EUROPEAN CENTRAL BANK

EUROSYSTEM

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Mario DRAGHI
President

Mr Dimitrios Papadimoulis
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 3 February 2016

L/MD/16/50

Re: Your letter (QZ-169)

Honourable Member of the European Parliament, dear Mr Papadimoulis,

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 8 December 2015.

On 3 December 2015 the ECB's Governing Council took a number of decisions in the pursuit of its price stability objective in order to secure a return of inflation rates towards levels that are below, but close to, 2% and thereby to anchor medium-term inflation expectations.

These decisions most notably included an extension of the intended horizon of the monthly purchases of EUR 60 billion under the asset purchase programme (APP) until the end of March 2017, or beyond, if necessary, 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 ECB will also reinvest the principal payments on the securities purchased under the APP as they mature, for as long as necessary. Moreover, euro-denominated marketable debt instruments issued by regional and local governments located in the euro area have been included in the list of assets that are eligible for regular purchases as part of the public sector purchase programme (PSPP).[1]

[1] Further information on the reasons for introducing these measures and more details on them can be found in the 3 December 2015 introductory statement: http://www.ecb.europa.eu/press/pressconf/2015/html/is151203.en.html.

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This package will ensure accommodative financing conditions and further strengthen the substantial easing impact of the measures taken since June 2014, which have had significant positive effects on financing conditions, credit and the real economy. These measures will also reinforce the momentum of the euro area's economic recovery and strengthen its resilience against recent global economic shocks.

The decisions of the Governing Council did not include a change in the allocation of PSPP purchases across domestic and international issuers, or the eligibility criteria for assets – apart from the regional and local debt instruments mentioned above. Therefore, as the European Investment Bank (EIB) is included in the PSPP-eligible list of international or supranational institutions located in the euro area, secondary market purchases of bonds issued by the EIB have been and will continue to be made. However, let me reiterate that the ECB is not allowed to purchase EIB bonds in the primary market given the prohibition on monetary financing laid down in Article 123 of the Treaty on the Functioning of the European Union.

Lastly, on the subject of the criteria in place for bonds issued by a government to be eligible for purchases under the PSPP, I refer you to the letter that I recently sent to your colleagues Mr Papadimoulis MEP and Mr Kouloglou MEP on 12 January 2016.[2]

Yours sincerely,

[signed]

Mario Draghi

[2] The letter is accessible on the ECB's website at: http://www.ecb.europa.eu/pub/pdf/other/160112letter_papadimoulis_kouloglou.en.pdf

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