

1-001

**COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS  
MONETARY DIALOGUE WITH JEAN-CLAUDE TRICHET,  
PRESIDENT OF THE ECB  
(pursuant to Article 113(3) of the EC Treaty)  
BRUSSELS, MONDAY, 28 SEPTEMBER 2009**

1-002

**IN THE CHAIR: Sharon BOWLES**

*(The meeting opened at 16.35)*

1-004

**Chair.** – It gives me a great deal of pleasure to welcome the President of the European Central Bank to the committee to take part in this monetary dialogue for the first time in the current term.

The last monetary dialogue was on 30 March 2009 and, for those who know how we compute these things, the next one will be on 7 December 2009. So you have had a bit of a holiday from us, but of course you did make up for it by having some seminars that were run by the ECB, as well as a lunch which several Members attended, and of course you discovered there how many questions we all have lined up for you.

So, without any more ado, I will ask you to present your comments and then, as usual, we will move on to the questions.

1-005

**Jean-Claude Trichet**, *President of the European Central Bank.* – I very much appreciate the opportunity provided by this regular hearing to exchange views with you today early in the new parliamentary term. This is, as you said, the 22nd time that I have appeared before this committee.

Looking back, such frequent hearings have been instrumental in developing a very close relationship between the European Central Bank and the European Parliament. I hope to continue and to further deepen this relationship, especially in times that are particularly demanding.

1-006

Heute möchte ich mich auf zwei Themen konzentrieren. Zunächst möchte ich Ihnen unsere aktuelle Einschätzung der wirtschaftlichen Lage im Euro-Gebiet mitteilen. Ich möchte dabei auch auf die geldpolitischen Maßnahmen der EZB und ihre Wirkungen eingehen.

1-007

Et dans un premier temps, je souhaiterais aborder un sujet important et actuel: la réforme de la supervision financière en Europe et, plus particulièrement, la mise en place du Conseil européen du risque systémique.

Je serai aussi concis que possible, mais la matière est riche, comme vous le voyez, et je serai ensuite à votre disposition pour répondre aux questions.

1-008

Let me start with economic and monetary developments. The economic situation and outlook have improved since the previous hearing before Parliament on 30 March 2009. Inflation and inflationary pressures have remained low over recent months. As expected, inflation turned into negative territory over the summer period, due to the large decline in oil prices since last year. In August, annual inflation was still slightly negative, at -0.2%, after a reading of -0.7% in July.

Looking ahead, inflation is expected to turn positive again within the coming months and to remain subdued, within positive territory, over the policy-relevant horizon. This also reflects the fact that economic activity is expected to recover at a very gradual pace. The risks to the inflation outlook are broadly balanced. Indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

Following the 'free fall' in economic activity that we witnessed around the turn of the year, the euro-area economy shows signs of stabilisation. After the strongly negative readings recorded earlier, economic activity in the second quarter of 2009 is estimated to have declined by -0.1%, compared with the previous quarter. In the period ahead, we expect to see a very gradual recovery. This expectation remains surrounded by high uncertainty, while risks to the outlook remain broadly balanced.

On the upside, the impact of macroeconomic stimulus packages and other policy measures may be stronger than expected, confidence may improve more quickly, and foreign demand may prove to be stronger than currently foreseen.

On the downside, the negative feedback between the real economy and the still strained financial sector may be stronger or more protracted than expected. Concerns also relate to potential renewed commodity price rises, further protectionist pressures and persistent global imbalances.

The assessment of low inflationary pressures over the medium term is also confirmed by our monetary analysis. In this context, we note in particular that money and credit expansion continue to decelerate. The annual growth rate of the broad monetary aggregate M3 declined to 2.5% in August, the lowest reading since the launch of the euro. As regards lending to the private sector, the annual growth rate of loans virtually stalled in August at 0.1%.

To a large extent, this development reflects the fall in production and trade, and the ongoing uncertainty regarding the business outlook which has affected demand for financing. Given that the pick-up in loans to enterprises typically lags behind the recovery in economic activity, further weak developments in loans to enterprises in the coming months appear likely.

At the same time, lower market interest rates continue to be passed on in lower bank lending rates. This has led to a gradual improvement in financing conditions, which in turn is expected to support the demand for credit in the period ahead.

It is against this background that the Governing Council views the current level of key ECB interest rates as appropriate.

In addition, we have implemented five ‘non-standard’ measures to enhance credit support, taking into account the major role played by banks in funding the euro-area economy.

