Frankfurt, 31 May 2016
L/MD/16/257

Re: Your letters (QZ-044, QZ-047 and QZ-051)

Honourable Member of the European Parliament, dear Mr Melo,

In your letters passed on by Mr Roberto Gualtieri, Chair of the European Parliament’s Committee on Economic and Monetary Affairs, to Ms Danièle Nouy, Chair of the ECB’s Supervisory Board, with cover letters dated 12 April 2016 and 26 April 2016, you raised issues relating to the implementation of monetary policy. Ms Nouy has therefore forwarded these questions to me.

First, please allow me to clarify that counterparties must fulfil certain eligibility criteria to participate in Eurosystem monetary policy operations. These criteria are defined with a view to giving a broad range of institutions access to liquidity via such operations and provide for equal treatment of institutions across the euro area. They also ensure that counterparties fulfil certain operational and prudential requirements. One requirement is that counterparties must be financially sound. The ECB assesses whether this criterion is fulfilled as part of its tasks as a monetary policy authority. Any concerns regarding the financial soundness of a counterparty may lead to one of the following three decisions by the ECB: freezing (limitation) of the amount of Eurosystem funding, suspension of access to Eurosystem operations, or withdrawal of the counterparty’s access to Eurosystem operations. The difference between suspension and withdrawal is that the first is a temporary exclusion and the second a permanent one, while both decisions result in an obligation to reimburse all credit previously granted by the Eurosystem.
Turning to your specific question regarding the counterparty status of Banco Internacional do Funchal S.A. (BANIF) on 22 December 2015, the ECB generally does not comment on individual counterparties. However, in this particular case, please allow me to provide you with the information that the ECB’s Governing Council agreed to make available in response to a consultation by Banco de Portugal. On 19 December 2015, Banco de Portugal decided that BANIF was deemed failing or likely to fail and initiated the application of a resolution measure consisting of the sale of business. As a result of the decisions taken by Banco de Portugal, BANIF ceased to be in a position to carry on its banking activity, given that the most significant part of its business was sold or transferred and that 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 22 December 2015.

Regarding your second question, I can confirm that on 17 December the Banco de Portugal put forward a proposal to the Governing Council to limit BANIF’s access to Eurosystem liquidity—providing reverse transactions at the prevailing outstanding amount, on the grounds of prudence. In putting forward this proposal, the Banco de Portugal fulfilled its obligations within the Eurosystem, as per the rules established in the General Documentation1 on the implementation of the Eurosystem’s monetary policy and in the procedures to be applied by national central banks for counterparty issues.

Yours sincerely,

Mario Draghi

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1 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.