



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**Danièle NOUY**

Chair of the Supervisory Board

**ECB-RESTRICTED**

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**For information: Final ECB Guides to the internal capital and liquidity adequacy assessment processes (“ICAAP and ILAAP Guides”)**

Dear Sir or Madam,

In January 2016 ECB Banking Supervision published for the first time its supervisory expectations regarding ICAAPs and ILAAPs, together with a description of the ICAAP-related and ILAAP-related information that institutions are encouraged to submit to the ECB<sup>1</sup>.

As a first step of the multi-year plan for the SSM Guides on the ICAAP and ILAAP, we enhanced the 2016 ICAAP and ILAAP supervisory expectations, and launched them as “draft Guides” in February 2017, asking significant institutions for comments. This was to help us develop a more robust set of supervisory expectations and set out the roadmap we follow. Overall, the industry responded very actively to the call for comments. Approximately 400 comments were received, analysed and discussed internally.

As a second step of the multi-year plan, we revised these draft Guides to address those comments and published the amended Guides for consultation between 2 March and 4 May 2018. We very much appreciated, once again, the extensive industry participation, which provided us with almost 400 additional comments. As in the previous cycle these comments were analysed and discussed internally before the Guides were updated.

As with previous revisions, we kept the general direction we had originally set out in our ICAAP and ILAAP expectations in January 2016. In particular, in response to the comments received we now explain our supervisory expectations in greater detail and provide more examples. The latest enhancements to the Guides refer to, for instance, the interplay between the normative and the economic perspectives of the ICAAP/ILAAP, consistency between the ICAAP/ILAAP and recovery planning, and the expectation that interactions between ICAAPs and ILAAPs are assessed and consistently managed.

It is worth recalling that the ICAAP and ILAAP are important input factors into the SSM Supervisory Review and Evaluation Process (SREP). They feed into all SREP assessments and into the processes

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<sup>1</sup> See “Supervisory expectations on ICAAP and ILAAP and harmonised information collection on ICAAP and ILAAP” available on the ECB’s website [www.bankingsupervision.europa.eu](http://www.bankingsupervision.europa.eu).

for determining Pillar 2 capital and liquidity requirements. We will further increase the important role the ICAAP and ILAAP play in the SREP assessment. Among other things both the qualitative and quantitative aspects of an institution's ICAAP – the latter being the risks identified and quantified – will play an enhanced role in, for example, the determination of additional own funds requirements on a risk-by-risk basis. This is in line with Art. 104(3)(a) of the CRD IV and with the EBA Guidelines on common procedures and methodologies for the SREP<sup>2</sup>.

The Guides set out the ECB's understanding of the ICAAP and ILAAP requirements under Articles 73 and 86 of the CRD IV. The Guides do not substitute or supersede any applicable law implementing Articles 73 and 86 of the CRD IV which, in case of conflict, will prevail. The ECB will use the Guides from January 2019 onwards when assessing significant institutions' ICAAPs and ILAAPs. The new Guides replace the ICAAP and ILAAP supervisory expectations that were attached as Annexes A and B to my letter published in January 2016.

The overall direction of the ECB supervisory expectations (e.g. nature of ICAAP perspectives, continuity assumption, etc.) has not changed since their first publication in January 2016. Therefore, significant institutions are encouraged to start following the ECB's supervisory expectations as spelled out in the Guides as soon as possible and to take the new Guides into consideration from the SREP 2019 onwards when they submit ICAAP and ILAAP information packages to their joint supervisory teams.

Yours sincerely,



Danièle Nouy

Annexes:

- Final ECB Guide to the internal capital adequacy assessment process (ICAAP)
- Final ECB Guide to the internal liquidity adequacy assessment process (ILAAP)

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<sup>2</sup> See the EBA Guidelines on common procedures and methodologies for the supervisory review and evaluation process (SREP) (EBA/GL/2014/13), paragraphs 325-326 and 330.