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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) of the TFEU)**  
**BRUSSELS,**  
**MONDAY, 29 MAY 2017**

1-002-0000

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

*(The meeting opened at 15.10)*

1-003-0000

**Chair.** – We shall now start our meeting, beginning with the adoption of our agenda. The agenda is adopted.

I now welcome the European Central Bank President, Mario Draghi, to the second monetary dialogue of the year. The previous one, as you will remember, took place on 6 February. The one today will also be followed by a hearing with Mario Draghi in his capacity as Chair of the European Systemic Risk Board (ESRB).

As we all know, since the last monetary dialogue the ECB monetary stance has remained unchanged, including in relation to non-standard monetary policy measures. As we all know, the Governing Council has confirmed that those measures are intended to run until the end of the year, or beyond if necessary, and in any case until a sustained adjustment of the path of inflation takes place. The Governing Council also stands ready for an increase if the outlook becomes less favourable. So, with this decision, the ECB has confirmed that it will not let the moderate but firm recovery of the euro area economy be put at risk and that it is equipped with the necessary ammunition to respond to any economic, political or geopolitical contingency.

Until now, the ECB's unconventional monetary policy has played a crucial role in repairing monetary policy transmission channels and in supporting domestic demand, and has decisively helped deleveraging across the euro area, in both the private and public sectors. We are already seeing the results of this policy, which should in due course lead to inflation evolving towards the ECB inflation target.

President Draghi will present the ECB perspective on economic and monetary developments and discuss the consequences of Brexit for euro area financial stability. The discussion with members will also cover two topics selected by the Committee on Economic and Monetary Affairs (ECON) coordinators in preparation for this monetary dialogue, namely the issue of financial innovation and the implication for monetary policy, and the question of whether the raising of long-term interest rates did or did not overshoot.

We have done some preparatory work on these two items with the contribution of distinguished scholars, as usual, and as regards the second topic, the papers outlined that the observed rise since August 2016 of the long-term interest rate is attributable, on the one hand, to the increase in US long-term interest rates after the reversal in the Fed's monetary stance, and, on the other hand, to political tensions across Europe, which generated higher perceived political risk.

While the former factor might continue to drag the euro area interest up, the second might recede with the result of the next elections and the one we just had. Moreover, one of the papers outlined that pulling the plug on QE too soon might undo some of the benefits of QE in the periphery countries and might lead to increases in refinancing costs for Member States with little or no fiscal space. So we have a lot of interesting topics to discuss and we have a lot of expectations as to your presentation, President Draghi. I give you floor.

1-004-0000

**Mario Draghi**, *President of the European Central Bank*. – Chair, honourable members of the Economic and Monetary Affairs Committee, ladies and gentlemen, it is a pleasure to be back speaking to your Committee for the second regular hearing of this year. I am also pleased that you have chosen as the topic for today's hearing the role of financial innovation. This is only one element in the broader process of innovation which is taking place in the economy. But it is a decisive one, given the essential role played by financial markets in resource allocation.

Before addressing this topic, let me first review the economic outlook and discuss the monetary policy stance. The economic upswing is becoming increasingly solid and continues to broaden across sectors and countries. Real GDP in the euro area has expanded for 16 consecutive quarters, growing by 1.7% year-on-year during the first quarter of 2017. Unemployment has fallen to its lowest level since 2009. Consumer and business sentiment has risen to a six-year high, supporting expectations of a further strengthening of growth in the coming months.

Downside risks to the growth outlook are further diminishing, and some of the tail risks we were facing at the end of last year have receded measurably. The fact that domestic consumption and investment are the main engines driving the recovery makes it more robust and resilient to downside risks, which relate predominantly to global factors.

Despite a firmer recovery, and looking through the volatile readings in HICP inflation over recent months, underlying inflation pressures have remained subdued. Domestic cost pressures, notably from wages, are still insufficient to support a durable and self-sustaining convergence of inflation towards our medium-term objective. For domestic price pressures to strengthen, we still need very accommodative financing conditions, which are themselves dependent on a fairly substantial amount of monetary accommodation.

At its June monetary policy meeting the Governing Council will receive an update of the staff projections and a more complete information set, on which it will be able to formulate its judgement on the distribution of risks around the most likely outlook for growth and inflation. Overall, we remain firmly convinced that an extraordinary amount of monetary policy support, including through our forward guidance, is still necessary for the present level of under-utilised resources to be re-absorbed and for inflation to return to and durably stabilise around levels close to 2% within a meaningful medium-term horizon.

You asked me to discuss with you today the dynamics of long-term interest rates. Over the past few decades, long-term bond yields have been trending down in both nominal and real terms. While lower nominal rates reflect monetary policy, among other factors, the decline in real yields has been driven by structural factors. These factors include, notably, rising net savings as ageing populations plan for retirement, relatively less public capital expenditure in a context of high public indebtedness, and a slowdown in productivity growth. If long-term real interest rates are to rise again to sustainably higher levels, it is those underlying causes that need to be addressed. And this requires structural action at national and European level.

Our monetary policy, for its part, has been instrumental in addressing the cyclical component of the balance between the supply of savings and investment demands, and its price stability implications. By supporting nominal incomes, our monetary policy measures stimulate investment and consumption, which are preconditions for inflation to climb back to levels below, but close to, 2%. And a more dynamic economy, over time, will favour a healthy return to higher policy interest rates.

I shall now move to the relevance of financial innovation. The relationship between savings and investment leads me to the topic you have chosen for today's hearing. Greater financial efficiency in the euro area is crucial in improving the allocation of capital and ensuring it is put to productive use. Innovation in financial instruments, services and infrastructure, as well as changes in the organisation of financial markets, can play a useful role in this respect.

Financial innovation is a continuous process. Innovations have constantly arisen in the past. Past examples of innovation include the introduction of secured debt and of preferred stock, which were developed to align incentives between parties and address information asymmetries. Some innovations of the past were instead introduced to minimise transaction costs, and they have become part of our everyday lives – for example, take credit cards or ATMs.

Today, FinTech – the application of new technologies to banking and financial services – is a potentially transformative force. We are closely monitoring its development for several reasons: to better understand its impact, to assess the risks and to adjust the regulatory environment and supervisory approaches where needed; and also to adapt as an institution and support innovation where justified.

Let me now give you some concrete examples of why FinTech is directly relevant to our tasks. A deep knowledge of the channels through which monetary policy affects the economy is of crucial importance for us. As FinTech, and financial innovation more broadly, have the potential to impact on the way the economy is financed, in the future they may affect the transmission mechanism of monetary policy and ultimately financing conditions. As the central bank for the euro area, we thus remain vigilant and make sure that changes in the financial landscape are closely tracked.

As the central bank of issue for the euro, the ECB and the Eurosystem also have a statutory interest in the safety and efficiency of payment systems and market infrastructures. One of the most active fields of FinTech innovation which might affect the processing of payments and securities is that of distributed ledger technologies (DLTs), such as the blockchain. Given the rapid pace of development in this field, there is a need to constantly monitor and assess potential new or more pronounced risks resulting from the application of new technologies such as DLTs to payment, clearing and settlement infrastructures, in particular.

One such possible risk is an increase in market fragmentation if different DLT approaches were to become firmly established in parallel in different Member States. Moreover, the Eurosystem oversight framework has to remain effective if we are to discharge our responsibility in this new environment. And the Eurosystem will, of course, continue to act in accordance with its mandate to promote the smooth operation of payment systems.

FinTech also gives the financial sector, more generally, a chance to provide more efficient and effective services to households and companies. FinTech can, for instance, make it easier for banks to adjust their business models, cut costs and exploit new business opportunities. FinTech companies can also complement the lending capacity of banks by acting as an additional channel for accessing credit, for instance through peer-to-peer lending platforms.

This may in turn help to reduce the macroeconomic fallout from disruptions in the provision of bank credit to households and firms, including smaller ones.

At the same time, the increasing relevance of non-banks and digital innovation in the provision of financial services may also harbour new risks. It is, for instance, essential to assess and adapt the prudential framework to cater for the increased role of non-banks and financial innovation, ensure the existence of a level playing field for both new and existing players and provide supervisors with adequate tools to address new risks. To this end, we are actively involved in ongoing work at both European and international levels.

Furthermore, risks stemming from the use of new technologies need to be carefully managed, particularly in the context of heightened cybersecurity concerns. Cyber risk has long been a priority for national and European supervisory authorities. Since day one, the ECB Banking Supervision has also addressed the issue from various angles. As financial market infrastructure overseer, we also need to ensure that individual systems, as well as the network as a whole, are operationally resilient to cybercrime.

While we are closely monitoring potential risks from FinTech, we also contribute to financial innovation by acting as operators. The Target2-Securities (T2S) platform that went live in June 2015 is now a cornerstone of the capital markets union project and has given a strong impetus to promoting and creating harmonised, integrated and efficient euro payments and securities post-trade services.

