

ELA PROCEDURES

(the procedures underlying the Governing Council's role pursuant to Article 14.4 of the Statute of the European System of Central Banks and of the European Central Bank with regard to the provision of ELA to individual credit institutions)

Euro area credit institutions can receive central bank credit not only through monetary policy operations but exceptionally also through emergency liquidity assistance (ELA).

ELA means the provision by a Eurosystem national central bank (NCB) of:

- (a) central bank money and/or
- (b) any other assistance that may lead to an increase in central bank money

to a solvent financial institution, or group of solvent financial institutions, that is facing temporary liquidity problems, without such operation being part of the single monetary policy. Responsibility for the provision of ELA lies with the NCB(s) concerned. This means that any costs of, and the risks arising from, the provision of ELA are incurred by the relevant NCB.

However, Article 14.4 of the Statute of the European System of Central Banks and of the European Central Bank (Statute of the ESCB) assigns the Governing Council of the ECB responsibility for restricting ELA operations if it considers that these operations interfere with the objectives and tasks of the Eurosystem. Such decisions are taken by the Governing Council with a majority of two-thirds of the votes cast. To enable the Governing Council to adequately assess whether such interference is given, it has to be informed of such operations in a timely manner. A procedure to this end has been in place since 1999 – and it has been reviewed regularly since then. The key features of the current procedure are summarised below:

As a rule, NCBs inform the ECB of the details of any ELA operation, at the latest, within two business days after the operation was carried out. The information needs to include, at least, the following elements:

1. the counterparty to which the ELA has been/will be provided;
2. the value date and maturity date of the ELA that has been/will be provided;
3. the volume of the ELA that has been/will be provided;
4. the currency in which the ELA has been/will be provided;
5. the collateral/guarantees against which the ELA has been/will be provided, including the valuation of, and any haircuts applied to, the collateral provided and, where applicable, details on the guarantee provided and the terms of any contractual safeguards;

6. the interest rate to be paid by the counterparty on the ELA that has been/will be provided;
7. the specific reason(s) for the ELA that has been/will be provided (i.e. margin calls, deposit outflows, etc.);
8. the prudential supervisor's assessment, over the short and medium term, of the liquidity position and solvency of the institution receiving the ELA, including the criteria used to come to a positive conclusion with respect to solvency; and
9. where relevant, an assessment of the cross-border dimensions and/or the potential systemic implications of the situation that has made/is making the extension of ELA necessary.

Ex post information has to be provided on all features mentioned under points 1 to 9 above, to the extent that this information has not already been provided ex ante. Any information provided needs to be updated daily, if it has changed in comparison with the previous day. Moreover, the Governing Council can decide to request additional information from the respective NCB, or to broaden the information/reporting requirements, and/or make them more stringent, in specific cases if this is deemed necessary.

In the event of the overall volume of the ELA operations envisaged for a given financial institution or given group of financial institutions exceeding a threshold of €500 million, the NCB(s) involved must inform the ECB as early as possible prior to the extension of the intended assistance.

In the event of the overall volume of the ELA operations envisaged for a given financial institution or given group of financial institutions exceeding a threshold of €2 billion, the Governing Council will consider whether there is a risk that the ELA involved may interfere with the objectives and tasks of the Eurosystem. Upon the request of the NCB(s) concerned, the Governing Council may decide to set a threshold and not to object to intended ELA operations that are below that threshold and conducted within a pre-specified short period of time. Such threshold may also refer to several financial institutions and/or several groups of financial institutions at the same time.

The NCB will provide the following information at least three business days before the Governing Council meeting at which the request is to be considered:

- all available ex ante information on the elements listed under points 1 to 9 above, under the conditions set out therein. Where the threshold refers to several financial institutions or several groups of financial institutions at the same time, the information should be provided on a bank-by-bank basis; and
- a projection – covering, in principle, the period up to the next regular Governing Council meeting – of the funding gap for each individual bank that is to receive ELA on the basis of two scenarios, namely the expected scenario and a stress scenario.

These procedures are aimed at adequately ensuring the performance of the Governing Council's role pursuant to Article 14.4 of the Statute of the ESCB with regard to the provision of ELA to individual credit institutions. They are binding for all NCBs, and their adequacy is reviewed at regular intervals.