

VALDIS DOMBROVSKIS

Vice-President of the European Commission

Brussels, 09 JUN 2017

Andrea Enria
Chairperson of the EBA
Floor 46, One Canada Square, Canary Wharf
London E14 5AA
United Kingdom

Dear Mr Enria,

Thank you for your letter in which you convey the views of the supervisory community on several aspects of the Commission's proposal for the CRR/CRD review. The advice of the EBA has been very valuable in the preparation of our proposal and I would like to thank you once again for your contribution.

Regarding the NSFR, we have indeed followed the vast majority of the recommendations of the EBA. These adjustments will take into account European specificities when we transpose international standards into EU law and will preserve the diversity of business models in the EU banking sector. The phasing-in of the treatments of derivatives and reverse repos were introduced to ensure that the implementation of the NSFR does not disrupt the smooth functioning of these markets, which offer important risk management instruments in the case of derivatives and are essential to banks' funding and market-making activities in the case of repos and reverse repos. The reports that the EBA will provide on these topics will be of crucial importance to determine the treatment we want to apply beyond the transitional period.

Regarding the specific issue of the scope of assets and liabilities that can be considered as interdependent for the purposes of the calculation of the NSFR, I am open to discuss the introduction of a mandate for the EBA to monitor how the conditions for eligibility under Article 428f(1) are interpreted by institutions and competent authorities. I consider however the list of products and activities in Article 428f(2) to be EU specificities or elements that support the consistency of our regulatory objectives whose specific treatment should not be put in doubt by a potential change at a future date.

In relation to your comments on the leverage ratio, you raise three points. On the first one, I do not consider that complementing a definition in the CRR through a technical standard is the appropriate solution. The definition in the CRR should be sufficiently clear to be applicable immediately. To the extent that the EBA has suggestions on how the definition could be improved, it should forward them to the Commission, the European Parliament and the Council so that they can be examined and, where appropriate, incorporated in the text of the proposal. On the second one, I believe that the latest version of the text circulated by the Maltese Presidency already makes it very clear as to which types of pass-through loans can be excluded from the leverage ratio exposure measure, namely those that do not entail any risk of loss for the credit institution passing the loans through the intermediation chain. On the last one, I am open to the idea of giving monitoring powers to EBA, but my services would like to discuss the proposed drafting.

I would also like to thank you for your comments on the CRD provisions regarding remuneration for which my colleague Commissioner Vera Jourová is responsible. Your drafting suggestions for reporting and disclosure by the EBA of the aggregate information on the number of persons that are remunerated EUR 1 million or more per financial year indeed clarify the text and make it consistent with other provisions of CRR and CRD. The possibility of giving a mandate to the EBA to develop implementing technical standards for the purposes of reporting on this subject would have its merits.

My services and I remain at your disposal for any further discussion about the CRR/CRD review.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'V. Dombrovskis', with a long horizontal flourish extending to the right.

Valdis Dombrovskis