The ECB is also acting as a catalyst in the creation of a truly single European market for payments and securities. Financial integration and financial development are distinct, but interrelated concepts. Therefore, in designing the necessary institutional and regulatory frameworks we need to make sure that financial integration and financial development reinforce each other, thus improving the performance of the financial system. This is why EU legislators have an important role to play. A Europe-wide harmonised and principles-based framework to regulate FinTech, in the context of the capital markets union agenda, would indeed help to create a level playing field from the outset. This would in turn foster cross-border investment and expansion.

So, as you can see, FinTech has the potential to improve efficiency in the financial sector, create better products and push prices down for consumers. But it has other dimensions too, in the shape of potential risks and new regulatory questions. It is in all our interests to rise to this challenge. As FinTech involves the entire financial sector, different regulatory responses are likely to be needed. Depending on the nature of the FinTech activity, those responses may need to encompass prudential, consumer protection and other regulation – but, at the same time, they should not hamper healthy developments.

Allow me to conclude. The euro area economic outlook is improving and downside risks are moderating. However, these positive signs should not distract from the need for firmer and higher structural economic growth. In this context, higher productivity growth is needed. And that productivity growth requires innovation. Structural reforms are essential to create a business environment that is conducive to innovation and a regulatory environment that adapts accordingly. Both national and European level initiatives can contribute to this effort.

If we want to make sure that our Economic and Monetary Union (EMU) thrives, we need to upgrade the institutional framework. This means that we should be ready to foster innovation wherever necessary, including in the functioning of EMU. In that spirit, I look forward to the debate that will be opened up by the upcoming European Commission reflection paper on deepening the Economic and Monetary Union. Thank you for your attention, and I am now available for questions.

1-005-0000

**Chair.** – President Draghi, thank you for your very rich introductory statement. In particular, we appreciate the in-depth analysis on FinTech and financial innovation. This Committee has also recently adopted a report on this topic, and I think that our assessments are pretty much in line.

We start now with our questions and answers. The first speaker is Mr Brian Hayes.

1-006-0000

**Brian Hayes (PPE).** – Thank you, President Draghi, and welcome back to the Committee on Economic and Monetary Affairs. It is very good and encouraging to hear your remarks on FinTech, which, as our Chair said, recently went through the European Parliament. You outlined the risks and opportunities of FinTech, which I think we all welcome, and I am sure that other colleagues will ask you questions on that subject.

I have two questions. The first is a Brexit-related question about banks relocating from the UK to the eurozone. As you know, the ECB, in cooperation with national regulators, takes the final decision to grant banking licences to those who want to establish themselves within the euro area, so you have a key role in that. Given the remarks that have been made by your colleague, Daniel Noyer, and the remarks by ESMA and EIOPA about a potential regulatory race to the bottom if supervisors in the eurozone failed to create a level playing field, what can the ECB do to make sure that there will be a level playing field when it comes to deciding on the eurozone Member States to which some of those banks might move? What is the ECB doing on that point? I think that this is an important question.

My second question is an Irish-specific one. As you know from our banking crisis, one of our banks, Allied Irish Bank (AIB), is in total public ownership. It is one of the 125 systemically important banks under ECB operations. You are aware that the Irish Government wants a partial sale of AIB. I have two questions for you. Firstly, do you think that now is the time for a partial sale? Secondly, could you, through this committee, tell the Irish people what, in your view, would be the long-term benefits both as regards a better and more stable banking environment for the Irish people and as regards the future stability of the banking system in Ireland?

1-007-0000

**Mario Draghi, President of the European Central Bank.** – On your first question, the ECB is of course preparing internally for all the possible implications of the withdrawal process of relevance, across a wide range of ECB stats. This also applies to supervisory aspects.

Banks are preparing for the UK's withdrawal from the European Union and planning the necessary steps. We are in touch with all of them and are following this process closely, but of course – as you pointed out – it is not only up to us, but also up to the national competent authorities to follow this.

We stand ready to support banks in reorganising their activities in the euro area. It is very important that these banks undertake all the necessary preparations in a timely manner. So the first thing is to be timely. By the way, we will perhaps have a chance to discuss this in the context of different questions, but many of the risks that people see in the Brexit process have to do with the way this process is managed. Inherently, if it is well managed, many of these risks will never materialise. However, management has several actors, one of which is the banks themselves, so they have to start preparation in good time.

We have got to ensure that all banks that operate in the euro area meet the standards of the European banking supervision, so it is important that neither the safety nor the soundness of the banking system are worse after the process. However, as you pointed out, there is actually

the risk of supervisory fragmentation and supervisory gaps that the SSM currently cannot address. Banks might choose to set up broker deals or third-country branches, both of which would not be supervised at European level. Here you, as legislators, would need to act to ensure that similar risks are treated similarly, with regulatory arbitrage to be avoided. So the role of the European Parliament is very important in this process.

On your second question, first of all, let me say that it is entirely up to the Irish Government to determine the appropriate timing of a return of part of the government stake in AIB to the private market. More generally, it is quite desirable to transfer the risks of equity holdings in banks from the taxpayer to the private sector. I would like to note that the process of repairing the balance sheets of Irish banks has advanced significantly since the crisis, so great progress has been made there.

1-008-0000

**Chair.** – Thank you for raising the issue of broker deals and the risk of a race to the bottom. We are, of course, aware of that and look forward to strong cooperation between all the relevant actors, including national competent authorities, in order to address this risk positively.

1-009-0000

**Pervenche Berès (S&D).** – Je ne sais pas si c'est un bon exemple, mais je vais imiter le PPE en posant deux questions, Monsieur le Président.

La première: vous êtes l'un des auteurs du rapport des cinq présidents et on voit que c'est un rapport qui pourrait faire l'objet d'un regain d'actualité. Vous aviez par ailleurs indiqué que, s'agissant de l'état du fonctionnement de l'Union économique et monétaire, la question institutionnelle devait, à un moment ou à un autre, être posée. Or, on voit ici ou là apparaître des idées partielles, et notamment celle de transformer le mécanisme européen de stabilité en un fonds monétaire européen, qui échapperait à une logique communautaire et resterait inscrit dans une approche intergouvernementale. Pensez-vous que, dans l'esprit du rapport des cinq présidents, ce serait la bonne approche pour permettre à l'Union économique et monétaire de bien fonctionner, y compris dans son équilibre entre une politique monétaire très intégrée et une politique budgétaire qui, jusqu'à présent, reste de la compétence des États membres?

Ma deuxième question a trait à la future sortie de la politique monétaire actuelle de la Banque centrale, puisque vous avez un engagement jusqu'à la fin de l'année et qu'on a vu ici ou là des différences d'appréciation voir le jour sur la façon de communiquer quant à ce que vous ferez après la fin de l'année, notamment au regard de l'évolution des salaires. À Berlin, la semaine dernière, nous avons plutôt entendu l'idée que, dès le mois de juin déjà, certaines indications, s'agissant des salaires, permettraient d'avoir une perspective sur les conditions de sortie de la politique monétaire actuelle.

Pouvez-vous nous en dire un peu plus aujourd'hui?

1-010-0000

**Mario Draghi, President of the European Central Bank.** – I agree with you – even though I should not say so as I am one of the authors – that the Five Presidents' Report remains a first attempt to have a blueprint for further progress in the future. As such, as you know, it considers two different horizons: firstly, what to do in the short term and, secondly, what to do in the longer term.

The change in the purposes of the ESM are part of something that is probably more for the longer term, to the extent that they require changes in the Treaty. In any event, let me say that it is way too early to say anything precise in this matter and that we will have to have further study. But what is important here is that we do not have a piecemeal approach and that we are

able collectively to define a path that we want to follow. This path will necessarily drive us to a convergence that is more and more based on institution building and is less rules-only, as it is today. It is very important that we have an all-encompassing path and not a piecemeal approach to the creation of institutions.

The second point concerns our monetary policy. As you know, next week we will have a Governing Council meeting on monetary policy and by then the Governing Council will have the new staff projections. As I said in my introductory statement, what we have seen so far is that the growth outlook is improving – and will continue to improve – and the recovery is solid, because it is more and more based on consumption and not on exports and is broad, because it now goes across various countries and sectors. One thing that we always refer to as far as the broadening of the recovery is concerned is a dispersion index of the growth in value added across different countries. The less dispersed this index, the broader the recovery. What we are seeing now is that the value of this index today is at the same level as it was in 1997, so way before the crisis. This seems to say that basically many of the problems that we had with the crisis – like financial fragmentation, the problems with our monetary policy transmission and the very uneven growth across different members of the eurozone – have now been overcome and are behind us.

