



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

COURTESY TRANSLATION

Mr José Manuel Fernandes
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 22 May 2017

Re: Your letter (QZ025)

Honourable Member of the European Parliament, dear Mr Fernandes,

Thank you for your letter on the possibility of creating a new entity for banking supervision in Portugal, 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.

Each Member State of the European Union is free to choose either to assign banking supervision tasks to its central bank or to set up a separate body. The option of a separate body has been chosen by seven out of the 19 euro area countries.

Article 19(1) of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the Single Supervisory Mechanism (SSM) Regulation) says that, when carrying out the tasks conferred upon the ECB by the SSM Regulation, the national competent authorities acting within the SSM shall act independently. The same provision says that the members of the ECB Supervisory Board and of the ECB Steering Committee shall act independently and objectively in the interest of the Union as a whole, and shall neither seek nor take instructions from the institutions or bodies of the Union, from any government of a Member State or from private bodies or the public.

This means that if Portugal decided to create a national competent authority for banking supervision outside the central bank, such institution would also be obliged to act independently.

This principle of independence of banking supervisors is also safeguarded at international level. Among the Core Principles for Effective Banking Supervision, developed by the Basel Committee on Banking Supervision (which constitute the international benchmark that banking supervisors should observe) Principle 2 details how the principle of independence should be safeguarded, irrespective of the institutional structure in a country.

Without prejudice to the above considerations, and for the sake of completeness, it should be acknowledged that in view of central banks' pivotal role in the financial system and the synergies with other central banking activities, the task of prudential supervision of credit institutions has in most cases been assigned to separated structures within central banks.

Yours sincerely,

[signed]

Danièle Nouy