

BANCA MONTE DEI PASCHI DI SIENA S.p.A.

(hereinafter the 'Supervised Entity')

cc: Banca d'Italia

ECB-SSM-2018-ITMPS-18

Frankfurt am Main, 12 December 2018

Decision requiring additional supervisory information at recurring intervals (data collection process related to the Supervisory Review and Evaluation Process (SREP) ('Short Term Exercise' – STE))

Dear Sir or Madam,

I am writing to notify you that the Governing Council of the European Central Bank (ECB), on the basis of a draft proposal of the Supervisory Board under Article 26(8) of Council Regulation (EU) No 1024/2013¹, has decided to require the Supervised Entity to report additional supervisory information at recurring intervals. In order to report the additional information the Supervised Entity shall submit with a quarterly frequency (unless stated otherwise in the instructions) the information specified in the Annex 'Requested information' on a consolidated basis in accordance with the instructions in the Annex 'Reporting instructions'.

The additional supervisory information shall be submitted to the relevant national competent authority (NCA) at the remittance date specified by it.

This Decision is based on the power to request information conferred on the ECB pursuant to Article 10(1) of Regulation (EU) No 1024/2013 and Article 141(1) of Regulation (EU) No 468/2014 (ECB/2014/17)², as set out below.

1. Facts on which the decision is based

- 1.1. In accordance with Article 10(1) of Regulation (EU) No 1024/2013, the ECB may require certain legal or natural persons, subject to Article 4 of that Regulation, to provide all of the information that is necessary to carry out its supervisory tasks, including information to be provided at recurring intervals and in specified formats for supervisory and related statistical purposes, such as reports

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

² Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1).

for Pillar 2 purposes. Article 141(1) of Regulation (EU) No 468/2014 (ECB/2014/17) further specifies that, in accordance with Article 10 of Regulation (EU) No 1024/2013, the ECB may require supervised entities to report additional supervisory information whenever such information is necessary for the ECB to carry out the tasks conferred on it by Regulation (EU) No 1024/2013. Subject to the conditions set out in relevant Union law, the ECB may specify in particular the categories of information that should be reported as well as the processes, formats, frequencies and time limits for provision of the information concerned.

- 1.2. The purpose of the STE data collected for SREP purposes is to enable the ECB to develop risk-specific quantitative tools to provide an estimate of the own funds required to cover risks or elements of risks not covered by Regulation (EU) No 575/2013 of the European Parliament and of the Council³, as prescribed by Guidelines EBA/GL/2014/13⁴ of the European Banking Authority.
- 1.3. The STE collected for SREP purposes covers the additional supervisory information needed for the SREP, which is not available to competent authorities on the basis of Commission Implementing Regulation (EU) No 680/2014⁵ (implementing technical standards (ITS) on supervisory reporting). It is an evolutionary, refined, business model specific collection of supervisory information, tailored for Pillar 2 purposes.

2. Assessment

2.1. Request to provide information

Based on the facts summarised in Section 1 and the information available on 31 December 2017, the ECB has taken into account the following considerations.

- (a) The ECB has been entrusted with the task of carrying out an annual SREP on the basis of Article 4(1)(f) of Regulation (EU) No 1024/2013. For this purpose, the ECB has developed a harmonised methodology on the basis of Articles 97 and 105 of Directive 2013/36/EU of the European Parliament and of the Council⁶.
- (b) To perform the SREP, the ECB must have a view of the risks to which the Supervised Entity and the supervised group are exposed, in particular the risks or elements of risks not covered by Regulation (EU) No 575/2013 and for which information is not available through the ITS on supervisory reporting. For this purpose, the ECB needs additional information on exposure to a set of risk categories, as listed below and outlined in more detail in the annexes:
 - (i) profitability: information on budget and planned data on income and expense positions;

3 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

4 Guidelines EBA/GL/2014/13 of the European Banking Authority of 19 December 2014 on common procedures and methodologies for the supervisory review and evaluation process (SREP).

5 Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1), as amended.

6 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

- (ii) credit risk: information on transition matrices and loan to income at origination;
 - (iii) concentration risk: information on Herfindahl indexes and granular information on any non-financial counterparty's portfolio;
 - (iv) market risk: information on sensitivities;
 - (v) interest rate risk in the banking book: information on the impact of a parallel shift of 200 basis points;
 - (vi) liquidity risk: information on the net stable funding ratio and internal assumptions for measuring liquidity risk ('ILAAP');
 - (vii) ICAAP: information on the internal capital adequacy assessment process;
 - (viii) pension risk: information on defined benefit pension plans.
- (c) While the ITS on supervisory reporting harmonised reporting, enabling competent authorities to ensure that institutions comply with quantitative requirements under Regulation (EU) No 575/2013 (own funds, large exposures etc.), it does not cover additional supervisory needs, in particular related to the performance of the SREP as required by Directive 2013/36/EU and further specified by Guidelines EBA/GL/2014/13.

2.2 Conclusions of the assessment

- 2.2.1. The ECB has decided, pursuant to Article 10(1) of Regulation (EU) No 1024/2013 and Article 141(1) of Regulation (EU) No 468/2014, to request the Supervised Entity to report additional supervisory information at recurring intervals as specified above.
- 2.2.2. The additional supervisory information shall be submitted to the relevant NCA at the remittance dates specified by it.
- 2.2.3. The ECB also underlines that it is the responsibility of the Supervised Entity to ensure the good quality of the supervisory information. In this respect, it should be noted that supervisory reporting issues may also be reflected in the ECB's assessment performed in the context of the SREP.

3. General

- 3.1. This Decision shall enter into force on the day of its notification to the addressee in accordance with paragraph 4.
- 3.2. The first reference date for the additional supervisory reporting in accordance with this Decision shall be 31 December 2018.
- 3.3. The 2017 STE Decision will be superseded from 31 December 2018 and the requirements set out in it will cease to apply on that date.
- 3.4. The template and reporting instructions for reporting Interest Rate Risk in the Banking Book shall be replaced with the effect of 30 June 2019. The new template and the reporting instructions will be provided to the Supervised Entity by 30 April 2019.

4. Procedure

This Decision is notified to BANCA MONTE DEI PASCHI DI SIENA S.p.A.

5. Administrative and judicial review

- 5.1. A review of this Decision by the ECB's Administrative Board of Review may be requested under the conditions and within the time limits set out in Article 24 of Regulation (EU) No 1024/2013 and Decision ECB/2014/16 of the European Central Bank⁷. A request for a review should be sent preferably by electronic mail to ABoR@ecb.europa.eu, or by post to:

The Secretary of the Administrative Board of Review
European Central Bank
Sonnemannstrasse 22
60314 Frankfurt am Main
Germany

- 5.2. This Decision may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

Yours sincerely,



The Secretary of the Governing Council

Pedro Gustavo TEIXEIRA

Annexes:

Annex 'Requested information'

Annex 'Reporting instructions'

⁷ Decision ECB/2014/16 of the European Central Bank of 14 April 2014 concerning the establishment of an Administrative Board of Review and its Operating Rules (OJ L 175, 14.6.2014, p. 47).