

Question for written answer Z-33/2013
to the European Central Bank
Rule 118
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Subject: Exposure of the ECB to Italian potential losses on financial derivatives

The Eurosystem's holding of securities acquired under the Securities Markets Programme (SMP) has been published on 21 February 2013. According to these data (1), the ECB has bought up to EUR 102.8bn worth of Italian securities, with an average remaining maturity of 4 years and a half. This is clearly an enormous amount of securities. On 26 June 2013 the Financial Times revealed Italy could face potential losses on its restructured derivatives contracts of about EUR 8bn, a figure based on a notional value of EUR 31.7bn (2).

If the ECB took losses on SMP, this would undoubtedly constitute direct financing of governments, which is explicitly forbidden by Article 125 of the Treaty on the Functioning of the European Union.

In the light of this:

- 1) Was the ECB aware of the risks related to the purchase of such a large quantity of Italian securities?
- 2) If yes, does the ECB think to have performed its tasks and carried on its activities in accordance with the provisions of the Treaty and of its Statute, such as established by Article 1 of the Protocol (No 4) on the European System of Central Banks and of the European Central Bank?
- 3) If not, how did the ECB conduct its risk assessments?
- 4) Was the ECB aware of the "window-dressing" of Italian accounts occurred before and just after Italy entered the euro?
- 5) Was the ECB also aware of the fact that Greece had used derivatives in order to hide its public debt?
- 6) Does the ECB agree that eventual losses on SMP would greatly increase its exposure and therefore constitute an even bigger threat for financial stability in the euro area?

(1) http://www.ecb.int/press/pr/date/2013/html/pr130221_1.en.html

(2) <http://www.ft.com/intl/cms/s/0/440007a8-dd9a-11e2-a756-00144feab7de.html#axzz2XUuwcsbh>