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COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS
MONETARY DIALOGUE WITH MARIO DRAGHI, PRESIDENT OF THE EUROPEAN CENTRAL BANK
(pursuant to Article 284(3) TFEU)
BRUSSELS, MONDAY, 24 SEPTEMBER 2018

1-002-0000

IN THE CHAIR: ROBERTO GUALTIERI
Chair of the Committee on Economic and Monetary Affairs

(The meeting opened at 15.08)

1-003-0000

Chair. – Let me now welcome Mario Draghi to the Third Monetary Dialogue of 2018. As you know, this Monetary Dialogue is taking place after the last Governing Council meeting, which confirmed the June position of the ECB on forward guidance, on interest rates, on the planned phasing out of the asset purchase programme, but also on the way in which their investment policy will maintain an ample degree of monetary accommodation.

I would like to welcome these decisions and also welcome – as we are also going to discuss central bank communication at a time of non-standard monetary policy – the way in which the communication of the ECB is being very well received by the markets.

We are also going to talk about abundant liquidity, banks' lending activity and assessment of the risks and the base paper. Overall, while close monitoring of those risks is warranted, I conclude that so far we haven't see such a negative development, which also strengthens the positive assessment of the effectiveness of the ECB's monetary policy.

So thank you very much, Mr Draghi. Everybody is looking forward to the next decision and to hearing from you. You have the floor.

1-004-0000

Mario Draghi, *President of the European Central Bank***.** – Chair, honourable Members of the Committee on Economic and Monetary Affairs, Ladies and Gentlemen, it is a pleasure to be back at the European Parliament before your committee. Ten years ago, the euro area entered a severe recession. That crisis exposed structural weaknesses and forced us to address them. The work is not yet over, but we are reaping the benefits of our efforts: growth has been positive for more than five years, and the unemployment rate is at its lowest since November 2008.

In my remarks today, I will discuss the current economic environment and the role that the ECB's monetary policy plays in it. At the request of your committee, I will also discuss central bank communication, which nowadays forms an integral part of monetary policy.

The information that has become available since my last visit in July broadly confirms an ongoing broad-based expansion of the euro area economy, which grew by 0.4% in the second quarter of 2018. Despite some moderation following the strong growth performance in 2017, the economy continues to exhibit high levels of capacity utilisation, and labour markets are tightening with signs of labour shortages in some countries and sectors. This is reflected in the unemployment rate in the euro area, which stood at 8.2% in July. Since reaching a trough five years ago, euro area employment has increased by about 9.2 million. On account of the improving labour market and overall conditions, households' disposable income in the euro area is currently growing at the highest rates observed in the last 10 years. Higher income supports private consumption, which is expected to increase by 1.5% in 2018. These factors,

together with business investment being fostered by the favourable financing conditions, rising corporate profitability and solid demand, continue to support spending.

Looking ahead, the latest ECB staff macroeconomic projections confirm the outlook for continued broad-based growth of the euro area economy. Average annual growth is foreseen to be 2.0% in 2018, 1.8% in 2019 and 1.7% in 2020, with a slight downward revision for 2018 and 2019, mainly reflecting weaker global trade. Risks surrounding the euro area outlook can still be viewed as broadly balanced, although the threat of protectionism, vulnerabilities in emerging markets and financial market volatility have become more prominent recently. Fiscal policies in several euro area countries might be less neutral than we expected some time ago.

Regarding inflation developments, Harmonised Index of Consumer Prices (HICP) inflation stood at 2.0% in August, down from 2.1% in July. Headline inflation remains somewhat higher than in the first months of the year, reflecting the strong increase in oil prices. Measures of underlying inflation remain generally muted but have been increasing from earlier lows as domestic price pressures are strengthening and broadening.

Underlying inflation is expected to increase further over the coming months as the tightening labour market is pushing up wage growth. For example, annual growth in negotiated wages in the euro area increased from 1.5% in 2017 to 1.7% in the first quarter of 2018 and to 2.2% in the second quarter. This supports our confidence that the pick-up in wage growth will continue, as wage agreements often last two years or more.

Looking forward, annual rates of HICP inflation are likely to hover around current levels in the coming months and are projected to reach 1.7% in each year between now and 2020. This stable profile conceals a slowing contribution from the non-core components of the general index, and a relatively vigorous pick-up in underlying inflation. Reflecting these dynamics, the ECB projections foresee inflation excluding food and energy reaching 1.8% in 2020.

Overall, recent developments vindicate the Governing Council's earlier assessments of the medium-term inflation outlook. Accordingly, at our last meeting the Governing Council decided to maintain the significant monetary policy stimulus in its present configuration and, in line with the conditional plan announced at our press conference in June in Riga, to reduce the monthly pace of net asset purchases to EUR 15 billion from October until the end of the year. We anticipate that, subject to incoming data confirming our medium-term inflation outlook, we will then end net purchases.

This doesn't mean that our monetary policy will cease to be accommodative. For our baseline expectations of a rising inflation path to materialise, we need to remain patient, prudent and persistent in calibrating the monetary policy stance. In line with this approach, we will continue to provide substantial monetary stimulus by combining three policy measures: first, our enhanced forward guidance on the key ECB interest rates, which we expect to remain at present levels at least through the summer next year, and in any case for as long as necessary to ensure the continued convergence of inflation towards our aim; second, the residual net asset purchases that we will be conducting until the end of this year; and third, the reinvestment of the sizeable stock of acquired securities.

Our monetary policy measures have made a very substantial contribution to the positive economic developments in the euro area. If we consider all the policy measures taken since mid-2014, our staff estimates show that the overall impact on euro area real GDP growth and euro area inflation is – in both cases – around 1.9 percentage points cumulatively between 2016 and 2020.

Let me now turn to the topic of central bank communication that you suggested for today's meeting. Regarding this topic, forward guidance has indeed become an important instrument for all major central banks as conventional monetary tools have reached their effective lower bound, and the ECB is no exception.

Forward guidance on our policy interest rates has evolved considerably over time, since we first introduced it in July 2013. Roughly speaking, it has gone through three phases. When we first gave forward guidance in 2013, our goal was to insulate euro area financing conditions, and especially the near-term segment of the term structure of money market interest rates, from the heightened volatility emanating from the US money market as a result of the 'taper tantrum' episode of May-June 2013.

During the second phase, our forward guidance served to reinforce the effectiveness of the net asset purchases. By expressing the Governing Council's expectations about the likely future path of interest rates, we ensured that the downward impact that the asset purchases were exerting on longer-term yields was not counteracted by the unanchored market expectations of short-term interest rate increases.

Since June 2018 we have expressed our expectation that, subject to incoming data confirming our medium-term inflation outlook, net purchases will likely end after December 2018. As we had for some time tied the horizon for our rate path to the end of our net purchases – giving indications that interest rates will remain at their present levels 'well past the end of our net purchases' – announcing a conditional plan for terminating net purchases by a certain date made it necessary for us to re-anchor the rate guidance.

Steering expectations of the policy rate path was critical because the path of inflation that the Governing Council viewed as moving closer to the objective of a sustained adjustment was – and still is – conditional on a term structure of interest rates that embodies expectations of constant policy rates over an extended period of time after December 2018.

It was important for us to retain firm control over the signalling implicit in our monetary policy announcements. At that critical juncture, we had to reassure investors and the public that the likely change in the course of our asset purchases will not stymie the recovery and frustrate progress toward inflation normalisation.

With this in mind, in June 2018 we said that we expected interest rates to remain at their present levels 'at least through the summer of 2019, and in any case for as long as necessary to ensure that the evolution of inflation remains aligned with our current expectations of a sustained adjustment path'. This rate guidance, which we reasserted back in July and also this month, actually contains two parts: first, the part that says 'through the summer of 2019' formulation is a calendar-based element, which refers to when we anticipate conditions that might warrant a first rate increase; and second, a state-dependent component, indicating our expectation that rates will remain unchanged in any case for as long as necessary to ensure the continued sustained convergence of inflation to levels that are below, but close to, 2% over the medium term.

As it turned out, the realignment of market expectations with those of the Governing Council was immediate and smooth. The new formulation has helped market participants to better understand our reaction function and adjust the outlook on which they base their plans accordingly. Of course, steering financing conditions – by guiding the expectations of market professionals – is only part of our task. We are responsible for ensuring price stability for the 340 million people of the euro area who use the euro and make economic decisions every day.

Reaching out to citizens is the key to maintaining public confidence in their central bank, and in the appropriateness and efficacy of its policies. In this respect, hearings before the European Parliament are a fundamental – absolutely fundamental – channel through which we can explain to the people of Europe the reasons for our decisions and how those decisions impact their lives.

The ECB and the European Parliament, building on the framework enshrined in primary law, have responded to the demand for stronger scrutiny that arose during the crisis and have ensured a high degree of accountability throughout it. Nevertheless, this should be no reason for complacency. We are well aware that maintaining people's trust in the ECB calls for tireless efforts on our side.

Facing challenging times, we have sought to enhance understanding of our decisions. For instance, since January 2015 the ECB has been publishing regular accounts of the Governing Council's monetary policy decisions. As the exchanges and conversations we have in this room testify, this additional set of information enables you – and anyone who is interested in the conduct of monetary policy – to enhance scrutiny of the ECB's policies. At the same time, this has provided us with greater opportunities to explain our decisions and demonstrate that we are acting in accordance with our democratic mandate.

Over the past few years, we have also stepped up our efforts to overcome the key communication challenges posed by the euro area structure, namely reaching out to citizens in 19 countries, who naturally have different expectations regarding the ECB. We have thus enhanced our communication strategy, directly addressing a wider range of audiences. In addition to our institutional activities, my fellow Executive Board members and I have participated in about 180 events over the last two years, a quarter of them in centres of education.

If I include think tanks, foundations, non-profit organisations and governmental bodies, we delivered more speeches to these fora than at the ECB and the NCBs. ECB staff members have complemented these efforts with a dedicated outreach programme aimed specifically at secondary schools and universities which goes into the functions and purpose of a central bank in an advanced economy, and also explains the financial crisis and the ECB's role in alleviating its effects on the people of Europe. We have covered similar ground in our expanded website, which now features videos, explainers and charts that describe complex issues in an accessible way. We have started using new tools, such as YouTube and LinkedIn, as well as Twitter, where we have almost 440 000 followers.

Let me conclude. The European Parliament, which represents EU citizens, is the key to fostering people's understanding of, and trust in, ECB decisions. In this sense, it contributes to the effectiveness of our monetary policy. But your contribution, as parliamentarians, does not end here. You, as co-legislators, have a role to play in making sure that Europe is well prepared if the risks I mentioned in my introduction were to materialise. We have seen that, far from damaging growth, a strong regulatory framework is essential in ensuring strong long-term economic performance.

Today, 10 years since the start of the financial crisis, there is still important unfinished business when it comes to improving the EU financial legislative framework. As we are approaching the end of the legislative term, we need to seize the opportunity now. I thus count on Parliament's support to make sure that the framework provides the necessary stability to the markets, thus protecting EU citizens, as customers, workers and taxpayers. Thank you for your attention, and I am now at your disposal for questions.

1-005-0000
Chair. – Thank you very much President Draghi for your remarks, including relating to the importance of the role of Parliament, both as a forum for enhanced transparency as far as ECB monetary policy tasks are concerned, and also as a co-legislator. I can assure you that we are going to do our best to conclude as many as possible of our challenging legislative tasks before the end of this mandate in order to enhance and improve our legislative framework for financial stability, also in the direction of completing our banking union and our economic and monetary union.

Now we will start our Members' interventions. The first speaker, for the PPE Group, is Markus Ferber.

1-006-0000
Markus Ferber (PPE). – Herr Vorsitzender! Herr Präsident, zunächst mal auch von meiner Seite ein herzliches Dankeschön für Ihre Ausführungen. Sie haben ja ein positives Szenario über die wirtschaftliche Entwicklung gezeichnet. Trotzdem zeichnen sich ja schon wieder erste Wolken am Konjunkturhimmel ab. Eine dieser Wolken haben wir innerhalb der Europäischen Union selbst – und war auch Thema am letzten Wochenende beim Treffen der Staats- und Regierungschefs –, nämlich die Frage, ob es mit dem Vereinigten Königreich am Ende zu einer tragfähigen Vereinbarung kommt oder nicht.

Natürlich hat das auch Implikationen, was Ihre Arbeit betrifft, auch wenn das Vereinigte Königreich den Euro nie eingeführt hat und auch nie die Absicht hatte, ihn einzuführen. Trotzdem meine Frage: Wie bereitet sich die Europäische Zentralbank im Falle eines harten Brexits auf mögliche Verwerfungen auf den Finanzmärkten vor?
Gibt es bereits ein abgestimmtes Vorgehen mit der Bank of England?
Wie stellen Sie sich im Falle eines harten Brexits die künftige Kooperation mit dem Vereinigten Königreich in geldpolitischen und aufsichtsrechtlichen Fragen vor?

Und selbst im Falle eines geordneten Brexits stellt sich ja die Frage, wie die künftige Zusammenarbeit mit der Bank of England aussehen wird, insbesondere bei der Aufsicht über das Euro-Clearing und der Bereitstellung von Notfallliquidität.
Können Sie hierzu bereits Überlegungen der Europäischen Zentralbank skizzieren?

1-007-0000
Mario Draghi, *President of the European Central Bank***.** – We are certainly monitoring the developments of the ongoing negotiation, but we should remember that the ECB is not part of the negotiation itself. So we will have to see what is the outcome of this negotiation before we can see what is the next course of action. Clearly we wish that any solution will not compromise the integrity of the single market. Having said that, as you know, we have formed a working group with the Bank of England and we are examining various parts of the negotiation, but we depend on the final outcome, and we have no say on that.

By and large, our estimates show that on the real side of the negotiation the impact should be, in the aggregate, quite muted. On the financial side as well, the impact – we expect – should not be significant, with one exception. In some areas of centrally cleared derivatives where, if there is a sudden event, an unprepared hard Brexit of the sharpest kind, we have to see how the many contractual positions are going to be regulated after that.

So we are monitoring the whole process, cooperation with the Bank of England is good, and we are continuing. So we have to have everything prepared, but depending on what the final outcome of the negotiation is going to be.

1-008-0000
Markus Ferber (PPE). – Wir empfehlen den Unternehmen zurzeit, sich auf das Worst-Case-Szenario vorzubereiten. Die Zeit ist ja sehr kurz, wenn es zu einer Vereinbarung kommt,

sodass sich Unternehmen vorbereiten müssen. Haben Sie auch ein Worst-Case-Szenario innerhalb der Europäischen Zentralbank entwickelt?

1-009-0000
Mario Draghi, *President of the European Central Bank***.** – As I said, we are waiting to see what the final outcome is. We urge the private parties to make all the necessary preparations, but we haven't taken any decision or made any commitment about what the public authorities might do with regard to this event. Because that is part and parcel of the final negotiation, to which we are not party.

1-010-0000
Chair. – Thank you. We of course encourage everybody to do contingency planning. But we were for the baseline scenario, which is a reasonable and fair agreement. That is still possible, and I hope it will take place.

1-011-0000
Pervenche Berès (S&D). – Monsieur le Président, je vous remercie d'avoir répondu aux questions que nous vous avons proposées pour ce dialogue. Je voudrais revenir sur deux points. Le premier fait suite à notre dernier échange, lorsque vous êtes venu devant la commission économique et monétaire. On a vu, dans le cas de la banque lettone, qu'il pouvait exister une difficulté quant à l'autorité et à la légitimité d'un président de banque centrale nationale. Certes, le gouvernement, dans un souci d'indépendance, ne devrait pas intervenir quant à la cessation des fonctions ou à l'interruption du mandat d'un président de banque centrale mais, au bout du compte, ce type de situation a un impact sur l'environnement et sur la gouvernance globale du Système européen de banques centrales. Ne considérez-vous pas qu'il y a un vide juridique qui devrait être comblé et que, notamment, la Banque centrale devrait pouvoir alerter sur telle ou telle difficulté dans la gouvernance d'une banque centrale nationale?

Ma deuxième question vient en rebond des propos que vous avez tenus la semaine dernière à Berlin, discours dans lequel vous êtes revenu sur la nécessité d'une fonction de stabilisation de l'économie de la zone euro. De ce point de vue, pensez-vous que les propositions qui sont sur la table, à l'initiative de la Commission européenne, sont utiles et vont dans la bonne direction, et considérez-vous qu'il appartient au Conseil de faire un effort pour que de telles propositions puissent aboutir d'ici la fin de cette mandature? Avez-vous des compléments à apporter à ces propositions?

1-012-0000
Mario Draghi, *President of the European Central Bank***.** – On the first issue, which is about the action that could be taken on the anti-money laundering front, there is no mystery about the fact that the current situation is not satisfactory. What the ECB is doing now is basically to work in a working group the Commission set up so as first to improve the exchange of information between national anti-money laundering authorities and their supervisors. There is more to that, however, namely that certain information should be across supervisors and across anti-money laundering authorities.

The position of the ECB is that there should be – and I think you heard the same being said by Danièle Nouy – a European anti-money laundering authority so as to ensure full visibility on what is happening in the euro area. In the meantime, we have created internally – and we are in the process of beefing it up – a point of entry so that the anti-money laundering issues could actually be seen by the supervisory authority jointly with the legal part of the Bank. These are the actions that we are undertaking, but you should remember that, as the ECB is not responsible for the anti-money laundering – neither enforcement nor prevention – in a sense the capacity of the ECB to change this situation is also relatively limited. So we have to work together with the Commission on this.

The other question relates to the stabilisation function. As you remember, being kind enough to quote my speech in Berlin, I don't enter into the specifics of the different proposals. There are several and to some extent each one of them has merits and has its complications. So, at this stage, it is very difficult to choose one of them out of the many. However, any proposal in this field should have two features.

The first is that it should be adequate to carry out stabilisation. I will say in a moment what is meant by adequate. From there its size would be assessed. The second feature is that it should not, in a sense, distort the incentives that countries have to run a fiscal policy that is sustainable. In other words, it should not encourage what we call moral hazard.

To be adequate, when we look at how stabilisation is being performed in monetary unions that are more advanced than ours, we see that a good deal of the risk sharing necessary when you have shocks is actually performed by the private sector. This is so because these mandatory jurisdictions and these monetary unions have well-developed banking unions and well-developed capital market unions and the public part is relatively contained.

So in a sense the first conclusion here is that the size of this fiscal stabilisation function will be much smaller, the bigger and better the banking union and the capital market union, and vice versa. What is not defensible is to do nothing: nothing on the capital market union, nothing on the banking union, and nothing on the stabilisation front.

1-013-0000
Bernd Lucke (ECR). – Herr Vorsitzender! Herr Draghi, Sie haben von dem italienischen Europaminister Savona einen Brief bekommen, der eigentümliche Vorstellungen über die notwendige Umgestaltung der Eurozone hat – man kann auch sagen umstürzlerische Vorstellungen über diese Umgestaltung –, und das verbindet mit Bemerkungen darüber, dass der Euroraum kein optimales Währungsgebiet darstellt.

Vor dem Hintergrund der Unberechenbarkeit dessen, was die italienische Regierung möglicherweise währungspolitisch beabsichtigt, steigen natürlich in anderen Mitgliedstaaten, zum Beispiel in Deutschland, die Sorgen darüber, was mit TARGET-Forderungen, beispielsweise Deutschlands, beziffert auf ungefähr 1000 Milliarden EUR, passieren würde, wenn ein Land, das wie Italien TARGET-Schulden hat, aus dem Euro einseitig und rechtswidrig aussteigen würde. Ich weiß, Sie werden jetzt gleich sagen, dass das rechtlich nicht möglich ist, aber es ist ja denkbar, dass Italien die Rechtsgrundlage einfach ignoriert.

Und Sie haben selbst einmal auf die Anfrage zweier Kollegen aus dem Europäischen Parlament, die den jetzt in Italien regierenden Parteien angehörig sind, geschrieben: In einem solchen Fall müsste Italien seine Schulden zurückzahlen, seine TARGET-Schulden. Das haben Sie aber geschrieben ohne jede Rechtsgrundlage dafür, soweit ich weiß.

Meine Frage ist jetzt: Würde es nicht auch zur Forward Guidance der EZB gehören, einmal ein Signal darüber zu senden, was eigentlich mit TARGET-Forderungen und TARGET-Schulden passieren sollte, wenn ein Land einseitig und rechtswidrig aus der Eurozone aussteigt?

Und daran möchte ich die Frage anknüpfen: Wäre es nicht möglich, dass man das TARGET-System einmal so umgestaltet, dass TARGET-Verbindlichkeiten Schuldverschreibungen der jeweiligen Zentralbank werden, sodass sie also auf eine Rechtsgrundlage gestellt werden? Meinethalben Schuldverschreibung mit unendlicher Laufzeit und variablem Zins, sodass man das jetzige System imitieren kann, aber mit der klaren Maßgabe, dass beim Ausscheiden eines Landes aus dem Eurosystem diese Schulden auch fällig werden.

1-014-0000
Mario Draghi, *President of the European Central Bank***.** – First of all, the issue that you are putting forward would be, to say the least, very complex to assess legally. It is certainly not in the hands of the ECB to do so.

The second part of my answer is that basically any limitation to TARGET2, whether explicit or implicit, would simply destroy the monetary union. TARGET2 is a payment system and so, if we start limiting the amount of payments citizens can make, we will just break the union.

1-015-0000
Bernd Lucke (ECR). – I have not suggested limiting the functions of the TARGET system. What I have suggested is that TARGET positions may be converted into debt instruments so that the central bank, the national central bank which has those TARGET debts, would actually be also, in a legal sense, liable for repaying this debt in the case of an exit from the euro system.

This has nothing to do with the functioning of the TARGET system while everybody is still inside the euro system. But, in the case of an exit, we need to be prepared for the possibility that a government would not be willing to service the TARGET positions.

1-016-0000
Mario Draghi, *President of the European Central Bank***.** – In a sense, it is already this way, because the implementation of monetary policy is decentralised and you have collateral against these positions. This is the current situation.

But we are talking about an impossible situation, we are talking about an impossible assumption, impossible events. The legal grounds and legal case would be pretty clear, and it is there. But to change things by transforming these liabilities into central liabilities for the ECB, this is not what our current framework of monetary policy foresees. This is not what the statute of the ECB foresees. We foresee decentralised implementation of monetary policy.

1-017-0000
Lieve Wierinck (ALDE). – Dear Mr Draghi, following Mr Juncker's State of the Union on the possibility of making the euro an international reserve currency, what are the strategic advantages or disadvantages of achieving this, compared to the current situation? Which specific steps would we need to take in order to achieve this, and what role can the ECB play in enhancing the euro's prominence on the global stage?

1-018-0000
Mario Draghi, *President of the European Central Bank***.** – Let me first say that the promotion of the international role of the euro is not in our mandate. But having said that, its role has certainly declined over some dimensions of the euro's international use, more specifically the use of the euro as a reserve currency.

Having said that, the euro remains the second most utilised currency in the world, and the way we have seen the issue is that its international role is primarily determined by market forces. The euro system has neither hindered, nor eased, nor promoted the international role of the euro.

I am pretty sure that if and as we move forward on the Capital Market Union, and on the Banking Union, the international role of the euro will rise. So its role in the world is linked to the determination and the capacity that we have to move along the reform path. Having said that, we are also waiting to see what the Commission will actually concretely propose, and certainly we are there to cooperate with the Commission on that.

1-019-0000
Sven Giegold (Verts/ALE). – President Draghi, in a speech which was widely recognised 10 days ago, on the occasion of the anniversary of 10 years since the collapse of Lehman, your

predecessor Jean-Claude Trichet said that the financial system globally is now at least as vulnerable as it was 10 years ago. He warned of the excessive debt and assets, or as I would put it, the excessive leverage of the financial system in comparison to the real economy.

You justified and announced that you would continue to have a strong stance in what you called an 'accommodative monetary policy', but citizens everywhere in Europe now see the growing downsides of that policy. I would say that of course monetary policy had a very important role to play in the eurozone. I was never one of those criticising the general line of your position, and nor was the majority of Parliament.

But isn't it time, listening to the words of your predecessor, to see the downsides more clearly? Therefore, my question is: do you share the observation of your predecessor? Second, if so, if that excessive leverage of the financial system in comparison to the real economy is a burning problem, what consequences do you take from that observation for ECB policy?

1-020-0000

Mario Draghi, *President of the European Central Bank***.** – First of all, let me just nuance that assessment. In the financial system, we have to distinguish between the banking sector and so-called shadow banking. On the banking sector front, there is no question: there has been substantial progress. Today banks have a level of common equity tier one (CET1) capital which is significantly above what they used to have before. So they are stronger as far as solvency is concerned, as far as liquidity is concerned and as far as leverage is concerned.

I think there is no indicator which has not improved dramatically over the last few years. I would even add there is no part of the risk management of the banking system that hasn't changed since the crisis started. So from this viewpoint, as far as the banking sector is concerned, banks are stronger than they were before. Does it mean that we can prevent the next crisis? Of course not, but our duty is to make them stronger.

