



EUROPEAN CENTRAL BANK
EUROSYSTEM

Mario DRAGHI

President

Mr Francesco Enrico Speroni
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 2 April 2013

L/MD/13/205

Re: Your letter

Dear Mr. Speroni,

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 8 February 2013.

The aim of the three-year longer-term refinancing operations (LTROs) was to provide funding insurance to banks in order to forestall a disorderly winding-down of their assets and a widespread credit crunch in the economy. Such disorderly developments were a possibility as banks were experiencing difficulties in funding their balance sheets in a period in which high interest rates on government bonds made bank bond issuance rather expensive.

While the Governing Council of the European Central Bank (ECB) left it up to banks to decide how to use the liquidity obtained in these refinancing operations, the liquidity support was key to helping our accommodative monetary policy stance to reach firms and households.

It is not our aim to steer the use of central bank liquidity in a specific direction unless this is motivated by monetary policy considerations. With respect to the three-year LTROs it is also for the banks to decide how much to repay and when.

Yours sincerely,

[signed]

Mario Draghi