



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Fabio De Masi
Mr Neoklis Sylikiotis
Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 20 April 2015
L/MD/15/246

Re: Your letter (QZ-40)

Honourable Members of the European Parliament, dear Mr De Masi, dear Mr Sylikiotis,

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 27 February 2015.

I wish to recall the substance of the remarks made by Jörg Asmussen, at the time Member of the ECB's Executive Board, on the ECB's position as regards the sale of Cypriot banks' operations in Greece, as expressed during the exchange of views with the Committee on Economic and Monetary Affairs of the European Parliament on 8 May 2013.¹

The recapitalisation needs of the Cypriot banking sector were far too large for the sovereign to bear. In early 2013 the recapitalisation needs of the two largest Cypriot banks were estimated by an independent expert firm at approximately €8 billion (or 44% of GDP). In the view of those responsible for the EU/IMF programme under negotiation at the time, for the sovereign to provide this amount would have critically endangered public debt sustainability. A rapid and substantial downsizing of the banking sector, including the disposal of foreign operations of the Cypriot banks, was therefore supported by the EU/IMF programme.

¹ Jörg Asmussen's introductory statement is available at <http://www.ecb.europa.eu/press/key/date/2013/html/sp130508.en.html>

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With the above considerations in mind, I stress that the ECB was at no point in time party to the negotiation of the sale price, and it is not for the ECB to justify the business case for the sale of the Cypriot banks' Greek branches.

As you will be aware, the sale of the Greek operations of the two largest Cypriot banks was the result of a bilateral agreement between Cyprus and Greece, the aim of which was to protect the stability of both the Greek and the Cypriot banking system.² The actual sale was mandated by the Central Bank of Cyprus, in its capacity as Cyprus's resolution authority and hence acting on the cases of Laiki Bank and the Bank of Cyprus.³ Please also note that one of the three banks mentioned in your letter (Hellenic Bank) sold its Greek operation on a voluntary basis.

Yours sincerely,

[signed]

Mario Draghi

² See the Eurogroup statement on Cyprus dated 16 March 2013, p.1 and the Eurogroup statement on Cyprus dated 25 March 2013, p.1.

³ Decree No 96 (Sale of Greek branches of Bank of Cyprus), *Official Gazette of the Republic of Cyprus*, 3rd Annex, Part I, No 4640, Tuesday, 26 March 2013, p. 745; Decree No 97 (Sale of Greek branches of Laiki Bank), *Official Gazette of the Republic of Cyprus*, 3rd Annex, Part I, No 4640, Tuesday, 26 March 2013, p. 749

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