The other consideration, the other part concerns the shadow banking sector. In shadow banking, by the way, as far as the EU is concerned, there has been progress there as well. And by the way, shadow banking has increased very, very rapidly. If I am not mistaken, something in the order of 8% a year for several years, and this is the first year when it has stabilised. Certainly the shadow banking sector has entities which are both very large, very complex, very interconnected, and, to some extent, some of them do bank-like activities.

That is a sector where admittedly visibility is less than in the banking sector, so one conclusion is that much has been done in the European Union, and we should continue. But of course other jurisdictions have not been equally active, and the exposure of the European Union to other jurisdictions is indeed significant enough not to prevent transmission of crisis from there to here. Incidentally, as recalled in a recent event to commemorate 10 years since the financial crisis in the United States, the powers of supervisors have been decreased to some extent. There is a sense that in some other parts of the world they are moving in the opposite sense, decreasing regulation, and the European Union can, and should, maintain its stance, but it still remains exposed to the rest of the world.

On debt and leverage, again I would distinguish Europe from other parts of the world. Private debt in the eurozone at least has gone down and, frankly, leverage has gone down significantly. As for public sector debt, no, that is not the case. Public debt has remained high, but that obviously depends on other reasons.

Having said that, we are certainly monitoring financial stability risks quite intensely through all the various possibilities. We see that in certain sectors of the economy valuations are stretched, if not overstretched, in prime commercial real estate, in the high yield debt

valuations are indeed stretched. In some real estate, residential real estate, and certainly in some parts, in some countries, in some areas, but also, all in all, I would say that the real estate sector is now showing price increases which are significant in certain parts of the Eurozone.

But how to respond to that? We concluded quite a long time ago – as a matter of fact when we first designed this policy – that it would not be right to change monetary policy because of financial stability risks. The answer to that should lie in the macro-prudential instruments. There is a vast array of macro-prudential instruments that both the ECB, and, especially, the national competent authorities, could and should use. We have issued warnings, by the way, either directly through the ECB or through the SRB on various of these potentially dangerous situations. The next step would be, as a matter of fact, to increase the tool-kit of macro-prudential measures also for the shadow banking sector.

1-021-0000

Miguel Viegas (GUE/NGL). – Eu vou colocar apenas uma questão relativamente à participação do BCE e do seu Presidente, Mário Draghi, no chamado Grupo dos Trinta. Essa participação tem sido objeto de críticas há muito tempo. Estamos a falar de um grupo que reúne os grandes bancos e os grandes grupos financeiros, incluindo bancos que são supervisionados pelo BCE, e, recentemente, a Provedora de Justiça elaborou um inquérito onde diz, claramente, que esta participação mina a credibilidade do BCE e coloca também em causa a independência da sua função de supervisão. Neste sentido, a minha pergunta era muito simples: porque é que o presidente do BCE não acata as recomendações da Provedora de Justiça da União Europeia, imitando, de certa maneira, aquilo que já é feito pela Reserva Federal e pelo Banco Central do Japão, e em relação à sua participação como membro efetivo e também em relação à exigência de transparência de divulgação das atas das reuniões que são tidas à porta fechada, sem o escrutínio democrático que tão bem referiu na sua intervenção inicial.

1-022-0000

Mario Draghi, *President of the European Central Bank***.** – As you are aware, there has been a certain intense correspondence, and now we have taken note of the European Ombudsman's decision of 3 July 2018 on the involvement of the members of the ECB's decision-making bodies in the Group of 30. So we welcome proposals which help to further improve ECB transparency and good governance frameworks.

The ECB has provided explanations of its position on the matter in the past, first in its letter to the European Ombudsman of 31 October 2017 and then in its detailed opinion of 18 April 2018. Both are publicly available on the ECB website. In these replies we also presented the significant steps the ECB took over the past years to further strengthen its governance.

The ECB will respond to the decision of the European Ombudsman in the coming days. As always in the past, the answer will be public. We have also answered the various written questions we have received from MEPs in the past months on this matter.

1-023-0000

Miguel Viegas (GUE/NGL). – Perdoe a insistência, mas isto quer dizer que o Presidente do BCE vai manter a sua posição como membro efetivo dentro do Grupo dos Trinta. Foi o que eu percebi na sua resposta e gostaria que confirmasse.

1-024-0000

Mario Draghi, *President of the European Central Bank***.** – I have nothing to add to what I said. We will respond to the decision of the European Ombudsman in the coming days. As always in the past, the answer will be public.

1-025-0000
Bernard Monot (EFDD). – Monsieur le Président, en ce qui concerne le blanchiment d'argent, nous avons appris ce mois-ci que la filiale de la banque Danske en Estonie aurait pratiqué le blanchiment d'argent sale à un niveau industriel, soit environ 200 milliards d'euros, entre 2007 et 2015. Ma collègue, Mme Berès, a déjà cité la banque ABLV, je n'y reviendrai donc pas. Mais il y a pire encore: le gouverneur de la Banque centrale lettone, M. Rimšēvičs, qui est d'ailleurs membre de votre Conseil des gouverneurs, a été accusé de racketter les principales banques lettones, demandant à chacune 100 000 euros de salaire mensuel pour pratiquer une supervision bancaire les yeux fermés. Bien sûr, M. Rimšēvičs est présumé innocent tant qu'il n'est pas condamné. Grâce à la fameuse indépendance des banques centrales, il est, de surcroît, toujours en poste et il n'a aucune intention de démissionner. M. Dombrovskis, le premier ministre letton à l'époque où ces pratiques allaient bon train, qui, lui non plus, n'a rien vu venir, est maintenant vice-président de la Commission européenne en charge de la zone euro et de la régulation financière.

Alors, la zone euro et la libre circulation des capitaux, est-ce forcer les systèmes nationaux qui fonctionnaient correctement à s'ouvrir à la contamination par des pays et des systèmes qui échappent à tout contrôle effectif? La BCE préconise d'ailleurs toujours plus d'ouverture et toujours moins de barrières nationales, comme elle l'a encore fait, début septembre, à la grande conférence du lobbying bancaire mondialiste Eurofi, avec M. Praet, membre de votre Conseil exécutif.

Et que proposez-vous comme remède? Toujours plus d'intégration européenne, sous prétexte que la lutte contre le blanchiment d'argent sale ne fonctionne pas. Et, dans certains États de la zone euro, vous voulez retirer la lutte contre le blanchiment à chacun des États pour la confier à une nouvelle agence européenne et fédérale, bien entendu. Les victimes sont les citoyens et les États, et les gagnants sont les banques d'affaires mondiales et leur *shadow banking*. Alors, Monsieur Draghi, expliquez-nous, s'il vous plaît, ce que vous préconisez pour lutter contre le blanchiment d'argent dans la zone euro, sans déshabiller, bien entendu, le pouvoir des États-nations, et comment exiger une éthique morale de vos collègues au Conseil de la BCE?

1-026-0000
Mario Draghi, *President of the European Central Bank***.** – I am afraid that your position is a little contradictory because, on one hand, you say that the present system is highly dissatisfactory, a disaster, but the present system is a nation-based system. So to change and improve it what we are suggesting is that there should be more coordination up to having one authority at European level. You can't have both. You can't have a nation-based system which is completely uncoordinated. That's all without a federal authority. So, in this sense, I think there is a slight contradiction in what you said.

But let me repeat here that we are not responsible for enforcing legislation on prevention of the use of the financial system for the purpose of money-laundering and terrorist financing. Having said that, we will do our utmost, for example by pushing for a European authority, for example making a point of entry – again – in the ECB, a federal authority, not a nation-based authority because it is quite clear that the present system doesn't work.

1-027-0000
Bernard Monot (EFDD). – Monsieur le Président, vous ne répondez pas à ma question, notamment concernant M. Rimšēvičs. Par ailleurs, je ne vois aucune contradiction par rapport à la gestion et au contrôle du blanchiment d'argent sale. En France, la Banque de France le faisait parfaitement avant l'existence de la Banque centrale européenne. Il y avait également des contrôles qui étaient réalisés par les ministères des finances. En France, il n'y avait aucun des problèmes évoqués ous, en tout cas, ils étaient gérés au niveau de l'État-nation.

1-028-0000
Mario Draghi, *President of the European Central Bank***.** – Mr Rimšēvičs' position is one that regards the national judiciary of his country. The ECB cannot do anything other than what it has already done in going to the ECJ and presenting its case, as far as the good functioning of the Governing Council is concerned. The ECJ has pronounced and now there is an appointment of an alternate so, as far as the functioning of the Governing Council is concerned, things have slightly improved. The situation is not something we like, but it is because the case in the judiciary system in Mr Rimšēvičs' country is ongoing.

