

# ECB rallies for Disclosure Day

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FRANKFURT, Germany – Deep in the European Central Bank's headquarters here, there's a room sealed off from the world.

In the Dark Room, as it's referred to internally, staffers are combing through almost 39,000 points of data on the euro area's 130 biggest banks before the results of the ECB's Comprehensive Assessment are released on Oct. 26. The security precautions — no Internet connection or external phone lines — being taken are part of a plan to ensure that "Disclosure Day" arrives without leaks, lawsuits or glitches.

When it starts to supervise euro-zone banks on Nov. 4, the ECB will embark on its biggest new mission since the introduction of the single currency, one that also poses the biggest threat to its reputation. The challenge between now and then is to publish the results of its year-long bank audit and convince the world that it's tougher, fairer and more credible than any test that came before.

"The ECB understands that they've only got one chance at getting this right, and if they don't their reputation will be severely damaged," said Christian Thun, a Frankfurt-based senior director at Moody's

Analytics, which provides consultancy and software services to banks. "It has been a massive undertaking, but I think they will achieve their aim of restoring confidence in the banking system."

The Comprehensive Assessment started in October 2013 as a way to ensure that when the ECB became the euro zone's single supervisor it would know exactly what it was dealing with. Since then, at least 25 million data points have been collected on credit files, collateral and provisioning.

This knowledge of asset quality has been fed into a stress test, an innovation the ECB says makes this better than previous tests run by the European Banking Authority.

Banks will be required to show that their ratio of capital to risk-weighted assets can remain above 8 percent under current circumstances, and above 5.5 percent over three years after a hypothetical recession and bond-market collapse.

To hold the line that everything is going according to plan under the pressure of conducting an unprecedented biopsy on 130 banking groups across 19 countries in 12 months, the ECB has distributed a troubleshooting manual to officials outside Frankfurt.

ECB President Mario Draghi said at the outset that banks "need to fail" to prove the exam's credibility.