At the same time, when we turn to inflation, we see that underlying inflation is still subdued. Although headline inflation has gone up to 1.9%, this was mostly due to changes in energy prices and, as energy prices decline, we expect that headline inflation will also decline. But underlying inflation, excluding food and energy, has actually been subdued. One of the reasons for this – as I have said several times – is that wage growth is still subdued. Although we are starting to observe the beginning of some growth in various parts of the euro area and some growth in producers' prices as well, it is still very early to make us think that we are going to change the monetary policy stance. In other words, the projections that we have had so far were predicated on us maintaining the extraordinary support monetary policy accommodation that is in place.

1-012-0000

**Νότης Μαριιάς (ECR).** – Κύριε Draghi, πότε και υπό ποιες προϋποθέσεις θα αποφασίσει η Ευρωπαϊκή Κεντρική Τράπεζα την ένταξη της Ελλάδας στην ποσοτική χαλάρωση, στο (QE), προκειμένου να αρχίσει εκ μέρους του ευρωσυστήματος η αγορά ομολόγων του ελληνικού δημοσίου στο πλαίσιο του προγράμματος PSPP;

- Δεύτερον, η Τράπεζα της Ελλάδος τα έτη 2015 και 2016 έχει δαπανήσει στο πλαίσιο του (QE), 42,5 δισεκατομμύρια ευρώ για αγορά ομολόγων διεθνών υπερεθνικών οργανισμών. Υπό ποιες προϋποθέσεις θα μπορούσε να αγοράσει η Τράπεζα της Ελλάδος στο πλαίσιο του προγράμματος CBPP3 εταιρικά ομόλογα ελληνικών επιχειρήσεων και ομόλογα ελληνικών τραπεζών, στηρίζοντας έτσι την ανάπτυξη στην Ελλάδα και τη δημιουργία νέων θέσεων εργασίας;

Επιπλέον, κύριε Πρόεδρε, θέλω να σας θέσω υπόψη την παρακάτω πρόταση αναφορικά με τον τρόπο άσκησης νομισματικής πολιτικής στην ευρωζώνη, πρόταση που κατέθεσα στην Ολομέλεια του Ευρωπαϊκού Κοινοβουλίου στο Στρασβούργο στις 17 Μαΐου: Θα μπορούσε άραγε, κύριε Draghi, το Ευρωπαϊκό Σύστημα Κεντρικών Τραπεζών να γίνει πιο ευέλικτο και πιο αποκεντρωμένο, ώστε η εθνική κεντρική τράπεζα κάθε κράτους μέλους της ευρωζώνης να μπορεί να ασκεί νομισματική πολιτική προσαρμοσμένη στις ανάγκες της οικονομίας του δικού της κράτους, αξιοποιώντας ως εργαλεία σειρά μη συμβατικών μέτρων νομισματικής πολιτικής, όπως είναι η ποσοτική χαλάρωση, μέχρι του ποσοστού συμμετοχής της εν λόγω κεντρικής τράπεζας στο κεφάλαιο της ΕΚΤ και ανάλογα με το ύψος του τρέχοντος ισολογισμού του ευρωσυστήματος; Δηλαδή, πρακτικά για την Ελλάδα, θα μπορούσε η Τράπεζα της Ελλάδος, αξιοποιώντας το (QE) να ασκεί νομισματική πολιτική προσαρμοσμένη

στις ανάγκες της ελληνικής οικονομίας, δημιουργώντας χρήμα, ('creating money'), μέχρι 70 δισεκατομμύρια ευρώ, όσο δηλαδή είναι το ποσοστό 2% που κατέχει η Τράπεζα της Ελλάδος στο κεφάλαιο της ΕΚΤ, ενόψει του ότι ο ισολογισμός του ευρωσυστήματος είναι 3,5 τρισεκατομμύρια ευρώ αυτή τη στιγμή;

1-013-0000

**Mario Draghi**, *President of the European Central Bank*. – The answer to your first question is that, first of all, what is needed is a positive conclusion to the current negotiations. From that viewpoint, we certainly welcome the staff-level agreement that has been reached, but are disappointed that the last Eurogroup failed to produce a clearer definition of the debt measures. Then we will have the Debt Sustainability Assessment of the other institutions, but the ECB and the Governing Council, acting in complete independence, will have to carry out their own debt sustainability assessment. This will need to show that the debt is sustainable even in adverse scenarios, and we will also take a decision based on risk management considerations, as we have repeatedly said. So first let us have a full agreement and find debt measures that will make the debt sustainable over time.

On your second proposal, if we were to have 19 central banks with 19 different monetary policies, we would naturally end up having 19 currencies. The basis of having one currency is to have one monetary policy. All our objectives are defined as objectives for the whole of the euro area and not objectives for a single country. For example, when we talk about inflation, we are talking about inflation for the euro area as a whole and not inflation for one country as opposed to another country.

1-014-0000

**Νότης Μαριάς (ECR)**. – Κύριε Πρόεδρε, η πρότασή μου ήταν συγκεκριμένη. Σας ρώτησα για την Τράπεζα της Ελλάδος. Η Τράπεζα της Ελλάδος, στο πλαίσιο του «QE», δαπάνησε 42,5 δισεκατομμύρια ευρώ. Το ερώτημα είναι υπό ποιους όρους η Τράπεζα της Ελλάδος μπορεί να αγοράσει εταιρικά ομόλογα ελληνικών επιχειρήσεων και ομόλογα ελληνικών τραπεζών στο πλαίσιο του «QE».

1-015-0000

**Mario Draghi**, *President of the European Central Bank*. – If and when QE is extended to Greece, Greek companies will certainly be eligible to take part in the Corporate Bond Purchase Programme, provided they satisfy the eligibility criteria that have been set for companies to be part of this programme.

1-016-0000

**Ramon Tremosa i Balcells (ALDE)**. – I have a question regarding transparency. Since June 2016, the European Central Bank has purchased more than EUR 75 billion worth of bonds from private corporations under its Corporate Sector Purchase Programme. I have always had doubts about this programme. I am afraid we are distorting competition among eurozone enterprises. Moreover, the lack of transparency makes it even worse. At least in Germany we have a best practice of the Bundesbank, publishing the names of the companies, but this is not the case for some central banks in the south of the eurozone. So not only is it very difficult to know which companies are being purchased, but the volumes are not published in an adequate way. This is why, together with so many MEPs from this Committee, we have asked the ECB for clarification of this programme through the written questions that we sent you two weeks ago. In our opinion, this lack of transparency at national central bank level is harming the ECB, and this is a pity, as the ECB has made great strides towards more transparency. For instance, the publication of the minutes of the Governing Council or the publication of the Target-2 balances that I myself have been defending for years in this House has shown that the more transparency there is, the stronger the ECB becomes before the public. So my question is: is the ECB going to put up guidelines to ensure more transparency at national central bank level in the CSPP?



1-017-0000

**Mario Draghi**, *President of the European Central Bank*. – While you will of course get a written answer to your question (as there was a written question), let me say just a few things at this stage.

We have six national central banks that are part of this programme and they do publish a list of CSPP holdings available for securities lending. Interested market participants can obtain the necessary information by looking at the data published by the NCBs with market data providers and also on the ECB's website. An online database search can be performed for each of these and, among other information, the search will also return the bond's issuer and its residence. Each purchasing national central bank has discretion to decide whether it will publish any additional information in addition to the bonds' ISINs on its website. So it is not so much in our hands but in the hands of national central banks. But we are of the view that the information provided by the NCBs is sufficient, and we see no reason to try to centralise the publication, which right now is completely in the hands of the national central banks. You will get further responses in our written response.

1-018-0000

**Ramon Tremosa i Balcells (ALDE)**. – President Draghi, without enough transparency, I think there is a danger that monetary policy may be misused by certain central banks to feed crony capitalism. For instance, the main important newspaper in Spain, *Expansión*, published rumours that only three big companies in Spain had received more than 50% of all the purchases made in Spain. So I think that we should have this information, concentrated at ECB level, from all national central banks, because if not, we are doing business as usual, and it is very difficult for us to justify this before our electorate. Where is the market discipline in the sense that we are feeding companies that are not viable in the markets?

1-019-0000

**Mario Draghi**, *President of the European Central Bank*. – Let me assure you that the companies are chosen on the basis of risk eligibility criteria and that there is no intention to favour one company or another. There are certain guidelines, and of course there are volumes that are decided by the purchasing banks, together with the ECB. But we are not going to disclose the guidelines or the volumes because that would simply foster activity by market participants, which could actually hamper the achievement of our objectives.

1-020-0000

**Ramon Tremosa i Balcells (ALDE)**. – When will this programme finish?

1-021-0000

**Mario Draghi**, *President of the European Central Bank*. – It is not foreseen. It is just part of the ongoing programme. As I said before, it is part of our monetary policy stance, so it will be decided by the Governing Council.

