



EUROPEAN CENTRAL BANK  
EUROSYSTEM

Mr Andreas Mölzer  
Member of the European Parliament  
European Parliament  
60 Rue Wiertz  
B-1047 Brussels

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Dear Mr Mölzer,

Thank you for your letter, which was passed on to me by Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, with a covering letter dated 31 May 2011.

Since your letter relates to monetary policy and questions on inflation, let me recall that the European Central Bank's (ECB) primary objective is to maintain price stability over the medium term for the euro area as a whole for the benefit of all its citizens. This is what we have achieved over the first twelve years of the euro's existence, with the average annual inflation rate in the euro area remaining below 2%. This is a better result than was observed in euro area countries in the 50 years before the establishment of the euro in any 12-year period. Price stability is not only our primary objective given by the Treaty, not only our primary goal to which we are inflexibly attached, it is a very strong request from all our fellow citizens. And, particularly in a period of turbulences, it is essential to preserve stability and confidence in the euro area and in Europe as a whole.

As regards your specific questions, the ECB informed the public about the various points you raised. I would, therefore, refer you to the various sources of information that provide comprehensive and detailed treatment of the issues you are mentioning.

With regard to the role of the national central banks in the Eurosystem and the operation of the ECB's decision-making bodies, all relevant provisions are set out in the Statute of the European System of Central Banks and of the European Central Bank<sup>1</sup>.

National central banks of the Eurosystem can temporarily provide Emergency Liquidity Assistance against eligible collateral. It is an exceptional crisis management tool to support illiquid, but solvent financial

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<sup>1</sup> [http://www.ecb.europa.eu/ecb/legal/pdf/en\\_statute\\_from\\_c\\_11520080509en02010328.pdf](http://www.ecb.europa.eu/ecb/legal/pdf/en_statute_from_c_11520080509en02010328.pdf)

institutions. I should like to refer you to section 3.3 of the article on “The EU arrangements for financial crisis management” in the ECB Monthly Bulletin of February 2007<sup>2</sup> for additional details.

As part of its non-standard measures from the outset of the crisis, the ECB widened the set of collateral eligible for its monetary policy operations. These measures are fully in line with the ECB’s primary mandate as mentioned above and they have served the purpose of allowing, insofar as possible, the proper transmission of our monetary policy, in particular by supporting the flow of credit to the economy in extraordinarily difficult circumstances. The Eurosystem’s collateral framework is described comprehensively in the ECB publication “The implementation of monetary policy in the euro area: General documentation on Eurosystem monetary policy instruments and procedures” of February 2011<sup>3</sup>. In addition, the latest ECB Annual Report<sup>4</sup> provides more detailed information on the concept of collateral adequacy and an overview of actual assets used as collateral in 2010.

I hope this answer and the references to further detailed information are helpful to you.

Yours sincerely,

[signed]

Jean-Claude Trichet

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<sup>2</sup> [http://www.ecb.europa.eu/pub/pdf/other/pp73-84\\_mb200702en.pdf](http://www.ecb.europa.eu/pub/pdf/other/pp73-84_mb200702en.pdf)

<sup>3</sup> <http://www.ecb.europa.eu/pub/pdf/other/gendoc2011en.pdf?c423588f8ef02feb4b96e12fc65b4b2c>

<sup>4</sup> <http://www.ecb.europa.eu/pub/pdf/annrep/ar2010en.pdf>