



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI
President

Ms Mara Bizzotto
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 3 March 2015

L/MD/15/114

Re: Your letters (QZ-08 & QZ-09)

Honourable Member of the European Parliament, dear Ms Bizzotto,

Thank you for your letters, which were passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 16 January 2015.

On 22 January 2015, the ECB Governing Council decided – with the view to pursuing its price stability mandate – to launch an expanded asset purchase programme and to change the pricing of the six remaining targeted longer-term refinancing operations (TLTROs) by removing the 10 basis point spread over the rate on the Eurosystem's main refinancing operations that applied to the first two TLTROs.

The expanded asset purchase programme will encompass the existing purchase programmes for asset-backed securities and covered bonds, as well as purchases of euro-denominated investment-grade securities issued by euro area governments, agencies and European institutions in the secondary market. The combined monthly purchases of public and private sector securities will amount to €60 billion. The purchases will start in March 2015 and are intended to be carried out until end-September 2016 and will in any case be conducted until we see a sustained adjustment in the path of inflation which is consistent with our aim of achieving inflation rates below, but close to, 2% over the medium term.

The recently adopted measures will further ease monetary and financial conditions, making access to finance cheaper for firms and households. Moreover, our monetary policy decisions support the Governing Council's forward guidance on the key ECB interest rates and reinforce the fact that there are significant and increasing

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differences in the monetary policy cycle of major advanced economies. Taken together, these factors should strengthen demand, increase capacity utilisation and support money and credit growth, and thereby contribute to a return of inflation rates towards 2%.

While monetary policy is focused on maintaining price stability over the medium term, with its accommodative stance contributing to supporting economic activity, achieving a sustainable revival of growth requires decisive action also in other policy areas, including structural and fiscal policy. In particular, the determined and credible implementation of product and labour market reforms, as well as actions to improve the business environment for firms, is needed not only to increase future sustainable growth in the euro area, but also to raise expectations of higher incomes and to encourage firms to increase investment today, thereby bringing the economic recovery forward.

One of the main lessons of the recent crisis has been that unsustainable fiscal policies can pose a risk to the smooth functioning of EMU. Therefore, it is decisive that fiscal policies comply with the rules of the fiscal framework in form of the fiscal compact and the Stability and Growth Pact, which remains the anchor for confidence. To support the economic recovery while ensuring debt sustainability, all countries should use the available scope for a more growth-friendly composition of fiscal policies.

Yours sincerely,

[signed]

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