



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Sven Giegold
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 17 June 2015

L/MD/15/382

Re: Your letter (QZ-78)

Honourable Member of the European Parliament, dear Mr Giegold,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 5 May 2015.

Responsibility for the provision of emergency liquidity assistance (ELA) to Cypriot banks lies with the Central Bank of Cyprus. The role of the Governing Council of the ECB as regards the provision of ELA is to ensure that such operations do not interfere with the integrity of monetary policy within the Eurosystem, including the primary objective of maintaining price stability. Furthermore, ELA should not interfere with the prohibition on monetary financing.¹

The ECB is a rule-based institution bound by the EU Treaties, which require the Eurosystem to lend only to solvent banks, against adequate collateral, and, as mentioned above, to refrain from financing governments. Any direct or indirect financing of a government is incompatible with the prohibition on monetary financing enshrined in Article 123 of the Treaty on the Functioning of the European Union.

Let me clarify that provision of ELA by a national central bank is aimed at supporting solvent banks facing liquidity problems, rather than providing solvency support. Therefore, a key requirement in this context is that

¹ Article 14.4 of the Statute of the ESCB stipulates that "National central banks may perform functions other than those specified in this Statute unless the Governing Council finds, by a majority of two thirds of the votes cast, that these interfere with the objectives and tasks of the ESCB. Such functions shall be performed on the responsibility and liability of national central banks and shall not be regarded as being part of the functions of the ESCB."

Address
European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address
European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

recipient credit institutions remain solvent. Any decision (non-objection) by the Governing Council related to the provision of ELA depends on the assessment of the conditions of the recipient credit institution.

In the specific case you are referring to, without a credible prospect of recapitalisation, the two banks could no longer have been considered solvent. Further provision of ELA to these banks would not have been in line with the rules of the Eurosystem and, ultimately, with the Treaty provisions discussed above.²

Yours sincerely,

[signed]

Mario Draghi

² I refer you to the remarks made by Mr Asmussen, then Member of the Executive Board of the ECB, on the ECB's position as expressed during the exchange of views with the Committee on Economic and Monetary Affairs of the European Parliament on 8 May 2013. His remarks are available on ECB's website at <http://www.ecb.europa.eu/press/key/date/2013/html/sp130508.en.html>

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu