



EUROPEAN CENTRAL BANK

EUROSYSTEM

Christine LAGARDE

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Members of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt am Main, 5 February 2021

L/CL/21/23

**Re: Your letter (QZ-071)**

Honourable Members of the European Parliament,

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 10 December 2020.

The ECB's measures in response to the coronavirus (COVID-19) crisis have been instrumental in stabilising financial markets and supporting the euro area economy through the pandemic period. In fact, our measures are helping to preserve favourable financing conditions during the pandemic for all sectors of the economy. This helps to reduce uncertainty and bolster confidence, which encourages consumer spending and business investment, ultimately underpinning economic activity and safeguarding medium-term price stability. At the same time, uncertainty remains high, also with regard to the dynamics of the pandemic and the speed of vaccination campaigns. The Governing Council therefore continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

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As I clarified during my latest hearing before the ECON Committee on 19 November<sup>1</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.

With regard to your request to exchange views on this specific topic at a hearing in the European Parliament, let me first emphasise that the ECB stands ready to exchange views on any topic related to its mandate and functions with Members of the European Parliament, in accordance with the established accountability practices. As mentioned above, such exchanges have already taken place in the context of the regular hearings before the ECON Committee and in written replies to letters from your honourable colleagues. While I have explained the relevant legal framework and its implications for the matter at hand on past occasions, the ECB stands ready to further publicly explain the matter before the ECON Committee in the context of the regular hearings.

Yours sincerely,

[Signed]

Christine Lagarde

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<sup>1</sup> See *Transcript of Monetary dialogue with Christine Lagarde, President of the ECB*, Committee on Economic and Monetary Affairs, 19 November 2020, available at: [https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201119\\_transcript~353ee9966e.en.pdf?2d3c28180ae9e954238c36f2ab0b2f0f](https://www.ecb.europa.eu/press/key/date/2020/html/ecb.sp201119_transcript~353ee9966e.en.pdf?2d3c28180ae9e954238c36f2ab0b2f0f).

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