EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE
President

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

Frankfurt am Main, 5 June 2020

L/CL/20/153

Re: Your letter (QZ-011)

Honourable Member of the European Parliament, dear Mr Giegold,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 20 March 2020. Since in your letter you also raised questions that are related to the ECB's supervisory tasks, I passed them on the Chair of the ECB's Supervisory Board.

The conditions under which a credit institution is considered solvent for ELA purposes are laid down in Section 4 of the Agreement on emergency liquidity assistance of 17 May 2017[1] (ELA Agreement), which states: "*A credit institution is considered solvent for ELA purposes if:*

(a) its Common Equity Tier 1, Tier 1 and Total Capital Ratio as reported under CRR on an individual (if applicable) and consolidated (if applicable) basis comply with the harmonised minimum regulatory capital levels (namely 4.5%, 6% or 8%, respectively); or

(b) there is a credible prospect of recapitalisation - in case (a) is not met, i.e. the Common Equity Tier 1, Tier 1 and Total Capital Ratio, on an individual and/or consolidated basis, do not comply with the harmonised minimum regulatory capital levels (namely 4.5%, 6% or 8%, respectively) - by which harmonised minimum regulatory capital levels would be restored within 24 weeks after the end of the reference quarter of the data that showed that the bank does not comply with harmonised regulatory minimum standards; in duly justified,

[1] See the ECB's website for the Agreement on emergency liquidity assistance, June 2017.

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

> *exceptional cases the Governing Council may decide to prolong the grace period of 24 weeks.*"

Moreover, according to the ELA Agreement, ELA provision to insolvent institutions and to institutions for which insolvency proceedings have been initiated according to national laws violates the prohibition of monetary financing laid down in Article 123 of the Treaty on the Functioning of the European Union. The Governing Council's assessment pursuant to Article 14.4 of the Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB) of whether the provision of ELA might interfere with the objectives and tasks of the ESCB is in part based on the confirmation from the competent supervisory authorities that the entity in question fulfils the conditions laid down in the ELA Agreement.

Yours sincerely,
[signed]

Christine Lagarde

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