1-001

COMISIÓN DE ASUNTOS ECONÓMICOS Y MONETARIOS
DIÁLOGO MONETARIO CON MARIO DRAGHI, PRESIDENTE DEL BCE
(de conformidad con el apartado 3 del artículo 284 del Tratado FUE)
BRUSELAS, LUNES 19 DE DICIEMBRE DE 2011

HOSPODÁŘSKÝ A MĚNOVÝ VÝBOR
MĚNOVÝ DIALOG S PREZIDENTEM EVROPSKÉ CENTRÁLNÍ BANKY
MARIEM DRAGHIM
(podle čl. 284 odst. 3 Smlouvy o fungování Evropské unie)
BRUSEL,
PONDĚLÍ 19. PROSINCE 2011

ØKONOMI- OG VALUTAUDVALGET
MONETÆR DRØFTELSE MED ECB's FORMAND,
MARIO DRAGHI
(i henhold til artikel 284, stk. 3, i traktaten om Den Europæiske Unions funktionsmåde)
BRUXELLES, MANDAG DEN 19. DECEMBER 2011

AUSSCHUSS FÜR WIRTSCHAFT UND WÄHRUNG
WÄHRUNGSPOLITISCHER DIALOG MIT

HERRN MARIO DRAGHI
PRÄSIDENT DER EZB
(gemäß Artikel 113 Absatz 3 des EG-Vertrags)
BRÜSSEL, MONTAG, 19. DEZEMBER 2011

MAJANDUS- JA RAHANDUSKOMISJONI
ARUTELU EKP PRESIDENDI MARIO DRAGHIGA
(vastavalt EÜ asutamislepingu artikli 113 lõikele 3)
BRÜSSEL, ESMASPÄEV, 19. DETSEMBER 2011

ΟΙΚΟΝΟΜΙΚΗ ΚΑΙ ΝΟΜΙΣΜΑΤΙΚΗ ΕΠΙΤΡΟΠΗ
ΝΟΜΙΣΜΑΤΙΚΟΣ ΔΙΑΛΟΓΟΣ ΜΕ ΤΟΝ κ. JEAN-CLAUDE TRICHET,
ΠΡΟΕΔΡΟ ΤΗΣ ΕΚΤ
(σύμφωνα με το άρθρο 113, παρ. 3, της Συνθήκης ΕΚ)
ΒΡΥΞΕΛΛΕΣ,
ΔΕΥΤΕΡΑ 19 ΔΕΚΕΜΒΡΙΟΥ 2011

COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS
MONETARY DIALOGUE WITH MARIO DRAGHI,
PRESIDENT OF THE ECB
(pursuant to Article 284(3) of the EC Treaty)
BRUSSELS, MONDAY, 19 DECEMBER 2011

COMMISSIONE PER I PROBLEMI ECONOMICI E MONETARI
DIALOGO MONETARIO CON IL SIG. MARIO DRAGHI,
PRESIDENTE DELLA BCE
(a norma dell'articolo 284, paragrafo 3, del TFUE)
BRUXELLES, LUNEDI' 19 DICEMBRE 2011

COMMISSIE ECONOMISCHE EN MONETAIRE ZAKEN
MONETAIRE DIALOOG MET DE HEER JEAN-CLAUDE TRICHET,
PRESIDENT VAN DE ECB
(overeenkomstig artikel 113, lid 3, van het EG-Verdrag)
BRUSSEL, MAANDAG 19 DECEMBER 2011

COMISSÃO DOS ASSUNTOS ECONÓMICOS E MONETÁRIOS
DIÁLOGO SOBRE QUESTÕES MONETÁRIAS COM JEAN-CLAUDE TRICHET, PRESIDENTE DO BCE
(nos termos do n.º 3 do artigo 113.º do Tratado CE)
BRUXELAS, SEGUNDA-FEIRA, 19 DE DEZEMBRO DE 2011

ODBOR ZA EKONOMSKE IN MONETARNE ZADEVE
DIALOG O MONETARNIH ZADEVAH Z G. MARIJEM DRAGHIJEM, PREDSEDNIKOM ECB
(v skladu s členom 113(3) Pogodbe ES)
BRUSELJ,
PONEDELJEK, 19. DECEMBER 2011

1-002

IN THE CHAIR: SHARON BOWLES,
Chair of the Committee on Economic and Monetary Affairs

(The meeting opened at 16.35)

Sharon Bowles, *Chair of the Committee on Economic and Monetary Affairs***.** – We shall now proceed with the monetary dialogue. We recently had our annual visit to the ECB and had an opportunity for some informal questioning of our new President. I am pleased to welcome Mario to this, his first monetary dialogue. As we know, he is going to be coming here with substantial regularity, both as President of the ECB and also as Chair of the European Systemic Risk Board. For the time being we are still maintaining the separation of those two sets of dialogue because otherwise we would not manage to cover it all in one.

Mario, you made exciting comments in the *Financial Times*, or actually they made exciting headlines out of your less exciting comments, something that we all know about. I will give the floor to you to give us a summary of where you think we are at and then we will proceed with the usual question-and-answer session.

1-003

Mario Draghi, *Banca centrale europea***.** – Signor Presidente, è per me un estremo piacere partecipare per la prima volta come Presidente della Banca centrale europea a questa audizione. Le audizioni trimestrali della commissione per i problemi economici e monetari rappresentano la pietra angolare di un rapporto costruttivo tra le nostre due Istituzioni.

1-004

Mario Draghi, *Banque centrale européenne***.** – Cet échange a lieu quelques semaines seulement après que d'importantes décisions ont été prises à la fois par le Conseil des gouverneurs de la BCE et par les chefs d'État et de gouvernement. Dans ce contexte, notre discussion promet d'être particulièrement riche et fructueuse.

1-005

Mario Draghi, *Europäische Zentralbank***.** – Zur Einführung werde ich zunächst auf die aktuellen wirtschaftlichen Entwicklungen im Euro-Gebiet eingehen. Anschließend werde ich mich den von Ihnen gewünschten Themen zuwenden, nämlich dem Instrumentarium zur Krisenbewältigung sowie den Ratingagenturen.

1-006

Since the last hearing in October with former President Trichet, the ECB has taken a number of steps to ensure that it will continue to deliver price stability in the medium term in an environment that remains challenging. These steps relate both to changes in our interest rates and to non-standard measures.

As you know, regarding interest rates, the Governing Council in early December decided to lower the key ECB interest rates by 25 basis points, following a 25 basis point decrease on 3 November 2011.

As regards the short-term growth outlook for the euro area, the intensified financial market tensions are continuing to dampen economic activity in the euro area and the outlook remains subject to high uncertainty. Euro area economic activity should recover, albeit very gradually, in the course of 2012, as also projected by Eurosystem staff in early December. Substantial downside risks to this economic outlook nevertheless remain.

With regard to price developments, inflation was 3% in November. Inflation is likely to stay above 2% for several months to come, before declining to below 2%, which view is also broadly confirmed in the December staff projections. Given the environment of weaker growth in the euro area and globally, underlying cost, wage and price pressures in the euro area should also remain modest. Risks to the medium-term outlook for price developments remain broadly balanced.

The latest monetary data reflect the heightened uncertainty in financial markets. Looking beyond short-term volatility, the monetary analysis indicates that the underlying pace of monetary expansion remains moderate. The Governing Council of the ECB is determined to ensure that inflation expectations continue to be firmly anchored in line with our aim of keeping inflation rates below, but close to, 2% over the medium term.

Let me now say a word about the latest non-standard measures. Such measures should prevent adverse effects on the monetary policy transmission mechanism stemming from the ongoing tensions in parts of the euro area financial markets. They should in particular mitigate the effects of strains in financial markets on the supply of credit to firms and households.

First, several measures have been enacted to ensure that banks maintain access to funding markets. We have decided on three-year refinancing operations to support the supply of credit to the euro area economy. These measures address the risk that persistent financial market tensions could affect the capacity of euro area banks to obtain refinancing over long horizons. Earlier, in October, the Governing Council had already decided to have two more refinancing operations with a maturity of around one year. Also, it was announced then that in all refinancing operations until at least the first half of 2012 all liquidity demand by banks would be fully allotted at a fixed rate. Funding via the covered bonds market was also facilitated by the ECB deciding in October to introduce a new Covered Bond Purchase Programme of EUR 40 billion. Finally, funding in US dollars is facilitated by lowering the pricing on the temporary US dollar liquidity swap arrangements.

These five measures should ensure that banks continue to have access to stable funding, also at longer maturities, which should give them the opportunity to continue lending – and I repeat this because this is the most important characteristic of these measures – to continue lending to firms and households.

Second, access to refinancing operations may be restricted for some banks by lack of eligible collateral. To overcome this, a temporary expansion of the list of collateral has been decided. Furthermore, the ECB intends to enhance the use of bank loans as collateral in Eurosystem operations. These measures should support bank lending, by increasing the amount of assets on euro area banks' balance sheets that can be used to obtain central bank refinancing.

Third, the Governing Council decided on measures aimed at fostering money market activity. Amongst others, the reserve ratio will be temporarily reduced, from 2% now to 1%. This increases the incentives for market participants to engage in money market transactions. Also, it increases the collateral available to banks by about EUR 100 billion, as it reduces their liquidity needs vis-à-vis the Eurosystem, and therefore the amount of collateral that needs to be posted.

Overall, all measures mentioned aim to ensure enhanced access of the banking sector to liquidity and facilitate the functioning of the euro area money market, thereby avoiding serious limitations to the real economy from a lack of financing possibilities. This also helps ensure that the official interest rates set by the ECB are transmitted in an appropriate way to the economy, and in that way help maintaining price stability in the medium term.

Let me now turn to the outcome of the last European Council. This Council has really brought about a breakthrough in terms of commitment to sound and transparent fiscal rules. The foundations for a fiscal compact have been laid – a suggestion presented before the plenary of the European Parliament at the ECB hearing on our annual report at the beginning of this month.

It has been agreed that the annual structural deficit should not exceed 0.5% of nominal GDP. Euro area Member States will implement such a rule in their national legal frameworks at a constitutional level. The objective is to avoid excessive deficits before they arise, rather than trying to control them after they have emerged. An automatic correction mechanism is also foreseen in case of deviation. Moreover, the leaders agreed on a numerical benchmark for annual debt reduction to bring down debt levels. Sanctions will also apply automatically to euro area Member States in breach of the 3% reference value for deficits. The European Court of Justice may be asked to verify the implementation of these rules at national level.

The new fiscal compact is an essential signal, showing a clear trajectory for the future evolution of the euro area. It frames expectations of both citizens and financial markets. Enshrining strict rules in primary legislation, making them enforceable by the European Court of Justice: all of this should contribute to making public finances in the euro area credibly robust. The ECB welcomes this outcome.

As regards the euro area crisis management instruments, we welcome the decisions of the Heads of State and Government of the euro area to strengthen the EFSF and the ESM in a number of areas.

First, there is now greater flexibility in the euro area crisis mechanisms to act as backstops, thanks to the decision to accelerate the entry into force of the European Stability Mechanism, the ESM, to July 2012 and for the European Financial Stability Facility, EFSF, to remain active in financing programmes that have started until mid-2013.

Second, the clarification that, as regards private sector involvement, the euro area will adhere to established IMF practice is also very helpful in reassuring investors.

Third, the decision to include an emergency procedure in the voting rule of the ESM, though still subject to approval by the Finnish Parliament, is essential for effective decision-making procedure, especially in crisis situations.

As regards the EFSF, the Governing Council of the ECB has decided that the ECB will be able to act as an agent for the EFSF in its market operations. The ECB – probably supported by a number of National Central Banks – will make its technical infrastructure and know-how available to the EFSF. The technical and legal preparations have started and we hope to have them in place by January.

I shall move on to the last topic of my introductory statement, which is credit rating agencies. The activities of credit rating agencies, notably in relation to sovereign bonds as well as the EFSF, have lately occupied centre stage in the debate in Europe. Calls for better regulation have become louder. Against this background, the Commission's recent legislative proposals on credit rating agencies, which the ECB broadly supports, are also discussed by this committee.

Credit ratings have a direct impact on the market functioning and the wider economy. A sound and robust framework must thus be created. This framework should be geared towards the following objectives: first, to reduce market volatility; second, to enhance the quality of the rating process; and third, to restore market confidence.

The two issues that are of particular importance are, first, the assurance of appropriate underlying methodologies and the transparency of ratings; and second, the reduction of hard-wiring of ratings in legislation and market practices. Ratings simplify complex risk assessments. But they should only be one

of several inputs for investors and for regulators. In particular, they should be no substitute for financial institutions and other investors to carry out their own assessment. This is the main step towards avoiding mechanistic reliance on external credit ratings.

Let me, finally, say a few words on how the ECB itself uses ratings. In practice, for the large majority of marketable securities, such as for example sovereign bonds, the Eurosystem Credit Assessment Framework mainly uses ratings issued by eligible credit rating agencies. At the same time, the Eurosystem does not mechanically rely on these assessments, as it is aware of the limitations of these methodologies. It reserves the right to reject or limit the use of an asset on the basis of any information on its credit quality that it may consider relevant. The Eurosystem has applied such discretion to temporarily suspend the application of the minimum rating requirement to debt instruments issued or guaranteed by some euro area governments following EU/IMF adjustment programmes.

1-007
Sharon Bowles (ALDE), *Chair of the Committee on Economic and Monetary Affairs***.** – I appear to have more questions than will fit into the time available, so please be brief. We have five-minute slots, so I will cut you off after five minutes. It should be one minute for a question and four minutes for an answer and even allowing only that, we need 110 minutes, which we do not have.

1-008
Jean-Paul Gauzès, *au nom du groupe PPE***.** – Mme la Présidente, Monsieur le Président, nous vous souhaitons, au nom du groupe PPE, la bienvenue à ce premier dialogue monétaire. Nous constatons que les journaux ont su, avant nous, ce que vous alliez nous dire. Alors, je vais vous faire faire un autre exercice, qui est d'apprécier le titre du journal, parce que ce n'est ni l'interviewé ni le journaliste qui interviewe qui rédige le titre, mais bien le rédacteur en chef, pour pouvoir attirer le plus de public possible. Voici le titre du *Financial Times* de ce matin. Dans les premières lignes, il y est indiqué que, alors que votre prédécesseur disait que ce scénario était absurde, vous dites, vous, qu'il mérite d'être étudié. Le journal titre ainsi que vous l'avez lu. C'est donc sur ce point que j'aimerais avoir quelques explications.

1-009
Mario Draghi, *President of the European Central Bank***.** – I may say I was expecting this question. I think you are absolutely right to point our attention to this headline. As Madam Chair said, they made the headline.

I have no doubt whatsoever about the strength of the euro, about its permanence, about its irreversibility. Let us not forget that this was a key word at the time of the Maastricht Treaty. The one currency is irreversible.

But you have a lot of people, especially outside the euro area, who spend a lot of time in what I think is morbid speculation, namely: what happens if? They all have catastrophic scenarios for the euro area. Rather than say no, no, no, it will never happen, we say that. We say that again and again. But a lot of these people still think about this. I think a transparent analysis of the extraordinary cost that any such morbid speculation would entail was due and was correct.

1-010
Udo Bullmann, *im Namen der S&D-Fraktion***.** – Herr Präsident! Willkommen auch im Namen der Sozialdemokratischen Fraktion hier im Haus und in diesem Ausschuss. Ich möchte noch einmal auf die Ratinagenturen zu sprechen kommen. Die Ratingagenturen sind ja mit vielen Mitgliedstaaten der Eurozone auch nach dem Gipfel sehr kritisch umgegangen – zum Teil kritischer als mit Großbritannien, wenn ich das so sagen darf. Ganz nebenbei bemerkt, würden der Kollege Domenici und viele andere sehr gerne eine schärfere Gesetzgebung im Zusammenhang mit den Ratingagenturen sehen.

Aber ist es nicht vielleicht auch so, dass die Agenturen Europa noch nicht zutrauen, dass wir aus der Krise heraus gemeinsam wachsen können? Ist die politische Antwort noch nicht gut genug ausgefallen, und ist vielleicht auch das Zusammenspiel mit der Zentralbank noch nicht so, wie es andernorts erwartet würde? Was können wir denen sagen? Was sagen Sie den vielen tüchtigen Mittelständlern in Deutschland, in Spanien, in Italien, aber auch in Griechenland, die wollen, dass die Banken ihnen günstige Kredite im neuen Jahr geben, damit sie wachsen können? Was ist unsere Antwort, damit das Geld bei denen ankommt, die es brauchen, damit wir Wachstumsunterstützung erfahren?

1-011
Mario Draghi, *President of the European Central Bank***.** – You have asked two questions really. The first is about credit rating agencies. I think one can have all sorts of comments about the timeliness and the quality of these ratings and, certainly, we cannot be complacent or positive about the experience we have had with ratings, especially before and during the crisis. But having said that, we should ask ourselves the most important question: how do we do without ratings? What can we do to replace the ratings of credit rating agencies? We want to have a much more complete set of credit assessments than just the one we have today that is based exclusively on credit rating agencies' ratings. The question now is what concrete steps we can take in order to reduce reliance on the ratings of credit rating agencies, or CRAs.

One first step is what the regulators can do. The regulators should reduce the reliance of regulation with respect to ratings of CRAs. How do they do that? Well, at the present time one can see that some of the regulations are, as it were, hard-wired into the ratings of these credit rating agencies; in other words, if ratings change so does the regulation, automatically. I think that this automatism must be reduced. We ought to be able to use the ratings of CRAs as one of the many inputs in our credit assessment, not the only one. This holds for regulators, but it is even more important that something like this should be in place for investors.

We can take action as far as regulators are concerned and several projects with this objective are in place. There is a project that started at the FSB about two years ago, the title of which is, if I am not mistaken, 'How do we get rid of credit rating agencies' ratings?' But – also as far as investors are concerned – it is not enough to get rid of the CRAs' ratings; one should also be able to produce one's own internal ratings. So we are asking banks now to do this; we are expanding the use of internal ratings.

The other question was about growth, and growth in these countries which are subject to pressures. I believe that the measures that we took at the last Governing Council on 8 December are exactly geared to this objective. We know that banks are now experiencing a very significant funding constraint and will in future experience this even more, especially in the first quarter of 2012 – but not only then: the whole year is going to be a difficult year for the banks. What we certainly want to avoid is a serious, severe credit tightening that could induce a further slowdown of growth and a possible recession. We want to avoid that. There are several reasons for this, but certainly if we can relieve the funding pressures, that is already a good part of our answer.

1-012
Sylvie Goulard, *au nom du groupe ALDE***. –** Madame la Présidente, Monsieur le Président, je vous souhaite, au nom du groupe ALDE, la bienvenue à notre dialogue monétaire.

Vous avez demandé, en plénière, au Parlement, le "*fiscal compact*". Vous savez qu'il y a ici des députés qui ont été rapporteurs sur le "six-pack", qui ont mené la bataille – qui l'ont même menée d'ailleurs contre ceux qui viennent maintenant nous proposer de faire mieux. C'est pourquoi le contenu compte énormément et je voulais donc vous poser une question: comment allez-vous utiliser votre pouvoir, en toute indépendance, dans votre position, pour faire valoir deux exigences?

La première, c'est que ces mesures fassent du sens économiquement; or, je ne suis pas sûre qu'elles en fassent. Comme vous l'avez dit, nous entrons en récession et les gouvernements entrent eux en régression. Ils n'ont même pas voulu tenir compte des progrès qui avaient été accomplis en matière de surveillance des déséquilibres macroéconomiques. Tout ceci est passé à la trappe et nous revenons à la conception la plus étroite de la discipline budgétaire – qu'encore une fois je partage, mais qui est totalement insuffisante. Nous avons, dans le texte qui a circulé depuis vendredi, un déséquilibre manifeste – oui, Madame la Présidente, deux minutes, cela le mérite, il s'agit de la zone euro – entre, d'un côté, les critères extrêmement stricts et, de l'autre côté, le blabla habituel, d'ailleurs juridiquement très dangereux, qui consiste à faire allusion au pacte "euro plus" au revers d'un article.

Deuxièmement, Monsieur le Président, j'en appelle vraiment à votre conception de la démocratie. Je crois que rien de durable ne peut se faire en Europe si les citoyens n'ont pas le sentiment que les décisions qui s'imposent à eux sont débattues publiquement au niveau approprié. Là aussi, il y a une carence forte, et moi, – qui ne suis qu'un modeste rapporteur –, je serais personnellement incapable de mener une campagne en faveur de la ratification du texte qui nous a été transmis vendredi.

Il est hors de question que les pro-européens acceptent cette mascarade. D'ailleurs, – vous avez été vous-même au Conseil de stabilité financière – dites-moi sincèrement, est-ce qu'un seul Chinois ou Américain y comprend quelque chose?

1-013
Mario Draghi, *President of the European Central Bank***. –** That is a very good question, Ms Goulard. Let me now first address and assess the economic substance of the question and then the more institutional, political part of your question.

There is no trade-off between austerity and growth. Austerity creates a short-term contraction. We cannot dispute this. Austerity creates a short-term contraction, but we should ask the question: is this avoidable? Was the previous situation sustainable? Basically there was no choice. Austerity produces short-term contraction. What should we actually do to mitigate and ultimately offset this contraction?

There are several answers. First of all, if the budgetary situation of a country is unsustainable, you will see that the contraction comes from the sovereign spreads becoming too high. So the first response must come from national governments, and that is what some national governments are actually doing. They are on the right track, by the way, and we certainly welcome the developments that have been undertaken in some countries.

You may see a beginning of a functioning of a confidence effect whereby markets, people, other countries, are reassured by these developments, but we are now seeing that is not enough. There are two more elements that have to come into play. The second point is that austerity only at single country level really does not produce all the desired results. We have to have progress in the economic governance of the fiscal union. We have to have progress in what I define as the fiscal compact. I think there is a basic fact here that, if you want confidence to return, trust has to return in the euro area between different countries and, as you said a moment ago, between citizens and their governments. To achieve that, we have to have in place the proper 'compact' which I referred to at that time only as far as budgetary matters are concerned, and this is the part of the 'six-pack' that might be translated – it has not been done yet – into higher legislation.

I could not agree more with you that you have the second part, the macroeconomic part, and it should not be left behind. We should find a way to translate it into

primary legislation, and I do not think that is easy. It is in a sense conceptually even more difficult than it is for budgetary discipline, but certainly I have been advocating the need to have the same sort of monitoring on structural reforms on the macroeconomic side as we have on the budgetary side. I have been advocating this for years now, so I could not agree more about your point there.

With these two things in place, one has to effectively undertake the structural reforms that enhance growth and job creation in the medium term. Certainly to have in place a system like the one you were describing a moment ago would help countries. It would certainly give more help to the institutionally weak countries in undertaking these reforms, which are very often incredibly difficult from a political viewpoint.

1-014
Derk Jan Eppink, *on behalf of the ECR Group***.** – Mr Draghi, last week François Hollande, the Socialist candidate for the French presidency, said that, if elected, he has a strong mandate to urge the ECB to buy more sovereign bonds. Hollande wants to trigger, as he calls it, the fire power of the ECB.

As you may know, Mr Hollande wrote a book to promote his candidacy. It is called *Le rêve français* – the French dream. It takes him a book to define what the French dream is all about but it is very simple. It is 'le beurre et l'argent du beurre'. Mr Hollande wants you to provide the money for the butter so he can keep on dreaming.

Now, Mr Draghi, this is the time of Santa Claus. You do not look like a Santa Claus but many people like Hollande want you to become one, handing out money like candy. Mr Draghi, what do you think about Mr Hollande's call on the ECB?

1-015
Mario Draghi, *President of the European Central Bank***.** – I will remind all of us that the Treaty specifies very closely what our remit is, namely to ensure price stability in the medium term. The Treaty also forbids monetary financing and, as you have seen, we really want to act within the Treaty. I think that to adopt any other behaviour that would somehow breach the Treaty would also negatively affect the credibility of our institution. I think that is what we have to keep in mind, that to lose credibility – and especially for your Central Bank to lose credibility – would not do any good for market confidence or for the euro area design.

1-016
Sven Giegold, *im Namen der Verts/ALE-Fraktion***.** – Herr Präsident Draghi, herzlich willkommen auch von uns Grünen! Ich bin zumindest über eines schon mal froh, nämlich dass wir heute festgestellt haben, dass zumindest hier im Ausschuss noch nicht deutsch gesprochen wird. Insofern bin ich da schon mal glücklich.

Zweitens: Wie beurteilen Sie die Tatsache, dass in wichtigen Ländern der Eurozone gespart werden soll, während gleichzeitig sich die makroökonomischen Bedingungen eintrüben? Wie wirkt sich dies nach Ihrem makroökonomischen Verständnis aus? Wird sich die makroökonomische Lage dadurch nicht weiter verschlechtern? Was sind die richtigen Reaktionen der EZB darauf? Damit verknüpft möchte ich noch folgende Frage stellen: Nach dem letzten Rat hat Herr Sarkozy bemerkt, es wäre ja bekannt, dass die EZB sehr günstig über drei Jahre Geld für 1 % an die Banken leiht. Gleichzeitig müssen aber einige Staaten wie beispielsweise Ihr Heimatland Italien Renditen von 6 bis 7 % bezahlen. Deshalb frage ich mich, was Sie von dem Instrument einer Banklizenz für den EFSF halten? Würde das nicht die Gerechtigkeitslücke, nämlich reine Rentenabschöpfungen der Banken bei der Vergabe von Krediten an die Staaten schließen? Ich bin gespannt auf Ihre Antwort.

1-017
Mario Draghi, *President of the European Central Bank***.** – As I said before, I have no doubt that austerity implies short-term contraction and there is no point in disputing this. What we want is for this contraction to be short-term. We want to activate all the channels that will enable confidence to return to markets, spreads to go down, the cost of credit to go down, and ultimately growth and job creation to take off. To have this you need to have this austerity in place. You need to have control over your budgets, but that is not enough.

Our compact also ought to have an overall design that is reassuring for the citizens of Europe and for the markets. You ought to have structural reforms. If you look at the last 10 years, there have been countries where interest rates were very low, close to zero, and they did not grow. Interest rates went up and they did not grow. Interest rates went down and they did not grow. Their growth for 10 years has been either zero or less than zero.

So in these countries it is not a matter of interest rates first and foremost. Interest rates may matter later, but they are clearly blocked by the protection of vested interests. They are blocked by protection of privileges. They are blocked by lack of competition. They are blocked by labour markets which do not function. They are blocked by labour markets, incidentally, which often penalise mostly young people, and so on and so forth. You can see in these markets, in these countries, that actually real GDP per capita today is lower than it was 10 years ago. People nowadays, especially young people, earn less than they did 10 years ago, or even 15 years ago.

For these countries the essential response lies with structural reforms. Monetary policy cannot do everything, but we are trying to do our best with the decisions that we have just taken. We are trying to do our best to avoid a credit crunch that might come from lack of funding. However, we have to be extremely careful here because there are other reasons that might

account for a credit crunch. We are addressing the funding issue, which to me seems the most pressing. I think the measures that we have taken will help.

