

ЕВРОПЕЙСКИ ПАРЛАМЕНТ PARLAMENTO EUROPEO EVROPSKÝ PARLAMENT EUROPA-PARLAMENTET
EUROPÄISCHES PARLAMENT EUROOPA PARLAMENT ΕΥΡΩΠΑΪΚΟ ΚΟΙΝΟΒΟΥΛΙΟ EUROPEAN PARLIAMENT
PARLEMENT EUROPÉEN PARLAIMINT NA HEORRA EUROPSKI PARLAMENT PARLAMENTO EUROPEO
EIROPAS PARLAMENTS EUROPOS PARLAMENTAS EURÓPAI PARLAMENT IL-PARLAMENT EWROPEW
EUROPEES PARLEMENT PARLAMENT EUROPEJSKI PARLAMENTO EUROPEU PARLAMENTUL EUROPEAN
EURÓPSKY PARLAMENT EVROPSKI PARLAMENT EUROOPAN PARLAMENTTI EUROPARLAMENTET

Prof. Dr. Bernd Lucke
Member of the European Parliament

The President of the European Central Bank

Mr. Mario Draghi
Sonnemannstraße 20
60314 Frankfurt am Main
Germany

Brussels, 22/01/2018

Dear Mr. Draghi,

the ECB's Governing Council has specified that within the PSPP, the ESCB would buy governments bonds according to the capital shares of the ECB. Yet, a recent study by the Centre for European Economic Research (Zentrum für Europäische Wirtschaftsforschung, ZEW), led by my colleague Prof. Dr. Friedrich Heinemann, has, for the second time, confirmed that the ESCB's bond purchases systematically deviate from this apportionment.

Worryingly, the distortion has increased considerably over time. Even more worryingly, purchases in excess of the capital shares are purchases from emitting countries to which markets assign higher risks of sovereign default. This risk is therefore transmitted to the capital shares of other Eurozone countries.

You have often emphasized that the ECB's operations are monetary policy operations conducted strictly under its mandate. As such, they should be neutral and must not be biased in favour of particular countries. Any pooling of credit risks that may be deemed unavoidable in monetary policy operations of the ECB must be strictly proportional to the ECB capital shares. This is precisely what the ECB's Governing Council has enshrined in its decision setting

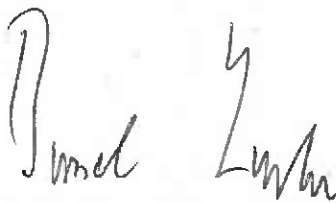
E-mail: bernd.lucke@europarl.europa.eu - www.europarl.europa.eu
Address: Rue Wiertz 60, B-1047 Brussels - WIB 06M013
Phone: +32 (0) 2 28-47268
Fax: +32 (0) 2 28-49268

up the PSPP. Letting some countries free ride with their sovereign risks on capital contributions of other countries is certainly beyond the ECB's mandate for monetary policy.

Prof. Heinemann's study suggests that the severe distortions in PSPP purchases are augmented over time by the scarcity of qualifying assets as defined by the ECB (credit rating, issuer and issuance limits). As such, I am greatly concerned that future purchases of the ECB under the PSPP will deviate even more strongly from the requirements set up in its legal base.

Please let me know if you share my concerns. If the ECB is unable to execute its PSPP programme as defined, the ECB should discontinue this programme without undue delay and I urge you to do so.

Best regards,

A handwritten signature in black ink, appearing to read 'Bernd Lucke', with a stylized flourish at the end.

(Prof. Dr. Bernd Lucke, MEP)