EUROPEAN CENTRAL BANK

EUROSYSTEM

COURTESY TRANSLATION

Ms Marine Le Pen
Member of the European Parliament
European Parliament
60 Rue Wiertz
B-1047 Brussels

Frankfurt am Main, 21 June 2011

L/JCT/11/536

Dear Ms Le Pen,

Thank you for your letter, which was passed on to me by Ms Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, with a covering letter received on 13 May 2011.

The ECB's 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 setting-up of the euro, in any 12-year period. Price stability is not only our primary objective according to the Treaty, but is also a strong request from all our fellow citizens, particularly the most vulnerable.

As regards your specific questions, let me first and foremost emphasise that all "non-standard" monetary policy measures taken by the ECB are fully in line with the ECB's primary mandate as mentioned above. They have served the purpose of allowing, insofar as possible, the proper transmission of our monetary policy to the economy. During the global financial crisis, they helped to ensure this transmission, in particular by supporting the flow of credit to the economy in extraordinarily difficult circumstances.

On your question on risk exposure, from the outset of the crisis the ECB, as part of its non-standard measures, had to widen the set of collateral eligible for its monetary policy operations. It also decided to supply liquidity against collateral at a fixed rate with full allotment. Several of these non-standard measures – in particular the six-month and one-year refinancing operations – have been phased out in line with the relative reduction in financial tensions. The liquidity provided to the euro area banking system via its refinancing operations has thus been reduced substantially, from its peak of about €900 billion in June 2010 to some €430 billion now.

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Furthermore, there is no monetisation of public debt in the context of our Securities Markets Programme (SMP), which the Governing Council launched in May 2010 in response to dysfunctional securities markets in some euro area countries. As an integral part of the SMP, the ECB offers tenders on a weekly basis to re-absorb the liquidity injected via interventions, euro for euro. We are not implementing any policy of "quantitative easing". Moreover, interventions have been limited to secondary markets, fully in line with the Treaty.

As regards the doubling of the ECB's capital, this was already foreseen in Council Regulation (EC) No 1009/2000 of 8 May 2000. As such, it was long planned and was related to increased volatility in foreign exchange rates, interest rates and credit risks, as well as in gold prices.

Finally, with regard to confidentiality issues, I should like to stress that the ECB, for reasons of transparency and accountability, publicly discloses a great deal of information regarding its monetary policy actions, in particular via its Monthly Bulletin and its website. The confidentiality of certain information is explicitly foreseen in the European Directive on financial transparency. It is essential for protecting the public interest as regards monetary policy.

Yours sincerely,

[signed]
Jean-Claude Trichet