Finally, the third pillar in this construction: you have national policies, you have design at the euro level and then you have to have a firewall in place, a firewall with adequate means, of adequate size, that can actually fight the temporary instability in the sovereign bond markets. To some extent the latest summit did several things with respect to this. First of all, it confirmed that the ESM would enter into force prior to the agreed dates. It confirmed the size of the EFSF, but it also said that the EFSF needs would be adequately assessed or reassessed in March, so in three months' time.

It eliminated the reference to PSI in the ESM, giving a certain amount of reassurance to investors and markets as far as the solvency of countries is concerned. It also announced that it would lend to the IMF a certain amount of money with the purpose of using it in the general account resources. All in all, I do not think that the overall package of the summit is negative.

1-017-500
Sven Giegold (Verts/ALE). – My question was: what do you think about the banking licence?

1-017-750
Mario Draghi, *President of the European Central Bank***.** – I can only answer there that we want to act within the Treaty. I do not think that circumventing the Treaty or doing other things would actually fit in with this. As I said before, the ECB cares about financial stability, a lot. But it has to be done without undermining, without weakening the credibility of the institution.

1-018
Νικόλαος Σαλαβράκος, *εξ ονόματος της ομάδας EFD***.** – Κυρία Πρόεδρε, κύριε Draghi, όπως ξέρετε, σύμφωνα με την απόφαση της 26ης Οκτωβρίου, το χρέος της Ελλάδας που ανήκει στον ιδιωτικό τομέα θα κουρευτεί κατά 50%. Ταυτόχρονα υπάρχει απόφαση συμμετοχής του ιδιωτικού τομέα, των ιδιωτών, σε αυτό το κούρεμα, το λεγόμενο PSI, στο οποίο αναφερθήκατε πριν, σύμφωνα δε με την απόφαση, αυτή η διαδικασία πρέπει να ολοκληρωθεί μέχρι τον Ιανουάριο του 2012 για να ενεργοποιηθεί η συμφωνία για τη νέα δανειακή σύμβαση και βοήθεια για την Ελλάδα. Απ' όσο ξέρουμε, η ελληνική κυβέρνηση προσφέρει σε αυτούς που αφορά το κούρεμα ομόλογα που τα εγγυάται το EFSF, αλλά το EFSF βρίσκεται σε κρίση και σε κίνδυνο υποβάθμισης όπως και αρκετές χώρες που μετέχουν σε αυτό το μηχανισμό και παρέχουν τις μεγαλύτερες εγγυήσεις.

Το ερώτημα είναι: Γιατί και ποιοι ομολογιούχοι θα δέχονταν ένα τέτοιο κούρεμα απέναντι σε αμφίβολες εγγυήσεις;
Και ένα δεύτερο, ίσως πιο προσωπικό: Εσείς πώς θα τους πείθατε αυτούς τους ομολογιούχους να καθίσουν στο τραπέζι των διαπραγματεύσεων και να δεχθούν το κούρεμα, και μάλιστα σε ένα ασφυκτικό χρονοδιάγραμμα, το οποίο γνωρίζετε πάρα πολύ καλά.

1-019
Mario Draghi, *President of the European Central Bank***.** – I actually cannot make many comments on this since the PSI talks are happening at this very moment. These negotiations are now between the Greek Government and the banks. I can say that as far as the EFSF is concerned, the EFSF stands ready to act. Certainly the fact that the ECB is now actually using and putting at the disposal of the EFSF its infrastructure and its know-how should in a sense ensure that, when the time comes, the EFSF is ready to supply the resources needed.

1-020
Marta Andreasen, *on behalf of the EFD Group***.** – Thank you, Mr Draghi, for explaining the situation today. In Berlin last week you said that countries have to save themselves, that they cannot expect to have an external saviour. This in fact is what my political party, the UK Independence Party, thinks. We believe that countries should help themselves out.

However, because the UK has control of its own currency and has its own central bank, it has the ability to determine its own monetary policy. This freedom is not the case for the rest of the eurozone countries. You are calling on countries with high unemployment to save themselves and at the same time you are not loosening the money supply. Are you not telling the countries that austerity is the way out of the crisis? Do they not need an alternative route, for example to leave the eurozone prison, to devalue their currency and become more competitive again and get people back to work?

1-021
Mario Draghi, *President of the European Central Bank***.** – I see again a reference to my *Financial Times* interview. As I said before, there is no trade-off between austerity and growth. If you only contract the budget, possibly with higher taxes, and you do nothing else, you are sure to have not only a short-term contraction but a medium-term recession. Let us be clear about this. But if you make all the structural reforms that are needed, if what you are doing at national level is also accompanied by progress at European level – and, as you said, it is not true that our monetary policy has become restrictive, quite the contrary: it is actually accommodative – then the measures that we have taken in the Governing Council on 8 December will show their might, starting from tomorrow. On top of this, even without waiting for tomorrow, the decrease in interest rates, the decrease in the reserve requirement ratio, the broadening of the collateral, are actually already in place and are there.

On the other hand, do not forget that we have to act within the limits of the Treaty. Within these limits I think we have provided a major monetary policy instrument now, with the decisions that we have taken, and could help all the euro area but especially the countries that are in the situation that you described.

1-022
José Manuel García-Margallo y Marfil (PPE). – Señora Presidenta, en una de las escenas más bonitas de *Casablanca*, Bergman le dice a Bogart: «Siempre nos quedará París».

Estamos en una situación de emergencia en la que lo importante es estabilizar los mercados y acabar con la hemorragia de deuda. Si no, acabaremos con un *credit crunch* y con una recesión; y, muerto el enfermo, suspender la medicación.

Solamente nos queda, en este momento, el Banco Central Europeo. El fondo de emergencia nadie sabe cómo se va a apalancar, ninguna de las dos fórmulas ha funcionado. Nadie sabe cómo va a funcionar el fondo permanente; lo que sí sabemos es que se quiere, voluntariamente, limitar su potencia disuasoria.

El Banco Central Europeo está comprando deuda. No es un problema, por tanto, discutir el Tratado; el problema es el límite de cuánta deuda está dispuesto a comprar el Banco Central para acabar con la emergencia. A la pregunta de si se puede o no ha contestado el señor Eppink: está comprando. No es un problema de si, sino de cuánto.

1-023
Mario Draghi, *President of the European Central Bank***.** **–** Let me say something that I have not said up till now. Why have we placed so much attention on the banking channel in the decisions we have taken?

1-023-500
José Manuel García-Margallo y Marfil (PPE). – Because we have nothing else.

1-023-750
Mario Draghi, *President of the European Central Bank***.** **–** No, because banks represent almost 80% of the lending to the euro area. And so, differently from the US and the UK where the access of households and especially firms happens a lot through the capital markets and much less through the banking channel, in the euro area the banking channel is the crucial one for the process of credit.

Let me also say that, when you look at banks, you see that the small and medium-sized banks are also the ones which focus their lending on the SMEs, the small and medium-sized enterprises, and on households. That is why to have the possibility of helping the banking system from the funding pressures is also important for helping the small and medium-sized banks which are particularly affected – and therefore the small and medium-sized enterprises. That is the aim of the measures that we have taken.

The next question is: supposing we actually succeed, then what are the banks going to do with this money? As I have said many times, the first objective is to help restore the credit process for households and for small and medium-sized companies, because that is where we have to work to avoid an even more significant weakening in growth than we have already had. But then what else? They can do lots of things, for example they can buy back their bonds, the bonds the banks themselves had issued, or they could even buy government bonds. We do not know. The important thing is that banks decide in total independence on what is their best combination of investments and of lending, given their business model, their profitability, their strategies, and so on and so forth. So we do not know how many government bonds they will be buying. That is the answer.

1-023-875
José Manuel García-Margallo y Marfil (PPE). – The question is: how many bonds is the Central Bank going to buy, not the banks?

1-023-937
Mario Draghi, *President of the European Central Bank***.** **–** No, the ECB is not buying bonds through this channel.

1-023-968
José Manuel García-Margallo y Marfil (PPE). – And the secondary method?

1-023-984
Mario Draghi, *President of the European Central Bank***.** **–** I am sorry; I must have misunderstood your question. You were asking about the SMP, the secondary market purchases. The secondary market purchase has been set up with the intent of repairing monetary transmission channels. It is temporary, as I said; it is neither eternal nor infinite, and it will be there.

1-023-992
José Manuel García-Margallo y Marfil (PPE). – Is there any limit?

1-023-996
Mario Draghi, *President of the European Central Bank***.** **–** If you ask is there no limit, you are implying there is no limit. Do you think it is unlimited? No, exactly. As I said several times and as I have said before: it is neither eternal nor infinite.

1-024
Antolín Sánchez Presedo (S&D). – Señora Presidenta, yo también quiero aprovechar para saludar al Presidente, con motivo de su primera intervención en este diálogo monetario. Me va a permitir que le desee, además, felices fiestas y un feliz 2012, que creo que será muy bueno para todos los europeos, si así se produjera.

