



COURTESY TRANSLATION

Mr Mario Borghezio
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 24 April 2012

L/MD/12/313

Re.: Your letter

Dear Mr Borghezio,

Thank you for your letter passed on to me by Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, and accompanied by a cover letter dated 21 March 2012.

As regards your question on the use of central bank liquidity, the Treaty on the Functioning of the European Union is very specific as regards the principle of conducting monetary policy “*in accordance with the principle of an open market economy with free competition*”. The ECB cannot impose restrictions on how financial institutions use the liquidity provided in the monetary policy operations of the Eurosystem. Any decision on the business conduct is taken by the individual banks themselves.

As regards your question on credit provision to firms and households, please be aware that the three-year Long-Term Refinancing Operations (LTROs) were specifically designed to prevent a credit crunch. The operation conducted in February attracted 800 banks, the vast majority of which are smaller banks, that is, precisely those institutions that mostly lend to small and medium-sized enterprises. We therefore trust that the liquidity will ultimately serve the real economy.

Yours sincerely,

[signed]

Mario Draghi