



EUROPEAN CENTRAL BANK  
EUROSYSTEM

*COURTESY TRANSLATION*

Mario DRAGHI

*President*

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

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**Re: Your letter**

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 25 September 2014.

The unconventional policy measures adopted by the Governing Council in June and September are targeted at specific market segments that play a key role in the financing of the economy. They will enhance the monetary policy transmission mechanism, facilitate credit provision to the broad economy, and generate positive spillovers to other markets. The measures will have a sizeable impact on the Eurosystem's balance sheet. This will underpin our commitment to keep an effective transmission of the measures adopted and will ensure their intended macroeconomic impact, namely to bring inflation rates back closer to 2%.

With regard to the asset-backed securities purchase programme, guarantees will need to be in place for risk-management reasons for the Eurosystem to be able to buy mezzanine tranches of eligible ABS. The details on guarantees and other related eligibility criteria (e.g. with respect to the guarantor) will be communicated at a later stage. However, the scope of eligible ABSs is rather large and purchases of senior tranches alone should make it possible to generate significant volumes, especially when taking into account the expected dynamic response of ABS issuance to the purchase programme.

Regarding your last question, let me clarify that the Eurosystem cannot directly purchase on the primary market any bonds from national governments or from the European Investment Bank, including those which were issued with a view to financing investment programmes. The Treaty on the Functioning of the European Union explicitly prohibits purchases of government bonds on primary markets as monetary financing (Article 123).

Finally, our accommodative monetary policy contributes to supporting economic activity. Nevertheless, other policy areas also need to decisively play their role in order to strengthen investment activity, job creation and potential growth. In particular, the implementation of structural reforms clearly needs to gain momentum in Member States. Fiscal policies in line with the Stability and Growth Pact enhance confidence and thereby help underpin the economic recovery. This means that those Member States in need of further consolidation should continue along this path, while Member States that have frontloaded such measures should make use of available fiscal space.

In turn, appropriate structural and fiscal policies will also contribute to the effectiveness of the monetary policy measures adopted by the ECB.

Yours sincerely,

[signed]

Mario Draghi