



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC

COURTESY TRANSLATION

Mario DRAGHI
President

Mr Csaba Molnár
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 14 June 2016

L/MD/16/302

Re: Your letter (QZ-61)

Honourable Member of the European Parliament, dear Mr Molnár,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 24 May 2016.

As I already had the possibility to explain in my letter to you dated 18 April 2016,¹ the ECB has been monitoring several operations set up by the Magyar Nemzeti Bank (MNB) from the perspective of their compliance with Article 123 of the Treaty on the Functioning of the European Union (TFEU). This includes the Pallas Athena Public Thinking Programme and the related network of foundations established by the MNB.

Concerning the purchases of government bonds by these foundations, Article 123 TFEU prohibits the ECB and national central banks (NCBs) from purchasing public debt instruments directly on the primary market. Secondary market purchases of public debt instruments – although allowed, in principle, under the monetary financing prohibition – must not be used to circumvent the objectives of the prohibition on monetary financing, as clarified in Council Regulation (EC) No 3603/93.

The reference to purchases by NCBs in Article 123 TFEU should be understood to also apply to any vehicle legally separated from the NCBs but operating under their direct influence, where said vehicle is used as a pass-through mechanism amounting to a potential circumvention of the monetary financing prohibition. NCBs

¹ The letter is available on the ECB's website at http://www.ecb.europa.eu/pub/pdf/other/160422letter_molnar.en.pdf

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must ensure that sufficient safeguards are in place so as to avoid the setting-up of such legal constructions being seen as a means to channel central bank resources to the government, and thus to circumvent the monetary financing prohibition.

As stated in the ECB's Annual Report 2015,² the MNB needs to ensure that the central bank resources that it conferred on its network of foundations are not used, directly or indirectly, for state financing purposes. In this context, pursuant to its monitoring responsibilities, the ECB will continue seeking clarification on the investment strategy and activities of the MNB foundations.

Yours sincerely,

[signed]

Mario Draghi

² The report is available on the ECB's website at <http://www.ecb.europa.eu/pub/annual/html/ar2015.en.html>

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