



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC
COURTESY TRANSLATION

Christine LAGARDE
President

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

Frankfurt am Main, 5 May 2023

L/CL/23/105

Re: Your letter (QZ-008)

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, accompanied by a cover letter dated 27 March 2023.

The Transmission Protection Instrument (TPI) was established to ensure that the monetary policy stance of the European Central Bank (ECB) is transmitted smoothly across all euro area countries. Its purpose is to safeguard the singleness of our monetary policy, which is a precondition for the ECB to be able to deliver on its price stability objective.

The TPI can be activated to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across the euro area, but it has not yet been activated. Should the Governing Council decide to activate the TPI, this will be based on a comprehensive assessment of market and transmission indicators, an evaluation of the eligibility criteria and a judgement that the activation is proportionate to the TPI's objective. Subject to the fulfilment of established criteria, and in order to counter risks to the transmission mechanism to the extent necessary, the Eurosystem will be able to make secondary market purchases of securities issued in jurisdictions experiencing a deterioration in financing conditions not warranted by country-specific fundamentals. The TPI has been designed carefully, with adequate safeguards in place to ensure that the jurisdictions in which purchases are conducted pursue sound and sustainable fiscal and macroeconomic policies. The design of the TPI also ensures that, should it be activated, the purchases of

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bonds will observe the restrictions imposed by Article 123 of the Treaty on the Functioning of the European Union (TFEU).

The Court of Justice of the European Union (CJEU) has consistently confirmed that it is indeed within the ECB's powers in the area of monetary policy to adopt measures involving purchases of government bonds on the secondary market.¹ It is for the CJEU rather than the national courts of the EU Member States to review such measures, given that the CJEU has the exclusive jurisdiction, under Article 263 TFEU, to review the legality of acts of the ECB and, under Article 267 TFEU, to give preliminary rulings on the validity of acts of the ECB. Divergences between the national courts of the Member States as to the validity of these measures would risk jeopardising the unity of the EU legal order.

Yours sincerely,

[signed]

Christine Lagarde

¹ C-62/14, *Gauweiler and Others*, EU:C:2015:400; C-493/17, *Weiss and Others*, EU:C:2018:1000.

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