



EUROPEAN CENTRAL BANK

EUROSYSTEM

**ECB-PUBLIC**

*COURTESY TRANSLATION*

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President

Mr Nikolaos Chountis  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
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Frankfurt, 29 August 2016

L/MD/16/395

**Re: Your letter (QZ-078)**

Honourable Member of the European Parliament, dear Mr Chountis,

In your letter to Ms Danièle Nouy, Chair of the ECB's Supervisory Board, which was passed on by Mr Roberto Gualtieri, Chair of the European Parliament's Committee on Economic and Monetary Affairs, with a cover letter dated 27 July 2016, you raised an issue which also relates to issues beyond the scope of the ECB's supervisory tasks. Ms Nouy has therefore forwarded this question to me.

The Capital Requirements Directive (CRD IV)<sup>1</sup> provides minimum criteria for a "fit and proper assessment" that members of the boards of directors of banks in the European Union need to meet to be deemed suitable to perform the duties of their position. The specific criteria for the fit and proper assessment are set out in the national transposition of the CRD IV in the 28 EU Member States and can go beyond the minimum criteria provided for in the Directive.

The Greek law governing the Hellenic Financial Stability Fund (HFSF) (the so-called "HFSF Law")<sup>2</sup> includes additional criteria for the assessment of the members of boards of directors at the four significant Greek banks which have received substantial state aid from the HFSF in recent years. These additional criteria were agreed between the Greek authorities and the institutions in the autumn of 2015 in the context of the third economic adjustment programme for Greece, taking into account the specific situation of the Greek banking sector. The four significant Greek banks have specific commitments vis-à-vis the HFSF, which are

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<sup>1</sup> Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

<sup>2</sup> Law 3864/2010 – the unofficial codification of the law is available on the HFSF's website at [http://www.hfsf.gr/en/hfsf\\_law.htm](http://www.hfsf.gr/en/hfsf_law.htm)

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stated in the HFSF Law and the relationship framework agreements (RFAs)<sup>3</sup> between each bank and the HFSF. In this respect, one of the responsibilities of the HFSF lies in evaluating the corporate governance arrangements of the four banks, and in particular the review of the boards of directors of the banks to which the RFAs apply. The review is based on certain criteria which are stipulated in the HFSF Law itself and are necessary in the specific Greek context to ensure that the banks' boards of directors are in a position to take informed and fully independent decisions on strategic and, where appropriate, operational issues without any political or other interference. This aspect is of particular importance for the four significant Greek banks for a number of reasons, including the significant challenges associated with the large stock of non-performing loans and the need to resolve them in a swift and effective manner based on commercial and economic principles.

Overall, banks and their shareholders are free to appoint the members of their boards of directors, subject to the EU and national legal frameworks that apply to the banking sector and that were introduced with the aim of safeguarding financial stability and protecting depositors. This is why, when choosing their board members, shareholders should only propose candidates that comply with the criteria stipulated in the national transposition of the CRD IV and, in the specific Greek context, also taking into consideration the provisions of the HFSF Law, with a view to avoiding the reputational risk potentially stemming from a negative assessment of a board member by the HFSF.

In compliance with the aforementioned framework, the HFSF conducted a comprehensive review of the boards of Greek banks, applying criteria that go beyond supervisory fit and proper requirements. The HFSF communicated the results to the banks in July 2016. As the review was not conducted by the ECB, the HFSF has sole responsibility for, and ownership of, its review and any associated reports.

Let me also mention that the Memorandum of Understanding for the third economic adjustment programme for Greece requires banks' boards to be constituted in a manner that reflects the findings of the review by the HFSF and respects the HFSF Law. In addition, it requires any other governance changes recommended by the review to be implemented by the banks. Such conditions were included to meaningfully strengthen the composition of the boards of directors and thus improve the performance of the Greek banking sector.

With regard to changes in the HFSF governing bodies, let me clarify that a review of these bodies was conducted by the HFSF Selection Panel (HFSF SP), which was set up in accordance with the relevant provisions of the HFSF Law. The HFSF SP is composed of six independent expert members, of which three, including the Chairman, were appointed by the European Commission, the European Central Bank and the European Stability Mechanism, two by the Minister of Finance and one by the Bank of Greece. One of the eligibility criteria is that all members appointed should have had no working relationship with the Greek parliament, government, public authorities or any of the appointing institutions in the three years prior to their appointment.

One of the tasks of the HFSF SP is the evaluation of the members of the HFSF governing bodies. This task, in contrast to what you argue in your letter, was carried out fully autonomously and in line with the HFSF Law, without any "guidance" from the ECB. According to the HFSF Law, the HFSF SP shall report to the

<sup>3</sup> The text of an RFA is available on the HFSF's website at [http://www.hfsf.gr/files/rfa/RFA\\_HFSF\\_revised.pdf](http://www.hfsf.gr/files/rfa/RFA_HFSF_revised.pdf)

appointing institutions on its activities as needed and send a copy of the related report to the Eurogroup Working Group. I expect the HFSF SP to provide such a report later this year.

Yours sincerely,

[signed]

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