



EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI
President

Mr Matt Carthy
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 30 June 2015
L/MD/15/401

Re: Your letters (QZ-85, QZ-86, QZ-87 and QZ-88)

Honourable Member of the European Parliament, Dear Mr Carthy,

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 5 May 2015.

The ECB's Governing Council took note of the Irish government's decision to liquidate Anglo Irish/INBS at its meeting on 7 February 2013, as I had reported during the press conference following the meeting.¹ In answer to a specific question, I stated:

"(...) But on Ireland, let me say this: there was not a decision to take. The Governing Council unanimously took note of the Irish operation and I am going to refer you to the Irish government and the Irish central bank for the details of this operation, which was designed and undertaken by the Irish government and the Irish central bank. I can only say today that we took note of this. We all took note of this."

Prior to this announcement, the notion of a liquidation of the Irish Bank Resolution Corporation (IBRC) had been subject to discussions at a technical level in various stages in the context of scenario analyses.

As I have had the opportunity to clarify previously, also in response to questions recently submitted by your honourable colleague, MEP Luke Ming Flanagan,² the key point is that the liquidation of the IBRC raised

¹ The full text of the Introductory statement to the press conference and to the question-and-answer session is available on the ECB's website at <http://www.ecb.europa.eu/press/pressconf/2013/html/is130207.en.html>

serious monetary financing concerns. The prohibition of monetary financing by the Eurosystem is laid down in Article 123 of the Treaty on the Functioning of the European Union.

Let me also recall that the ECB pointed out in its Annual Report 2013 that these monetary financing concerns could be somewhat mitigated by the disposal strategy pursued by the Central Bank of Ireland (CBI).³ The reduction of IBRC-related assets by the CBI in the course of 2014, which is making further progress this year, is a step in the direction of the necessary full disposal of these assets. As expressed in the ECB's Annual Report 2014, a more ambitious sales schedule for the long-duration floating-rate notes would further mitigate the persisting serious monetary financing concerns.⁴ Only by fully and expeditiously disposing of these assets can the serious monetary financing concerns be fully dispelled.

Finally, let me clarify that the disposal of the bonds referred to is a matter for the CBI, and must be carried out with due regard to the aforementioned prohibition of monetary financing. In this respect, the CBI indicated in its statement of 7 February 2013 that: ⁵

“The bonds will be placed in the Central Bank’s trading portfolio and sold as soon as possible, provided that conditions of financial stability permit. The disposal strategy will of course maintain full compliance with the Treaty prohibition on monetary financing.”

Yours sincerely,

[signed]

Mario Draghi

² The two letters are accessible on the ECB's website at https://www.ecb.europa.eu/pub/pdf/other/150303letter_flanagan.en.pdf and https://www.ecb.europa.eu/pub/pdf/other/150420letter_flanagan.en.pdf

³ The ECB Annual Report 2013 is accessible on the ECB website at <https://www.ecb.europa.eu/pub/pdf/annrep/ar2013en.pdf>

⁴ The ECB Annual Report 2014 is accessible on the ECB website at <https://www.ecb.europa.eu/pub/pdf/annrep/ar2014en.pdf>

⁵ The Central Bank statement is accessible on the CBI website at <https://www.centralbank.ie/press-area/press-releases/Pages/CentralBankStatement.aspx>

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