Se habla, en ocasiones, de que el Banco Central Europeo es una especie de «banco malo». Según las informaciones que yo tengo, el *default* es cero y los riesgos que tiene en sus balances son muy inferiores a los que puede tener la Reserva Federal de los Estados Unidos, o el Banco de Inglaterra, o el Banco de Japón. ¿Podría confirmarme esto?

Si ustedes están facilitando financiación, liquidez, a los bancos, es porque consideran, en cierto modo, que los mercados no están valorando razonablemente, y menos las agencias de *rating*, la pertenencia de algunos países a la zona del euro, que está en unas condiciones de mayor estabilidad de lo que en muchas ocasiones se reconoce. Me gustaría, también, que me dijera algo al respecto.

Finalmente, el problema de la política monetaria es que, en los momentos buenos, es óptima para los países

centrales. Pero hay países que no son centrales y que, por ejemplo, tienen los tipos de interés más bajos de lo que debieran; eso conduce a burbujas, y, en los momentos malos, cuando hay que corregirlo, tienen unos tipos de interés más altos de lo que debieran. ¿Se puede optimizar un poco mejor la política monetaria para contrarrestar esa disonancia de ciclos?

1-025
Mario Draghi, *President of the European Central Bank***.** – Thank you very much for your best wishes for Christmas which I am going to reciprocate to you and to everyone.

Let me try to answer your question. The response of our monetary policy decisions of last week was basically aimed at addressing the funding pressures of the banking system in the euro area – which really all countries' banks are experiencing – and the possible credit tightening. To give you an idea of this pressure, we have about 230 billion euros of bank bonds due only in the first quarter of next year. We also have about 250 to 300 billion of government bonds coming due in the same short period of time. Then we have about 200 plus billion euros of CLOs – collateralised obligations – issued by corporates, and coming due in the course of the year, not in the first quarter only. So the pressure that the bond markets will be experiencing is really very significant, if not unprecedented.

Banks also have other problems, which come from lack of capital. They come from the recent EBA exercise that identified capital needs for the banks. What the banks could be tempted to do from the capital side is to say, it is very hard to raise capital in the markets at these prices, can I sell some assets? Well, in principle one could, but the risk of having so-called fire sales – sales that are at very low prices and would actually be a cause of a further downwards spiralling in prices – is there. The third, and the worst alternative, is that banks simply would reduce lending.

On top of these pressures that come from capital you have pressures that come from funding. The measures we took on 8 December respond to this second point. We want to make sure that at least the funding problems of the banks are addressed.

There is also another side to this. Part of the impairment in the credit channels that we are seeing today depends on a heightened risk aversion. In other words, people do not trust each other and, if they do not trust each other, they do not lend to each other. Banks do not lend to banks, banks do not lend to citizens, banks do not lend to firms. Some, not all, of this heightened risk aversion depends on the fact that the banks may think that another bank may be short of funds. A worry about their liquidity could transform itself into a worry about their solvency. Again, the measures we took on 8 December also address this aspect of the banking system. Basically, the hope is that in this way we will avoid a credit crunch.

I think there was another part to your question?

1-026
Antolín Sánchez Presedo (S&D). – The question is also if the markets are correctly evaluating the level of risk in the European Union.

1-027
Mario Draghi, *President of the European Central Bank***.** – It is hard to say. What I would say is neither a 'yes' nor a 'no'; I would rather tell you the history of recent events. For many years, market interest rates did not reflect the difference between countries. When the euro was created we had countries with very different initial conditions. We had countries with huge debt and other countries with small debt. We had countries with high growth and countries with no growth. Also, the policies were different. In some countries, policies were more or less containment of budgetary deficits and competitiveness and productivity enhancement; in other countries, policies simply allowed budgets to get out of control. In spite of all this, interest rates did not reflect the differences in riskiness. So, they basically undershot the difference in risk.

Then we had the Lehman crisis. We had the crisis of 2007-2010 and that changed completely the risk perception of the markets and investors. All of a sudden, they realised this big understatement of the riskiness of different countries. Now I think they are overshooting the actual risk. This is a view that I have expressed several times. The present prices of government bonds are stressed: they reflect conditions of stress, and they would not be those prices in normal times. However, we are not to return to the pre-existing conditions. We have to get used to spreads. We have to get used to spreads reflecting riskiness and all in all the market function of the spreads is also healthy since it sends a message to policy makers, both national and European, that they have to speed up progress.

1-028
Ramon Tremosa i Balcells (ALDE). – Since May 2010 the ECB has been buying sovereign bonds in the markets of some Member States. As I told you in plenary, I fully support these interventions and I think that the ECB has saved the euro at a very stressful moment. However, in some countries these interventions may have created incentives to delay structural reforms.

I am from Barcelona. In Catalonia, the Liberal Government has put in place a reform and adjustment programme that follows the recommendations of the European Commission. The Catalan Liberal Government has this year reduced its expenditure by 10% and next year will cut a further 5% to achieve the goal of a balanced budget. However, the Catalan Government suffers today from liquidity problems. The Spanish Government is cutting its transfers to Catalonia, as it still conserves the total monopoly on tax collection in Spain. So my question is: has the ECB taken into account the possibility that the security market programmes might also buy public debt from some responsible and reformist European regimes? Will you buy Catalan bonds?

1-029

Mario Draghi, *President of the European Central Bank***.** – I think that, all in all, now that the SMP has been in place for some time, basically all countries are now on the right track – admittedly with different degrees of speed and immediate success. All the countries that needed to do so are taking or have taken action and, in any event, all of them are fully committed to delivering results. This was the first part of your question.

If we look – and here I am trying to inject a note of, I would not say optimism because maybe that is too much, but at least a kind of confidence in this – if we look at the present situation of countries' commitment with respect to restoring budgetary stability compared to what it was a year ago, I would say that really significant steps have been made.

On the second part of your question, you should remember that the SMP had been instituted with the objective of restoring monetary policy transmission channels when they were impaired. So, it is not so much that the SMP buys into bonds of this country or that country just because there is a shortage of liquidity for this or that government; it buys into bonds whenever the ECB sees that monetary policy cannot be active, is being paralysed when it needs to be reactivated. That is the main purpose. I think this is what is happening and what has been happening so far. We can also discuss what we mean by 'reactivation of monetary policy channels', but basically, in just a few words, the sovereign bonds market is a very, very big market, so in this sense it is one of most powerful transmission channels for monetary policy. If that bond market for one country, for two countries, for several countries becomes stuck, then the monetary policy cannot be activated any longer. That is why the SMP intervenes, but it would not have any other objective.

1-030

Kay Swinburne (ECR). – Having a second-round question instead of my usual first means I have to be a little more creative because many of the questions have already gone, so I apologise if it is a tougher question.

As well as monetary stability and long-term structural reforms, you yourself have stated several times today that growth with its consequential benefits is one of the most important components in restoring investor confidence in the eurozone as a whole. Growth is always much easier for a country when its currency is less strong and a weaker euro-US dollar exchange rate and a weaker euro against other export regions would obviously serve the eurozone growth prospects a little better. Despite last week's drop in the eurozone euro-dollar exchange rate we are still 8% above the average since its launch in 1999 so there is still a lot of downward pressure that could still happen. Given that the ECB's primary objective is that of price stability, is it feasible and potentially desirable in your opinion that you achieve stability in the euro but a lower exchange rate in order to assist in growth prospects for the eurozone?

1-031

Mario Draghi, *President of the European Central Bank***.** – Let me say that the ECB tries to do its job well. We have a monetary policy that has been and that is accommodative. It is highly supportive, especially of the real economy, of firms and households. It is a monetary policy that never forgets that it has as a primary mandate the assurance of price stability in the medium term, but it is also supporting job creation and growth.

Having said that, we do not have exchange-rate objectives, because that does not fall within our primary mandate of maintaining price stability in the medium term.

1-032

Pascal Canfin (Verts/ALE). – Monsieur le Président, vous avez dit, à plusieurs reprises, qu'il en allait de la crédibilité de la Banque Centrale européenne qu'elle n'achète pas davantage massivement d'obligations d'État. Diriez-vous que la Banque d'Angleterre et la Réserve fédérale américaine, qui ont fait le contraire, ne sont pas aujourd'hui des institutions crédibles?

Le deuxième élément de ma question porte sur la France. Il est assez probable que la France perde son triple A dans les prochains jours ou dans les prochaines semaines. Quelles sont les conséquences que vous anticipez lorsque cette dégradation arrivera – avec plusieurs scénarios: un cran ou deux crans, la France seule ou la France avec un autre État?

La troisième question – puisqu'il me reste 11 secondes: vous avez dit, à plusieurs reprises, qu'il fallait des réformes structurelles pour *booster* la croissance. Pensons aux pays où les réformes structurelles ont déjà eu lieu. Prenons par exemple les États-Unis – puisque j'imagine que c'est le type de réformes structurelles sur le marché du travail que vous pouvez avoir en tête –, qui ont un PIB par habitant qui a crû exactement de la même façon que celui de la zone euro depuis dix ans.

Quel est donc le lien logique qui vous permet de croire que mener des réformes structurelles en libéralisant le marché du travail permet de développer la croissance?

