



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI

President

Ms Sophie Montel
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 3 November 2014

L/MD/14/459

Re: Your letter

Honourable Member of the European Parliament, dear Ms Montel,

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 25 September 2014.

Our monetary policy is geared towards our primary objective of maintaining price stability in the euro area over the medium term. We have always been firm in our determination to use, if necessary, all monetary policy instruments within our mandate to achieve this objective. Against the background of a weakening in the euro area's growth momentum, subdued monetary dynamics and an overall weak inflation outlook, the Governing Council decided in June and September on a combination of additional policy measures. The decision to lower interest rates, which included moving the interest rate on the ECB's deposit facility into negative territory, has been taken with the aim of providing more monetary policy accommodation to the economy in view of the risks of a too prolonged period of low inflation. We consider the current level of ECB key interest rates as their effective lower bound.

While we have no precise targets for the size of each of the individual programmes decided on in September or of the total size of the programmes taken together, the combination of the ABS purchase programme (ABSPP), the covered bond purchase programme (CBPP3) and the targeted longer-term refinancing operations (TLTROs) will have a sizeable effect on our balance sheet. This underpins our commitment to

ensuring the effective transmission of the measures adopted in June and September and ensures their intended macroeconomic impact, namely to bring inflation rates closer to two percent.

Finally, please note that BlackRock Solutions was chosen in a competitive procurement procedure as a consultant to provide advice on the design and implementation of the ABS purchase programme; the contract does not include the execution of purchases. All decisions related to the design and implementation of the ABS purchase programme will be taken by the ECB decision-making bodies. The contract between the ECB and Blackrock Solutions contains a number of provisions to avoid conflicts of interest. In particular, Blackrock Solutions must ensure effective separation between the project team working for the ECB and its staff involved in any other ABS-related activities, including structuring, trading, research or consultancy services.

Yours sincerely,

[signed]

Mario Draghi