



EUROPEAN CENTRAL BANK

EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI

President

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

Frankfurt am Main, 13 November 2012

L/MD/12/732

Re: Your letter

Dear Mr Melo,

Thank you for your letter, which was passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, and accompanied by a cover letter dated 3 October 2012.

Regarding your question on the new Eurostat rules, the Eurostat decision on “The statistical recording of some operations related to trade credits incurred by government units” (dated 31 July 2012) is consistent with the opinion of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), in which the European Central Bank (ECB) is represented.¹

The ECB agrees with the method for the statistical recording of government deficit and debt decided on by Eurostat. In accordance with this method, to be applied by Member States as of April 2013 within the excessive deficit procedure (EDP), of some trade credits (direct extension of credit from a supplier to a buyer of goods/services) will be reclassified as loans, with an impact on EDP debt. This will apply:

1. When trade credits are refinanced without recourse:

¹ See Eurostat Decision and CMFB opinion in:
epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Statist.record.of_some_operations_rel.to_trade_credits_i.pdf

- a. The supplier transfers totally and irrevocably its trade credit claim on a government unit to a financial institution (i.e factoring);
 - b. The financial institution has no recourse vis-à-vis the supplier if the government unit does not pay on time;
 - c. The government unit no longer has a payment obligation to the supplier.
2. When trade credits are renegotiated (except if in the case of a simple maturity extension) between the supplier and a government unit resulting in a new bilateral agreement that changes the original trade credit in terms of the interest rate and/or amortisation schedule.

The decision harmonises the statistical practices across Member States with regard to some operations related to trade credits incurred by government units. Portugal, for instance, is already recording trade credits in line with the Eurostat decision.

Your questions related to the supervision of rescued financial institutions fall outside the scope of the competences of the ECB since they refer to banking supervision. For the time being and until such time as the proposed Council Regulation establishing a Single Supervisory Mechanism is adopted, the ECB does not exercise direct supervisory responsibilities in respect of financial institutions. Accordingly, I should like to recommend that you address your query to the relevant national authorities.

Yours sincerely,

[signed]

Mario Draghi