1-033

Mario Draghi, *President of the European Central Bank***.** – On the first question, the credibility of an institution like a central bank must be measured with respect to its performance, its communication, but also its institutional set-up. The Fed has a mandate which is price stability – by the way the definition of price stability has benefited from our own definition a few years ago – but also a mandate which is geared to growth and full employment. So the Fed mandate is a different thing from our mandate, which is much more restricted to maintaining price stability in the medium term. In a sense, credibility has some things in common across different jurisdictions, but also is specific to the institutional set-up, where the central bank works out its own activity.

I do not know whether France will lose its AAA rating. I certainly hope not but, as I said before, we should not make too much of these rating changes by credit rating

agencies. I am saying this in a general way. As I said before, it is another input in our own assessment but it is not like it was 15 years ago; it should not be a terrible thing. If France does lose its rating then it is likely that other countries' ratings will be changed.

The other thing is: what would be the consequences for the EFSF of France losing its AAA? I think that is an important question. There are several things that can be done as a consequence of this, and we are working actively now that we are the EFSF agent. We are working actively on all possible scenarios, not only this concerning France. I think the bottom line is that the commitment of the European Council to bring the ESM into force at a prior date, and to accelerate the implementation of the ESM – here I should add, and hope, that the recapitalisation of the ESM should also be accelerated – would respond in the best possible way to any consequence for the EFSF as a result of a downgrade.

Let me also stress another commitment of the European Council which, as I said before, is to reassess the EFSF resources adequacy in March 2012, so that means three months from now, which is very early. I think that is the best answer as far as our common mechanisms, our common firewall, are concerned.

I would not go as far as saying the US has no need of structural reforms. I think it does. If we interpret structural reforms only as introducing more flexibility in the labour market, I would agree with you that the US labour market is very flexible, even too flexible for some, because one has to weigh up the uncertainty that is injected together with flexibility. But I think the US, like all other countries, needs substantial structural reform in a variety of areas. I will stop here because I do not want to advise President Obama on what he needs to do or say.

1-034
Markus Ferber (PPE). – Herr Präsident! Herzlich willkommen! Ich möchte mich auch ausdrücklich bedanken, dass Sie ein paar Sätze mit Deutsch gesagt haben. Das war sehr beeindruckend.

Sie haben in Ihrer Erklärung und jetzt nochmals im Zusammenhang mit der Frage das Thema Ratingagenturen angesprochen. Ich teile Ihre Auffassung, dass wir Ratingagenturen nicht überbewerten dürfen. Aber trotzdem muss man ja irgendeinen Gradmesser, einen Maßstab anwenden.

Deswegen meine konkrete Frage: Der Tender, den Sie jetzt auflegen, in dessen Rahmen Sie Banken für drei Jahre zu 1 % Gelder zur Verfügung stellen, beinhaltet ja, dass bei der Europäischen Zentralbank Papiere als Sicherheit hinterlegt werden können, die zweitrangig – also von minderer Wertigkeit – sind. Nach welchen Kriterien bewerten Sie bei diesem Angebot an die Banken dann die Papiere, die die Banken als Sicherheiten hinterlegen können, wenn Sie Ratings nicht überbewerten?

1-035
Mario Draghi, *President of the European Central Bank***. –** I think that is a good question. The ECB uses CRAs' ratings. It has used them in the past but it is not the only input. We have our own internal methods. We have our own framework which goes across the system of European central banks and it is a fairly developed one. We have to distinguish between two methods of broadening collateral decisions that we have taken.

One is for the ECB now. There is a certain type of collateral which, from being triple A is now accepted until it is single A. That is one decision and we will be using our own credit rating assessment. First of all, we value all the collateral at market prices and then we apply a haircut. So the valuation we make is very prudent. Then there is a different broadening of a collateral decision that we have taken, which is a very important novelty in our decision-making, namely that banks will be able to utilise their loans to clients as collateral. This requires capacity by the ECB, but mostly by the national central banks. Why national? Because a lot of knowledge about bank loans to clients is domestic, is national. It will require from the NCBs, the national central banks, capacity to assess credits that are not even rated by credit rating agencies.

There are a few national central banks that have had such internal rating capacity in place for quite a time now, so much so that their banks have been using bank loans, repackaged in a way that they could have ratings; basically there is a system in place. In many of the national central banks this system is not yet in place so they will have to upgrade their infrastructure to accommodate their SMEs and their households.

In the meantime, all risks of this new opening of collateral choice will be borne by the NCBs. So there is going to be some initiative in the hands of national central banks as far as this part of collateral enhancing is concerned. The ECB will issue common guidelines on how to do that of course, because we do not want to have regulatory arbitrage taking place in all this. We want to be sure that we protect our own balance sheet as well as the balance sheets of the national central banks.

1-036
Anni Podimata (S&D). – The same topic, but from a different point of view from Mr Ferber. You said in your previous responses to other colleagues that we should use all means to avoid a possible credit crunch which would affect growth negatively. The question is, how can we ensure this if we do not define clear rules on how the money that the banks are getting through the three-year refinancing operations is used, especially now with the reduced interest rate of 1%? How can we ensure that we avoid a credit crunch if we do not mandate liquidity transfer towards the real economy, the financing of SMEs, which, as you pointed out, are suffering from lack of liquidity? Finally, how can we guarantee to European citizens that it is inconceivable to have a repetition in Europe of what has happened in the States with the TARP, when a significant part of the money that was supposed to be used for the refinancing of their

economy was used for executive compensations, bonuses, dividends, etc.?

My last point is that you said, Mr President, that contraction in the troubled countries should be short-term, that a credit crunch should be avoided; but as a matter of fact in some of these countries, as in the case of Greece, apart from fiscal consolidation the lack of liquidity is to a great extent responsible for a recession much deeper than expected.

1-037
Mario Draghi, *President of the European Central Bank***.** – The first question is a very good question. Should we have rules? It is very difficult to have rules telling banks what percentage they should invest in each of their businesses. Previously banks were basically probably well managed; they decided how much they would lend to the real economy, how much they would use for their financing purposes, how much they would use to purchase government bonds. That was based on their risk return calculations, strategic decision-making and business model.

Here the idea is basically that, with this decision that the ECB has taken, you reduce the funding pressure from a quantity viewpoint and you lower the cost and – the part that is most important – you give the banks a medium-term perspective in their financing. In other words you make them relatively sure that for three years at least they will have this financing line. Let us not forget that the average duration of the bank bonds coming due next year is about three and a half years, so we also got close to that.

By the way, bond markets have been pretty much closed to the banks now for months. Most banks have been unable to issue a non-senior unsecured bond instrument for months. The funding pressure they are experiencing is not a new thing and it would be very difficult to establish rules for different kinds of banks in different countries. You would have to have a very complex set of rules. At this point in time I think priority has to be given to doing whatever it takes to make sure that we do not have a recession coming from funding pressure and credit tightening.

What can we do to avoid what is happening in the United States? A lot of things have been put in place, especially in Europe in the last year and a half. We have a lot of supervisory activity. All national supervisors have issued instructions and regulation as far as compensation of top management is concerned. There was first an overall global guideline by the FSB, which was agreed by the G20 leaders, two years ago I think. Then it was received by the EU and we have a directive on that. So all in all, because of the experience that we all had with the crisis and with what happened in the United States but also for another reason, banks are not only short of funding, they are also short of capital. One thing that they certainly do not want to do now is squander the few possibilities they have to raise their capital ratios through higher and unreasonable compensation. The overall situation has changed profoundly from the time when we had that bad US experience.

You had a third question?

1-038
Anni Podimata (S&D). – My last point was that liquidity problems are to a great extent due to a deeper than expected recession in the troubled countries, such as is the case for Greece. My question was: how can we deal with such problems in the countries which most need liquidity in order to get economic activity as soon as possible?

1-039
Mario Draghi, *President of the European Central Bank***.** – I think that the monetary policy decisions we took last time also addressed this problem. Certainly, much of the liquidity provision in some countries takes the shape of emergency liquidity assistance, so in a sense it is a different track from the one we decided last week.

1-040
Sophia in 't Veld (ALDE). – Mr Draghi, it is a pleasure to have you here before this committee for this first time.

There is always a tendency to look at austerity and the need for structural reforms from a cultural north-south perspective or a political left-right perspective, but I think there is also the generational aspect. I think much of the reluctance to reform and to adopt austerity measures has to do with generations who are reluctant to let go of privileges, so they put the burden on younger future generations. My first question is: do you think that enough is being done in the area of pension reform, not only by the countries that are in trouble but also by the so-called 'virtuous' Nordic countries, to make pensions sustainable in a reasonable term?

Secondly, more specifically about my own country, the Netherlands, do you consider that the collective mortgage debt – which is the highest in the world – poses a particular risk? Do you think that, if the policies that encourage private debt are not changed, the Netherlands should be obliged to change them?

1-041
Mario Draghi, *President of the European Central Bank***.** – On the first issue, I think there is more to do on rebalancing the intergenerational disequilibrium. The overall picture in the euro area is balanced in favour of the older generations rather than the young generations. Of course it is a matter of degree. In some countries this imbalance is much greater, and actually these countries are now taking action because they are pressed by markets, by political contingencies, by lots of things, and they are actually taking strong action. It is to be welcomed. Even countries that are not pressed especially by markets will recognise the problem – the problem of a situation which discriminates against the younger generations. This is to be welcomed.