1-022-0000

**Miguel Urbán Crespo (GUE/NGL)**. – Señor presidente, señor Draghi, la cuestión del rescate bancario sigue agitando la actualidad política y judicial en mi país. Como usted sabe, la consultora Deloitte ha sido multada por su papel en la auditoría de Bankia previa al rescate, y se ha demostrado que presentó un informe con doce errores claros que ocultaban las pérdidas reales de Bankia antes de salir a bolsa.

En las últimas semanas, el juez ha decidido imputar a uno de los socios de Deloitte por la salida a bolsa de Bankia y mantener a la auditora personada en la causa en tanto que responsable civil. Una imputación de Deloitte podría conllevar la inhabilitación como auditora.

También se ha sabido que Rodrigo Rato, cuando fue presidente de Bankia, otorgó contratos a la auditoría Lezar, al tiempo que presuntamente recibía pagos de esta compañía en una cuenta en el exterior. Por desgracia, estos hechos que han acaecido en mi país son recurrentes en los

rescates bancarios, en donde hemos visto una y otra vez cómo las cuatro grandes auditoras se han beneficiado del enorme negocio del rescate, como ha señalado el Transnational Institute en un reciente informe.

Además, el BCE sigue recurriendo a ellas para sus pruebas de estrés, que, por cierto, no son siempre muy fiables, como hemos visto recientemente en el caso del Banco Popular; creemos que todo esto sitúa al sistema financiero europeo en una grave situación de vulnerabilidad. Y le queríamos preguntar: ¿qué medidas puede tomar el BCE, en tanto que responsable supervisor, para acabar con esta situación de oligopolio y evitar la recurrencia de actuaciones presuntamente fraudulentas? Y, en segundo lugar: ¿han considerado la posibilidad de impulsar una auditora pública independiente que elimine la dependencia respecto al sector privado y respecto a la situación de oligopolio actual?

1-023-0000

**Mario Draghi**, *President of the European Central Bank*. – I will not, of course, comment on specific institutions. I am going to give you a written reply because at the present time it is not clear to me who actually chooses the auditors, what is the process for choosing them, and whether it is the ECB – the SSM part of the ECB, the supervision part of the ECB – or DG COMP or both. That is something that I will be able to explain better in a written answer. The proposal to have an independent public auditor is something that we are certainly thinking about, but at the moment I do not have a view on the matter.

1-024-0000

**Philippe Lamberts (Verts/ALE)**. – I have two questions and will try to be very quick. On the eurozone, the new situation in France may of course offer possibilities. I would like to ask you to put the idea of a eurozone budget with corresponding borrowing capacity into one of three baskets, a must-have, a nice-to-have, or something that we should not have, taking into account the aim of guaranteeing the sustainability of the common currency.

The second question concerns labour market reforms. The kind of reforms that you have been advocating are intended to make the labour market more flexible, pretty much in line with reforms carried out in Germany under a Red-Green government in the early noughties. What we see is that when employment goes up, it is usually in such a way that most new jobs are part-time jobs and not open-ended jobs. I would not say that they are all shitty jobs, but they tend to be of poor quality.

What interests me is not the unemployment rate, but the employment rate. The employment rate, expressed as a full-time equivalent, which is at its highest at 75% in Sweden, is only 68% in Germany, 63% in Belgium, and 55% in Italy. When you look at the labour market dynamics from that metric, you cannot imagine any kind of growth rate that would bring us anywhere close to full employment. So maybe the kind of structural reforms we need for the labour market policy – and I would link that to fiscal reforms and social security reforms – are not exactly the ones that you would advocate. I would like to have your thoughts on that.

1-025-0000

**Mario Draghi**, *President of the European Central Bank*. – On your first point, now is the time for reflection, for thinking about the future, and to outline what the future will be in a way that is more defined, clearer and with a longer-term perspective than has been done before. It is now time to think about whether our rules-based convergence framework can be improved.

The experience of the last few years tells us that economic and monetary union has actually resisted the crisis, but has gone very close to very critical situations. Therefore it is natural to think about a construct that has been threatened in such a serious way less frequently than we have done in the past. So from this point of view, economic and monetary union remains fragile and needs to be completed. We know that part of its fragility depends on the fact that it

has not yet been completed so we have to move forward. We have to move forward on different plans. There are many things that we can do quite quickly or in a relatively short time. There are other things that we may want to start working towards. For example, it is very important that we start thinking without fear of changing the Treaties, if necessary. To already be taking a decision like this, namely to start thinking without being bound by the existing Treaties, is a big step forward.

We have said several times that some fiscal capacity – let us call it that – was an important way to complete our Union for a variety of reasons, one of them being that the Union would become much more solid in resisting shocks that hit different parts of the Union in different ways, and also because any union has a federal budget. What we have to look at is how to get there. Here the answers continue to be what we have said in the past, namely that to move there first of all you need trust between countries and you need convergence. In other words, a union that is too heterogeneous will be inherently fragile. So, in order to move to greater convergence, we first need to finish doing what has been planned, and what has been done up to now has to be completed. But convergence in policies is also very important. Convergence around serious structural reforms, serious economic and fiscal policies and completing the banking union is all part and parcel of the convergence process.

Let me come to the second point, liberal market reforms. First of all, what you say is absolutely true, namely that while the increase in employment, is very significant – let us not forget that five million jobs have been created in the last three or four years, many more than were created before the crisis, which is the positive news – it is also true that some of this job creation is not of good quality. Let me also say that, by and large, most Member States of the European Union have undertaken reforms of their labour markets in order to make them more flexible. But now another set of reforms has to be undertaken, namely to create a situation where the newly employed also have the skills to have long-lasting employment. In order to have the skills, that is where some of us have to reform our educational system. That is the other part. In other words, while in the past we may have insisted on making labour markets more flexible, today we should insist on upgrading our educational system so as to create long-lasting jobs of good quality, which, by the way, would also be accompanied by higher wage growth because that would go up together with productivity. It would be a win-win situation from all points of view.

1-026-0000

**Chair.** – I do not need to remind this Committee that Parliament has adopted a report which proposes a way to proceed jointly to stronger convergence and provides such a tool for absorbing shocks. It is an ambitious – but at the same time realistic – proposal.

1-027-0000

**Gerolf Annemans (ENF).** – Ik wil toch nog eens proberen, hoewel u daar meestal een standaard antwoord op heeft, om te vragen wanneer de kwantitatieve versoepeling (*quantitative easing, QE*) stopt, het opkoopprogramma dat zo nadelig is voor pensioenfondsen en spaarders in een groot gedeelte van de eurozone.

Goed, de ECB mag niet aan politiek doen, u zegt dat u dit allemaal alleen voor de prijsstabiliteit doet. Anderen zeggen dat u wél aan politiek doet, dat u Zuid-Europa gratis staatsschuldfinanciering verschaft en dat Duitsland daardoor een goedkope munt heeft. En dat dat een verbond is dat u bezegelt.

Feit is in ieder geval dat de *stretch* van 2500 miljard euro op uw balans heel ernstig is. Eigenlijk is er maar één afspraak die u lijkt te willen honoreren en dat is het feit dat u niet verder zult gaan dan 33 % van de staatsschuld van een lid van de eurozone.

U reageert vrij heftig – u heeft dat recentelijk ook nog gedaan in het Nederlandse parlement – wanneer er vragen worden gesteld over het feit dat u in een politieke rol terecht zou komen bij een eventuele wanbetaling. U noemt dat een “*zero probability event*”. Maar ik zou op een andere manier de vraag willen stellen: als het zo is dat u die 33 % zult respecteren, kunt u mij dan zeggen welk land als eerste, wat het tijdstip betreft, die 33 % door u opgekochte staatsschuld zal bereiken. Dan kunnen we misschien op basis daarvan het QE-programma opdoeken.

1-028-0000

**Mario Draghi, President of the European Central Bank.** – Let me say immediately that we are aware that a protracted period of very low interest rates is indeed a challenge, mainly for pension funds and insurance companies and more generally for individual savers. There are certainly many things that pension funds, insurance and savers can do to address the situation, and those actions are in fact being taken, but they do pose a challenge. However, the reason for this is that, as I have said many times, the situation demanded low interest rates as a prerequisite for restarting the recovery, which we are now well on the way to actually delivering. Regarding the reasons often cited in several quarters for our programme, I will repeat that we are bound by law to our mandate, which is to pursue price stability as defined and hence bring retail inflation below, but close to, 2%. That is what we have been doing, and that is why we introduced the asset purchase programme. That is why we have been buying bonds regularly at a rate now amounting to EUR 60 billion per month.

But as much as we are aware of the side effects that these programmes might have, we are also aware of the fact that we are bound by the Treaty to refrain from monetary financing, and that is why we had the issuer and issue limits in our programme.

Having said that, we are seeing that the programme is continuing to run smoothly. The Governing Council has never planned to break the limits: the limits are there and they will stay there. I am not in a position now to answer your question and say which countries are going to buy fewer bonds now in order to remain within these limits.

