



EUROPEAN CENTRAL BANK
EUROSYSTEM

COURTESY TRANSLATION

Mario DRAGHI

President

Mr Liêm Hoang Ngoc
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 12 March 2013

L/MD/13/154

Re: Your letter

Dear Mr Hoang Ngoc,

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 5 December 2012.

Regarding your questions on transactions involving Greek government bonds in the context of the Securities Markets Programme (SMP), at the end of 2012 the Eurosystem held Greek government bonds at a nominal value of €33.9 billion, with a book value of €30.8 billion and an average remaining maturity of 3.6 years.¹

As regards your questions on the financial gains from these bonds, the income generated by Greek government bonds acquired by the ECB under the SMP is part of the ECB's net profit. The rules on distributing the ECB's profit are laid down in the Statute of the ESCB and of the ECB. The ECB's net profit is distributed to all national central banks (NCBs) of the euro area according to their shares in the ECB capital key, including the NCBs of the countries that are subject to an EU-IMF financial assistance programme. Any profit distributed by the ECB becomes part of the NCBs' net profits; and the NCBs' net profits are distributed to their respective shareholders, in line with the national profit distribution rules

¹ The ECB published the Eurosystem's overall SMP holdings broken down by issuer on 21 February 2013 (http://www.ecb.europa.eu/press/pr/date/2013/html/pr130221_1.en.html).

applicable to NCBs. As regards the ECB's financial result for 2012, please refer to the related press release² published on 21 February 2013.

I should also like to mention that not only the ECB but also all the euro area NCBs have purchased bonds under the SMP in the past, which means that income on Greek government bonds has been accrued by both the ECB and the NCBs. Furthermore, I would like to stress that (i) the euro area NCBs cannot distribute specific ("earmarked") income to their shareholders before having calculated the overall profit (or loss) in a financial year; and (ii) they can only distribute their profits to their shareholders (including the respective governments), and not directly to a Member State that is not a shareholder.

Turning to your question on the stability of financial markets, let me recall that, during the financial and sovereign debt crisis, the ECB took several measures (including the SMP) directed towards financial market segments in order to address impairments in the monetary policy transmission mechanism. The SMP formed part of the Eurosystem's single monetary policy and its purpose was "to address the malfunctioning of securities markets and restore an appropriate monetary policy transmission mechanism" (see Recital 3 of Decision ECB/2010/5 establishing a securities markets programme³). Preserving the functioning of the transmission mechanism is a prerequisite to maintaining price stability – the primary objective assigned to the ECB under Article 127(1) of the Treaty on the Functioning of the European Union.

As regards the restructuring of Greek debt in early 2012, I would like to refer to the outcome of the Eurogroup meeting of 21 February 2012 and the statement⁴ it issued after the meeting, which mentions that "the Eurosystem (ECB and NCBs) holdings of Greek government bonds have been held for public policy purposes". The public policy purpose of the holdings of Greek government bonds by the Eurosystem was also noted by the Hellenic Republic in the Explanatory Memorandum to Law 4050/2012 (the Greek Bondholder Act).

By passing on to Greece an amount equivalent to the income accruing to their national central bank from the SMP portfolio, the euro area governments provided substantial support to Greece, in addition to providing loans at moderate interest rates. This support depends on a full and swift implementation of the commitments made by the Greek authorities.

Yours sincerely,

[signed]

Mario Draghi

² <http://www.ecb.europa.eu/press/pr/date/2013/html/pr130221.en.html>

³ http://www.ecb.int/ecb/legal/1002/1014/html/act_11037_amend.en.html

⁴ http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/128075.pdf