On the second part, I must admit I have no answer at this point in time because it is a very specific country issue,

but I can promise you one thing. This falls squarely within the ESRB and is the kind of thing we have to look at there. It is a question that addresses the potential systemic instability of certain financial arrangements in different countries. So I promise you an answer when I come back to speak about the ESRB, wearing my other hat.

1-042
Alfredo Pallone (PPE). – Signor Presidente, l'azione della Banca centrale si è sviluppata negli ultimi due anni, per sintetizzare al massimo, su due vettori principali. Da un lato, la BCE ha portato avanti l'acquisto di quantità limitate di titoli del debito pubblico secondario in alcuni paesi dell'euro, come la Spagna e l'Italia. Il secondo è l'abbassamento del tasso di interesse. Tutte queste cose sono state certamente utili e molto apprezzate. Tuttavia, il problema della crisi in Europa oggi è che non si tratta più di un problema di inflazione bensì di deflazione e di mancata crescita economica.

La domanda che io le faccio, presidente Draghi è la seguente: quale ulteriore politica monetaria potrebbe essere sviluppata dalla BCE per contribuire a sovvertire l'attuale *trend* deflazione-recessione? Un'ulteriore riduzione del tasso di interesse ed un finanziamento illimitato al sistema bancario, allo scopo di evitare il blocco del credito all'economia reale sarebbero sufficienti nella situazione attuale? Oppure rischiamo di essere inefficaci a causa del problema del rifinanziamento delle banche cui lei fa riferimento anche nella sua intervista sugli *stress test*, che sono stati condotti troppo presto o in una situazione oggettivamente errata?

1-043
Mario Draghi, *Banca centrale europea***. –** Prima di tutto noi non ravvisiamo ancora un'elevata probabilità di inflazione: anzi, per il momento è abbastanza limitata. Come rispondiamo sempre, non ci impegniamo: quando ci si chiede se abbassiamo o meno i tassi, rispondiamo sempre: "*we never precommit*".

Per quanto riguarda il finanziamento all'economia, credo che le misure che abbiamo preso l'altra settimana siano molto importanti e significative perché, come dicevo, estendono la liquidità a tre anni illimitata a banche che prendono in prestito a un tasso d'interesse che, pur essendo indicizzato, ossia può anche aumentare, al momento si attesta all'1%. Mi pare che da questo punto di vista si sia fatto molto.

In ogni caso, guarderemo ora come vanno le cose e l'andamento dell'economia nel suo complesso e vedremo poi il da farsi. Mi pare però che quello che è stato fatto sia già molto significativo.

1-044
Leonardo Domenici (S&D). – Signor Presidente, la ringrazio anche per le sue parole sulle agenzie di *rating* in qualità di relatore sul provvedimento. Vorrei porle un'altra questione. Mi pare che lei svolga un ragionamento critico di questo tipo: prima – prima per esempio degli *stress test* dell'Autorità bancaria europea e della loro pubblicizzazione – avremmo dovuto avere la *European financial stability facility* pienamente funzionante e questo, immagino, nella speranza di un positivo impatto sulle posizioni di capitale delle banche più esposte sui titoli di Stato. Poi, dopo, si sarebbe dovuta affrontare la ricapitalizzazione delle banche.

Il problema è che le cose sono andate diversamente: quindi oltre a osservare che questa vicenda richiede un miglior coordinamento con le autorità europee di vigilanza, le chiedo: adesso come procedere? Ricapitalizzare le banche europee rimane oppure no obiettivo attuale e immediato? Come perseguire tale obiettivo? In questo contesto, lei pensa che rappresenti un problema la richiesta alle banche di costituire fondi interbancari pari all'1% dei depositi garantiti con versamenti *ex ante* anziché *ex post*?

1-045
Mario Draghi, *Banca centrale europea***. –** Credo che, come lei ha detto, la sequenza sia andata fuori ordine, fuori dal suo ordine naturale, ragion per cui oggi il processo di ricapitalizzazione delle banche è diventato molto più difficile – o, diciamo, più difficile – non solo di quello che si era previsto quando questo esercizio era stato deciso, perché la situazione oggi è molto diversa da prima, ma anche più difficile rispetto a come sarebbe stato se l'EFSF fosse stato operativo.

Lo ribadisco: non c'è alternativa al fatto che le banche debbano procedere con la ricapitalizzazione. Naturalmente però ci sono vari modi e tempi per farlo. La cosa che veramente nessuno può augurarsi è che le banche procedano a una ricapitalizzazione, nel senso che aumentino i *capital ratios*, diminuendo i prestiti. Per questo l'EBA insiste nel fatto che le banche devono ricapitalizzarsi non già diminuendo i prestiti ma piuttosto cercando di aumentare il capitale per un importo prestabilito.

Inoltre, un'altra cosa importante da rilevare nel comunicato dell'EBA è che l'Autorità intende procedere, l'anno prossimo, a *stress test* di tipo ordinario e non ripeterà l'esercizio che ha appena condotto di tipo straordinario, in cui valuta al prezzo *mark-to-market* i titoli di Stato sia che siano in un libro o nell'altro delle banche. Ciò è da accogliersi con favore, per cui le banche possono procedere a ricapitalizzarsi senza però dover necessariamente avere l'incubo di un altro esercizio come questo tra quattro, cinque o sei mesi.

Dunque, per quanto riguarda il fondo interbancario, rispondo come alla domanda posta dall'on. in 't Veld: è una cosa su cui mi riprometto di rispondere come presidente dell'ESCB, perché al momento non saprei risposta.

1-046
Corien Wortmann-Kool (PPE). – As one of the rapporteurs on the 'six-pack', together with Sylvie Goulard, I am obviously very keen to know how this will be taken further. We were always very grateful that your predecessor, Mr Trichet, was very open here with

regard to legislation on the construction and his views on that. That was also visible in the outcome of the 'six-pack'.

I have some questions with regard to the proposal on this new agreement, leaked to the press so that we could all read it. You rightly spoke about strengthening the excessive deficit procedure, the golden rule being to put this in primary law. You also spoke about the wish to move the 'six-pack' into primary law – more fiscal and economic integration – so my question is: does this proposal, as currently put on the table, reflect from your point of view a decisive step forward as it stands? I will give you three examples where I have my doubts.

The first is that the role of the contracting parties, the Member States, is well elaborated, whereas the role of the European Commission and the Commissioner on Budgetary Affairs in the surveillance and the role of the European Parliament are left vague or not even mentioned.

Second, a new budgetary and economic partnership programme for Member States is introduced while the stability and convergence programmes and the national reform programmes to be put forward by Member States, well elaborated in the 'six-pack', are not mentioned and the relationship between the three is not clear. It is not even clear whether this new budgetary and economic partnership programme is subject to the same surveillance in the 'six-pack'.

Third, the Euro Plus Pact to be coordinated among the Member States is mentioned, and, reading the annual growth survey, we all know that so far there has not been successful progress. That is mentioned, but the macroeconomic surveillance procedure (including reverse qualified majority voting) and the European Semester (with a strong role for the European Commission and the European Parliament) are not mentioned. Is this proposal the ultimate fiscal compact you expected, also with regard to economic integration?

1-047
Mario Draghi, *President of the European Central Bank***.** – The answer is 'no'. I think this is the first step. It is the very first step in a variety of ways. It is a first step because there is a road ahead where things can be improved. They can be improved with regard to the role the different institutions can have; they can be improved by embodying something that is very important, the 'six-pack'. I think it can be made much better, but the fact that the economic part of the 'six-pack' is not reflected in the present draft does not mean that it is going to be out of the question, both because it could be taken up again – as I said, the road is more complex – and because it could have a separate path.

If you ask me what is my ideal compact, my answer is: no, it is not a compact only of more taxes or less expenditure, it is also a compact where you see growth, job creation, competitiveness – in other words, the values that have inspired the economic part of the 'six-pack' – reflected fully.

1-048
Pervenche Berès (S&D). – Madame la Présidente, Monsieur le Président, vous avez indiqué, à l'un de mes prédécesseurs dans ce débat, que le mandat de la FED et de la Banque d'Angleterre n'est pas le même que celui de la Banque centrale. Pourtant, j'ai une petite musique dans l'oreille qui est celle de votre prédécesseur, qui nous disait toujours que ce n'était pas la peine de se poser la question de savoir quel était le mandat, puisque, avec des mandats différents, l'ensemble des banques centrales suivaient finalement une même stratégie de politique monétaire. Y-a-t-il quelque chose qui a changé de ce point de vue-là?

Ma deuxième question porte sur le mandat que vous allez donner à votre représentant dans le groupe de travail, qui commence ses travaux demain, sur la négociation d'un accord – sur des raisons dont la sagesse relève des chefs d'État et de gouvernement de la zone euro – visant à constitutionaliser, d'une certaine manière, en tout cas à inclure dans les traités, le pacte "euro plus". Pensez-vous que c'est la bonne stratégie pour sortir la zone euro de la récession dans laquelle elle se trouve?

