



**EUROPEAN CENTRAL BANK**  
**EUROSYSTEM**

**ECB-PUBLIC**

Mario DRAGHI  
President

Mr Jonás Fernández  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 29 November 2016

L/MD/16/504

**Re: Your letter (QZ-107)**

Honourable Member of the European Parliament, dear Mr Fernández,

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 15 November 2016.

Let me first recall that helicopter money as an instrument of monetary policy has never been discussed by the Governing Council. As regards the theoretical compatibility of helicopter money with the prohibition of monetary financing, helicopter money can take different forms and can mean different things to different people. On this subject, please refer to my reply to a letter<sup>1</sup> from your honourable colleague MEP De Masi of 18 April 2016, in the context of a suggestion for a direct cash transfer to euro area citizens financed by the ECB. While the governments of euro area countries would not be the direct recipients of a cash transfer involved in such a scheme, legal complexities could still arise if the scheme could be seen as the ECB financing an obligation of the public sector vis-à-vis third parties, as this would also violate the prohibition of monetary financing<sup>2</sup>. In order to determine what constitutes a form of financing of the public sector's obligations vis-à-vis third parties, an assessment has to be made of whether the task concerned is a central

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<sup>1</sup> The letter is available on ECB's website at: <https://www.ecb.europa.eu/pub/pdf/other/160421letter-demasi.en.pdf>

<sup>2</sup> Article 123(1) of the Treaty on the Functioning of the European Union (available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A12012E%2FTXT>) prohibits overdraft facilities or any other type of credit facility with the ECB or the national central banks of Member States in favour of EU institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States. Article 1(1)(b)(ii) of Regulation (EC) No 3603/93 defines "other type of credit facility" as including "any financing of the public sector's obligations vis-à-vis third parties".

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bank or a government task, i.e. a task falling within the responsibility of the Member State institutions mentioned in Article 123 of the Treaty.

As regards the rationale you put forward for using helicopter money, let me note that the transmission of our monetary policy measures is proving to be very effective. In fact, we have ample evidence that our measures have substantially eased the borrowing conditions of firms and households, strengthened credit creation and, hence, supported the momentum of the euro area's economic recovery. Moreover, deflation risks have diminished significantly and the Governing Council remains committed to preserving the very substantial degree of monetary accommodation which is necessary to secure a sustained convergence of inflation towards levels below, but close to, 2% over the medium term. At its meeting in early December, the Governing Council will take a comprehensive view of the inflation outlook, the progress made in achieving a sustained adjustment of inflation, and the implications that the inflation outlook might have for the monetary policy stance.

Yours sincerely,

[signed]

Mario Draghi

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