



*COURTESY TRANSLATION*

Mr Francisco Sosa Wagner  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 24 April 2012

L/MD/12/308

Re.: Your letter

Dear Mr Sosa Wagner,

Thank you for your letter passed on to me by Ms. Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, accompanied by a covering letter dated 21 March 2012.

The Treaty on the Functioning of the European Union is very specific as regards the principle of conducting monetary policy *“in accordance with the principle of an open market economy with free competition”*. The ECB cannot impose restrictions on how financial institutions use the liquidity provided in the monetary policy operations of the Eurosystem. Any decision on the business conduct is taken by the individual banks themselves.

As regards your renewed questions on credit provision to companies and citizens, please be aware that the three-year Long-Term Refinancing Operations (LTROs) were specifically designed to prevent a credit crunch. The operation conducted in February attracted 800 banks, many of which are smaller banks, that is, precisely those institutions that mostly lend to small and medium-sized enterprises.

The use of the ECB’s deposit facility is not a meaningful indicator for the impact of monetary policy operations on the credit provisions to the real economy; this information would only be available via the balance sheets of commercial banks. The liquidity provided via open market operations that appears on the asset side of the central bank balance sheet must inevitably also appear on the liability side of its balance sheet, either in the form of reserve holdings by banks on their current accounts or in form of recourses to the deposit facility. What we have observed, however, is that banks using the deposit facility are to a large

extent not identical to those borrowing from the Eurosystem. This implies that, despite the high recourse to the deposit facility, liquidity has actually been re-directed within the banking system as intended.

Yours sincerely

[signed]

Mario Draghi