

## Ministry of Finance

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Ms Elke König  
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**Financial Markets Policy  
Directorate**

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Subject Ongoing progress in the functioning of the Banking Union

Dear Ms König,

Through this letter I would like to send you my warmest congratulations on your two year anniversary as Chair of the Single Resolution Board. Since you took office, major steps have been taken at unprecedented speed. This is therefore an appropriate moment to take stock of the considerable achievements made and assess the functioning the Banking Union in view of further contributing to the soundness of the European banking system. I write to you in my capacity as Minister of Finance of the Netherlands.

As acknowledged by the Council of Ministers in the roadmap to complete the Banking Union, your institution is actively contributing to financial stability, reversing fragmentation, mitigating moral hazard and reducing the risk for the involvement of public financial means. The roadmap also laid down further steps that will have to be taken in terms of further reducing risks in the financial sector as well as on the remaining risk sharing elements of the banking union. While in the road map a number of new legislative measures have been mentioned, I do believe there is further possible room for improvement within the existing regulatory framework. This is why I very much welcome a continuous dialogue in view of enhancing consistency, predictability and transparency within the Banking Union.

I strongly appreciate the SRB's work in creating resolution plans, which may be implemented if necessary for certain banking groups. I believe that sufficient access to information - with appropriate safeguards in view of confidentiality - is of crucial importance for the effectiveness of the work of the SRB. Therefore in a letter to Ms Danièle Nouy I also raised the question if the current involvement of the SRB in the Supervisory Board of the ECB, suffices and would be adequate for future circumstances. It is crucial that the SRB is in all cases able to fulfil its independent role in the process of triggering the resolution decision. In light of that it could be considered to invite the SRB as a permanent observer to the Supervisory Board.

In view of improving transparency, consistency and predictability, I also believe it is worthwhile to consider the disclosure of any requirements imposed on banks. In light of this I welcome any steps that would result in more disclosure of the final calibration of the minimum requirements for own funds and eligible liabilities (MREL). Such requirements are currently in the process of being determined, but future disclosure will facilitate market discipline and investor decisions, also with regards to adequately informing investors of the risks such instruments carry.

Even though it might not be the SRB's task to ensure that investors are aware of the risks that capital instruments carry, I do think misselling of capital instruments could be an obstacle to effective resolution in certain circumstances. It is therefore important that potential cases of mis-sold instruments to (retail) investors are considered when drafting resolution plans. In some cases banks might need to come up with credible plans to wind down mis-sold instruments, for instance through forced buybacks.

Let me once again thank you for your work in contributing to the safety and soundness of the European banking system. I look forward to exchanging views with you on these ideas in more detail.

Yours sincerely,

Jeroen Dijsselbloem  
Minister of Finance of the Netherlands

CC: Mr Valdis Dombrovskis (Vice-President), Ms Margrethe Vestager (Commissioner) and Ms Danièle Nouy (Chair of the Supervisory Board)