EUROPEAN CENTRAL BANK

EUROSYSTEM

OPINION OF THE EUROPEAN CENTRAL BANK

of 23 October 2014

on the determination of weighted average yields for federal loans and the appointment of external auditors

(CON/2014/75)

Introduction and legal basis

On 22 September 2014, the European Central Bank (ECB) received a request from the Austrian Ministry of Finance for an opinion on the draft law on the determination of weighted average yields for federal loans and amending the Law on the Oesterreichische Nationalbank (hereinafter the 'draft law').

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and on the third indent of Article 2(1) of Council Decision 98/415/EC[1], as the draft law relates to the Oesterreichische Nationalbank (OeNB). In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft law

1.1 The draft law replaces Austria's current indicator for federal loans, the secondary market yields for government bonds (hereinafter 'SMR'), with a new indicator, the circulation weighted average yields of government bonds (hereinafter 'UDRB'). This is necessary because by the end of 2014 the Oesterreichische Kontrollbank AG will cease to provide the SMR indicator and starting from 1 January 2015 the OeNB will take over the task and provide the new UDRB indicator. The SMR indicator is particularly relevant for life insurance undertakings.

Pursuant to the draft law, the UDRB calculation is based on Austrian federal loans issued with a fixed interest rate and a remaining term of more than one year. This is based on the transaction data obtained by the Austrian Financial Market Authority by virtue of its official duties, which is provided to the OeNB on a weekly basis. This transaction data must not be published by the OeNB. The OeNB will calculate the UDRB for each of the bank's working days and publish it retrospectively, once a week, on its website. In addition, the OeNB must also publish the details

1 Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42).

concerning the framework conditions of the UDRB, particularly the method of calculation and the description of the data on which the UDRB is based.

1.2 The draft law updates the OeNB's appointment procedure for external auditors. Under the draft law, an auditor and alternate auditor is elected to audit OeNB's annual financial statements for a period of no longer than five years. Auditors that have already signed a certificate on five occasions cannot be appointed. In cases in which the audit is not carried out by a natural person in the capacity of auditor, this restriction also applies to a lead auditor and any persons who have signed an auditor's certificate. The rotation provisions do not apply after an interruption of audit activities for at least two consecutive financial years.

2. Specific observations

2.1 The ECB has no comments as regards the replacement of the indicator for federal loans with a new indicator.

2.2 The ECB welcomes the changes regarding the appointment procedure of OeNB's external auditors. This change reflects the ECB's good practices for the selection and mandate of external auditors as laid down in Article 27.1 of the Statute of the European System of Central Banks and of the European Central Bank. As recommended by the ECB's good practices, the draft law introduces a multi-year mandate for the appointment of the external auditors. The ECB understands that the draft law will enter into force before the end of 2014. Thus, the ECB expects that from the financial year 2015, the external auditor and the alternate external auditor are appointed for a multi-year mandate. Taking into account Recommendation ECB/2013/8[2], the ECB understands that in 2015 the OeNB will appoint the external auditor and alternate external auditor for a three-year term until the end of financial year 2017. The ECB also understands that from the financial year 2017 the

2 Recommendation ECB/2013/8 of 17 April 2013 to the Council of the European Union on the external auditors of the Oesterreichische Nationalbank (OJ C 115, 23.4.2013, p. 1).

OeNB will appoint an external auditor and an alternate external auditor for a period of three or more years.

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 23 October 2014.

[signed]

The President of the ECB

Mario DRAGHI