First, we have fully accommodated banks’ liquidity needs at fixed interest rates. Second, we have further expanded the list of assets eligible as collateral. Third, we have further lengthened the maturities of our refinancing operations. Fourth, we have provided liquidity in foreign currencies, notably the US dollar, to address the need of euro-area banks to fund their dollar assets. Fifth, and finally, we have launched a direct covered bonds purchase programme to support financial markets.

Overall, these non-standard measures support the flow of credit to firms and households above and beyond what could be achieved through policy interest-rate reductions alone.

Let me emphasise two important points in this respect.

First, the strong intervention of the euro system in the euro-area money market cannot be maintained for ever. We have introduced exceptional measures under exceptional circumstances. We will have to phase them out once the rationale for these measures fades away and the situation normalises.

The Governing Council of the ECB considers that it would be premature to declare the crisis over. Now is not the time to exit. However, at some point in time, exit strategies will have to be implemented. The ECB has an exit strategy and stands ready to put it into action when the appropriate time comes.

Our exit strategy is an integral part of our overall monetary policy strategy. This means in particular that, if we judge that the non-standard measures trigger risks to price stability, we will unwind them. As in the past, the ECB is determined and able to act decisively whenever the need arises. It has both the operational flexibility and the institutional independence to implement this desirable course of action.

The second point I would like to emphasise concerns the relationship of liquidity and price stability. Some commentators ask whether our bold programme of liquidity provision could ultimately trigger inflation in the future. Let me explain why this fear is unfounded.

To start with, it should be noted that, although the liquidity provided by the ECB has increased substantially, this has not led to an increase in monetary aggregates. This would have been the case in normal times when banks use an increase in our liquidity provision to create credit for households and enterprises. However, at present this does not appear to be taking place on any significant scale. As I mentioned earlier, the growth in monetary aggregates – an overall important measure of liquidity expansion in the economy – is at its lowest level for at least a decade.

Furthermore, it should be noted that the ECB has all the instruments required to promptly withdraw its liquidity support if necessary, to counter the possible emergence of upside risks to price stability. It helps in this context that most non-standard measures are being phased out naturally, as the operations stop at maturity, unless we decide to extend them.

Let me now turn to the second major issue, the role of macro-prudential supervision and the envisaged European Systemic Risk Board (ESRB).

The financial crisis has shown that the present, highly sophisticated globalised financial markets and interconnected financial institutions are prone to systemic risk. Systemic risk concerns the possibility that the functioning of the financial system can be threatened or materially impaired as a result of the collective behaviour of market participants, investors and financial institutions. It derives, in particular, from their interactions in financial markets and from the close links between the supply of credit and the macroeconomy.

Systemic risks can emerge even when financial institutions manage their risks in a way that looks appropriate from their individual perspective. Given the interconnectedness in highly developed financial systems, the behaviour of financial institutions – especially systemically important ones – can have an impact on other financial institutions and the financial system as a whole.

Macro-prudential supervision has to take account of these externalities and focus on the interconnectedness of financial institutions, markets and infrastructures. Therefore it contributes to a very important public good, namely financial stability from a systemic standpoint.

Coping with systemic risks will continue to be of the essence, especially in view of the increasing sophistication of global finance that, in turn, is facilitated by rapid technological progress. Against this background, it is the right step to set up a body specifically responsible for macro-prudential oversight at European level in the form of a European Systemic Risk Board.

The envisaged composition of the Systemic Risk Board is appropriate. In terms of output, the Board’s focus on the identification of risks and the provision of early

warnings, where necessary, and of appropriate recommendations, is equally pertinent.

Let me emphasise that such warnings and recommendations will have to be more than mere words. The suggested provisions requiring addressees to take remedial action or, otherwise, to justify why they have not acted, should give the necessary 'traction' to the deliverables of the Systemic Risk Board. The principle of 'comply or explain' is the right one.

The ESRB will have close links with the ECB. The members of the General Council of the ECB will be voting members of the ESRB, together with the three heads of the supervisory authorities and a member of the Commission; the members of the General Council of the ECB will elect the chair and vice-chair of the ESRB; and the ECB will provide analytical, statistical, administrative and logistical support to the ESRB, as suggested by the de Larosière group, communicated by the Commission, already decided by the ECOFIN Council in their own discussions and approved by the European Council in June this year.

As I mentioned to your committee, the ECB stands ready to place the necessary resources and expertise at the service of supporting the ESRB, in very close collaboration with the 27 national central banks.

The new institutional set-up for the ESRB, and the ECB's role in it, must rest on solid institutional and legal foundations. The ECB is closely and constructively participating in the ongoing legislative process on the establishment of the ESRB. The ECB's contribution in this process focuses on establishing in Europe the most effect and robust set-up for macro-prudential supervision possible.

