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extending government guarantees to banks and other institutions
(CON/2009/79)**

European Central Bank (ECB)

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OPINION OF THE EUROPEAN CENTRAL BANK

of 7 October 2009

on extending government guarantees to banks and other institutions

(CON/2009/79)

Introduction and legal basis

On 2 October 2009, the European Central Bank (ECB) received a request from the Swedish Ministry of Finance for an opinion on a draft ordinance amending Ordinance 2008:819 on government guarantees to banks etc. (hereinafter the 'draft ordinance').

The ECB's competence to deliver an opinion is based on Article 105(4) of the Treaty establishing the European Community and on the sixth indent of Article 2(1) of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions¹, as the draft ordinance relates to rules applicable to financial institutions insofar as they materially influence the stability of financial institutions and markets. 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 ordinance

The draft ordinance is intended to amend Ordinance 2008:819 on government guarantees to banks etc. which was adopted by the Swedish Ministry of Finance on 29 October 2008. The ECB was consulted on Ordinance 2008:819 at the draft stage and adopted its Opinion CON/2008/62 on 29 October 2008².

In March 2009 the ECB was consulted on proposed amendments to Ordinance 2008:819 and adopted its Opinion CON/2009/30.

Under the provisions currently in force, the Swedish guarantee scheme expires on 31 October 2009. While the scheme and other measures have contributed to the stabilisation of the financial markets, the Swedish Government is of the view that markets have not yet returned to normal functioning and that further support is required.

In the memorandum accompanying the draft ordinance, the Swedish Government refers to the financial situation in the Baltic area and states that so far the situation has developed better than expected.

¹ OJ L 189, 3.7.1998, p. 42.

² All ECB opinions are available on the ECB's website at www.ecb.europa.eu.

Moreover, the banks have made large capital reservations on their balance sheets for further expected losses and, to guarantee further smooth financing, the Swedish Government concludes that the guarantee scheme should be prolonged for another six months, i.e. until 30 April 2010, on unchanged terms.

2. General observations

Temporary nature of the scheme

In line with the Conclusions of the Ecofin Council of 7 October 2008 and the Declaration issued by the Heads of State of the euro area on 12 October 2008, the ECB notes that harmonisation of the measures implemented at the national level is essential to ensure the integration of the financial markets within the European Union, and within the euro area in particular. In this regard, the ECB emphasises that the coordination regarding the duration of national financial support schemes across the EU is of crucial importance in order to ensure a level playing field³. In addition, the ECB emphasises the need for national support measures to be temporary in nature⁴. While the proposed extension to the scheme is based on the current elements of fragility in the national financial sector, it is understood that the temporary nature of this State guarantee scheme is essentially maintained and that the involvement of the Swedish State will be limited in time.

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

Done at Frankfurt am Main, 7 October 2009.

[signed]

The President of the ECB

Jean-Claude TRICHET

³ See notably ECB Opinions CON/2009/24, paragraph 3.1, CON/2009/54, paragraph 2.5.2 and CON/2009/73, paragraph 3.2.

⁴ See notably ECB Opinions CON/2009/24, paragraph 2.2, CON/2009/62, paragraph 3.3 and CON/2009/73, paragraph 3.2.