1-029-0000

**Beatrix von Storch (EFDD).** – Herr Vorsitzender, sehr geehrter Herr Draghi! Sie haben Anfang des Jahres eine Anfrage meiner Kollegen Valli und Szanyi zu dem Thema „Umgang mit den Forderungen aus dem Target-2-System“ beantwortet. Sie haben am 18. Januar wie folgt geantwortet:

‘If a country were to leave the euro system, its national central bank’s claims on all liabilities to the ECB would need to be settled in full.’

Sie sind mit dieser Antwort seinerzeit ungefragt auf das hypothetische Szenario eines Austritts aus der Eurozone eingegangen. Der Austritt aus der Eurozone ist natürlich der Worst Case. Und wenn wir schon über das „was wäre, wenn“ sprechen, dann doch vielleicht über Szenarien, die näher liegen als der Austritt eines Landes aus dem Euro. Deswegen bin ich etwas verwundert über die Antwort, die Sie Anfang des Monats im niederländischen Parlament gegeben haben. Sie sind dort gefragt worden, was passiert, wenn ein Mitglied der Eurozone seine Schulden restrukturieren muss – also nicht Euroaustritt, sondern nur Schulden restrukturieren. Und Ihre Antwort dort war:

‘We do not want to speculate on the probability of things that have no chance of happening.’

Und dann haben Sie sich etwas pikiert beschwert: „Why are you asking me that?“

Nun, genau diese Frage stelle ich Ihnen hier auch unter Hinweis auf die Antwort, die Sie Anfang Januar dem Kollegen links von mir sitzend gegeben haben, in der Sie ein

hypothetisches Szenario ja beantwortet haben, und zwar das hypothetische Worst-Case-Szenario. Ich frage Sie also: Was passiert, wenn ein Mitglied der Eurozone insolvent wird und seine Schulden restrukturieren muss, insbesondere im Hinblick auf die vielen Milliarden Staatsanleihen, die in der Bilanz der EZB stecken?

Und zweite Frage: Wie können Sie sicherstellen, dass die EZB nicht das Gleiche tut wie 2010, als Griechenland vor dem Bankrott stand und die EZB massenhaft griechische Staatsanleihen aufgekauft hat, um den Bankrott Griechenlands zu verhindern?

1-034-0000

**Mario Draghi**, *President of the European Central Bank*. – Let me just give you two or three quick answers. First of all, I reiterate that the euro is irrevocable, and this is the Treaty. So do not try to link debt restructuring with euro issues and settling the Target2 liabilities. Second, you actually asked me what happens when a sovereign state restructures its debt. I answer: look at Greece. Third, you are saying that we are bearing risks for the whole of the euro area because of the bonds that the ECB has bought in various countries. The answer is there is no risk-sharing other than a limited amount. So in the greatest part, the risk of a debt restructuring falls upon the national central bank.

1-035-0000

**Markus Ferber (PPE)**. – Herr Vorsitzender! Ich darf auch noch mal auf die Targetsalden zu sprechen kommen, aber viel, viel harmloser. Wir haben jetzt im März wieder ein neues Rekordhoch bei den Targetsalden gehabt. Vier Länder zusammen, einschließlich Deutschland, haben einen Targetsaldo-Überschuss von 1,2 Billionen Euro – *I think in English it is trillion* –, und eine Reihe von anderen Mitgliedstaaten, insbesondere im Süden Europas, haben erhebliche Defizite angehäuft.

Welche Schlussfolgerungen ziehen Sie aus dieser Entwicklung? Halten Sie diese Entwicklung für nachhaltig? Sie haben das letzte Mal geantwortet, es hätte etwas mit dem *quantitative easing* zu tun. Aber dann müsste ja Frankreich auch einen positiven Saldo haben, während Frankreich einen sehr ausgeglichenen Targetsaldo hat. Darum habe ich das bis heute noch nicht verstanden.

Und welche Maßnahmen sind aus Ihrer Sicht notwendig, um wieder zu einem ausgeglichenen System zurückzukehren, wie wir es vor der Krise hatten?

1-036-0000

**Mario Draghi**, *President of the European Central Bank*. – Let me first say that the current increase in the Target2 balances is very different from what we observed in 2012-2013 at the time of, arguably, the most serious crisis. The increase in Target2 balances is closely linked to the decentralised management implementation of our monetary policy and much of it is produced by our asset purchase programme. Why? We observe that about 80% of the counterparts to central banks that sell the bonds are outside the borders of the country where the central bank is located, and 50% of the counterparts are non-euro area members. So the central bank of a certain country buys the bonds from these counterparts, but these counterparts then use the cash to deposit this, not necessarily or generally not, with the central bank that sold the bonds, but use these proceeds to deposit them with the central bank of large financial centres, first and foremost, the Bundesbank. In this way the final reporting will be a liability, a Target2 liability, by the central bank that has sold the bonds and a Target2 asset by the German Bundesbank or banks, equally settled in large financial centres. The first consideration is that it has to do with the decentralised way in which our monetary policy is implemented.

The second point, however, is that our monetary policy operates through the system in producing what we call a ‘portfolio rebalance’, namely the sellers of these bonds would use these proceeds to buy other assets – equities or other types of bonds – both located in the euro

area or outside the euro area, depending. So we have to follow these movements in order to understand that the increase in Target2 liabilities is associated with a loss of interest by the sellers of these bonds into assets of a specific country.

Finally, let me tell you why this is different from before. The increasing Target2 liabilities we saw in 2012 and 2013 were basically due to the fact that the banks in the euro area all of a sudden, especially in the periphery of course, saw that their market-based funding was drying up and therefore they had to be refinanced by the national central bank in their jurisdiction. This created Target2 liabilities which were quite dramatic, but they were really dramatic because they basically showed the fact that these banks were really looking for assets from the central banks, so in a sense it is a demand-driven process. Today the situation is different. It is a supply-driven process because we, the national central banks, are selling assets to the various counterparties, both commercial banks, pension funds, savers, insurers, and so on, and so it is this portfolio rebalance which, given the decentralised nature of our monetary policy implementation, generates such high Target2 liabilities.

Do we observe signs of stress in the markets? Not right now. If we look at funding conditions, they are very favourable both for commercial banks and for non-financial companies and for the real economy. Were we observing stress conditions in 2012 and 2013? Certainly. You remember the very high interest rates, the very great difficulty in finding financing, so the situation is inherently different now as compared to then.

1-037-0000

**Jakob von Weizsäcker (S&D).** – President Draghi, it is a pleasure to have you here. I have two questions for you. The first concerns the prospect, not in the immediate future but nevertheless, of an interest rate reversal. You have given us a very impressive picture of the broadening of the recovery and, yes, obviously price dynamics are still subdued, but nevertheless now might be a good point to reflect on what an interest rate reversal might mean, and in particular what it might mean as a challenge for high-debt low-growth economies. My question is this: which aspects of the current discussion we are having on the serious deepening of monetary union would be particularly helpful to immunise our monetary union against systemic disruptions stemming from such challenges and, more specifically, how should the sovereign bank nexus be dealt with in this context? I believe a solid answer to that question would also make it much easier to achieve political consensus for fiscal backstop for banking union and agreement on European deposit insurance. That is my first question.

The second question has to do with the file I am working on, the CCPs. Obviously Brexit poses a serious challenge to the regulation of the financial sector. Some of that can be dealt with by strengthening the third country equivalence regime, basically accepting the regulation going on in a different jurisdiction, for example as will be the case for the UK. Another approach would be extra-territorial. The US is doing that a little bit already, applying their own rules abroad, in supervision for example. And thirdly, there would be repatriation. I am curious, and that is my question, how you feel which area of financial sector regulation to control risks should fall in which category, and, more specifically, what is your view as regards CCPs, the area we are currently working on?

1-038-0000

**Mario Draghi, President of the European Central Bank.** – We are actually already seeing an increase in the interest rates across the yield curve and our assessment is that part of this is caused by increasing real rates, and part of this is linked to the general improvement in economic conditions in the euro area; and part of this has to do with the reduction in the insurance premium for deflation. In other words, markets feel that deflation has become less of a danger and therefore they need less of an insurance, so both of them are good news, in the

presence of inflation expectations, which have only marginally picked up over the last 10 to 12 months, in a sense.

Has this created a phenomenon of big instability? No, not that we can actually assess right now. Can we rule out an increase in interest rates would ever cause this? No, of course not, we cannot rule that out. It is pretty clear in trying to address in a sense the essence of your question that as the inflation rate durably converges towards our objective, as this convergence becomes more and more self-sustained, countries with high debt and low growth will have to face a higher interest rate bill, and from this viewpoint they will have to have in place the right policies to do that, both fiscal but also, especially, growth-enhancing policies, because that is possibly the most important part of their economic policy.

Should we think about an institutional set-up that would rule out, exclude, any possible instability, because some countries are lagging behind in their convergence process? If we look at the historical experience we had in the early stages of the Maastricht Treaty it is both things. Countries have to act and put their acts together and put in place sound economic fiscal policies. At the same time, you are absolutely right: the nexus between sovereign and banks has to be severed, through the introduction of the deposit insurance scheme. At the same time, our institutional progress in creating stronger institutions that would better resist potential instability stemming from states that are lagging behind should also go forward. It is an overall all-encompassing process that we have to envisage for the future.

On your second question, let me refer to the communication by the Commission on CCPs published on 4 May. This foresees a number of different options for strengthening the supervisory regime applicable to CCPs, including the enhanced supervision at EU level and/or location requirements. It will be ultimately be for you, the EU legislator, to decide which type of regime to apply to systemically important third country CCPs. For the ECB as the central bank of issue of the euro, it will be crucial that it can at least preserve the current level of involvement over systemically important euro-denominated clearing activities, regardless of the framework adopted by the EU legislator and of the terms of the future EU-UK relationship. In other words, it is very early for us to show the exact design, the final construct, but certainly what we want is, at the very least, to preserve the current degree of involvement.

We have to have proper tools under EU law so as to ensure we can preserve the stability of the currency in the face of potential risks created by offshore euro-clearing. In this regard, we certainly welcome the Commission's communication. That communication fully acknowledges the role that the bank of issue has to play in this new environment.

1-039-0000

**Gabriel Mato (PPE).** – Señor presidente, muchas gracias, señor Draghi por estar de nuevo entre nosotros.

Yo voy a hablar de futuro, de dos temas en concreto: el futuro de Europa en un momento en el que, desde luego, en lo político hay cierta incertidumbre. Si vemos las declaraciones en estos últimos días de la canciller Merkel, dice: «los tiempos en que podíamos confiar en otros han quedado atrás». Digo yo: hay que mirar más hacia dentro.

Y luego también el presidente de la República Francesa, que decía que el euro está incompleto y no puede durar sin reformas significativas. A la vez hacía una serie de propuestas, que algunos países, incluso España también, pueden aceptar: una integración fiscal más profunda, con un presupuesto de la eurozona, con un ministro de Finanzas y supervisión parlamentaria, y la finalización de la unión bancaria.

Entonces a mí me gustaría que me hiciera alguna valoración, si puede, en relación con estas propuestas y si funcionaría una agenda de este tipo. Y, por otra parte, también del futuro, el futuro de las Autoridades Europeas de Supervisión —la Comisión Europea estaba realizando una consulta pública sobre el futuro de estas agencias—, sobre todo ver si cumplen con lo esperado, considerando sus objetivos para proteger el interés público. Y a mí me gustaría que me pudiera decir cuál cree que debe ser el futuro de la EBA en ese sentido.

Y un clásico, una pregunta que siempre hago y que está siempre en la boca de todos, y es la posible subida de tipos. Usted ha dicho claramente algo que todos compartimos: el crecimiento está mejorando muchísimo, el desempleo es el más bajo desde el año 2009, hay más confianza en los mercados, sin duda alguna, y también nos ha dicho claramente que se necesitan reformas estructurales y fomentar sobre todo la innovación.

Bueno, hay quienes, como la Reserva Federal, han decidido cambiar su política de tipos bajos —y también el Banco Central Chino— y a mí me gustaría si me pudiera decir qué escenarios baraja el Banco Central Europeo. Y, quizá, la pregunta del millón, que estoy ya seguro de la no respuesta —pero se la hago en todo caso— y es si podríamos esperar una subida de los tipos de interés durante los próximos meses.

Y, por último, muy rápidamente, nuestra relación comercial con Estados Unidos. El presidente Trump ha estado esta misma semana aquí y desde luego las declaraciones son preocupantes, sobre todo en relación con la política comercial que podemos tener, y me gustaría saber si tiene alguna opinión al respecto.

1-040-0000

**Mario Draghi**, *President of the European Central Bank*. – I shall respond to your first question first. We certainly welcome the consultation process that the Commission has started on the role of the ESAs. Let us not forget that the establishment of ESAs in 2011 was a major step forward towards the creation of a banking union, and then it is going to be the pillar upon which the capital market union would also be created. It is really the major step towards sharing one supervision system, one regulation system, in the euro area in Europe. We have been collaborating throughout with the Commission and with the ESAs on that.

The ESAs have been operational for six years, so it is high time to have a review. We are currently assessing all these issues raised by the consultation paper, and at this stage it is very difficult to foresee what will be the future of the ESAs and how they will be put together, whether their competence will remain. The only thing we could and should do at this point is to have very strict close collaboration and cooperation with the Commission in ensuring that our supervisory system gets stronger after the review, and also as uniform as we can make it, because let us not forget we still have many national discretions options in various countries that would make the present system not fully harmonised.

The second question, as you foresaw correctly, is very hard for me to answer at this point in time. I can only restate the monetary policy stance that basically the current stance will stay in place until we see a convergence of the rate of inflation that is for the whole of the euro area an inflation rate of a level which is close to, but below, 2%, so not for one country or another, and which is durable, which is not transient, is not touch and go and is not like now where we see headline inflation went up to 1.9%, as I was saying before, but it was mostly due to energy price increases if we look at that, and now they are going down, so headline inflation will start going down as well. We will have to be convinced that it is durable and we will have to be convinced that it is going to stay there even when we withdraw the monetary policy support that we have in place today.



As regards the third point, we are all are concerned. In a sense, the whole construct of the European Union, of the single market, is based on sharing the benefits of free trade. Of course, what has happened over the last 15 to 20 years is that free trade together with free trade globalisation has produced immense benefits but it has also produced people who do not actually share the benefits. So we have to do much better in sharing the benefits with everybody who participates in the process. In this sense certainly the neo-protectionist stances that have been stated in the United States are certainly of concern.

1-041-0000

**Pedro Silva Pereira (S&D).** – President Draghi, you are very welcome here. Let me ask you two questions. The first regards monetary policy. As you clearly said to us today, the domestic cost pressures, notably from wages, are still insufficient to support a durable convergence of inflation towards the medium-term objective, and also the positive signs should not distract us from the need for firmer and structural economic growth. So your conclusion, and I quote, is that: ‘we still need an extraordinary amount of monetary policy’. Can I conclude from this that the so-called ‘tapering’ of monetary policy remains out of ECB intentions for the foreseeable future?

The second question concerns the situation of Portugal. As you know, the Commission has very recently proposed that Portugal should be out of the excessive deficit procedure, taking into account the reduction of deficit and all the positive developments on the economic front – economic growth, decline of ... unemployment. In this context, I would like to ask you how do you see this development? The Portuguese Government has asked to pay in advance a substantial part to the IMF loan that Portugal received. I would like to ask if you agree that such a substantial payment could also have the indirect effect of addressing the difficulties regarding the limits to the purchase programme of the ECB, taking into account that those limits are now creating a situation of decline in the amount of purchase by the ECB. Do you think this would create new room for manoeuvre allowing for more bonds to be eligible for the purchase programme of the ECB?

1-042-0000

**Mario Draghi, President of the European Central Bank.** – In reply to your first question, the answer is very much like the one I gave before about interest rate hikes in the near future. The developments we are seeing on the rate of inflation tell us that the present extraordinary amount of monetary policy accommodation should stay in place until we see developments in the rate of inflation, the real inflation convergence process, that tell us that this is durable and goes to meet our objectives and that it is going to be self-sustaining. In any event, next week we have the next Monetary Policy Council and we will have the new staff projections, and new information will become available to the members of the Governing Council.

Coming to your second question, significant progress has indeed been achieved in Portugal on all accounts, and this is the first point we should have in mind. The second point, however, is that significant vulnerabilities are still present, especially in the banking sector, where we still have a high level of NPLs as in other countries, especially on the periphery, and these vulnerabilities need to be addressed. They need to be addressed for their own sake first, for the stability of the banking system, but also for exploiting fully the capacity of the Portuguese banks to support and finance the economy, the real economy. NPLs are a drag on the capacity to give credit to firms and households that need it.

In reply to your third point, the answer is I do not think so. I do not think that the payment in advance of the IMF loan is relevant as far as the QE limits are concerned.

1-043-0000

**Werner Langen (PPE).** – Herr Vorsitzender! Vielen Dank, Herr Präsident, dass Sie uns regelmäßig hier zur Verfügung stehen. Ich habe drei unterschiedliche Fragen: Die erste hängt mit dem Bargeldumlauf und der riesengroßen Mehrwertsteuerlücke zusammen. Hier gibt es

wissenschaftliche Untersuchungen, die sagen, das hängt voneinander ab. Dort, wo die Mehrwertsteuerlücke besonders groß ist, ist der Bargeldumlauf groß. Und in dem Zusammenhang steht auch die Abschaffung der 500-Euro-Scheine und – am anderen Ende – der Ein- und der Zwei-Eurocent-Münzen. Dazu hätte ich gern Ihre Meinung gehört.

