



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Christine LAGARDE
President

Mr Piernicola Pedicini
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 8 May 2020

L/CL/20/125

Re: Your letter (QZ-023)

Honourable Member of the European Parliament, dear Mr Pedicini,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 6 April 2020.

On 15 March 2020 the ECB announced the provision of US dollar liquidity to euro area banks via operations with an 84-day maturity in a coordinated action with the Bank of Canada, the Bank of England, the Bank of Japan, the Federal Reserve System and the Swiss National Bank.¹ These measures are additional to the existing US dollar operations with one-week maturity which have been conducted continuously by the ECB since 2010.

US dollar operations are conducted as a “fixed rate full allotment” tender procedure in line with all euro-providing liquidity operations. The fixed rate full allotment procedure has been in place since October 2008² and allows banks to borrow liquidity against eligible collateral in accordance with their individual needs. For this reason, the allocation of funds across euro area countries reflects the demand for such funding from

¹ See the ECB’s press release, available at <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200315~1fab6a9f1f.en.html>.

² See the ECB’s press release dated 8 October 2008, available at https://www.ecb.europa.eu/press/pr/date/2008/html/pr081008_2.en.html.

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banks located in those countries and is not linked to the ECB's capital key. The requirement of adequate collateral protects the Eurosystem from suffering losses on these loans.³

The ECB does not publish a breakdown by country of the take-up in individual refinancing operations, but only the overall take-up and the number of banks participating in each operation.⁴ For example, as of 5 May 2020, the outstanding amount of US dollar loans from the Eurosystem stood at USD 142 billion.

Yours sincerely,

[signed]

Christine Lagarde

³ US dollar (USD) funding is provided to Eurosystem counterparties against collateral that is eligible for Eurosystem monetary policy operations as set out in the applicable legal framework in accordance with the procedures set out in Article 8 and Title III of Part Two of Guideline (EU) 2015/510 of the European Central Bank of 19 December 2014 on the implementation of the Eurosystem monetary policy framework (ECB/2014/60) (OJ L 91, 2.4.2015, p. 3).

⁴ Open market operation outstanding amounts and the number of bidders in each operation are available on the ECB's website at <https://www.ecb.europa.eu/mopo/implement/omo/html/index.en.html>.

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