



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Christine LAGARDE
President

Ms Julie Lechanteux
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 26 March 2021

L/CL/21/44

Re: Your letter (QZ-008)

Honourable Member of the European Parliament, dear Ms Lechanteux,

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 2 February 2021.

Regarding the additional one-year grace period for French enterprises to repay their government-guaranteed loans, let me first make an important distinction between the responsibilities of the authorities involved. On the one hand, in December 2011 the Eurosystem introduced a scheme allowing banks, under certain conditions¹, to use more of the loans that they provide to corporates and small and medium-sized enterprises (SMEs), for example, as collateral in Eurosystem credit operations. On 7 April 2020 this option was temporarily extended by enabling the national central banks of the euro area to accept loans backed by COVID-19-related public sector guarantees.² This can help banks to lend to the real economy, including to smaller borrowers, during the pandemic. The extension allows banks to refinance also these loans by borrowing through the Eurosystem's targeted longer-term refinancing operations (TLTROs) at interest rates which are currently negative. This, in turn, should help various types of borrowers, such as SMEs or the self-

¹ Under the scheme, national central banks (NCBs) are allowed to temporarily accept additional types of collateral to ensure that banks have full access to central bank liquidity, even in adverse circumstances. This allows NCBs to consider specific conditions in their respective countries, such as the types of collateral available or special legal and operational circumstances. Additional credit claims (ACCs) are an example of the types of assets temporarily eligible as collateral.

² Without these guarantees, the loans would either be subject to higher risk-related haircuts or not be eligible as collateral under the ACC frameworks at all. With the ACC frameworks temporarily extended, certain requirements for the acceptance of such loans as collateral can be eased further.

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employed, to keep their businesses running and maintain or expand their bank financing during these difficult times. Banque de France has been one of the numerous national central banks that have used this option so far.

On the other hand, some Member States have introduced state-guaranteed loan schemes, which are an important tool in the current crisis. In France, the latest amendment to the framework of the country's public guarantee scheme envisages granting all enterprises an additional one-year grace period to repay their government-guaranteed loans. While the ECB has taken note of this amendment, it is for French authorities to monitor whether banks fulfil the criteria of this scheme. Any failure by banks to comply with the conditions of the scheme falls outside the ECB's remit in respect of microprudential supervision and would have to be addressed under the applicable national legal framework.

Yours sincerely,

[signed]

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