Der zweite Bereich knüpft an das an, was Jakob von Weizsäcker gesagt hat: Euro Clearing. Das ist ja wohl die Hauptfrage im Zusammenhang mit dem Brexit. Ist es für Sie denkbar, dass hier eine Form der Zusammenarbeit mit London gefunden wird, die auf der Grundlage der jetzigen Zusammenarbeit etwa in der EBA stattfindet? Oder glauben Sie, dass es sinnvoll wäre, die EBA in die Europäische Zentralbank in ihrer Funktion als Bankenaufsicht einzugliedern?

Und die letzte Frage betrifft die amerikanische Gesetzgebung: Es hat viele Jahre gedauert, bis der Dodd-Frank Act umgesetzt wurde, der unter Obama – und am Anfang noch unter Bush – diskutiert wurde, nach der Finanzmarktkrise. Wir wissen nicht mehr, was aus den USA kommt, was der neue Präsident vorschlägt. Er will jedenfalls Teile des Dodd-Frank Acts außer Kraft setzen, insbesondere bezüglich der Banken. Meine Frage: Sehen Sie in diesem Fall erhöhte Risiken oder sind die Verhandlungen intern schon weiter, als die Öffentlichkeit weiß?

1-044-0000

**Mario Draghi**, *President of the European Central Bank*. – On the first point, namely whether an extensive use of cash is associated with tax evasion, especially value added tax, it is likely that this is so, although at this point in time I do not have a precise view. I can certainly respond in writing to your point, but it is very likely that this is so.

That international cooperation is fundamental for fighting tax evasion, whether through the use of cash or other means. This is now undisputed by all our governments so – this is my personal conviction, which may well be wrong – I think that, no matter what happens as far as the negotiations between the UK and the European Union are concerned, the collaboration on fighting tax evasion will stay in place. This is something that all countries have reiterated. Even in the recent G7 Finance Ministers' meeting, there was an explicit statement and perhaps there is a sentence to this effect in the final press communique to which we can refer.

The second question was about the EBA and the ECB. The answer is not necessarily. First of all, they have different functions. The EBA is a regulation agency and the ECB SSM is a supervision agency. Even though it is not up to us, of course, because it is in your hands – the hands of the legislators – we take the view that, by and large, the two should coexist. They are also addressing different countries. The geo-perimeter is different between the two.

Regarding your final question, it is too early to say whether the revisitation of the financial legislation by the US Government will address that part that has to do with the capital and liquidity standards of the banks or that part that has, more typically, to do with market legislation, namely market making, the Volcker Rules and other issues that are closer to market legislation or to both. We are in constant touch, but at this point there is no clear view on that. The point you raise is very important because, depending on what is decided, there will be the prospect – which we are still confident and hopeful will happen – of having a world agreement on capital and liquidity standards so as to have a level playing field across banks throughout the world.

1-045-0000

**Luigi Morgano (S&D)**. – Signor Presidente, Presidente Draghi, è noto che il mandato dell'istituto che Lei presiede è la stabilità dell'inflazione nel medio periodo e non il sostegno alla crescita o all'occupazione, ma è altresì noto che senza una crescita solida e senza un aumento dell'occupazione le dinamiche sottostanti l'andamento dell'inflazione rimarrebbero

deboli, come peraltro anche Lei ha più volte evidenziato in diverse occasioni negli ultimi mesi.

Lei ha altresì avuto modo di ricordare sia a Francoforte sia qui, nel regolare scambio di opinioni con questa commissione, come la politica monetaria non possa essere l'unico meccanismo di sostegno alla crescita nell'eurozona e che servono anche misure adeguate di politica fiscale e necessarie riforme strutturali.

Mi permetto quindi di porle due domande. Ritiene che la politica monetaria sarebbe più efficace se, oltre ad una composizione delle spese pubbliche nazionali più favorevoli alla crescita, vi fosse a livello europeo una politica fiscale coordinata di tipo espansivo? Penso per esempio alla comunicazione del Commissario Moscovici nel dicembre del 2016.

La seconda domanda è se ritiene che la politica fiscale a livello europeo potrebbe garantire un corretto *policy mix*, qualora si creasse una capacità di bilancio per l'eurozona, possibilmente finanziata da risorse proprie, ed eventualmente quali caratteristiche dovrebbe avere tale capacità di bilancio per svolgere una funzione di stabilizzazione del ciclo economico?

1-046-0000

**Mario Draghi**, *President of the European Central Bank*. – Yes, I have said many times that monetary policy could be way more effective in the presence of policies that are apt for the business cycle, like proper fiscal policy or, even more importantly, structural policies that increase the level of potential output growth. Right now the assessment of the ECB, as far as the present fiscal policy is concerned, is that the fiscal policy stance in the whole euro area is neutral and appropriate. That is the ECB's current assessment. We believe that the present neutral fiscal stance is the appropriate one from the perspective of a so-called optimal policy mix.

The answer to the second question you asked me before is also 'yes'. I referred earlier to the vulnerability or the fragility of the monetary union because of its incompleteness. There are many reasons for this incompleteness, but one of them is the fact that we do not have a fiscal capacity in place. That fiscal capacity is a concept that is inherent to all monetary unions and basically all monetary jurisdictions. How to get there, however, is the issue. What steps are necessary to get there? I have said many times – I do not know whether I have said it here – that we really need two pillars upon which fiscal capacity is built. One is trust and the other is convergence. Trust refers to the fact that, in order to share fiscal powers, governments and countries have to trust each other. They have to believe that there cannot be permanent debtors and permanent creditors, that what is being created is not going to be a permanent transfer, but rather a fiscal capacity that addresses shocks, instabilities, adverse business cycles, and that it therefore then reverses things back to where they were before the crisis.

But the second – even more important – point is that countries belonging to a monetary union cannot be too heterogeneous. They have to converge and convergence basically means structural reforms. Structural reforms are different across countries. Each country in the monetary union has a certain agenda of structural reforms so it is very difficult now to make a list that is good for all. But they certainly have to converge. Where do they have to converge? To higher growth together. As I mentioned before, we are starting to see some of that. We are seeing that the growth in value added is much less dispersed than it was before the crisis.

1-047-0000

**Fulvio Martusciello (PPE)**. – Signor Presidente, grazie di essere qui con noi. I pagamenti per cassa sono lo strumento più usato nelle attività criminali, nelle evasioni, nel riciclaggio e nelle attività terroristiche. Non è un caso l'esempio del premier Modi, in India, il quale ha varato nel novembre scorso un provvedimento di demonetizzazione proprio per sradicare l'evasione,

distruggendo le ricchezze accumulate grazie al mercato nero. Tale provvedimento ha prodotto un effetto positivo in India, visto che l'economia è poi fortemente ripartita.

In Italia purtroppo è ancora alto l'uso che viene fatto del contante, anche a causa dell'elevato costo dei canoni delle carte di credito, per fare un esempio. Il costo della commissione prelievo su contante è del 3,6 per cento, generalmente un canone di una carta di credito è di circa 35 euro per arrivare a circa 80 euro di altre carte.

Il direttore generale dell'ABI ha proposto di usare l'estratto conto della carta di credito ai fini dell'accertamento fiscale. Quali sono gli strumenti che si possono mettere in campo per cercare, anche in Italia, di avviare una politica di utilizzo di un cosiddetto denaro di plastica, sapendo che l'avvio e lo sviluppo di questa politica consentirebbero in qualche maniera di abbassare sicuramente l'utilizzo del contante e quindi di eliminare i proventi da attività illecite?

Un'ultima domanda. L'Italia si avvia a una scaletta istituzionale che viene giudicata dagli operatori economici pericolosa. Non è un caso che tutti i quotidiani online oggi mettano in relazione la possibilità di elezioni anticipate con la caduta delle borse. A settembre l'Italia dovrà varare la legge di bilancio, andrà a finire il *quantitative easing*, insomma abbiamo un'agenda economica dove le elezioni anticipate non sono forse l'occasione migliore per far ripartire la nostra economia; Lei cosa ne pensa?

1-048-0000

**Mario Draghi**, *Banca centrale europea*. – Sulla seconda domanda veramente non ho grandi commenti da fare, le democrazie esistono dappertutto, ci sono elezioni dappertutto, quindi è difficile dare un giudizio. Certamente non sono io quello che può dare il giudizio migliore sulla data delle elezioni.

The other question is about the use of cash and its link with criminal activities. Here we have to take stock of the fact that the ECB has actually been quite active in gradually scaling down production of the EUR 500 banknote with a view to its cancellation a few years from now. But it has to be acknowledged that different populations in the monetary union have different preferences as far as the use of cash is concerned. At the same time, it is also true that cash has frequently been used for illegal purposes, of which there can be many.

