



EUROPEAN CENTRAL BANK
EUROSYSTEM

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Mario DRAGHI
President

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

Frankfurt, 1 September 2015
L/MD/15/493

Re: Your letters (QZ-75 and QZ-76)

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.

The role of the European Central Bank (ECB) in providing advice and expertise in the context of the economic adjustment programme for Cyprus, but also for other euro area countries, was clarified in several letters of reply that I sent to your honourable MEP colleagues¹ and in the ECB's replies to the questionnaire of the European Parliament supporting the own initiative report evaluating the structure, the role and operations of the "troika" (Commission, ECB and the IMF) actions in euro area programme countries.²

In this regard I would like to recall that, consistent with the Treaty establishing the European Stability Mechanism and the relevant provisions of the "two-pack" Regulations, the ECB provided advice and expertise, acting in liaison with the European Commission, in the process of preparing the Memorandum of Understanding (MoU) concluded between the Republic of Cyprus and the European Commission and endorsed by the Member States. The same applies to the process of conditionality reviews.

¹ The letters are available on the ECB's website at <http://www.ecb.europa.eu/pub/pub/intco/html/index.en.html>

² The text is available on the ECB's website at https://www.ecb.europa.eu/pub/pdf/other/140110_ecb_response_troika_questionnaireen.pdf

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The assessment of the conditions attached to financial assistance and the review of those conditions on a regular basis are aimed at providing input enabling the finance ministers of euro area Member States (convening in the Eurogroup and ESM Board of Governors) to take well-founded decisions on disbursing such assistance.

At a technical level, these advisory tasks are carried out through ECB staff participation in discussions on adjustment programmes. The relevant staff members are organised in ad-hoc country mission teams according to their expertise in the different fields on which the ECB provides advice.

In the specific case of the economic adjustment programme for Cyprus you refer to, let me point out that Mr Athanassiou was not a "leading member of staff entrusted with the management of the crisis in Cyprus" but a legal adviser in the country mission team, who was subject to line management instructions both within the team (in particular from the Mission Chief and from the Senior Legal Adviser in the country mission team) and within the ECB's Legal Services. Therefore, the staff member was at no point in time in a position to autonomously "decide" on any related matter and he was subject to several layers of hierarchical control.

Let me also underline that all ECB staff participating in the country mission teams are subject to the ECB's Staff Rules, including the Ethics Framework. According to the ECB ethics rules applicable at the time the MoU with the Republic of Cyprus was drawn up, staff must immediately inform their immediate superior or the Ethics Officer should they, in the performance of their duties, be required "to decide on a matter in the handling or outcome of which they have a personal interest".³

I have requested Mr Athanassiou's line management to verify, with the assistance of the ECB's Chief Compliance and Governance Officer, whether any conflict of interest may have existed. I have been informed that line management was aware of the nature of his professional and personal relationship with Mr Tsibanoulis, which dated back to 2002-04, the period in which he worked for Tsibanoulis and Partners (T&P) in Cyprus. However, Mr Athanassiou was not aware at the time the MoU was being prepared of any business relationship between T&P and Piraeus Bank. Such relationship could therefore not have affected his conduct. Moreover, let me point out that according to the same ECB ethics rules, ECB staff members are bound by professional secrecy.

In view of the above, the link between the ECB staff member's activity and the activity of Mr Tsibanoulis' law firm in advising a Greek bank appears too remote to have generated a conflict of interest impeding the objective and impartial performance of Mr Athanassiou's professional duties.

³ See Part 0 of the ECB Staff Rules containing the Ethics Framework, available on the ECB's website at https://www.ecb.europa.eu/ecb/legal/pdf/c_10420100423en00030007.pdf

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For this reason, Mr Asmussen was not informed of the potential conflict of interest involving Mr Athannasiou such as mentioned in your letter. Moreover, let me clarify that Mr Asmussen was not Mission Chief of the economic adjustment programme for Cyprus; he was the ECB Executive Board member dealing with countries under an economic adjustment programme.

As for the preparation of the resolution framework you refer to, the process was started by the Central Bank of Cyprus and the Ministry of Finance of the Republic of Cyprus in July 2012 and benefited from technical discussions with the institutions before a text was ready for consultation with the ECB and submission to Parliament. The ECB issued its opinion on the draft text on 1 February 2013.⁴ The law was approved by the Parliament on 22 March 2013.

In this context, when Mr Athannasiou gave technical explanations on resolution to the Economic and Budgetary Affairs Committee of the Cypriot Parliament before the law was discussed at the Parliament's plenary meeting, he presented himself as an ECB member of staff. The technical explanations given by him covered the resolution framework, including the development of the relevant European Union legal acts.

The sale operation that you refer to is a case of the Cypriot authorities applying the resolution law once it had been adopted and had entered into force. The Cypriot authorities' intention that the Greek operations of the Cypriot banks should be sold to a Greek bank and that uninsured deposits should be bailed in⁵ was known to the public at the time the law was approved on 22 March 2013.

To conclude, let me underline that the ECB is fully aware of the importance of avoiding conflicts of interest. Indeed, such issues are covered in the ECB's enhanced Ethics Framework which entered into force in 2015, after having been shared with the European Parliament.⁶ The Executive Board used the review of the framework as an opportunity to, inter alia, significantly strengthen the conflict of interest rules to cover not only actual and potential conflicts of interest, but also perceived conflicts of interest and the related reporting and transparency requirements.

Yours sincerely,

[signed]

Mario Draghi

⁴ The document is available on the ECB's website at https://www.ecb.europa.eu/ecb/legal/pdf/en_con_2013_10_f_sign.pdf

⁵ Please refer to the Eurogroup statement issued on 16 March 2013, the remarks made by Central Bank of Cyprus Governor Demetriades to the Cyprus Broadcasting Corporation on 21 March 2013, and to the Hellenic Financial Stability Fund's press release issued on 22 March 2013.

⁶ The Decision amending the European Central Bank staff rules as regards the ethics framework (ECB/2014/NP26) is available on the ECB's website (http://www.ecb.europa.eu/ecb/legal/1008/1024/html/act_13622_amend.en.html). In line with Section IV of the Inter-institutional Agreement between the European Parliament and the ECB (2013/694/EU), the ECB's President sent the draft revised Ethics Framework for information to the Chairman of the Committee on Economic and Monetary Affairs on 31 October 2014.

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