

PRESS RELEASE

10 May 2010 - ECB decides on measures to address severe tensions in financial markets

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.

European Central Bank

PRESS RELEASE

10 May 2010 - ECB announces details regarding the reactivation of the US dollar liquidity-providing operations

Following the decision of the Governing Council to reactivate the temporary swap line with the Federal Reserve, the European Central Bank (ECB) today announces the operational details for its US dollar liquidity-providing operations.

The operations will be carried out as fixed rate tenders with full allotment and will take the form of repurchase operations against ECB-eligible collateral.

The ECB has decided to conduct:

- 7-day operations on a weekly basis. The first operation will be held on 11 May 2010, with settlement on 12 May 2010 and maturity until 20 May 2010. Subsequent operations will as a rule be conducted and allotted on Wednesdays, for settlement on the following business day.
- An 84-day operation to be held on Tuesday, 18 May 2010, with settlement on 20 May 2010 and maturity until 12 August 2010.

Further information on tender procedures can be found on the ECB's website.

European Central Bank

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PRESS RELEASE

10 May 2010 - Reactivation of US dollar liquidity providing operations

In response to the re-emergence of strains in U.S. dollar short-term funding markets in Europe, the Bank of Canada, the Bank of England, the European Central Bank (ECB), the Federal Reserve, and the Swiss National Bank are announcing the re-establishment of temporary U.S. dollar liquidity swap facilities. These facilities are designed to help improve liquidity conditions in U.S. dollar funding markets and to prevent the spread of strains to other markets and other financial centers. The Bank of Japan will be considering similar measures soon. Central banks will continue to work together closely as needed to address pressures in funding markets.

ECB decisions

The Governing Council of the ECB decided 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.

Information on related actions being taken by other central banks is available at the following websites:

Federal Reserve Board: <http://www.federalreserve.gov>

Bank of England: <http://www.bankofengland.co.uk>

Bank of Japan: <http://www.boj.or.jp/en>

Swiss National Bank: <http://www.snb.ch>

Bank of Canada: <http://www.bankofcanada.ca>

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