



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Ms Sophia in 't Veld
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 29 August 2017

L/MD/17/344

Re: Your letter (QZ-063)

Honourable Member of the European Parliament, dear Ms in 't Veld,

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 13 July 2017.

As I had the opportunity to explain in my previous letters to your honourable colleagues, the ECB has been monitoring several operations set up by the Magyar Nemzeti Bank from the perspective of compliance with Article 123 of the Treaty on the Functioning of the European Union (TFEU).¹ This monitoring encompasses the network of foundations established by the national central bank to promote financial literacy, including their investment strategy.

Article 123 of the TFEU prohibits the ECB and national central banks from purchasing public debt instruments directly on the primary market. Secondary market purchases of public debt instruments are allowed under the monetary financing prohibition, but they must not be used to circumvent the objectives of the prohibition on monetary financing, as clarified in Council Regulation (EC) No 3603/93.

I can assure you that the ECB takes the monitoring responsibilities entrusted to it by the Treaty very seriously. As stated in the ECB's Annual Report 2016, which you also refer to in your letter,² in view of the multitude, scope and size of the foundations established by the Magyar Nemzeti Bank, the ECB will continue its close

¹ The letters are available on the ECB's website at http://www.ecb.europa.eu/pub/pdf/other/160615letter_molnar.en.pdf and http://www.ecb.europa.eu/pub/pdf/other/161021_bullmann.en.pdf

² The report is available on the ECB's website at <https://www.ecb.europa.eu/pub/pdf/annrep/ar2016en.pdf>

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal Address

European Central Bank
60640 Frankfurt am Main
Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu

monitoring of their operations to ensure that there are no conflicts with the prohibition of monetary financing and of privileged access. Furthermore, the Magyar Nemzeti Bank should ensure that the central bank resources it has conferred on its network of foundations are not used, directly or indirectly, for state financing purposes. Based on its continuous monitoring, and in case the investment strategy or activities of the foundations are used to circumvent the objectives of the prohibition on monetary financing, the ECB would consider the appropriate steps to take, which may involve the initiation of infringement proceedings under Article 271(d) of the TFEU and Article 35.6 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank.

Yours sincerely,

[signed]

Mario Draghi

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

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European Central Bank
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Germany

Tel. +49-69-1344-0
Fax: +49-69-1344-7305
Website: www.ecb.europa.eu