



EUROPEAN CENTRAL BANK

EUROSYSTEM

*COURTESY TRANSLATION*

Mario DRAGHI

*President*

Mr Nuno Melo  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 1 July 2013

L/MD/13/409

**Re: Your letter**

Dear Mr Melo,

Thank you for your letter passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, and accompanied by a cover letter dated 16 April 2013.

Regarding your question on whether there is a genuine risk of bank closures in the euro area, the ECB has no responsibility for banking supervision at this stage and is therefore not the appropriate authority to answer this question.

Regarding your second question, the establishment of a banking union is essential in order to break the negative feedback loop between banks and sovereigns and to address current financial market fragmentation as well as to restore proper transmission of monetary policy. The establishment of the Single Supervisory Mechanism (SSM) and a Single Resolution Mechanism (SRM) is expected to enhance the capacity of supervisory authorities to prevent and manage possible problems at banks at an early stage.

Regarding your question on recapitalising banks in the future, the draft Council Regulation on the SSM provides that the ECB, in cooperation with national supervisory authorities, will carry out a comprehensive balance sheet assessment of at least the banks coming under its direct supervision. This exercise will be an important preliminary step for obtaining a clear view of the situation of banks in the euro area. The

forthcoming Directive establishing a framework for the recovery and resolution of credit institutions and investment firms will introduce a clear framework for dealing with resolution.

Yours sincerely,

[signed]

Mario Draghi