



EUROPEAN CENTRAL BANK
EUROSYSTEM

Mario DRAGHI

President

Mr Marco Scurria
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt am Main, 15 July 2013

L/MD/13/446

Re: Your letter

Dear Mr Scurria,

Thank you for your letter, which was passed on to me by Ms Sharon Bowles, Chair of the Economic and Monetary Affairs Committee, accompanied by a cover letter dated 8 May 2013.

The European Central Bank (ECB) is competent, within the euro area, for the definition and implementation of monetary policy. This is one of its basic tasks. Article 128 of the Treaty on the Functioning of the European Union (TFEU) establishes that the ECB shall have the exclusive right to authorise the issue of euro banknotes within the Union. In addition, only the ECB and the national central banks may issue such banknotes, which are the only banknotes to have the status of legal tender within the Member States that have adopted the euro.

Euro banknotes form part of the monetary base of the euro area economy and they are therefore intrinsically linked with the single monetary policy of the Eurosystem, as defined and implemented by the ECB's decision-making bodies. The recognition and acceptance of euro banknotes in their function as a store of value and a means of exchange depends not only on their status as legal tender but also on the credibility of the Eurosystem's monetary policy and on the value of the assets backing the issuer's liabilities, thus securing the value of the money and ultimately ensuring public confidence in the currency.

The issuance of banknotes under Article 128 of the TFEU thus implies that banknotes acquire a monetary value. This primary law provision grants the ECB the power to determine the conditions for such issuance, in support of the monetary policy of the Eurosystem.

As the Eurosystem does not have legal personality, the ECB's Governing Council decided that liabilities associated with the total value of issued euro banknotes shall be allocated among the ECB and the national central banks in accordance with the banknote allocation key laid down in Decision ECB/2010/29 of 13 December 2010 on the issue of euro banknotes.¹

In the light of the above, the role of the ECB and of the national central banks as issuers of the euro banknotes and hence as holders of the assets backing the value of such euro banknotes is firmly grounded in the law, in particular in Articles 128 and 282(3) of the TFEU and Article 16 of the Statute of the European System of Central Banks and of the ECB, and also in Decision ECB/2010/29.

Yours sincerely,

[signed]

Mario Draghi

¹ The principles laid down in Article 16 of the Statute of the ESCB and of the ECB are also taken into account.