



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Christine LAGARDE
President

Mr Nuno Melo
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 23 June 2023

L/CL/23/127

Re: Your letter (QZ-004)

Honourable Member of the European Parliament, dear Mr Melo,

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 3 March 2023.

Regarding your question on what specific reasons led to a withdrawal of the counterparty status of Banco Internacional do Funchal S.A. (BANIF), may I first point out that the ECB generally does not comment on individual counterparties. However, in this particular case, the ECB's Governing Council agreed to make the information related to the change in BANIF's counterparty status available in response to a consultation by the Banco de Portugal and, as mentioned in my recent reply to your previous letter¹, in 2016 such information was included in replies by ECB President Mario Draghi to a previous letter from you and to one from José Manuel Fernandes, MEP.²

It was clarified on those occasions that the Governing Council did not decide to withdraw the counterparty status of BANIF. Instead, following the resolution measure consisting of the sale of business, BANIF was no

¹ See *Letter from the ECB President to Mr Nuno Melo, MEP, regarding a less significant credit institution*, ECB, 10 February 2023, available at: https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter230210_Melo~59a7ada310.en.pdf?081501ce3a2bb54d541a6864a3bf0572.

² See *Letter from the ECB President to Mr Nuno Melo, MEP, regarding a less significant credit institution*, ECB, 31 May 2016, available at: https://www.ecb.europa.eu/pub/pdf/other/160531letter_melo.en.pdf and *Letter from the ECB President to Mr José Manuel Fernandes, MEP, regarding a less significant credit institution*, ECB, 31 May 2016, available at: https://www.ecb.europa.eu/pub/pdf/other/160531letter_fernandes.en.pdf.

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longer in a position to carry on its banking activities given that the most significant part of its business had been sold or transferred and it could only avail itself of a limited banking licence. Accordingly, BANIF no longer complied with the Eurosystem criteria for counterparty eligibility and thus automatically ceased to be a Eurosystem counterparty on 21 December 2015.³

As also outlined in the above-mentioned replies by ECB President Draghi, the decision of the Governing Council of 16 December 2015 consisted of limiting BANIF's outstanding amount in Eurosystem liquidity-providing reverse transactions as of 17 December 2015. The decision also envisaged suspending BANIF's access to Eurosystem liquidity-providing reverse transactions as of Monday, 21 December 2015 if the sale of BANIF was not successfully concluded and the bank was not put into resolution by the end of the weekend of 18-20 December 2015. The Governing Council made these decisions on the grounds of prudence and followed the rules established in the General Documentation⁴ on the implementation of the Eurosystem's monetary policy and in the procedures to be applied by the Eurosystem for counterparty issues. The conditional decision on suspension as of Monday, 21 December 2015 was, however, not activated, as in the meantime resolution had taken place, as a result of which BANIF no longer fulfilled the Eurosystem criteria for counterparty eligibility, as explained above.

Yours sincerely,

[signed]

Christine Lagarde

³ The ECB President's letter of 31 May 2016 replying to letters from you erroneously stated that BANIF ceased to be a Eurosystem counterparty on 22 December 2015, instead of 21 December 2015.

⁴ Guideline (EU) 2015/510 of the ECB of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60), as amended. Please also note that Guideline (EU) 2018/570 of the European Central Bank of 7 February 2018, amending the General Documentation, introduced an automatic limitation on the access to Eurosystem monetary policy operations by counterparties deemed to be "failing or likely to fail".

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