



EUROPEAN CENTRAL BANK
EUROSYSTEM

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COURTESY TRANSLATION

Mario DRAGHI
President

Mr José Manuel Fernandes
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 31 May 2016

L/MD/16/258

Re: Your letter (QZ-040)

Honourable Member of the European Parliament, dear Mr Fernandes,

In your letter 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 Supervisory Board, with a cover letter dated 12 April 2016, you raised an issue relating to the implementation of monetary policy. Ms Nouy has therefore forwarded this question to me.

The letter refers to certain decisions on the counterparty status of a euro area credit institution. Please allow me to kindly point out that the measures mentioned were taken by the Governing Council of the ECB, acting within the ECB's monetary policy mandate and according to the rules established by the General Documentation¹ on the implementation of the Eurosystem's monetary policy.

Counterparties for Eurosystem monetary policy operations must fulfil certain eligibility criteria. 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 in order to protect the ECB from potential risk. 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.

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.

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

Turning to your specific question on Banco Internacional do Funchal S.A. (BANIF), 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 Governing Council agreed to make available in response to a consultation by Banco de Portugal. The decision of the Governing Council of 17 December 2015 consisted of limiting BANIF's outstanding amount in Eurosystem liquidity-providing reverse transactions, on the grounds of prudence.

In addition, for the same reason, it was decided in case the sale of BANIF would not be successfully concluded and the bank had not been put into resolution by the end of the 18-20 December 2015 weekend, to suspend BANIF's access to Eurosystem's liquidity-providing reverse transactions as of Monday, 21 December 2015, which implied the repayment of BANIF's outstanding Eurosystem credit operations on the same day. With this decision, the ECB ensured that the criterion of financial soundness of monetary policy counterparties, as required by Guideline (EU) 2015/1938 of the European Central Bank², would be complied with.

Yours sincerely,

[signed]

Mario Draghi

² This guideline, dated 27 August 2015, amends Guideline (EU) 2015/510 of the European Central Bank on the implementation of the Eurosystem monetary policy framework (ECB/2015/27).