



EUROPEAN COMMISSION

Commissioner Mairead McGuinness
Financial Services, Financial Stability and Capital Markets Union

Brussels, 29/06/2021
Ares (2021)4321397

Dear Mr. Campa,

Dear José Manuel,

Subject: Mandate for a study on EU dependence on non-EU banks and on funding in foreign currencies

I am writing to you with regard to the European Commission's Communication '*The European economic and financial system: fostering openness, strength and resilience*' issued on 19 January 2021. This Communication sets out a Commission's comprehensive strategy to respond to the challenges faced by the EU financial system in light of recent geopolitical trends, and it hinges on strengthening the international role of the euro, making the financial sector more resilient, and making the European sanctions regime more effective.

In terms of resilience, the Commission has identified the excessive dependence on non-EU operators for the provision of critical financial services and the excessive reliance on funding in foreign currencies as potential vulnerabilities for our financial sector that could create risks to financial stability during times of idiosyncratic or systemic stress. Past crises and, most recently the Covid-19 pandemic, have shown how these two elements could become sources of instability, for example if foreign operators retrench from the EU market to refocus on their domestic operations, and require extraordinary interventions by central banks and public authorities.

In order to assess the significance of these dependencies in the EU banking sector, and possibly identify the underlying drivers and financial stability implications, the Commission would like to mandate the European Banking Authority (EBA) to conduct relevant studies and economic analyses based on supervisory reporting and additional data collection where necessary (please refer to the annexed document for details). The deadline for the delivery should be no later than June 2022, with intermediate blocks of results by December 2021.

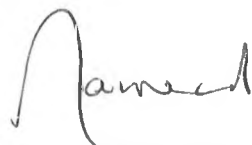
I cannot stress enough the importance of these analyses. My services stand ready to support the EBA as efficiently as possible – please do not hesitate to contact the Head of Unit E1,

Mr. José Manuel Campa
Chairperson
European Banking Authority
France
JoseManuel.Campa@eba.europa.eu

Peter Grasmann, to this effect. The invaluable input from the EBA will be instrumental in informing the Commission's follow-up.

Thank you in advance for your cooperation and I look forward to receiving the EBA's analysis.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mairead', written in a cursive style.

Mairead McGuinness

Enclosure: Annex: Scope of EBA Analysis