



**EUROPEAN CENTRAL BANK**  
EUROSYSTEM

**ECB-PUBLIC**

*COURTESY TRANSLATION*

Mario DRAGHI  
President

Mr Piernicola Pedicini  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 27 March 2019

L/MD/19/86

**Re: Your letter (QZ-009)**

Honourable Member of the European Parliament, dear Mr Pedicini,

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 1 February 2019.

I welcome the opportunity to clarify the scope of the prohibition of monetary financing and the prohibition of privileged access laid down in Articles 123 and 124 of the Treaty on the Functioning of the European Union (TFEU) to publicly owned credit institutions.

First, by way of exception, the prohibition of monetary financing indeed does not apply to publicly owned credit institutions, which in the context of the supply of reserves by central banks shall be given the same treatment by national central banks and the European Central Bank as private credit institutions. By introducing this exception in the second paragraph of Article 123 of the TFEU, it is acknowledged that both publicly owned and private credit institutions depend on “the supply of reserves”, i.e. the provision of liquidity, by central banks.

Second, a measure establishing privileged access of the public sector to the financial markets has been defined by the Union legislator as any law, regulation or other binding legal instrument adopted in the exercise of public authority that obliges financial institutions, including publicly owned credit institutions, to

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acquire or to hold liabilities of the public sector.<sup>1</sup> Therefore, Article 124 of the TFEU does not exclude that publicly owned credit institutions can purchase government bonds or lend money to the government. It only prohibits putting financial institutions, including publicly owned credit institutions, under an obligation to do so, unless such an obligation can be based on prudential considerations.

Against this background, both of your factual observations that a certain amount of government bonds is intentionally withheld, i.e. not traded on the secondary markets, for the purposes of money market maintenance, and that publicly owned credit institutions purchase government bonds on the primary markets, do not raise any concerns under Articles 123 and 124 of the TFEU.

Yours sincerely,

[signed]

Mario Draghi

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<sup>1</sup> Article 1(1), first indent, of 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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