



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Christine LAGARDE

President

Ms Eva Kaili, Ms Isabel Carvalhais, Mr Tonino Picula, Mr Carlos Zorrinho, Mr Manuel Pizarro, Mr Milan Brglez, Ms Inese Vaidere, Mr Ondřej Kovařík, Mr Raffaele Stancanelli, Mr Ivan Štefanec, Mr Raffaele Fitto, Ms Inma Rodríguez-Piñero, Mr Bronis Ropé, Ms Eleonora Evi, Mr Ivars Ijabs, Ms Petra Kammerevert, Mr Andreas Schieder, Mr Demetris Papadakis, Mr Carlo Fidanza, Ms Evelyn Regner, Mr Sándor Rónai, Ms Alviina Alametsä, Mr Piernicola Pedicini, Mr Łukasz Kohut, Mr Attila Ara-Kovács, Mr Marc Angel, Mr Csaba Molnár

Members of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt am Main, 15 May 2020

L/CL/20/134

Re: Your letter (QZ-024)

Honourable Members of the European Parliament,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 6 April 2020.

The Governing Council of the ECB is fully committed to playing its role in supporting all citizens of the euro area through this extremely difficult time. We will do everything necessary within our mandate to help all sectors of the economy to cope with the current challenges, including small and medium-sized enterprises (SMEs).

The COVID-19 pandemic represents a severe and exceptional shock to the euro area economy. We are witnessing an unprecedented contraction of the euro area economy, which is having severe implications for incomes and prospects of firms and households.

In this situation, the continued access of SMEs to finance is of vital importance for sustaining the euro area economy. Hence, the ECB is monitoring very closely the implications of the economic fallout from the COVID-

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel: +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

19 pandemic for the financing conditions of SMEs, in particular, and the transmission of its monetary policy in general. In this context, ECB staff has just finished the analysis of the latest round of the joint ECB and European Commission Survey of Access to Finance of Enterprises (SAFE), which provided fresh insights into the challenges posed by the COVID-19 pandemic and the lockdowns enforced in several euro area countries for SMEs. In particular, the analysis confirms a rapid deterioration in the economic environment related to COVID-19, with the deterioration in the economic outlook and firms' financial situation having a strong negative impact on the availability of finance. A report on the latest survey results was published on 8 May, which is earlier than usual.¹

Reflecting our commitment, and to ensure that all sectors of the economy can benefit from easy financing conditions, the ECB is purchasing public and private sector bonds in large volumes via the Pandemic Emergency Purchase Programme (PEPP). Together with the temporary envelope of additional net asset purchases of €120 billion that was added to our regular Asset Purchase Programme (APP), this allows for the purchase of more than €1 trillion worth of bonds until the end of this year. Our asset purchases have been extended to commercial paper, which is an important source of liquidity for firms. This provides them with additional support to manage their day-to-day cash flows and should help to avoid unnecessary layoffs. Indeed, SAFE results show that the announcement of the PEPP contributed to attenuating the sharp decline in SMEs' confidence in access to external finance.

Moreover, we decided on targeted measures on a massive scale to make sure that liquidity gets through to those that need it most. Our new targeted lending facility provides up to around €3 trillion in liquidity to banks at a negative rate, which can be as low as -1.00%, the lowest rate the ECB has ever offered. These measures will encourage banks to extend loans also to micro-firms and self-employed – who typically have less access to credit – and refinance them by borrowing from the Eurosystem for up to three years at negative interest rates. In addition, we also offer new long-term refinancing operations, including pandemic emergency longer-term refinancing operations (PELTROs), providing an additional source of longer-term funding for banks, which is especially valuable for smaller banks and banks that focus on lending to sectors not covered by the TLTRO programme. These measures will provide new lines of funding to banks at attractive conditions, supporting them in the current phase of heightened uncertainty.

To ensure that banks make full use of this new facility, the ECB introduced a set of targeted collateral measures, with a special focus on smaller businesses, including the self-employed. Loans to companies and the self-employed which benefit from COVID-19 related guarantee schemes may be accepted by Eurosystem national central banks as collateral in our lending operations. We have also adopted temporary measures to mitigate the effect on collateral availability of possible rating downgrades resulting from the economic fallout from the COVID-19 pandemic.

¹ For more details, see [Survey on the Access to Finance of Enterprises in the euro area - October 2019 to March 2020](#)

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel: +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

All these monetary policy measures thus help to alleviate financial constraints for SMEs and improve their resilience to financial shocks. The measures provide favourable conditions to a wide range of euro area companies, including SMEs. To the extent that large corporations maintain debt security issuance, banks may focus on their lending towards smaller companies. The (targeted) longer-term refinancing operations play an important role in sustaining SMEs' access to finance and steering participating banks' monetary stimulus towards private sector borrowers. Those collateral easing measures focused on (additional) credit claims are specifically aimed to support banks in their provision of loans to real economy agents, including SMEs, which in turn will help these agents to keep their business running during these difficult times.

All measures taken in the past weeks underline the Governing Council's commitment to play its role in supporting firms and households in the euro area through an extremely challenging time. We will do everything necessary within our mandate to help the euro area through this crisis. The ECB is at the service of the European people.

Yours sincerely,

[signed]

Christine Lagarde

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel: +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu