EUROPEAN CENTRAL BANK

EUROSYSTEM

*COURTESY TRANSLATION*

Jean-Claude TRICHET

*President*

Mr Andreas Mölzer
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 3 March 2011

L/JCT/11/210

**Ref.: Questions on transfers to the European Central Bank**

Dear Mr Mölzer,

Thank you for your letter regarding transfers from the Oesterreichische Nationalbank (OeNB) to the European Central Bank (ECB), which was passed on to me by Ms Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, by means of a covering letter dated 20 January 2011.

Before replying to your specific questions, let me briefly highlight the general context for the recent capital increase of the ECB, which you also refer to in your letter. In 2010 the ECB decided to increase its subscribed capital by €5 billion, from €5.76 billion to €10.76 billion. This decision was taken by the Governing Council of the ECB in accordance with the Statute of the European System of Central Banks and of the European Central Bank[1], as well as Council Regulation No 1009/2000 of 8 May 2000, which foresees an increase in the capital of the ECB by up to this amount. In other words, the legislator already anticipated at an early point in time, namely in 2000, that there might, at some juncture, be a case for the ECB to increase its capital.

As explained in the ECB's press release of 16 December 2010[2], the decision to increase the ECB's capital resulted from an assessment of the adequacy of statutory capital conducted in 2009. The capital increase was deemed appropriate in view of increased volatility in foreign exchange rates, interest rates, and credit risk as well as gold prices. As the maximum size of the ECB's provisions and reserves is equal to the level of its paid-up capital, this decision allows the Governing Council to augment the provision by an amount equivalent to the capital increase, starting with the allocation of part of the ECB's surplus from 2010. From a longer-term perspective, the increase in capital – the first general increase in 12 years – was also motivated

[1] http://www.ecb.europa.eu/ecb/legal/pdf/en_statute_from_c_11520080509en02010328.pdf
[2] http://www.ecb.europa.eu/press/pr/date/2010/html/pr101216_2.en.html

by the need to provide an adequate capital base in a financial system that has grown considerably over the last 12 years.

In order to smooth the transfer of capital to the ECB, the Governing Council decided that the euro area national central banks should pay their overall additional capital contributions of €3,489,575,000 in three equal annual instalments. The share to be paid by the Oesterreichische Nationalbank – not the Republic of Austria – amounts to €97,085,000 overall, which means three annual instalments of €32,361,666.67 for the OeNB, the first of which was paid on 29 December 2010. The remaining two instalments will be paid at the end of 2011 and 2012, respectively.

Furthermore, since 1999 the ECB has paid out to the OeNB net profits accumulating overall to €186.5 million (excluding any compound interest effects), i.e. the OeNB as a shareholder of the ECB receives dividends on its investment, as do all other national central banks.

As for the more specific list of questions in your letter, I am glad to provide the following information. In the context of the Securities Markets Programme (SMP), purchases of government debt issued by Member States whose currency is the euro are based on the Decision of the European Central Bank of 14 May 2010 (ECB/2010/5)[3]. One of the legal bases of the Decision is Article 18.1 of the Statute of the ESCB and of the ECB, according to which the ECB and the national central banks of Member States whose currency is the euro "may operate in the financial markets by buying and selling outright […] marketable instruments". You can find additional information on the SMP in a press release published by the ECB on 10 May 2010[4].

The quantity of gold transferred from the OeNB to the ECB when Austria adopted the euro was 718,254.810 oz, the equivalent of €176,955,000.

The transfer of gold from the OeNB to the ECB was conducted on the basis of Article 30 of the Statute of the ESCB and of the ECB, entitled "Transfer of foreign reserve assets to the ECB", which lays down the foreign reserve assets to be contributed by each national central bank when it enters the Eurosystem. The procedure for the transfer of foreign reserve assets is laid down in the Guideline of the European Central Bank of 3 November 1998, as amended by the Guideline of 16 November 2000, on the composition, valuation and modalities for the initial transfer of foreign-reserve assets, and the denomination and remuneration of equivalent claims (ECB/2000/15)[5].

The ECB's gold holdings have never been used as collateral.

Yours sincerely,

[signed]

---

[3] http://www.ecb.europa.eu/ecb/legal/pdf/l_12420100520en00080009.pdf
[4] http://www.ecb.europa.eu/press/pr/date/2010/html/pr100510.en.html
[5] http://www.ecb.europa.eu/ecb/legal/pdf/en_ecb_2000_15.pdf