



**EUROPEAN CENTRAL BANK**  
EUROSYSTEM

*COURTESY TRANSLATION*

Mario DRAGHI  
President

Mr Notis Marias  
Member of the European Parliament  
European Parliament  
60, rue Wiertz  
B-1047 Brussels

Frankfurt, 30 June 2015

L/MD/15/402

**Re: Your letter (QZ-97)**

Honourable Member of the European Parliament, dear Mr Marias,

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 4<sup>th</sup> June 2015.

Council Regulation (EC) No 3603/93 specifies the definitions for the application of the prohibition of monetary financing as laid down in Article 123 of the Treaty on the Functioning of the European Union.

Article 7 of this Regulation clarifies that obligations falling upon the public sector vis-à-vis the International Monetary Fund (IMF) could be financed by the European Central Bank or the national central bank, without this being regarded as a credit facility within the meaning of the Article 123 of the Treaty.

The scope and the rationale of Article 7 of Council Regulation (EC) No 3603/93 is set out in the fourteenth recital of Council Regulation (EC) No 3603/93<sup>1</sup>, which clarifies that the financing by the central banks of obligations falling upon the public sector vis-à-vis the IMF needs to result in foreign claims which have all the characteristics of reserve assets.

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<sup>1</sup> The 14th recital of Regulation (EC) No 3603/93 provides: 'Whereas the financing by the central banks of obligations falling upon the public sector vis-à-vis the International Monetary Fund or resulting from the implementation of the medium-term financial assistance facility set up within the Community results in foreign claims which have all the characteristics of reserve assets; whereas it is, therefore, appropriate to authorise them'.

**Address**  
European Central Bank  
Sonnemannstrasse 20  
60314 Frankfurt am Main  
Germany

**Postal Address**  
European Central Bank  
60640 Frankfurt am Main  
Germany

Tel. +49-69-1344-0  
Fax: +49-69-1344-7305  
Website: [www.ecb.europa.eu](http://www.ecb.europa.eu)

Thus, for example, the financing by NCBs of the part of Member States' IMF quotas to be settled in foreign currency is not considered to infringe the monetary financing prohibition as such financing results in foreign claims which have all the characteristics of reserve assets for the NCB. The ECB's opinions on the draft laws on the increase of Italy's and Austria's quotas with the IMF (CON/2009/33 and CON/2012/65) you referred to during the Monetary Dialogue on 15 June 2015 are in line with this interpretation.<sup>2</sup>

On the contrary, the reimbursement by a central bank of an IMF loan that has been extended for the purpose of serving the public sector would not be compatible with the monetary financing prohibition enshrined in Article 123 of the Treaty on the Functioning of the European Union because the settlement by the central bank of a repayment obligation of the State in connection with a loan granted by the IMF would not result in foreign claims which have the aforementioned characteristics of reserve assets.

Yours sincerely,

[signed]

Mario Draghi

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<sup>2</sup> Consistently with this interpretation, the ECB has issued many other opinions addressing the issue of national central banks financing of quota increase in various jurisdictions: CON/2012/45, CON/2011/102, CON/2011/97, CON/2011/89, CON/2011/68, CON/2009/35, CON/2009/35, CON/2009/5. All ECB opinions are published on the ECB's website.

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