



EUROPEAN CENTRAL BANK  
EUROSYSTEM

*COURTESY TRANSLATION*

Mario DRAGHI

*President*

Mr Nuno Melo  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 1 July 2013

L/MD/13/405

**Re: Your letter**

Dear Mr Melo,

Thank you for your letter passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, and accompanied by a cover letter dated 16 April 2013.

Against the background of credit contraction in the periphery and diverse borrowing costs across euro area countries, the ECB has taken exceptional measures during the crisis. The ECB's non-standard measures have aimed at supporting the flow of credit to households and firms in the euro area in the context of a dysfunctional situation in some financial markets that are critical for the workings of our transmission mechanism. Ensuring that solvent banks are not liquidity constrained in their funding is instrumental in better aligning credit conditions with the ECB's policy decisions.

In fact, impairments in the transmission of monetary policy accommodation to the real economy have receded since last summer. This reflects notably the contribution of the non-standard measures in place, as well as the announcement of Outright Monetary Transactions. However, neither type of measure would have had such a sizeable effect on market conditions without the concomitant important progress made by stressed countries towards fiscal consolidation and structural reforms.

The reduction in our key interest rates announced on 2 May 2013 should contribute to supporting prospects for a recovery later in the year. The Governing Council decided to lower the interest rate on the main

refinancing operations of the Eurosystem by 25 basis points to 0.50% and the rate on the marginal lending facility by 50 basis points to 1.00%, keeping the rate on the deposit facility unchanged at 0.00%. The Governing Council is closely monitoring money market conditions and their potential impact on the monetary policy stance and its transmission to the economy, and will maintain an accommodative stance for as long as needed.

Yours sincerely,

[signed]

Mario Draghi