EUROPEAN CENTRAL BANK

EUROSYSTEM

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OPINION OF THE EUROPEAN CENTRAL BANK

of 6 April 2016

on Austria's contribution to the Catastrophe Containment and Relief Trust of the International Monetary Fund

(CON/2016/21)

Introduction and legal basis

On 11 February 2016, the European Central Bank (ECB) received a request from the Austrian Ministry of Finance (MoF) for an opinion on a draft law regarding Austria's contribution to the International Monetary Fund (IMF)'s Catastrophe Containment and Relief Trust (hereinafter the 'CCR Trust') (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 a national central bank. 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 In November 2014, the G-20 called upon the IMF to provide additional financial aid for the countries stricken by the Ebola epidemic. In response to this request, the IMF extended the aid provided by the Post-Catastrophe Debt Relief Trust, which provides assistance in the aftermath of natural disasters, to include support in the event of epidemics[2]. The IMF has combined these funds to create the CCR Trust, which will enable low-income countries that have been affected by natural disasters or epidemics to be able to reduce their IMF debt by 20% of their quota (or more in exceptional cases). This reduction will be implemented by decreasing the number of their debt instalments due until that amount is reached. As regards the three Ebola-stricken countries, Liberia, Guinea and Sierra Leone, the IMF will write off USD 100 million of debt.

1.2 Generally, the CCR Trust resources are sufficient to provide support to the countries currently affected by the Ebola epidemic. However, additional resources amounting to approximately USD 150 million will be required to respond to similar cases in the future. The IMF therefore appealed to its members to help with funding this amount. As regards Austria, the IMF requested that the Oesterreichische Nationalbank (OeNB) provide support amounting to USD 3 to 5 million.

1.3 The draft law authorises the OeNB to transfer EUR 2.7 million from its own resources on behalf of

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).

2 See IMF Press Release No 15/34, 5 February 2015.

Austria to the CCR Trust. According to the explanatory memorandum accompanying the draft law, the OeNB's contribution is to be considered a donation in order for the OeNB to avoid repayment claims against the IMF or third parties. As a result of this contribution, the OeNB will experience an annual loss of interest amounting to EUR 1,350, which would have been received by the OeNB at an interest rate of 0.05 % on the amount transferred to the CCR Trust[3]. This loss will reduce the OeNB's annual income, resulting in a marginally lower profit distribution to the MoF.

2. Monetary financing prohibition

2.1 The tasks performed by a national central bank must comply with the monetary financing prohibition under Article 123 of the Treaty, which is subject to certain exemptions laid down in Council Regulation (EC) No 3603/93[4]. In particular, Article 7 of Regulation (EC) No 3603/93 provides that the financing by national central banks of obligations falling upon the public sector in relation to the IMF are not regarded as a credit facility within the meaning of Article 123 of the Treaty. Recital 14 of Regulation (EC) No 3603/93 clarifies the rationale behind this exemption, stating that it is appropriate to authorise the financing by the central banks of obligations falling upon the public sector in relation to the IMF because such financing 'results in foreign claims which have all the characteristics of reserve assets'. Therefore, the exemption in Article 7 of Regulation (EC) No 3603/93 must be interpreted in line with this rationale[5].

2.2 The OeNB's transfer of Austria's contribution to the CCR Trust, as set out in the draft law, does not fall under the exemption in Article 7 of Regulation (EC) No 3603/93 because the financing does not result in claims that have the characteristics of reserve assets within the meaning of Recital 14 of Regulation (EU) No 3603/93. Therefore, the ECB regards the OeNB's donation to the CCR Trust as a form of monetary financing prohibited by Article 123(1) of the Treaty. In order to avoid such an infringement of the monetary financing prohibition, the OeNB should not finance the Austrian contribution to the CCR Trust from its own resources, and the draft law should be amended accordingly.[6]

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

Done at Frankfurt am Main, 6 April 2016.

[signed]

The President of the ECB

Mario DRAGHI

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3 See the simplified outcome-oriented impact assessment accompanying the draft law.

4 Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

5 Consistently with this interpretation, see Opinions CON/2005/29 and CON/2013/16. With regard to the issue of national central banks financing of IMF quota increase, see Opinions CON/2012/65 and CON/2011/97. All ECB Opinions are available on the ECB's website at www.ecb.europa.eu.

6 This position departs from the one set out in Opinions CON/2010/22 and CON/2008/41. All ECB opinions are available on the ECB website at www.ecb.europa.eu.