EUROPEAN CENTRAL BANK

EUROSYSTEM

Mario DRAGHI

President

Mr Andreas Pitsillides
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 28 January 2014

L/MD/14/57

Re: Your letter

Dear Mr Pitsillides,

Thank you for your letter, which was passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 20 December 2013.

Emergency liquidity assistance (ELA) operations are undertaken by national central banks under national responsibility. However, in order to prevent these operations from interfering with the tasks and objectives of the Eurosystem – notably, the implementation of the single monetary policy – the Governing Council of the ECB has established rules and procedures with regard to the provision of ELA to individual credit institutions. These rules and procedures are available on the ECB's website and provide answers to some of the questions you raised.[1]

ELA is a specific tool available to central banks in crisis situations. Its aim is to provide liquidity support, in exceptional circumstances, to temporarily illiquid but solvent credit institutions which cannot obtain sufficient liquidity through the market and/or their participation in regular monetary policy operations. Hence, each individual ELA operation must be temporary, and the amounts involved in each case depend on the size of the liquidity shortage of the financial institution concerned and the availability of adequate collateral.

[1] http://www.ecb.europa.eu/pub/pdf/other/elaprocedures.en.pdf?e0e0688fa82a174563d3cc838d7f5de1; also attached.

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Finally, in the specific case of Cyprus, Bank of Cyprus owes the outstanding amount of its ELA borrowings to the Central Bank of Cyprus, not to the ECB. A successful implementation of its restructuring plan, in particular via an effective loan workout, should help Bank of Cyprus to gradually reduce its reliance on ELA.

Yours sincerely,
[signed]

Mario Draghi