



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Christine LAGARDE
President

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

Frankfurt am Main, 10 February 2023

L/CL/23/28

Re: Your letters (QZ-036 and QZ-037)

Honourable Member of the European Parliament, dear Mr Melo,

Thank you for your letters, which were passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 29 November 2022.

Regarding your specific question on the correspondence between the ECB and the Portuguese authorities, I can confirm the receipt of a letter from Portuguese Prime Minister António Costa to then President of the ECB, Mario Draghi, which was dated 14 December 2015. The letter was made available to the members of the Governing Council, including then Governor of the Banco de Portugal Carlos Costa, upon receipt.

You also enquired about the relevance of the aforementioned letter for banking supervision within the Single Supervisory Mechanism (SSM). Allow me to reassure you that European banking supervision exercises its supervisory tasks entirely independently,¹ taking a risk-based approach to supervision that is built on its own and independent risk assessments. Furthermore, the very establishment of the SSM played a crucial role in ensuring a homogenous approach to banking supervision in all participating Member States. The supervisory principles and procedures of the SSM are applied to credit institutions across all participating Member States in an appropriately harmonised way to ensure consistency of supervisory actions and avoid distortions in treatment and fragmentation.

¹ See the SSM Regulation (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 (OJ L 287, 29.10.2013, p. 63)), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32013R1024>.

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Regarding your specific questions related to Banco Internacional do Funchal S.A. (BANIF), please note that the latter was classified as a less significant institution in accordance with Article 6(4) of the SSM Regulation. It was therefore not directly supervised by the ECB, and instead was under the direct supervision of the Banco de Portugal in its capacity as national competent authority. The ECB generally does not comment on individual counterparties, but I refer you to the 2016 replies by ECB President Draghi to a previous letter from you and to one from MEP José Manuel Fernandes, providing detailed information related to the change in BANIF's counterparty status.² The former reply also addresses the issue raised in your letter, namely the decision by the Banco de Portugal deeming BANIF as failing or likely to fail.

Turning to your last question on the agenda of the ECB Governing Council meeting on 16 December 2015, allow me to clarify that an amendment to the provisional agenda of that meeting was prompted by a letter from the Governor of the Banco de Portugal to the ECB President. This letter requested approval from the Governing Council to apply discretionary measures on the grounds of prudence, consisting of limiting BANIF's access to Eurosystem liquidity-providing reverse transactions, as well as restricting BANIF's access to intraday credit in line with rules established in the Agreement on emergency liquidity assistance. To consider the letter by the Governor of the Banco de Portugal, the item "Application of discretionary measures to a Eurosystem counterparty" was added to the agenda at the beginning of the Governing Council meeting, following a proposal from the ECB President. Neither the letter of 14 December 2015 from Prime Minister António Costa, nor the letter from Governor Carlos Costa dated 16 December 2015³ included a proposal to suspend BANIF's counterparty status.

Yours sincerely,

[signed]

Christine Lagarde

² See *Letter from the ECB President to Mr Nuno Melo*, MEP, regarding a less significant credit institution, ECB, 31 May 2016, available at: https://www.ecb.europa.eu/pub/pdf/other/160531letter_melo.en.pdf and *Letter from the ECB President to Mr José Manuel Fernandes*, MEP, regarding a less significant credit institution, ECB, 31 May 2016, available at: https://www.ecb.europa.eu/pub/pdf/other/160531letter_fernandes.en.pdf.

³ While the letter by the Banco de Portugal was dated 16 December 2015 and the ECB Governing Council meeting took place on the same day, the ECB President's replies of 31 May 2016 to letters from you and MEP Fernandes erroneously note a date of 17 December 2015 for the letter and meeting.

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