



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

Mario DRAGHI

President

Mr Benedek Jávor

Member of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt, 6 July 2016

L/MD/16/340

Re: Your letter (QZ-068)

Honourable Member of the European Parliament, dear Mr Jávor,

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 17 June 2016.

The Magyar Nemzeti Bank (MNB) launched several programmes in 2014 not related to monetary policy, including a real estate investment programme, a programme to promote financial literacy run through a network of six foundations, and a programme involving purchases of Hungarian artworks and cultural property.

As I explained in recent letters sent to your colleague MEP Csaba Molnár on 18 April 2016 and 14 June 2016,¹ I can assure you that the ECB, pursuant to Article 271(d) of the Treaty on the Functioning of the European Union (TFEU), monitors national central banks' compliance with the provisions prohibiting monetary financing and privileged access, as laid down in Articles 123 and 124 of the TFEU and Council Regulations (EC) No 3603/93² and (EC) No 3604/93.³

¹ Available on the ECB's website at https://www.ecb.europa.eu/pub/pdf/other/160422letter_molnar.en.pdf and https://www.ecb.europa.eu/pub/pdf/other/160615letter_molnar.en.pdf

² Council Regulation (EC) No 3603/93 of 13 December 1993 specifying definitions for the application of the prohibitions referred to in Articles 104 and 104b(1) of the Treaty (OJ L 332, 31.12.1993, p. 1).

³ Council Regulation (EC) No 3604/93 of 13 December 1993 specifying definitions for the application of the prohibition of privileged access referred to in Article 104a of the Treaty (OJ L 332, 31.12.1993, p. 4).

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The ECB assessed the operations of the MNB from the perspective of their compliance with the prohibition of monetary financing for the first time in its 2014 annual monitoring exercise, as referred to in the 2014 ECB Annual Report.⁴ This assessment concluded that, in view of their number, scope and size, the programmes could be perceived as potentially being in conflict with the monetary financing prohibition to the extent that they could be viewed as the MNB taking on government responsibilities and/or otherwise conferring financial benefits on the state.

As the ECB pointed out in its 2015 Annual Report, its concerns were not dispelled in the course of 2015. The ECB will therefore continue to closely monitor the MNB's operations, with a view to ensuring that they do not breach the prohibition of monetary financing.⁵

Regarding your question as to whether purchases of government bonds by the foundations comply with EU legislation and do not interfere with the objectives and tasks of the ESCB, the MNB was invited in the context of the ECB 2015 Annual Report to ensure that the central bank resources that it conferred on its network of foundations are not used for state financing purposes, be it directly or indirectly. In this context, pursuant to its monitoring responsibilities, the ECB will continue to seek clarification on the investment strategy and activities of the MNB foundations.

Yours sincerely,

[signed]

Mario Draghi

⁴ Available on the ECB's website at www.ecb.europa.eu/pub/pdf/annrep/ar2014en.pdf

⁵ See the 2015 ECB Annual Report, available on the ECB's website at www.ecb.europa.eu/pub/pdf/annrep/ar2015en.pdf

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