



EUROPEAN CENTRAL BANK
BANKING SUPERVISION

Danièle NOUY

Chair of the Supervisory Board

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

Frankfurt am Main, 11 July 2016

Re: Your letter (QZ071)

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 17 June 2016.

Your questions relate to the treatment of central bank operations with a residual maturity of up to 30 days in the liquidity coverage ratio (LCR).

Regarding your first question, the ECB agrees that Article 28(3)(a) of Commission Delegated Regulation (EU) 2015/61, covering liquidity outflows, stipulates that secured lending transactions (repos) with central banks maturing within 30 days shall not be counted as outflows. At the same time, Paragraph 3 of Annex I of the above-mentioned Regulation, regulating the liquidity buffer, says that such transactions need to be taken into consideration in the so-called “unwind mechanism”. This means that, indeed, central bank lending operations are not exempt from the unwind mechanism and that this mechanism must therefore be applied to central bank lending operations maturing within the next 30 days.

Regarding your second question, as the harmonised reporting templates based on the definitions given in Delegated Regulation (EU) 2015/61 will only be applicable from September 2016, the ECB currently relies on ad hoc reports from significant institutions for the monitoring of compliance with the LCR requirement. These reports are collected only at the highest level of consolidation in participating countries and on a quarterly basis. On the basis of the December 2015 data, the ECB has so far identified only a very limited number of significant banking groups which would breach the 70% minimum LCR requirement¹ as a result of the unwinding of central bank lending operations maturing within the next 30 days.

¹ Or a higher threshold for institutions established in Member States where a higher minimum requirement is imposed in accordance with Article 412(5) of the Capital Requirements Regulation (Regulation (EU) 575/2013).

Regarding your last question, the Regulations in place already provide a general framework for dealing with breaches of the LCR requirement. More specifically, Article 414 of the Capital Requirements Regulation² and Article 4(4) of Delegated Regulation (EU) 2015/61 require credit institutions to immediately notify their competent authority of such breaches and to submit a plan for the timely restoration of compliance. Subsequently, it is the responsibility of the ECB to assess such restoration plans, taking into consideration the specific situation of each significant banking group.

Yours sincerely,

[signed]

Danièle Nouy

² Regulation (EU) 575/2013 of the European Parliament and of the Council