the European Parliament.

Under the Capital Requirements Regulation (CRR)², credit institutions may enter into an IPS as defined in Article 113(7) of the CRR. As credit institutions entering into such a scheme benefit from capital reliefs under the CRR, competent authorities must ensure that the applicable requirements are met on an ongoing basis through regular monitoring of the risk management systems put in place by IPSs. The CRR specifies, among other things, that (i) the IPS shall dispose of suitable systems for the monitoring and classification of risk³, (ii) the IPS shall conduct its own risk review⁴, and (iii) the IPS shall draw up and publish financial statements on an annual basis, either on a consolidated basis or following the accounting aggregation method⁵.

¹ [Letter of 3 July 2020 from Andrea Enria, Chair of the Supervisory Board, to Marco Zanni, Francesca Donato, Valentino Grant and Antonio Maria Rinaldi, MEPs.](#)

² [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 and amending Regulation \(EU\) No 648/2012 \(OJ L 176, 27.6.2013, p. 1\).](#)

³ See Article 113(7)(c).

⁴ See Article 113(7)(d).

⁵ See Article 113(7)(e).

As IPS DSGV includes both significant institutions (SIs) and less significant institutions (LSIs), different authorities are responsible for the direct supervision of the individual IPS members. Under the SSM, the ECB directly supervises all SIs through Joint Supervisory Teams, while the supervision of LSIs is conducted by national supervisors, which in the case of Germany are the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank. In its oversight function, the ECB works closely with national supervisors to further harmonise the implementation of rules governing banking supervision, while also ensuring that joint supervisory standards are applied consistently across the system.

In order to coordinate the monitoring of IPSs, in 2016 the ECB issued a Guideline⁶ laying down the principles for the coordination of the assessment and the monitoring of IPSs composed of significant and less significant institutions. In the specific case of IPS DSGV, the ECB, in coordination with the German national competent authorities (NCAs), conducts regular monitoring. However, regarding your question on the requirements imposed on German savings banks in terms of internal controls, we would like to point out that IPS monitoring is performed without prejudice to the respective supervisory competencies of the ECB and NCAs, and, as such, it is not aimed at identifying and remediating weaknesses of specific credit institutions. In the case of German savings banks that are LSIs, this is in the remit of the German NCAs.

With respect to your question on the requirements imposed on IPS DSGV, while the ECB is not allowed to provide information on specific cases for confidentiality reasons, the ECB has laid down its expectations regarding the recognition of such schemes in a separate Guideline⁷ as well as in the ECB Guide on options and discretions available in Union law. In general, the ECB expects an IPS, by making proactive and timely interventions, to ensure that its member institutions abide by regulatory own funds and liquidity requirements. If the actions of a member institution are not sufficient, the governance structure of the IPS and its decision-making process on support measures must allow support to be provided in a timely manner. In that context, the IPS monitoring framework is aimed at ensuring continuous capacity to support ailing institutions and the availability of adequate financial resources. The competent authority will intervene if there is a need for improvement in this regard.

With respect to IPS DSGV, questions about the efficiency of the scheme have arisen during the various crises cases over the past years. The subsequent review conducted in coordination with the German NCAs focused on the decision-making process and broader governance structure of IPS DSGV, as mentioned in the media report⁸ attached to your questions. In this regard, it should be clarified that this document represents a draft which was, at the time of its publication, still the subject of discussion with IPS DSGV. In all cases, any improvement requested of an IPS is intended to safeguard the continued benefit of the IPS for member institutions, consistent with EU rules. Regarding your last question, concerning the timeline for the finalisation of this supervisory exercise and the disclosure of the outcome, we hope you will understand that

⁶ [Guideline \(EU\) 2016/1993 of the European Central Bank of 4 November 2016 laying down the principles for the coordination of the assessment pursuant to Regulation \(EU\) No 575/2013 of the European Parliament and of the Council and the monitoring of institutional protection schemes including significant and less significant institutions \(ECB/2016/37\).](#)

⁷ [Guideline \(EU\) 2016/1994 of the European Central Bank of 4 November 2016 on the approach for the recognition of institutional protection schemes for prudential purposes by national competent authorities pursuant to Regulation \(EU\) No 575/2013 of the European Parliament and of the Council \(ECB/2016/38\).](#)

⁸ Media report published in Handelsblatt on 28 May 2020.

the ECB does not disclose the outcome of its supervisory assessments, except with the express prior consent of the institution concerned (in this case, IPS DSGVO).

Yours sincerely,

[signed]

Andrea Enria