



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Jonas Fernández
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 1 September 2015

L/MD/15/500

Re: Your letter (QZ-105)

Honourable Member of the European Parliament, dear Mr Fernández,

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 22 June 2015.

Holdings under the expanded asset purchase programme are reflected in the books of the ECB and the national central banks (NCBs) at amortised cost, in line with the Eurosystem accounting rules. As a result, their profit and loss accounts include the impact of (i) coupon interest to be received and (ii) the amortisation of discounts/premia as a result of purchases at prices below/above the nominal values.

With regard to the calculation and subsequent distribution of central bank profits to euro area governments, the NCBs' income related to Eurosystem monetary policy operations is first aggregated at the Eurosystem level and then allocated to the NCBs according to their shares in the capital of the ECB, in accordance with Article 32 of the Statute of the European System of Central Banks and of the European Central Bank.

The distribution of a NCB's profit to its national government is made in full accordance with the agreed profit distribution rules and ultimately depends on its overall financial result, which includes amongst others the income arising from all monetary policy operations, including the public sector purchase programme (PSPP). However, given that a central bank's profit is the net result of its income and expense stemming from all of its activities, portfolios and instruments, one can never directly relate the income from an individual monetary policy operation with the annual profit distribution. This would also hold true if the entire purchase programme

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were to be undertaken by the ECB itself since the ECB's annual profit distribution to its shareholders (i.e. to the euro area NCBs) is just one component of the NCBs' individual profit and loss accounts.

Given the principles for distributing ECB profits to the euro area NCBs, combined with the sharing of income related to Eurosystem monetary policy operations among NCBs, there is usually no reason to assume that the size of profit transfers from NCBs to governments would differ depending on whether the ECB or the NCBs conduct the purchases of government debt securities. However, in view of the specific risk-sharing arrangements for the PSPP, there could be differences for individual NCBs' profit and loss accounts, depending on whether the ECB or an NCB made the purchases.

Yours sincerely,

[signed]

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