



EUROPEAN CENTRAL BANK
EUROSYSTEM

Mario DRAGHI

President

Mr Auke Zijlstra
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 31 July 2013

L/MD/13/482

Re: Your letter

Dear Mr Zijlstra,

Thank you for your letter, which was passed on to me by Ms Sharon Bowles, Chairwoman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 7 June 2013.

The restrictive measures introduced by the Cypriot authorities have not created any distinct currency. The value of a euro is identical throughout the euro area and rests on the euro being a stable and trustworthy means of payment and store of value. The ECB preserves the value of our currency across the euro area by delivering on its primary objective to maintain price stability in the euro area over the medium term.

These restrictive measures are temporary in nature and intended to safeguard the viability of the Cypriot banking system. As such, they contribute to the functioning of the monetary union and to the integrity of the single currency. The European Commission as the competent authority considers these measures as being compatible with the Treaties.

As regards ECB monetary policy measures – standard and non-standard – the sole purpose is to safeguard price stability. For this purpose, a smooth transmission of monetary policy signals must be ensured in all parts of the euro area.

Regarding your question on Emergency Liquidity Assistance (ELA), let me point out that the provision of ELA to Cypriot banks, including the requirements for adequate collateral to be mobilised by the Cypriot banks receiving ELA, is the responsibility of the Central Bank of Cyprus. As a general principle, the

requirement for any bank receiving ELA is (i) to be solvent and that (ii) the mobilisation of adequate and sufficient collateral by the bank ensures appropriate protection of the national central bank's balance sheet. The restrictive measures currently implemented by the Cypriot authorities aim at stabilising liquidity in the Cypriot banking system.

Regarding your question on collateral, the ECB has consistently applied, and will continue to apply, its general rules when assessing the eligibility of Cypriot government debt as Eurosystem collateral.

Yours sincerely,

[signed]

Mario Draghi