The other thing doesn't say anything. To say that one national authority, or two or three, perform their tasks very well doesn't mean that the nation-state base is actually the most effective because you have to ask how the money laundering, the weakest part of the union, works. How has this issue been addressed? That's where there is an argument for having a strongly coordinated system where people exchange information. Without any information exchange there is no hope that you can be efficient on anti-money laundering.

1-029-0000
Marcus Pretzell (ENF). – Herr Vorsitzender! Herr Draghi! Zehn Jahre nach der Lehman-Pleite – mit dem Ergebnis, dass wir auf Nullzinsen zurückgehen mussten – verbleiben der Europäischen Zentralbank im Wesentlichen zwei Werkzeuge: Sie hatten das vorhin erwähnt, einmal die Asset-Purchasing-Programme und zum zweiten Forward Guidance.

Infolgedessen hat sich die Bilanz der Europäischen Zentralbank erheblich aufgebläht. Die Bilanzsumme stieg im Juni 2018 auf über 4,5 Billionen EUR und entspricht damit rund 41 % des Bruttoinlandsproduktes der Eurozone. Deshalb meine erste Frage: Verfügt die EZB über Ressourcen und Instrumente, um die Risiken der Bilanz zu modellieren und zu erproben, die sich innerhalb so weniger Quartale so schnell aufgebläht hat?

Des Weiteren hat die Deutsche Bank gerade in der jüngeren Vergangenheit eine ganz interessante Geschichte vorzuweisen, zumal Sie eben sagten, die Banken hätten sich deutlich verbessert, beziehungsweise die Situation der Banken hätte sich deutlich verbessert. Die Deutsche Bank hat inzwischen eine Fünfjahres-Ausfallwahrscheinlichkeit von immerhin 7,7 %. Das ist der höchste Wert aller größeren europäischen Kredithäuser. Das ist höher als das Risiko der italienischen UniCredit war, und es ist relativ offenkundig, dass die unkonventionelle Währungspolitik zumindest der Deutschen Bank nicht geholfen hat.

Die EZB hat, relativ betrachtet, sehr viele italienische Anleihen aufgekauft. Deshalb meine Frage: Gibt es aus Ihrer Sicht dort nicht ein Ungleichgewicht zwischen dem, was man für Italien, Ihr Heimatland, getan hat, und dem, was man in Deutschland getan hat, sofern man denn überhaupt zu diesem Instrument greift?
Wir stehen kurz vor der Fusion von Deutscher Bank und Commerzbank. Es gibt dort eine mögliche Fusion von zwei sehr geschwächten Akteuren. Wir haben einen starken Rückgang beider Börsenwerte gesehen. Beide sind jeweils aus einem wesentlichen Aktienindex geflogen: die Deutsche Bank aus dem Euro Stoxx 50 und die Commerzbank aus dem DAX.

Eine allerletzte ganz kurze Frage: Sie haben vorhin gesagt, jede Limitierung, explizit oder implizit, von TARGET2 würde die Währungsunion zerstören. Bedeutet das, dass jeder Versuch, auch Deutschlands, einer Limitierung wenigstens auf eine Billion Euro, die wir inzwischen fast erreicht haben, auch fatal wäre? Muss Deutschland akzeptieren, dass die TARGET-Salden über eine Billion steigen?

1-030-0000
Mario Draghi, *President of the European Central Bank***.** – The answer to the third question is yes, it would be fatal. It doesn't mean anything to have a monetary union in which I can make payments only up to a certain amount and then, above a certain amount, I don't know what to do. Maybe I will go back to another currency. I just wonder how these ideas will come out.

That was the last question. Regarding the question before last, you don't seem to be well informed. You say that the ECB has bought Italian loans. No, that is not true. Full stop. No. It has both government bonds and corporate bonds in each and every country, according to its capital key. There is no privileged eye towards any one country. We run monetary policy for the whole of the eurozone and we look for price stability in the whole of the eurozone, not in one country or another.

Your second question is about Deutsche Bank. I don't comment on individual institutions. Let me say that here in the eurozone banks still have legacy problems. The legacy problems are the problems that have been inherited from the great financial crisis.

In some parts of the Union these legacy problems have the shape of non-performing loans. In other parts of the Union these legacy problems have the shape or level – the so-called level 2 and 3 assets – the valuations of which are extremely important. So in both cases banking union can progress if these legacy problems are addressed and resolved. I won't comment on individual institutions.

Your first question is about the risks for our balance sheet. We have indeed expanded our balance sheet considerably. At the same time, there are provisions of all types. First of all, there are eligibility criteria which, all in all, make the quality of what we have in our balance sheet quite good. Second, we have limits on exposures. Third, we have provisions for interest rates and exchange rates. So we seem to be well prepared.

But there is also another thing that we have to consider. The ECB, like most, if not all, the central banks – certainly all the central banks of the largest jurisdictions – accounts for its assets not at market value but at their amortised cost. So drastic changes in interest rates do not have an immediate effect on their balance sheet. Most of the assets are not valued at market price, so there is no mark-to-market in the balance sheets of the central banks.

1-031-0000
Fulvio Martusciello (PPE). – Signor Presidente, onorevoli colleghi, un cittadino italiano o europeo, quando sente dire dal vicepresidente del Consiglio italiano "nella prossima finanziaria, il ministro dell'Economia faccia un po' di deficit, poi proveremo a ripianarlo negli anni prossimi", immagina che sia l'Europa la matrigna che non consente di poter spendere con le sue regole rigide.

Ci può dire, secondo Lei, se il tetto dell'1,6 % sia valicabile, se in questa fase sia opportuno che l'Italia rompa questo tetto, considerando anche che dal 4 marzo lo *spread* è salito di 130 punti e ci prepariamo, come tutti i paesi d'Europa, alla fine del *quantitative easing*? Nel momento in cui si invita il ministro dell'Economia a fare più debito, si rischia di mettere a repentaglio i conti del paese?

1-032-0000
Mario Draghi, *Presidente della Banca centrale europea***.** – Come ho detto nella conferenza stampa dell'altra settimana, occorre aspettare i fatti: i fatti sono la presentazione del disegno di legge di bilancio e la discussione parlamentare. Entrambi sono importanti e delicati.

A questo punto non voglio entrare nella questione o nella composizione di discussioni che sono al livello del governo di un singolo paese. Ho detto l'altra volta che le parole hanno

effettivamente fatto danni, perché le famiglie e le imprese oggi pagano alle banche tassi più alti di prima e su questo, diciamo, l'evidenza che noi abbiamo è che le banche, da aprile in poi, seguendo la caduta nel corso dei titoli, che ha avuto luogo, hanno aumentato i tassi sui nuovi prestiti di un importo intorno ai 20 punti base, soprattutto alle piccole e medie imprese. Per le grandi imprese che emettono titoli obbligazionari, i costi sono andati più su, molto più su. Si parla – mi pare, se non sbaglio – di 64 punti base sulle emissioni obbligazionarie delle grandi imprese.

Ma l'altra questione importante è che non sono soltanto i tassi che sono aumentati nel credito bancario, sono anche cambiate e diventate più esigenti le condizioni relative alle garanzie e alle clausole contrattuali. Quindi questa è un po' la situazione, mentre invece negli altri paesi le imprese continuano a pagare tassi che erano quelli di prima, forse anche più bassi.

Per quanto riguarda le famiglie, si è visto un aumento dei tassi alle famiglie soprattutto nel credito al consumo, cioè per le famiglie che fanno piccoli prestiti, e nel credito al consumo, effettivamente anche lì, i tassi sono aumentati di un importo di circa 20 punti base o forse anche qualcosa di più.

Naturalmente, per quanto riguarda i mutui, il processo è più lento.

1-033-0000
Fulvio Martusciello (PPE). – Questa situazione dipende dalle parole mal dette a cui, naturalmente, poi non sono seguiti fatti conseguenti, giusto?

1-034-0000
Mario Draghi, *Presidente della Banca centrale europea***.** – Credo che non occorra andare più oltre nella spiegazione. Il fatto è che questo è quello che è successo in Italia e non è successo altrove, nell'area dell'euro.

1-035-0000
Presidente. – Grazie Presidente, numeri molto interessanti.

1-036-0000
Luigi Morgano (S&D). – Grazie Presidente per la Sua presenza a questi incontri in Parlamento. Sono incontri regolari, che ritengo siano un'ottima modalità per far sì che la BCE illustri il suo operato sia a noi parlamentari sia al grande pubblico, ovviamente nell'ambito dell'indipendenza delle due istituzioni, il Parlamento europeo e la BCE.

