

Principles for emergency liquidity assistance (ELA)

Approved by Norges Bank's Executive Board on 24 June 2020

- Emergency liquidity assistance (ELA), or credit on special terms, may be provided only in situations where financial stability is at risk if such credit is not extended.
- ELA may be provided only to banks regarded as solvent.
- ELA shall be extended only against adequate collateral. Securities not eligible as collateral under the ordinary lending facilities may be eligible as collateral for ELA. If necessary, non-traditional collateral, such as portions of a bank's lending portfolio, may also be approved as collateral.
- Norges Bank shall avoid requesting a government guarantee in connection with ELA.
- The interest rate on ELA shall be set above the normal market rate. This gives a bank that has received ELA a clear incentive to replace the ELA with market funding.
- If, in the view of Finanstilsynet (Financial Supervisory Authority of Norway), the bank applying for ELA is failing or likely to fail, the application shall be rejected. Not until a bail-in decision is made shall the bank be regarded as solvent and may then, if necessary, be granted ELA.
- If a bank in resolution applies for ELA, the situation shall be regarded as one where financial stability will most likely be at risk if such credit is not extended. As soon as a bail-in decision is made, the bank shall be regarded as solvent and may be provided with ELA (cf point above).
- If a bank that is not failing or likely to fail, but whose capital adequacy is nevertheless impaired, applies for ELA, ELA shall be extended only if the bank presents a recapitalisation plan that Norges Bank deems to be sufficient.
- If a solvent bank applies for ELA, eg owing to operational problems, the terms and conditions of any agreement to extend ELA must be coordinated with measures taken or planned by Finanstilsynet vis-à-vis the bank.
- Decisions to extend ELA shall be made public.
- If a foreign bank with a branch in Norway applies for ELA in NOK, the central bank in the bank's home state shall process the application and, if that central bank finds it necessary, provide ELA.