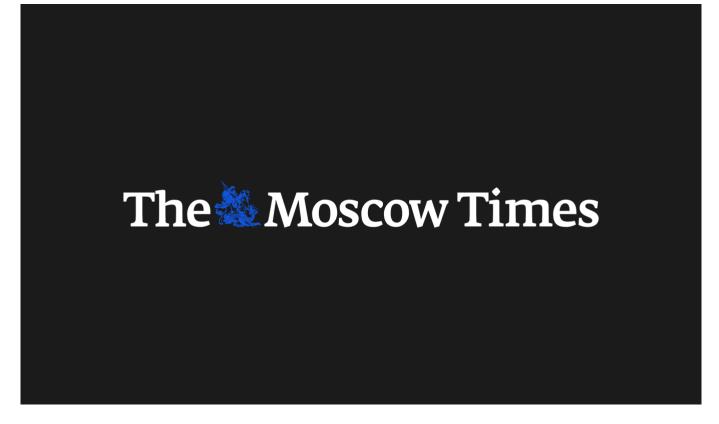


ECB Clamps Down on Russian Banks in Euro Zone as Sanctions Bite

By The Moscow Times

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FRANKFURT — The European Central Bank is tightening the leash on euro-zone subsidiaries of major Russian banks by taking control over how much they can borrow from it following European sanctions against Moscow.

Reuters reported on Wednesday that Russian banks' euro-zone subsidiaries could face caps or even exclusion from borrowing from the ECB as the central bank examined how the sanctions affected its operations.

Being able to tap central bank refinancing operations is crucial for banks, especially when others may not be willing to lend to them.

Until now, the euro-zone subsidiaries of the affected Russian banks had unlimited access to the ECB's refinancing operations, like other euro-zone banks, but the ECB kept an eye on their capital flows to ensure they did not funnel money they borrow from the central bank

back to Russia.

On Thursday, however, ECB President Mario Draghi said the central bank had decided to go a step further.

"These banks will have access to refinancing, but they will be asked to announce their requirements first, and second, approval will be granted if it has been confirmed that the requested liquidity will not be used to circumvent EU restrictive measures," Draghi told a news conference.

"So banks will have to explain why they need the money, and the national central banks' inspectors, supervisors will assess their statements."

The ECB's decision shows how difficult it has become for the central bank to keep out of politics given the depth and complexity of financial interconnections and at a time when it is taking on more responsibility to restore Europe to growth.

Among the banks in question are the Austrian arms of Russia's two largest banks — Sberbank and VTB Bank — which the ECB considers so significant it has decided to supervise them directly when it takes on banking oversight in the euro zone in November.

See also:

Russian Banks in Eurozone Could Face Curbs on ECB Borrowing as Sanctions Bite

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