EUROPEAN CENTRAL BANK

EUROSYSTEM

Mario DRAGHI
President

Mr Hugues Bayet, Mr Jonás Fernández,
Mr Ramón Jáuregui Atondo, Ms Eva Kiali, Mr Costas
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Members of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 10 March 2015

L/MD/14/138

Re: Your letter (QZ-20)

Honourable Members of the European Parliament,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 29 January 2015.

The Governing Council decided that starting 9 March, the purchases of asset-backed securities and covered bonds will be complemented by purchases of securities issued by euro area governments and agencies and European institutions. Combined purchases will be conducted at a monthly pace of €60 billion and are intended to be carried out until the end of September 2016 and, in any case, until the Governing Council sees a sustained adjustment in the path of inflation consistent with its aim of achieving inflation rates below, but close to, 2% over the medium term.

The Governing Council considered outright purchases of securities with a high potential for influencing the financing conditions faced by euro area households and firms as warranted in view of the price stability mandate of the European Central Bank (ECB). With key interest rates at their lower bound, purchases of investment grade bonds of euro area sovereigns, agencies and European institutions are an effective instrument to provide further monetary policy accommodation. Conducting such purchases in proportions across sovereign issuers that indirectly reflect the economic weight of the various Member States in the euro area economy ensures a broad-based impact across the whole currency union, thereby providing the necessary accommodation for achieving a return of euro area inflation rates to levels below, but close to, 2%.

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With regard to the additional asset purchases, as with any monetary policy measure, the Governing Council has control over all the design features of the programme, including the purchase allocation, asset eligibility, and the pace and size of the purchases. This safeguards the singleness of the Eurosystem's monetary policy.

The ECB will hold 8% of the additional asset purchases while the rest will be purchased by the national central banks (NCBs). Moreover, the Governing Council decided that purchases of securities of European institutions (which are to be conducted by NCBs and will be subject to loss-sharing) will account for 12% of the additional asset purchases. Thus, 20% of the additional asset purchases will be subject to risk-sharing. This arrangement takes into account the unique institutional structure of the euro area, where a common currency and a single monetary policy coexist with 19 national fiscal policies. In particular, the chosen regime ensures the effectiveness of sovereign bond purchases by mitigating concerns relating to moral hazard.

Yours sincerely,
[signed]

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