



EUROPEAN CENTRAL BANK

EUROSYSTEM

Mario DRAGHI

President

Ms Paloma López Bermejo
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 13 April 2015

L/MD/15/225

Re: Your letter (QZ-29)

Honourable Member of the European Parliament, dear Ms López Bermejo

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 16 February 2015.

The Governing Council's decision to lift the suspension of the minimum rating threshold for marketable debt instruments issued or fully guaranteed by the Hellenic Republic (the so-called "waiver") was based on Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank, which is annexed to the Treaties.

Pursuant to Article 18.1 of the ESCB Statute, in order to achieve the objectives of the ESCB and to carry out its tasks, the ECB and the national central banks of Member States whose currency is the euro may conduct credit operations with credit institutions and other market participants, with lending being based on adequate collateral. The standard criteria determining the eligibility of collateral for Eurosystem monetary policy operations are laid down in Annex I to Guideline ECB/2011/14. The application of such criteria aims to safeguard the smooth conduct of the Eurosystem's monetary policy operations, to ensure the equal treatment of counterparties and to enhance operational efficiency and transparency, thereby enabling the Eurosystem to achieve its objectives.

As an exception to these rules, the Governing Council has decided that some of the standard criteria determining the eligibility of collateral for the purposes of Eurosystem monetary policy operations – more specifically those regarding the credit quality thresholds applicable to marketable debt instruments – may be

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temporarily suspended with respect to assets issued or fully guaranteed by the central governments of euro area Member States under a European Union/International Monetary Fund programme.

Furthermore, according to Article 8(2) of Guideline ECB/2014/31, this suspension is granted provided that the respective Member State complies with the conditionality of the financial support and/or the macroeconomic programme, in other words, that the programme is “on track”. The rationale for this rule is that the full implementation of a programme designed and monitored by the European Commission, in liaison with the ECB, and the IMF, creates the prospect that government-related assets will regain the quality standard required for their eligibility as collateral assets for Eurosystem monetary policy operations.

On 4 February 2015, the Governing Council assessed that it was not possible to assume a successful conclusion of the review of the European Union/International Monetary Fund programme for Greece. Consequently, the conditions for the temporary suspension of the Eurosystem’s standard eligibility criteria in respect of Greek government-related assets, as set out in the ESCB Statute and the Eurosystem’s legal framework, were no longer fulfilled.

The withdrawal of the waiver did, however, not have consequences for the counterparty status of Greek financial institutions in monetary policy operations. Hence, these institutions can continue to engage in regular Eurosystem credit operations using alternative forms of eligible collateral. The liquidity needs of Eurosystem counterparties that did not have sufficient alternative collateral could be satisfied by the Bank of Greece providing emergency liquidity assistance (ELA) within the existing Eurosystem rules, without affecting the liquidity or the stability of the Greek banking system.

Yours sincerely,

[signed]

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