Dans le même esprit, pensez-vous qu'il est juridiquement cohérent de chercher à définir ce que sont des "circonstances exceptionnelles", alors que le terme de "circonstance exceptionnelle" figure d'ores et déjà dans le traité lui-même et que personne n'a voulu l'utiliser alors que certains d'entre nous demandaient à ce qu'il soit utilisé, et qu'en revanche, le concept de "réforme structurelle" est introduit sans aucun débat politique sur ce que constitue une "réforme structurelle"?

Enfin, s'agissant du règlement "livraison" – vous avez vu que le gouvernement de M. Cameron vous a conduit devant la Cour de justice – pensez-vous que c'est la meilleure manière de traiter cette question? Je n'ose vous la poser sur le fond, à savoir sur ce que vous pensez de la mise en place d'une chambre de compensation de la zone euro. Mais si d'aventure vous vouliez y répondre, évidemment, nous en serions très heureux!

1-049
Mario Draghi, *President of the European Central Bank***.** – Can I ask you what your first question was because I missed it?

1-050
Pervenche Berès (S&D). – My first question was the following. When he was sitting in your place, Mr Jean-Claude Trichet would always tell us that with a different mandate you could see that all the world's central banks followed the same monetary policy. Your answer just now to one of my colleagues was that you had to follow a different monetary policy to the US because you had a different statute, or a different mandate resulting from your statute. So what has changed since then?

1-051
Mario Draghi, *President of the European Central Bank***.** – Let me say that we have different instruments – we

always had different instruments, even at times when my predecessor was saying that we had the same monetary policy but we had different instruments. It is the orientation of monetary policy that is now the same at the present time. We both, and others as well, have an accommodative monetary policy stance that has to face, with a financial system which is still damaged, the needs to be repaired in several segments, together with an economic situation which at least in the euro area, because of the possible credit tightening, could evolve into further downward risks for the business cycle and growth.

In the second question you asked whether the main contribution of the summit as far as the new legislative framework is concerned is the fact that it gets constitutional priority. The answer is yes, I think that is the major contribution because it would ensure an ex ante control that is not subject to the national discretion that each secondary legislation unavoidably has.

The third point, on the definition of structural policies, only shows – and you are absolutely right – that work is needed to ensure that we do not have inconsistencies between the work that has been done already and the new work that is being done. It only shows that further work is needed. As I said before about the 'six-pack', it is not a finished product; it is a very significant first step.

On the UK issue, I think that if we can go back to working together for Europe, for a European Union, it is infinitely better than being separate. On the other hand, the euro area Member States have specific issues and problems, as we see every day, so we have to find a response to this difficulty of wanting to stay together and moving together, but at the same time fully recognise that the euro area problems are specific to euro area members. It is not simple, as we have seen on 9 December.

1-052
Othmar Karas (PPE). – Herr Präsident! Es wurde Vieles gefragt. Kurz einige Punkte von mir. Sie haben von einem Durchbruch beim Gipfel gesprochen. Der Markt sieht das noch nicht so. Wie hoch schätzen Sie den Prozentsatz ein, dass die politischen Umsetzungsbeschlüsse den Beschlüssen des Gipfels folgen?

Zweitens: Teilen Sie die Auffassung, dass die derzeitigen Maßnahmen zu Wettbewerbsverzerrungen zwischen gesunden und schwächeren Banken führen können? Drittens: Reicht der Haircut von 25 % in Griechenland aus?

1-053
Mario Draghi, *President of the European Central Bank*. – You are right. The EU summit received much less recognition by markets and by public opinion than it actually deserved and the case I have made since then, and was trying to make today, is that actually it was a more significant step than was appreciated in the immediate aftermath. Whenever one has such an outcome, one should always ask the question: what were the expectations, and were these expectations realistic? I think the expectation of this summit was that a silver bullet would resolve the crisis, and this was just not realistic to start with. When we judge progress we should compare it with previous summits and with the previous evolution of reality. From this viewpoint I think the summit was a step forward.

On distortion of competition between healthy and unhealthy banks, I am sorry but I did not understand the question there.

1-054
Othmar Karas (PPE). – Es besteht die Befürchtung, dass der 1 % Tender wettbewerbsverzerrend ist, und es geht darum, wieviel die Banken an Eigenkapital unterlegen müssen. In vielen Fällen werden die Banken, die gespart haben und in langfristige Kredite investiert haben, gegenüber jenen benachteiligt, die kurzfristig agiert haben und nicht gespart habe.

1-055
Mario Draghi, *President of the European Central Bank*. – Why do you say so? Why do you say that they have been put at a disadvantage? There are concerns, as you said, that the playing field is not level for the banking system, but there are a variety of reasons why this may not be so. Existing regulation and existing directives by themselves do not discriminate between banks, so they try to create a level playing field. However, one should then look at how they are implemented by national supervisors and that is where we have to see whether there is actually a level playing field or not.

1-056
Danuta Hübner (PPE). – President Draghi, I would like to ask you about cross-border crisis management. We have been very fast in the European Union in establishing European supervision – actually, it was nearly overnight compared with our usual standards of decision-making – but we are rather slow, not to say dragging our feet, on establishing the cross-border crisis management mechanism and the – hopefully – European resolution mechanism. The ECB has been quite heavily involved at the pre-legislative stage where we had the own-initiative reports and a lot of discussion, probably a year ago. Is it a concern for you today that we do not yet have this institutional framework, and how do you see the future?

1-057
Mario Draghi, *President of the European Central Bank*. – Yes indeed. I should say, however, that there is a draft directive for the establishment of cross-border resolution. Many things have been done, not necessarily at European level, but at global level, for cross-border resolution in terms of assessing resolvability by the national supervisors and about having resolution mechanisms in place – which are two categories really.

One is to have changes in legislation which would allow supervisors, or whoever sits in the receivership chair at that point in time, a certain amount of discretion. Also having so-called 'living wills' in place, written by different institutions. So several things have been done

at global level and there is a draft directive at EU level, but we should not underestimate the complexity of this task.

Let me also say that there is much better cooperation amongst national supervisors on monitoring the situation. It is not an easy thing to do because, when we come to cross-border crisis management, we have to face a situation where you have different bankruptcy laws in different countries. Bankruptcy laws are deeply rooted in the legislative and institutional history of different countries so, in the event of banking failure or cross-border resolution management, we have to make all these different bankruptcy laws internationally consistent in a way that makes them work.

To take a specific example. You have different jurisdictions and you have different – let us call them supervisors, but it is not necessarily the same term. The different supervisors have to agree on the list of creditors that are going to be bailed out if there is a bankruptcy. At global level you have to make sure that the creditors of a bank that is a cross-border institution and that might fail are treated equally in different national jurisdictions all over the world. That is not an easy task. In the Union we face a theoretically simpler task, because in the end we are going to have one directive which, however, has the difficult task of harmonising different bankruptcy legislation in different jurisdictions.

1-058
Diogo Feio (PPE). – Senhor Presidente Draghi, gostaria de começar por o cumprimentar, desejar as maiores felicidades para o mandato que está neste momento a começar. Eu tinha uma pergunta muito directa a fazer-lhe: numa altura em que se fala nas dificuldades de administração da moeda única, em que se vive uma crise da dívida soberana, eu gostaria de saber como é que avalia a ideia de *eurobonds* ou, de acordo com a expressão do Presidente da Comissão, de *stability bonds*, numa altura em nós discutimos um *Green Paper* para os *stability bonds*. Esta é uma ideia que deve ser estudada e que deve ser desenvolvida? Eu sei que é uma pergunta difícil de responder num curto de espaço de tempo, mas acredito na sua capacidade para o fazer.

1-059
Mario Draghi, *President of the European Central Bank***. –** A very brief answer is that Eurobonds might make sense in a fiscal union, but if you do not have a fiscal union you should ask the following question: would a system be feasible where countries issue jointly and severally – in other words they have joint and several issuance, so they guarantee each other fully – but where, at the same time, they spend separately, i.e. where they go on spending by themselves without any sharing? If you ask this question, you see one basic aspect of this process: that the more countries release in terms of national sovereignty on their fiscal stance – and here I want to stop a moment and make a distinction between 'fiscal stance' and 'fiscal composition' – the greater will be the benefits of any sort of Eurobond concept. The less national sovereignty they release on their fiscal stance, for various reasons, political and so on, the less will be the benefits of the Eurobond concept, because if you have separate countries that go on and spend on their own separately and tax on their own, you cannot think about common issuance.

It is very difficult to imagine countries that guarantee each other. In between these two situations, you have several proposals for partial guarantees. I do not want to go into too much detail on this, but basically I am trying to give you the spectrum of possible choices. The more separate the countries, the more partial the proposals will be, and the less the benefits that will result.

I think I have answered your question, but now I just want to complete my previous answer, to avoid any doubt. The ECB supports the Commission's plans on cross-border banking resolution. We support the Commission plans and also we support the toolkit and the plans to have an ex-ante financing resolution mechanism. I did not say that earlier.

1-060
Sharon Bowles (ALDE). – Mario, thank you very much. We have finished our first monetary dialogue with you and it has been a very fruitful exchange. We look forward to the next one, which is not so far off.

(Applause)

(The meeting closed at 18.35)