EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Andrea Enria
Chair of the Supervisory Board

Ms Clara Ponsatí Obiols
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 15 July 2020

Re: Your letter (QZ-039)

Honourable Member of the European Parliament, dear Ms Ponsatí Obiols,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 16 June 2020.

You asked, first, whether Bankia's decision on 27 March to approve a dividend payment was consistent with the ECB's recommendation on dividends[1] that was adopted on the same day.

As a general point, the ECB's recommendation was not intended to cause credit institutions to default on legal obligations to make payments. As I mentioned in my response of 8 May 2020[2], some banks had already approved dividends before the ECB's recommendation was published shortly after 19:00 on 27 March 2020 and consequently had a legal obligation to pay them out.

Turning to Bankia specifically, I would additionally point out that Bankia is a subsidiary of Banco Financiero y de Ahorros, Tenedora de Acciones, S.A.U., which is the ultimate parent entity in the supervised group. The ECB's recommendation applies at a consolidated level as defined in Article 2(22) of the SSM Framework Regulation[3]. The ECB recommendation therefore does not apply at the level of Bankia S.A., but rather at the consolidated level of the significant supervised group, Grupo BFA. Banco Financiero y de Ahorros, Tenedora de Acciones, S.A.U. has confirmed that it will not pay a dividend for 2019.[4]

[1] ECB asks banks not to pay dividends until at least October 2020, ECB Banking Supervision, 27 March 2020.

[2] Letter from Andrea Enria, Chair of the Supervisory Board of the ECB, to Ms Ponsatí Obiols, MEP, 8 May 2020.

[3] Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17).

[4] See the independent auditor's report on the consolidated annual accounts.

As regards your second question – whether Bankia's decision was consistent with a "capital conservation mentality" – I must restate that I cannot comment on the considerations driving individual credit institutions' business decisions, because I am bound by professional secrecy requirements not to disclose any knowledge I have of those decisions beyond what is public information.[5]

However, speaking again in general terms, I would add that amid the significantly heightened level of economic uncertainty that arose in March due to the coronavirus (COVID-19) public health crisis, banks clearly needed to prioritise retaining capital over making discretionary distributions. This is why we considered it necessary to adopt the recommendation in the first place. At the same time, experience of previous crises has shown that credit institutions have incentives to continue paying out dividends, even during periods of economic stress, due to a perceived market stigma associated with cancelling such payments. The ECB recommendation, which applies on a system-wide basis, helps to address this collective action problem.

Yours sincerely,

[signed]

Andrea Enria

[5] See, for example, Article 27 of 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), and Article 53 et seq of 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).