Opinion of the European Central Bank of 20 December 2010 on extending government guarantees to banks and other institutions and the prolongation of the State recapitalisation scheme (CON/2010/93)

European Central Bank (ECB)
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Introduction and legal basis

On 23 November 2010, 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 on government guarantees’) and a draft ordinance amending Ordinance SFS 2009:46 on capital contributions to solvent banks and others (hereinafter the ‘draft ordinance on capital contributions’).

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 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 provisions, as the draft ordinances relate 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. Background


1.2 The Swedish Government now proposes some changes to Ordinance 2008:819 and a prolongation of its validity by six months, i.e. that guarantees may be issued until 30 June 2011. The draft ordinance on government guarantees introduces a change to Section 7 of Ordinance 2008:819, under which the total financial limit for the guarantee programme is lowered. Up to and including

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2 All ECB opinions are published on the ECB’s website at www.ecb.europa.eu.
31 December 2010, this limit is SEK 1 500 billion. From 1 January 2011, the total financial limit for the guarantee programme will be SEK 750 billion.


The Swedish Government now proposes some changes to Ordinance SFS 2009:46 and a prolongation of its validity until 17 August 2011.

2. Purpose of the draft ordinances

The Swedish Government states that there is currently no demand for government guarantees and that Swedish banks are well capitalised. The Swedish Government views the guarantee programs as a standby insurance policy that may provide banks access to medium term financing if conditions were to deteriorate. The Government has also introduced a gradual phasing out of the support measures, by lowering the total financial limit for the guarantee programme.

3. General observations

The ECB welcomes this gradual exit from the Swedish banking support scheme. The ECB notes that the Swedish measures are in line with guidance from the European Commission for extending guarantee schemes beyond 1 January 2011\(^3\).

The ECB reiterates its view that coordination of the duration of national financial support schemes across the Union is of crucial importance in order to ensure a level playing field\(^4\). In addition, the ECB notes the need for national support measures to be temporary in nature\(^5\).

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

Done at Frankfurt am Main, 20 December 2010.

[signed]

The President of the ECB

Jean-Claude TRICHET

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