



EUROPEAN CENTRAL BANK  
EUROSYSTEM

COURTESY TRANSLATION

Christine LAGARDE  
President

Mr Engin Eroglu  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt am Main, 23 April 2021

L/CL/21/88

**Re: Your letter (QZ-011)**

Honourable Member of the European Parliament, dear Mr Eroglu,

Thank you for your letter, which was passed on to me by Ms Irene Tinagli, Chair of the Committee on Economic and Monetary Affairs (ECON), accompanied by a cover letter dated 1 March 2021.

As I have clarified in previous written replies to your honourable colleagues<sup>1</sup> and in my recent hearing before the ECON Committee on 18 March<sup>2</sup>, the cancellation of public debt by the ECB is not compatible with the Treaties because it would violate the prohibition of monetary financing as laid down in Article 123 of the Treaty on the Functioning of the European Union. Accordingly, the ECB and the national central banks of the Member States are legally prevented from granting financial assistance to the Member States.

When pursuing its mandate, the ECB is subject to the limits imposed by this monetary financing prohibition and therefore cannot adopt measures that overstep these limits. Given that the ECB's actions in pursuit of its mandate are governed by European Union law, and given the incompatibility of debt cancellation with the

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<sup>1</sup> See letter from the ECB President to several MEPs on monetary policy, 5 February 2021, available at: [https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter210205\\_MEPmembers~73bc90dd27.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter210205_MEPmembers~73bc90dd27.en.pdf); and letter from the ECB President to Ms Manon Aubry, MEP, on monetary policy, 5 February 2021, available at: [https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter210205\\_Aubry~ae24ad2d8a.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb.mepletter210205_Aubry~ae24ad2d8a.en.pdf).

<sup>2</sup> See transcript of the ECB President's ECON Committee hearing, 18 March 2021, available at: [https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp210318\\_transcript~80114539a9.en.pdf](https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp210318_transcript~80114539a9.en.pdf).

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Treaties, the issue of whether or not debt cancellation by the ECB would also be in conflict with the constitutions of the euro area member countries does not come into question.

Yours sincerely,

[signed]

Christine Lagarde

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