So, while we acknowledge the importance of the use of cash, a view which has been expressed by several countries and several populations in the euro area, we have to make active control and monitoring efforts so that the use of cash does not support criminal activities as well. You mentioned the possibility of using credit card statements for tax reasons. That is one point, but national authorities have a lot of leeway in fighting tax evasion and finding ways to assess it, whether cash is used or not. The institutions and the authorities are, of course, active at EU level as well.

1-050-0000

**Neena Gill (S&D)**. – Two points: the latest figures show that unemployment in the eurozone is at its lowest level in eight years, and it is clear that much of this success is a result of the ECB's quantitative easing (QE) programme. At the same time, you said today that there is a need for higher productivity growth, which requires innovation. Innovation is key, not just in the financial sector, but in other fields as well. We have just concluded on the G7 and climate change was a key issue there, with President Trump's refusal to endorse it. But when we look back on COP21, the climate change agreement approved by the G20 leaders called for clear strategic policy signals to increase the global focus on green finance. I recognise that, as you said, it is important for the ECB to have neutrality in these issues, but there is a very clear commitment from Europe to improving the quality of our environment. With regard to the EUR 60 billion which the ECB invests in quantitative easing every month, is it not time,

perhaps, to pursue a bolder, more transparent and green kind of QE? If we do not do that, how else can the ECB encourage innovation in green finance?

My second point relates to central counterparty clearing houses (CCPs) and I just wanted to pick up your reply to my colleague Jakob von Weizsäcker, in which you stressed that you want to preserve the current regime and tools to tackle potential systemic risks caused by CCPs in third countries. What do you expect in this regard from your cooperation with the Bank of England? How do you assess the arguments from those opposed to a euro location policy who warn that this would lead to a substantial increase in the raising of bank capital?

1-051-0000

**Mario Draghi**, *President of the European Central Bank*. – Regarding your first question, when we designed our corporate asset purchase programme – the point about green financing is relevant for the corporate bond programme – we designed this programme bearing in mind monetary policy considerations, first and foremost, risk management considerations and a level playing field.

So also in answer to the question I was asked before, as to whether the corporate bond programme favours certain corporations or not, the answer is clearly ‘no’, because one of the criteria was a level playing field across the different market actors. Having said that, the eligibility criteria were broad enough that many green companies’ bonds are also being bought by our programmes. So in answer to your question of whether we would like to see a programme which is exclusively limited to green companies financing, that is not the situation because we want to keep in mind risk management, monetary policy and a level playing field. Does our programme accommodate companies that do respect green finance? The answer is yes.

The second question is about the present situation. You actually touched on two issues: one is the CCPs issue and the other one is the banks, and what the banks’ relocation could imply. Of course, the recent UK decision to leave the EU raised concerns regarding the euro system’s ability to control the impact of offshore clearing authorities’ activities, while maintaining the stability of the euro. In this context, we welcome the Commission’s work to ensure the financial stability and soundness of CCPs. They are of systemic relevance.

We know that the Commission Communication published on 4 May foresees a number of different options, including enhanced supervision at EU level and/or location requirements, but it is just too early to comment on the future CCP supervisory framework which will be adopted by the EU legislator. I would like to mention the fact that the issue of increased capital requirements that you raised as a danger are, in a sense, more relevant for the banks than for the CCPs, but they could also be relevant for CCPs. That is quite clear, and we will have to reflect closely. There is also a consultation now going on with the industry.

By the way, we are not party to the negotiation. Of course, we stand ready to provide advice but we are not party as such to the negotiations.

1-052-0000

**Gunnar Hökmark (PPE)**. – I am always struck by how eager we are to discuss institutional changes in this House and in your House, rather than difficult political decisions in order to achieve structural reforms at European level, as well as at Member State level. I think it is sometimes like looking for keys under the streetlights instead of looking for where you dropped them. We are not very used to discussing the problems of growth regarding monetary policy; rather we have been discussing the lack of growth. Of course, as you mentioned earlier, if you have very different levels of growth in the Member States, you have very different preconditions for monetary policy, even more if the levels of potential growth and the possible output gap are very different. Then the common monetary policy is entering huge

problems. The paradox is that the countries which need most growth are at risk of running into problems regarding pressure on inflation and interest rates before those which have a higher level of potential growth. My very simple question, which could be very difficult for you to answer, would be how could we deal with that? If I take a step further, my question would be should we not in some way put targets on the Member States on the level of potential growth, in order to measure the amount of structural reforms needed? The fact is, where you have low growth you have a lack of structural reforms and that is creating a problem for all of us.

1-053-0000

**Mario Draghi**, *President of the European Central Bank*. – I agree with what you said. Heterogeneity in the sense of having different, if not dramatically different, potential growth paths is a weakness, and it is a fragility of our monetary union. There is only one answer to that, however, and that is to undertake the needed structural reforms. What could a common framework do to help this process? In a sense, we do have the beginning of a common framework with the country specific recommendations (CSRs) and the European Semester. The answer is that we have to strengthen considerably this common framework. We need to have in place something which you suggested, as a matter of fact: the benchmarking system, where countries share their experiences with structural reforms and, very much like they do with budgetary policies, these reforms and their progress are discussed in a common way by the Member States. That is the answer at the present point in time.

1-054-0000

**Gunnar Hökmark (PPE)**. – I would like to come back to that. I fully agree with you but, somehow, I think that as soon as we talk about structural reforms we talk nicely with each other and we are polite, saying every country is different, etc. On the other hand, we know very well what sort of structural reforms are needed, but they are politically sensitive. I would say that regarding the Stability Pact we are quite strict – though not that strict, but we should be strict, and formally, yes we are – but we are extremely vague regarding the most fundamental factors for growth and stability.

1-055-0000

**Mario Draghi**, *President of the European Central Bank*. – Certainly. The way to overcome this, in a sense, is, on the one hand, to strengthen the Commission's role. The Commission is the guardian of the Treaties, the guardian of the Stability and Growth Pact, and the Commission could also become, if not the guardian, certainly the main actor in making sure that countries respect a process of benchmarking their progress on the structural reform side. Then, we should simply give strength to what we already have in place, namely the country specific recommendations, the European Semester. What we have to overcome is the sense that structural reforms are a national business only. They are no longer only a national business because heterogeneity, as I said earlier, is an inherent fragility of our monetary union.

1-056-0000

**Νότης Μαριάς (ECR)**. – Κύριε Πρόεδρε, επανέρχομαι στο θέμα της Τράπεζας της Ελλάδος, το οποίο σας ανέφερα προηγουμένως, διότι η Ελλάδα είναι εκτός της ποσοτικής χαλάρωσης - αυτό το ξέρουμε - και μάλιστα εσείς, απαντώντας πριν λίγο σε μένα, βάλατε και νέους σκληρούς όρους προκειμένου να μπει η Ελλάδα στο «QE», αλλά η Τράπεζα της Ελλάδος συμμετέχει στο «QE» και έχει δαπανήσει 42,5 δισεκατομμύρια ευρώ και γνωρίζουμε, τη στιγμή αυτή, ότι αγόρασε ομόλογα διεθνών οργανισμών. Όπως μου απαντήσατε, αγόρασε ομόλογα του ESM και του EFSF. Δηλαδή, αγόρασε ομόλογα των δανειστών οι οποίοι μας δάνεισαν και μας επέβαλαν μνημόνιο. Λοιπόν, η ερώτηση που σας έκανα είναι συγκεκριμένη: Μπορούσε η Τράπεζα της Ελλάδος να αγοράσει ομόλογα ελληνικών επιχειρήσεων; .....

*(Ο Πρόεδρος διακόπτει τον ομιλητή)*

1-057-0000

**Chair.** – Sorry, but this is exactly the same question as before and the time is up. We are running out of time.

1-058-0000

**Notis Marias (ECR).** – But he did not understand the question so he did not answer. Now he has more feedback.

1-059-0000

**Chair.** – This is the third time that you have asked the same question.

1-060-0000

**Notis Marias (ECR).** – He has more feedback now to give an answer.

1-061-5000

**Mario Draghi, President of the European Central Bank.** – I believe I answered this question before. On the first point, each QE has its own eligibility criteria. In any event you mentioned bank bonds. Bank bonds are not part of the QE programme in any country, so that is out anyway.

1-062-0000

**Notis Marias (ECR).** – And enterprise bonds? Company bonds are in the system.

1-063-0000

**Mario Draghi, President of the European Central Bank.** – Yes, sure.

1-064-0000

**Notis Marias (ECR).** – Why don't they ...?

1-065-0000

**Mario Draghi, President of the European Central Bank.** – If and when we do QE for Greece we will have our eligibility criteria there.

1-066-0000

**Chair.** – We have to conclude now. I am sorry but there is no time for catch the eye. We are out of time for this part of the monetary dialogue with Mario Draghi as ECB President, and we now move to the public hearing with President Draghi in his capacity as Chair of the ESRB.

*(The meeting closed at 17.10)*