Sulla scia di quello a cui ho accennato, ma soprattutto tenendo conto della Sua introduzione e del dialogo con i colleghi che mi hanno preceduto, vorrei avanzarLe qualche domanda che potrebbe sembrare un po' eterodossa. Cosa intendo dire? In questi nostri incontri il confronto, il linguaggio è quello ovviamente di persone addette o comunque conoscitrici delle politiche economiche, in particolare della politica monetaria.

Forse non è stato sottolineato abbastanza, ma la BCE, e Lei in particolare, nei passaggi peggiori della crisi ha assicurato la tenuta dell'eurozona e la salvaguardia, di conseguenza, del progetto europeo. Per converso sappiamo che alcuni leader nazionali sono stati non di rado troppo nazionali o poco europei. Penso, ad esempio, alla non-discussione sulla garanzia europea per i depositi o a strumenti di bilancio anticiclici a livello europeo nella gestione della crisi e della post-crisi, e vengo a questi miei quesiti.

Guardando agli ultimi anni, mi permetto di chiederLe: come riassumerebbe l'operato della BCE ai cittadini che non siedono nel consiglio esecutivo della BCE, ma vivono tutti i giorni gli effetti del lavoro e delle decisioni che vengono assunte? Immaginando sempre di parlare con loro, in particolare, che cosa sottolineerebbe sullo stato dell'economia europea attuale e, se possibile, quali sono i rischi che intravede all'orizzonte, non perché non li abbia citati, ma quali effetti possono avere sulla politica monetaria?

Perché cito questo? Perché sempre più – forse perché si avvicina anche la scadenza del quinquennio europeo che ci riguarda – c'è la richiesta da parte di non poche persone, di non pochi nostri concittadini, di capire se è possibile un'economia più florida, visto anche il quadro internazionale che si sta muovendo, con dazi e non dazi, e quindi se è possibile un futuro migliore per l'Europa.

1-037-0000
Mario Draghi, *Presidente della Banca centrale europea***.** – Le misure di politica monetaria hanno avuto un impatto sostanziale sull'economia dell'area dell'euro e quello che la BCE stima è che nei quattro anni tra il 2016 e il 2020 hanno contribuito a una crescita maggiore, lo dicevo anche nell'*introductory statement*, dell'1,9 %, e sull'inflazione altrettanto, una cifra analoga.

Ma in generale direi che la politica monetaria della BCE è stata fondamentale, in anni in cui non c'erano altre politiche, per uscire dalla crisi dell'euro, a partire dal 2012 in poi, fino alle misure di QE che sono state prese, alla *forward guidance* sui tassi di interesse e alla promessa di reinvestire i titoli che vengono in scadenza.

Naturalmente io sono un osservatore di parte, in tutto questo, quindi in un certo senso occorrerebbe che questo giudizio venga confermato poi, come però si vede un po' in giro, anche dal resto dei cittadini dell'area dell'euro.

1-038-0000
Brian Hayes (PPE). – Thank you, President Draghi. Welcome once again to the Committee on Economic and Monetary Affairs (ECON).

I know that earlier you answered a question from my colleague, Markus Ferber, on the issue of a hard Brexit. I wonder if I could just probe that a bit further. Christine Lagarde recently said that a no-deal Brexit would have very serious consequences, not just for the UK, but also for the eurozone. Would you agree with that assessment?

Secondly, while I know that you are not part of the negotiations and you obviously work with the Bank of England in terms of the working group, do you recognise that there are some Member States – my own especially, Ireland – which could be disproportionately affected by a hard Brexit in a circumstance where, as you rightly pointed out earlier, we have very high levels of public debt in our own Member State and as well as across the eurozone system?

I suppose my two questions are, firstly, if one country is badly affected – such as my own or others – what do you think the bloc should do in trying to ease the pressures that could follow such an outcome? Secondly, what advice would you give to the national competent authorities – to public authorities – in those Member States that are exposed to the potential of a hard Brexit, in terms of creating buffers or reducing deficits further in that circumstance of very high levels of public debt? What advice would you give as the President of the ECB, the person directing monetary policy across the eurozone? The euro is our currency. It belongs to the eurozone Member States and it is as much an Irish currency as it is a German currency or a French currency, but there are circumstances where some countries would be disproportionately affected by a very hard Brexit. It would be important for citizens of my Member State to hear what you believe is the right and appropriate response to these situations if a hard Brexit were to emerge.

1-039-0000
Mario Draghi, *President of the European Central Bank***.** – Thank you. In a sense, it is a question that it is very right to ask, but it is a little early to have a full and satisfactory answer. First, regarding the impact, I said before that the impact through trade and, by and large also through the financial channels, would not be – or at least doesn't appear to be – sizable with one specific exception. I hinted at that earlier. I am speaking for the whole of the eurozone,

which doesn't mean that individual countries might not be exposed significantly to a hard Brexit. Ireland is one case, perhaps the case in point.

It is very hard to see how this would happen, because we don't know exactly what the final outcome of the negotiation is going to be. Would the rest of the Union leave the country to cope with this alone? It seems to me very unlikely given the fact that our values include solidarity. I am expressing a purely personal view in saying that. Nothing like that has been discussed. We still think it is an unlikely event, but if we are to speculate about unlikely events, this seems to me to be the conclusion.

1-040-0000
Chair. – Brian, you know better than anybody that Ireland would be disproportionately affected if the Union did not negotiate strongly for an operational backstop. We are having tough negotiations exactly because the EU is standing behind Ireland on the issue of a backstop as a condition for a deal.

1-041-0000
Paul Tang (S&D). – Welcome, President Draghi. I would like to think that the ECB is on top of developments, and preferably in the lead, but I fear it is falling behind on the topic of sustainable finance.

The European Parliament adopted an own-initiative report in which it says that we want a mandatory due diligence framework requiring investors to identify, prevent, mitigate and account for ESG factors after a transitional period. Investors include insurers, pension funds and asset managers, but could also include the ECB.

1-042-0000
Mario Draghi, *President of the European Central Bank***.** – Could I ask you to restate your question, because I lost some of it.

1-043-0000
Paul Tang (S&D). – Fine. Is the ECB on top of sustainable finance? The ECB is also an investor through the asset and collateral policy, and the European Parliament expresses the wish that investors take into account ESG factors through a mandatory due diligence framework, making sure that they identify, prevent, mitigate and account for these factors in their decisions.

In fact, there is an interesting working paper by David Schumaker, which goes into one of these factors, the 'E' for environment, called 'Greening Monetary Policy'. His claim is that the euro system could support the EU's climate policy by greening monetary policy operations. The paper shows that it can be done without interfering in the smooth conduct of monetary policy, so it doesn't collide with the objective of price stability. He writes that the real question is whether central bankers are prepared to cross the Rubicon. You have heard the European Parliament's opinion. We are very much in favour of mandatory due diligence frameworks, which require investors to take into account these ESG factors. Is the ECB willing to do the same? Will it get on top of the curve?

1-044-0000
Mario Draghi, *President of the European Central Bank***.** – Well, let me say that everything I am going to say is without prejudice to our primary objective, which remains price stability. Having said that, the ECB supports the general economic policies and the aims of the Union. Among these, Article 3 of the Treaty includes the sustainable development of Europe, aiming at a high level of protection and an improvement in the quality of the environment.

The ECB recognises the challenge posed by climate change and the importance of the policies aimed at addressing it. The ECB supports the ongoing work in various international fora, and has recently joined the Network for Greening the Financial System, which brings together

central banks and supervisors committed to developing common supervisory and macroprudential practices to address climate related and environmental risk.

Turning to our corporate bond programme, the eligibility criteria of our corporate sector purchase programme have deliberately been broadly defined and do not positively or negatively discriminate on the basis of issuers' economic activity. Let's never forget that they are guided by our primary monetary policy objective, which takes into account financial risk and measuring consideration. But when we come to the actual action that the ECB has undertaken through its corporate bond purchase programme – and this is something that I have never had the opportunity to communicate before – the ECB has actually purchased a quite significant amount of green bonds. As a matter of fact, the percentage of green bonds out of the total portfolio is the same as the percentage that the green bonds have within the eligible bonds set-up framework. I do not have the exact amount here. I will find out and tell you in a moment. It is quite a significant amount. At the same time, the ECB has bought EIB bonds, which itself is a very large purchaser of green bonds as well. So within the limits of our mandate, we are certainly taking this very seriously.

1-045-0000
Luděk Niedermayer (PPE). – Thank you, Chair. It is good to have you here and let me thank you once again for the job you do.

