

Box 1**ADDITIONAL MEASURES DECIDED BY THE GOVERNING COUNCIL**

On 10 May 2010 the Governing Council decided on several measures to address the severe tensions observed in certain market segments which are hampering the monetary policy transmission mechanism and thereby the effective conduct of monetary policy oriented towards

price stability in the medium term. These measures are designed not to affect the monetary policy stance.

In particular, the Governing Council decided to conduct interventions in the euro area public and private debt securities markets, under a Securities Markets Programme, to ensure depth and liquidity in those market segments which are dysfunctional. The objective of this programme is to address the malfunctioning of securities markets and to restore an appropriate monetary policy transmission mechanism. The scope of the interventions will be determined by the Governing Council. In making this decision, the Governing Council has taken note of the statement by the euro area governments that they “will take all measures needed to meet [their] fiscal targets this year and in the years ahead in line with excessive deficit procedures” and of the precise additional commitments made by some euro area governments to accelerate fiscal consolidation and ensure the sustainability of their public finances. The impact of the above interventions will be sterilised by conducting specific operations to re-absorb the liquidity injected through the Securities Markets Programme.

In addition, the Governing Council decided to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations (LTROs) to be allotted on 26 May and on 30 June 2010. Moreover, a six-month LTRO with full allotment was conducted on 12 May 2010, at a rate fixed at the average minimum bid rate of the main refinancing operations over the life of the operation.

Finally, the Governing Council decided to reactivate, in coordination with other central banks, the temporary liquidity swap lines with the Federal Reserve System, and to resume US dollar liquidity-providing operations at terms of 7 and 84 days. These operations will take the form of repurchase operations against ECB-eligible collateral and will be carried out as fixed rate tenders with full allotment. The first such operation was carried out on 11 May 2010.

The Governing Council considers the above measures essential in order to ensure the effectiveness of the monetary policy transmission mechanism. In particular, the measures will help to mitigate the spillover of increased financial market volatility, liquidity risks and market dislocations in the access to finance in the economy.

The sterilisation of the interventions in the euro area public and private debt securities markets will ensure that the Securities Markets Programme does not affect prevailing levels of liquidity and money market rates. As such, the measures adopted do not affect the monetary policy stance.