



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Andrea Cozzolino

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt, 17 October 2016

L/MD/16/445

**Re: Your letter (QZ-084)**

Honourable Member of the European Parliament, dear Mr Cozzolino,

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 13 September 2016.

I would like to inform you that targeted longer-term refinancing operations (TLTROs), like other Eurosystem credit operations, are undertaken with eligible counterparties who must fulfil certain criteria. These criteria are transparently communicated to the public and the financial sector. They are defined with a view to giving a broad range of institutions access to Eurosystem credit operations, enhancing equal treatment of counterparties across the euro area and ensuring that counterparties fulfil certain operational, statistical reporting and prudential requirements.<sup>1</sup>

Counterparties can participate in TLTRO II individually or, subject to certain conditions, on a group basis. Whereas the lead institution of a TLTRO group is required to be a Eurosystem eligible counterparty, in order to be a TLTRO group member an institution only needs to be classified as a credit institution, as defined in Guideline ECB/2014/60. As you rightly indicated, this definition does not include certain group subsidiaries, namely financial entities that provide lending to the real economy but that are not classified as credit institutions.

<sup>1</sup> See Guideline (EU) 2015/510 of the ECB of 19 December 2014, as amended, on the implementation of the Eurosystem monetary policy framework (ECB/2014/60), accessible at [https://www.ecb.europa.eu/ecb/legal/pdf/oj\\_jol\\_2015\\_091\\_r\\_0002\\_en\\_txt.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2015_091_r_0002_en_txt.pdf), as well as the relevant TLTRO legal acts (Decision ECB/2014/34 and Decision ECB/2016/10), accessible at <https://www.ecb.europa.eu/press/pr/date/2016/html/pr160503.en.html>.

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The ECB carefully considers different aspects when designing its monetary policy measures. These are not limited to the expected and perceived effectiveness of its measures; they also take into account level playing field and operational considerations.

A decision on the possible inclusion of specific financial entities as potential TLTRO II group members would need to take all these aspects into consideration. This includes weighing up the potential benefit of implementing such a change from a broader monetary policy perspective against the additional implementation costs. These costs would include the obligation to meet statistical reporting and prudential requirements equivalent to those of credit institutions. Furthermore, level playing field concerns of a different nature could arise, namely between financial entities that are part of a banking group and those that are not.

Discussions are ongoing within the Eurosystem regarding this specific counterparty aspect, and I can assure you that, whatever the outcome of our deliberations, it will represent a careful and balanced reflection of all the aspects described above.

Yours sincerely,

[signed]

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