I will refer to the topic that you discussed at length at the beginning, namely the question of communication and forward guidance. I have two issues on which I would like to know your opinion. The first is that obviously forward guidance on interest rates can help you to deliver the message on monetary policy and so influence the longer end of yield curve. At the same time, one can argue that if the forward guidance is extensive and there is, in the meantime, a change of circumstances, you can get into a situation where monetary policy reaction is not optimal. If the central banks react too late, the cost of adjustment would then be higher. So the first question is: how do you see a balancing of these two goals?

The second is: how do you see forward guidance in the future? On the one hand, we can say that this is a commitment, but if it is commitment, then the issue of the optimality of monetary policy is there. On the other hand, if this is a conditional commitment, it depends on the future development of the economy. It can be argued that more transparency in inflation forecasting can deliver exactly the same result. So I wonder how you see that second point.

1-046-0000
Mario Draghi, *President of the European Central Bank***.** – I think that our forward guidance has served us quite well. Each time you express forward guidance, there is an expectation that can be tightened up to a firm commitment. In our case, I would like to give the actual words that I used, namely that 'interest rates are expected to remain at the present level'. It is based on the current information set, and it contains an ample degree of optionality, so it covers contingencies that may arise later on.

With this in mind, in June 2018 we said that we expected interest rates to remain at their present levels at least until the summer of 2019 and, in any case, for as long as necessary to ensure that the evolution of inflation remains aligned with our current expectations of a sustained adjustment path. In this way, in a sense you steer expectations about interest rates upon which the projected inflation path is conditional.

This rate guidance, which we reasserted back in July and again this month, actually contains two parts. First, it is a calendar-based guidance until the summer of 2019. This refers to when we anticipate conditions that might warrant a first rate increase. Second, there is a state-dependent component indicating our expectation that rates will remain unchanged in any case for as long as necessary, in order to ensure the continued sustained convergence of

inflation to levels that are below, but close to, two percent. So you see that there are various parts here which should be adequate to cope with different scenarios and different contingencies.

1-047-0000
Luděk Niedermayer (PPE). – It could be argued that more transparency and inflation forecasting can deliver exactly the same result, because this is what transparency and inflation forecasting is about, but I fully agree with this approach. I guess that to have too firm a commitment on the future path of monetary policy would have worked in the last few years, but maybe not in the future, and it could undermine credibility. So I am happier with this approach. I would just argue that more transparency in the forecast would do the same job.

1-048-0000
Mario Draghi, *President of the European Central Bank***.** – Well, I am not entirely sure. If we look back, it might, depending on the credibility of the central bank. If the central bank is perceived to be 100% credible in a sense that it is enough to announce an objective, people would understand that this objective or target would definitely be reached 100%, then it's the same thing. There is always a certain variance around that.

1-049-0000
Jakob von Weizsäcker (S&D). - Welcome, President Draghi. My first question concerns the lessons one might like to draw from the past decade for the ECB system. In particular, I would like to ask you whether we have already reached the optimal degree of centralisation, especially with regard to national central banks in the ECB system. With hindsight, it would appear that the responsibilities of national central banks for ELA, ANFA and PSPP ought to be reviewed. Similarly, some of the debates we have with regard to TARGET 2 could be defused in a much more centralised system. I would be curious about your take on such steps. They would of course require legal changes.

My second question concerns the concept of SBBS. The ESRB did an excellent report on the subject. I am sorry to talk about something to do with the ESRB already, but this is my speaking slot. Following that report, the Commission proposed legislation to help the introduction of ESBEs. However, there is one major difference between the ESRB proposal and the Commission proposal. It concerns the question of the treatment of the junior tranche in bank balance sheets, in particular whether it should be treated as risk free. I am concerned that, if the junior tranche were to be treated as risk free, this would defeat the entire purpose and of course the idea is really to create a very safe asset with the senior tranche. I would be curious to know your take on that matter, which we are currently discussing in Parliament.

1-050-0000
Mario Draghi, *President of the European Central Bank***.** – Thank you. On your first question, it's true that in the past I referred to the centralisation of ELA. I would prefer different terminology, which is provision of ELA as a euro system task because, after all, as far as ELA is concerned, it doesn't really matter. The important thing is that the decision-making process is a euro system, and not a national, decision-making process. This terminology would provide some possible analogies. For example, when we consider the way we conduct monetary policy operations, where monetary policy decisions are taken centrally but the actual liquidity provision is conducted via the NCBs. I admit that the concept is still very much open to discussion and, at this point in time, I certainly wouldn't comment on the question of risk sharing.

Currently, the responsibility for the provision of ELA, including any associated costs and risks arising from this provision, is at national level with the NCBs concerned and reflecting the respective national legislation. So the ECB's role is limited to ensuring that the ELA provision doesn't conflict with our monetary policy objectives. We could envisage, as I have suggested in the past, a shift of responsibility for the provision of ELA from the NCBs to the

ECB, but, as we know, there are a number of legal, institutional and political obstacles that would need to be overcome.

On your second question, first of all let me make a general point about safe assets. To have a safe asset is essential. Safe assets are vital to the functioning of the financial system and the efficiency of bank intermediation. They can take many forms. The first is SBBS. The goal of sovereign bond-backed securities was to create an asset that gained safety from euro area wide diversification via pooling and tranching of the pool.

As you said, the Commission is different from the ESRB's report. All the SBBS tranches would be treated identically for capital liquidity and large exposure purposes. While this provides more incentives for investment into this product, it could raise prudential concerns due to the riskiness of non-senior tranches. Moreover, the Commission proposal favours the private issuance of SBBS. I view all these attempts – so far only two, but you can elaborate and have other proposals as well, and in fact, there were some proposals even before SBBS on this front – as very experimental first steps that address a real fundamental problem of our Union. We used to view government bonds as safe assets and they are no longer considered so. Now we have to find another safe asset of the same breadth, capacity and space that we had before, and we are not there yet.

1-051-0000

Jonás Fernández (S&D). – Señor presidente, en su intervención inicial, ha presentado una economía de la zona del euro en claro crecimiento con algunas incertidumbres en el horizonte y probablemente la más severa de todas ellas sea aquello que se denomina «riesgos geopolíticos» y en esos riesgos geopolíticos vemos las tentaciones proteccionistas, fundamentalmente en los Estados Unidos, pero vemos también los efectos de la política monetaria de la Reserva Federal derivados de los mayores déficits fiscales en los Estados Unidos, lo que generó este pasado verano una crisis notable en las economías emergentes: Brasil, Argentina, Turquía. En este sentido, y aprovechando que soy de los últimos en preguntar, lo que hace que las preguntas que uno tenía anotadas las hayan ido formulando los demás diputados que hablaban antes, me gustaría preguntarle por estos riesgos geopolíticos, por estos riesgos que estamos viendo en Turquía, en Brasil, en Argentina, que pueden afectar al escenario de la zona del euro, así como por los riesgos de ese proteccionismo o de una vuelta, de una reversión de la política monetaria expansiva en los Estados Unidos más acelerada de lo previsto en virtud de los mayores déficit fiscales que se prevén en ese país.

1-052-0000

Mario Draghi, *President of the European Central Bank***.** - Thank you. Let's look at this list of potential risks. The first is emerging markets and the risk coming from some emerging market countries. You mentioned Turkey and Argentina. Again, in the aggregate, these risks don't seem to be material for the growth prospects of the eurozone. However, you may have individual institutions that are especially exposed to credit risk in these countries.

By and large, what we have seen is that contagion – of course contagion could become a problem – from these two or three countries to other countries follows a precise path. The countries that areaffected are also the countries that have weak fundamentals, namely a very high current account deficit, a high budget deficit and high inflation in some cases. We have seen that this contagion has spread only to a limited degree to other emerging market countries so, all in all, this doesn't represent a material risk for the aggregate of the eurozone.

We have to arrive at a different conclusion when we look at protectionism or the threat of rising protectionism. There we have to consider that the final assessment will be possible when we know the extent of the escalation that policy actions will take in the coming months. There are two dimensions connected with that. One relates to confidence. Protectionist measures are very complicated and it is very difficult to understand their impact on GDP in

different parts of the world. They are usually negative when all is assessed, but at this point in time we only see the protectionist measures that have been announced and implemented, and their impact is not very significant for the time being. However, other measures have been announced, although not yet implemented, and we have to see what the response of other countries is going to be. All this has – and perhaps has already had – some negative confidence effects on growth.

The other dimension that we have to consider is that the value chain today is much more complex than it was years ago. So these protectionist measures have a completely different impact depending on the global value chain of production. These effects are very important and potentially very serious. So for the time being we don't know what the final size of all this will be, but we know that it is going to be big and we should do our best to be prepared. It's going to be big if what has been announced is implemented and because of what may follow later on.

