



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-UNRESTRICTED

Christine LAGARDE

President

Gerard Larcher, President of the French Senate

Constantine An. Tassoulas, President of the Hellenic Parliament

Maria Elisabetta Alberti Casellati, President of the Italian Senate

Roberto Fico, President of the Italian Chamber of Deputies

Fernand Etgen, President of the Chamber of Deputies of Luxembourg

Eduardo Luís Barreto Ferro Rodrigues, President of the Assembly of the Republic of Portugal

Igor Zorčič, President of the National Assembly of Slovenia

Alojz Kovšca, President of the National Council of Slovenia

Meritzell Batet Lamaña, President of the Congress of Deputies of Spain

María Pilar Llop Cuenca, President of the Senate of Spain

Frankfurt am Main, 21 April 2020

L/CL/20/105

**Re: Your letter**

Honourable Presidents,

Dear Mr Larcher, dear Mr Tassoulas, dear Ms Alberti Casellati, dear Mr Fico, dear Mr Etgen, dear Mr Barreto Ferro Rodrigues, dear Mr Zorčič, dear Mr Kovšca, dear Ms Batet Lamaña, dear Ms Llop Cuenca,

Thank you for your letter dated 7 April concerning the economic repercussions of the coronavirus (COVID-19). The spread of the coronavirus adds a new and substantial downside risk to the euro area growth outlook that also impacts on the outlook for inflation.

At its meeting on 12 March 2020, the Governing Council therefore decided on a comprehensive package of monetary policy measures, which together with the substantial monetary policy stimulus already in place, will support liquidity and funding conditions for households, businesses and banks and will help to preserve the smooth provision of credit to the real economy, in turn supporting the convergence of inflation to our medium-term aim.<sup>1</sup> On 15 March, the ECB and other major central banks also announced actions to enhance the

<sup>1</sup> See <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.mp200312~8d3aec3ff2.en.html>

**Address**  
European Central Bank  
Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

**Postal Address**  
European Central Bank  
60640 Frankfurt am Main  
Germany

Tel. +49-69-1344-0  
Fax: +49-69-1344-7305  
Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

provision of global US dollar liquidity.<sup>2</sup> To counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area, on 18 March, the ECB moreover announced a temporary €750 billion Pandemic Emergency Purchase Programme, together with an expansion of the range of eligible assets under the corporate sector purchase programme and an easing of its collateral standards.<sup>3</sup> To facilitate the availability of eligible collateral for Eurosystem counterparties to participate in liquidity providing operations, on 7 April, the ECB adopted a package of temporary collateral easing measures.<sup>4</sup>

Furthermore, on 12 and 20 March and 16 April, ECB Banking Supervision has announced a number of measures providing both capital and operational relief to banks so as to ensure that they can continue to finance households and corporations.<sup>5</sup> It is essential that credit institutions conserve capital to retain their capacity to support the economy in an environment of heightened uncertainty caused by COVID-19. Therefore, on 27 March, ECB Banking Supervision updated its recommendation to banks on dividend distribution, asking them not pay dividends for the financial years 2019 and 2020 until at least 1 October 2020. Banks should also refrain from share buy-backs aimed at remunerating shareholders.<sup>6</sup> The Chair of the ECB Supervisory Board also pointed out that “as everything around us is being put on hold to focus all the efforts of our communities on the fight against the coronavirus, a contribution is also required from banks and their shareholders”.<sup>7</sup>

In addition to the measures already taken, the ECB will continue to monitor closely the consequences for the economy of the spreading coronavirus. The ECB stands ready to adjust all of its measures, as appropriate, should this be needed to safeguard liquidity conditions in the banking system and to ensure the smooth transmission of its monetary policy in all euro area jurisdictions.

The Governing Council of the ECB is committed to playing its role in supporting all citizens of the euro area through this extremely challenging time. The Governing Council will do everything necessary within its mandate. It will explore all options and all contingencies to support the economy through this shock.

But, as I recently pointed out, our response will be made more powerful if all policies reinforce each other.<sup>8</sup> It is vital that the fiscal response to this crisis is undertaken with sufficient force in all parts of the euro area. Full alignment of fiscal and monetary policies – and a level playing field against the virus – is the best way to

<sup>2</sup> See <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200315~1fab6a9f1f.en.html>

<sup>3</sup> For further details, see [https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318\\_1~3949d6f266.en.html](https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200318_1~3949d6f266.en.html) and [https://www.ecb.europa.eu/press/blog/date/2020/html/ecb.blog200319~11f421e25e.en.html?utm\\_source=cl\\_twitter&utm\\_medium=social&utm\\_campaign=200319\\_ecb\\_blog\\_cl](https://www.ecb.europa.eu/press/blog/date/2020/html/ecb.blog200319~11f421e25e.en.html?utm_source=cl_twitter&utm_medium=social&utm_campaign=200319_ecb_blog_cl)

<sup>4</sup> For further details, see <https://www.ecb.europa.eu/press/pr/date/2020/html/ecb.pr200407~2472a8ccda.en.html>

<sup>5</sup> See <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200312~43351ac3ac.en.html>, <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200320~4cbbcf466.en.html> and <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200416~ecf270bca8.en.html>

<sup>6</sup> See <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200327~d4d8f81a53.en.html>

<sup>7</sup> See <https://www.bankingsupervision.europa.eu/press/blog/2020/html/ssm.blog200327~abd2a8244b.en.html>

<sup>8</sup> See <https://www.ecb.europa.eu/press/blog/date/2020/html/ecb.blog200409~3aa2815720.en.html>

**Address**

European Central Bank  
Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

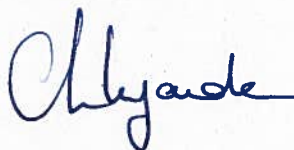
**Postal Address**

European Central Bank  
60640 Frankfurt am Main  
Germany

Tel. +49-69-1344-0  
Fax: +49-69-1344-7305  
Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

protect our productive capacity and employment, enabling us to return to sustainable growth and inflation rates once the coronavirus outbreak passes.

Yours sincerely,



**Address**  
European Central Bank  
Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

**Postal Address**  
European Central Bank  
60640 Frankfurt am Main  
Germany

Tel: +49-69-1344-0  
Fax: +49-69-1344-7305  
Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)