

# ECB decides on measures to address severe tensions in financial markets

10 May 2010

The Governing Council of the European Central Bank (ECB) decided on several measures to address the severe tensions in certain market segments which are hampering the monetary policy transmission mechanism and thereby the effective conduct of monetary policy oriented towards price stability in the medium term. The measures will not affect the stance of monetary policy.

In view of the current exceptional circumstances prevailing in the market, the Governing Council decided:

1. To conduct interventions in the euro area public and private debt securities markets (Securities Markets Programme) to ensure depth and liquidity in those market segments which are dysfunctional. The objective of this programme is to address the malfunctioning of securities markets and restore an appropriate monetary policy transmission mechanism. The scope of the interventions will be determined by the Governing Council. In making this decision we have taken note of the statement of the euro area governments that they *“will take all measures needed to meet [their] fiscal targets this year and the years ahead in line with excessive deficit procedures”* and of the precise additional commitments taken by some euro area governments to accelerate fiscal consolidation and ensure the sustainability of their public finances.  
  
In order to sterilise the impact of the above interventions, specific operations will be conducted to re-absorb the liquidity injected through the Securities Markets Programme. This will ensure that the monetary policy stance will not be affected.
2. To adopt a fixed-rate tender procedure with full allotment in the regular 3-month longer-term refinancing operations (LTROs) to be allotted on 26 May and on 30 June 2010.
3. To conduct a 6-month LTRO with full allotment on 12 May 2010, at a rate which will be fixed at the average minimum bid rate of the main refinancing operations (MROs) over the life of this operation.
4. To reactivate, in coordination with other central banks, the temporary liquidity swap lines with the Federal Reserve, and resume US dollar liquidity-providing operations at terms of 7 and 84 days.

These operations will take the form of repurchase operations against ECB-eligible collateral and will be carried out as fixed rate tenders with full allotment. The first operation will be carried out on 11 May 2010.

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