Finally, you mentioned the risk of a sharp repricing in financial assets following the changes in monetary policy in other jurisdictions. That is certainly something that we are monitoring closely. All in all, banks today seem to be prepared for a rapid increase in interest rates in the sense that these models – we have done some simulations and banks have done their own simulations – show that, when interest rates go up, the net interest margin also goes up. Therefore banks are, by and large, better off, although you have to see what the consequences are on their portfolio of assets. But I would be cautious about drawing conclusions here which are too complacent because the models upon which these conclusions are drawn are models that were designed after a period of very low interest rates – a long period of time – and they assume that the adjustment of deposit rates is more sluggish than the adjustment of lending rates, which is not necessarily going to be the case after a prolonged period of very low rates.

1-053-0000

Νότης Μαριάς (ECR). - Κύριε Πρόεδρε, πριν από λίγες ημέρες ήρθε στη δημοσιότητα μία μελέτη των οικονομολόγων της Ευρωπαϊκής Κεντρικής Τράπεζας με θέμα «Μαθαίνοντας για τους δημοσιονομικούς πολλαπλασιαστές κατά τη διάρκεια της κρίσης του ευρωπαϊκού χρέους». Την έχω εδώ αυτή τη μελέτη, η οποία λέει, ούτε λίγο, ούτε πολύ, ότι η απόφαση και του Eurogroup και της τρόικας να υπάρξει μία σκληρή δημοσιονομική πολιτική και κυρίως να μειωθούν οι δαπάνες σε χώρες που μπήκαν σε μνημόνια, όπως η Ελλάδα, είχε δυσμενή αποτελέσματα, διότι έγινε λάθος εκτίμηση στον δημοσιονομικό πολλαπλασιαστή. Επομένως, οι συνέπειες ήταν αρνητικές. Οι χώρες βυθίστηκαν σε ακόμη μεγαλύτερη κρίση και, φυσικά, στην Ελλάδα είχαμε στρατιές ανέργων, είχαμε χιλιάδες φτωχούς, μείωση μισθών, συντάξεων κ.λπ. Αφού λοιπόν οικονομολόγοι που δούλεψαν για την Ευρωπαϊκή Κεντρική Τράπεζα δέχονται το λάθος το οποίο έγινε στον πολλαπλασιαστή, αφού ακόμη και το ΔΝΤ έχει αναγνωρίσει το λάθος από το 2015 - ένα λάθος που εγώ ο ίδιος, πολλές φορές εδώ σε αυτή την αίθουσα, σας είχα θέσει ως θέμα, ότι κάνετε λάθος στην εκτίμηση, ότι κακώς προχωρείτε σε μία πολιτική ως τρόικα που επιβάλλει μείωση των δαπανών, διότι έτσι οδηγείτε σε μεγαλύτερη ύφεση τη χώρα – και αφού η ΕΚΤ συμμετείχε έντονα στη διαμόρφωση και στην παρακολούθηση αυτών των προγραμμάτων, το ερώτημα λοιπόν που τίθεται τώρα που έρχονται αυτά τα πράγματα στη δημοσιότητα και έχουμε δει και τις δυσμενείς συνέπειες τους είναι το εξής: είναι διατεθειμένη η Ευρωπαϊκή Κεντρική Τράπεζα να αποζημιώσει την Ελλάδα για την τεράστια ζημιά που υπέστη η οικονομία της; Διότι έχουμε, όπως γνωρίζετε κύριε πρόεδρε, φτωχοποίηση του ελληνικού λαού και διάλυση της ελληνικής οικονομίας.

1-054-0000

Mario Draghi, *President of the European Central Bank***.** – I have just one point to make. The paper you are referring to is not the ECB official position. It is the ECB research paper that is published under the responsibility of its authors, and there is a disclaimer written there. Having said that, the ECB will certainly come out with an assessment of the experience of our

programmes in Greece and in other countries, but keep in mind that the best contribution to the eurozone that the ECB has made is to achieve price stability.

I will stop here and we will come back to this when we have our own assessment of the programme. I won't base my conclusions on a research paper, although some of the conclusions they have about multipliers being different in prolonged recessions, being different across expenditure and taxes, are not unique to that paper.

1-055-0000
Νότης Μαριάς (ECR). - Κύριε Πρόεδρε, να υποθέσω, επομένως, ότι, αφού εξετάσετε και εσείς ως Ευρωπαϊκή Κεντρική Τράπεζα τα δεδομένα και αφού λάβετε υπόψη και αυτή τη μελέτη των οικονομολόγων, να το εκλάβω συνεπώς, εάν αποδειχθεί ότι πράγματι έχουν γίνει λάθη από την πλευρά της τρόικας, ότι θα εξετάσετε, ως Ευρωπαϊκή Κεντρική Τράπεζα, την αποζημίωση της Ελλάδος για τη ζημιά που έχει υποστεί; Αντιλαμβάνομαι ότι έρχεστε σε πολύ δύσκολη θέση, ότι είναι δύσκολη η θέση της ΕΚΤ να απαντήσει, αλλά δεν πειράζει, θα το δούμε αυτό στο μέλλον. Το δεύτερο ερώτημά μου έχει να κάνει με τις συντάξεις στην Ελλάδα: επειδή συμμετέχετε στην τρόικα και ήρθατε τον Σεπτέμβριο στην Ελλάδα και επειδή έχει αποδειχθεί ότι δεν χρειάζεται να μειωθούν οι συντάξεις, το ερώτημα που τίθεται είναι εάν επιμένετε εσείς στη μείωση των συντάξεων παρότι δεν χρειάζεται να μειωθούν οι συντάξεις; Διότι έχει αποδειχθεί ότι δεν απαιτείται μείωση των συντάξεων με βάση τους δημοσιονομικούς όρους σήμερα στην Ελλάδα.

1-056-0000
Mario Draghi, *President of the European Central Bank***.** – In its recent review of its participation in programmes, the ECB has carved out for itself a different policy space related essentially to the macro-financial aspects of an economy. As such, the ECB will no longer say anything about pensions, about structural reforms, about privatisation, about lots of things on which the ECB, at least in these past few years and admittedly as a junior partner, had said something.

1-057-0000
Chair. – Let me say something as a Chair of the working group on the financial system. As you know, the additional one per cent fiscal measure on pensions, as well as the additional one per cent tax measure, had been asked by the IMF and not by any European Union body. As you probably know, the European Union participants were not particularly happy about this, so you should address this question to other interlocutors. By the way, I agree that we are not the Eurogroup.

Catch-the-eye procedure

1-058-0000
Steven Woolfe (NI). – Mr Draghi, I appreciate your time coming to this committee and explaining the position of the ECB. The post-Bretton Woods global financial system, I would say, is struggling under the current financial crises that we have had historically, whether from the 1975 banking crises, the oil shocks, the Nordic crises in the 1980s. The crises that we are facing are becoming shorter in time. Of course, the euro was created because of the post-Bretton Woods scenario, and it is wanting to defend itself against the dollar and the US pulling out of the gold standard at that time.

Where we have crises now, I have four considerable figures that I'm looking at. The unwinding of the unparalleled central bank balance sheets, yields on central bank asset inflation, as adjusted to GDP and government debt as percentages of GDP, are at historical negative levels. We have extreme levels of global imbalances and across the globe that is also impacted by low levels of economic growth.

Two questions. Has the ECB taken a crash calculus of the impact of bonds and stocks? If so, what conclusions can you draw on the timing and asset depreciation? And secondly, bearing

in mind that we have a potential crisis coming on, what weapons will be available to the ECB, considering that much of that has already been used up in the past decade?

1-059-0000
Mario Draghi, *President of the European Central Bank***.** – We have done simulations about the potential effects of a sharp repricing of assets, and I have hinted at that before. Banks today are considerably stronger, so in a sense they can withstand some of this effect. But I also have cautioned against excessive optimism coming from models that have been estimated based on a long period of low rates, because the parameters of these models may actually be affected by the unprecedented contingency of the last 10 years.

But again, this limited confidence does not necessarily extend to the shadow banking sector, where the visibility we have is less and where the institutions, that are both large, complex and interconnected, have acquired a great importance. They actually carry out bank-like activities much more today than they used to do in the past.

The ECB itself has the instruments that we would use to pursue price stability and it has the instruments that are necessary. We are not short of instruments today.

1-060-0000
. - *(End of catch-the-eye procedure)*

Chair. – I would like to thank President Draghi for this very rich, lively and interesting exchange of views in this monetary dialogue.

(The meeting closed at 17.00)