Given the dramatic consequences of the current crisis, we cannot afford for Europe to be ill-equipped and powerless to prevent and mitigate systemic risks. Of course I stand absolutely ready with my colleagues of the ECB to respond to any questions you may have when Parliament is actively involved in this process. I also remember, Madam Chair, that most of the ideas that I see now taking some kind of material shape were launched here in previous meetings of this committee.

Let me conclude with a remark on accountability. The fact that the link between the ECB and the ESRB is very close does not mean that the reporting to your committee and to Parliament will be merged. The reporting will remain – and must remain – in the form of two separate accountability exercises because the mandates are clearly distinct.

For the European Central Bank, Article 105(1) of the Treaty states that 'The primary objective shall be to maintain price stability'. That mandate is very clear. As regards financial stability, the Treaty speaks of a 'contribution' in Article 105(5), stating that the ECB shall 'contribute to [...] the stability of the financial system'. As for the European Systemic Risk Board, the

current legislative proposal that you will examine provides that 'The ESRB shall be responsible for the macro-prudential oversight of the financial system within the Community in order to prevent or mitigate systemic risks within the financial system' (Article 3).

The tasks include – in particular, not exclusively – the following: 'identify and prioritise such risks; issue warnings where risks are deemed to be significant; and issue recommendations for remedial action where appropriate.' We will have to report all this to your committee.

1-009

**Chair.** – Thank you very much for making it clear that you do not intend to merge those two reports. We are grateful for that confirmation.

1-010

**Jean-Paul Gauzès (PPE).** – Madame la Présidente, Monsieur le Président, c'est une nouvelle fois avec plaisir que nous vous recevons ici. Vous nous apportez des éclairages tout à fait importants et pertinents et, pour ma part, je suis heureux de vous retrouver, puisque cela signifie que je continue au Parlement européen.

La dernière fois que nous avons parlé ensemble, je vous avais posé une question un peu impertinente sur l'inflation. Permettez-moi d'y revenir. C'est une obsession chez moi aussi. Certains pays ont une dette qui est très importante. S'agissant de l'Europe, de la zone monétaire que vous contrôlez, vous avez donné tout à l'heure des indications que nous prenons en compte, mais tout le monde ne relève pas de l'autorité de la Banque centrale européenne et on peut craindre que dans certains pays – et je vise l'outre-Atlantique –, on puisse envisager que la dette excessive qui se manifeste soit en partie absorbée par une monétarisation et donc en laissant filer les prix.

Dans l'hypothèse où tel serait le cas pour cette zone, quelle pourrait être la réaction ou la position de la Banque centrale européenne, compte tenu des dispositions du traité que vous rappelez et de son rôle actif en matière de maintien des prix?

Deuxième remarque, simplement une remarque, sur le Conseil des risques systémiques. Le Parlement est bien évidemment saisi de cette question et je peux vous dire que nous veillerons à ce que ce qui est votre préoccupation soit aussi la nôtre et qu'on le traduise dans les textes qui vont nous être soumis dans les prochains jours.

1-011

**Jean-Claude Trichet, président de la Banque centrale européenne.** – Monsieur le député, je suis ravi, moi aussi, de vous retrouver, comme certains de vos collègues.

Ce sont des questions très importantes.

Sur la première question, je dirai d'abord que ce que j'observe des deux côtés de l'Atlantique, c'est qu'il y a

une grande convergence de vues sur le fait que ne pas assurer la stabilité des prix à moyen et à long terme serait tout à fait déstabilisant. Je vous livre cette première remarque, puisque votre hypothèse était qu'il y avait de l'inflation de l'autre côté de l'Atlantique. Ce n'est certainement pas l'intention de la *Federal Reserve*, d'après tout ce que je peux voir, et ils sont convaincus, comme nous d'ailleurs, indépendamment du mandat que nous avons, qu'il faut maintenir la stabilité des prix – dans notre cas, c'est un traité qui nous le demande, et donc je réponds aussi à l'une de vos questions en vous disant que nous appliquerons le traité, tout le traité, rien que le traité. Notre mandat premier est la stabilité des prix et vous pouvez compter sur nous. Nous sommes une ancre de stabilité et de confiance de ce point de vue. Je dis de confiance, parce que nos concitoyens, très souvent, nous disent: "Nous sommes inquiets à moyen et à long terme". Je crois que nous pouvons les rassurer. Nous sommes là, précisément, pour assurer la stabilité des prix.

Mais si nous ne l'assurons pas, et ceci est vrai des deux côtés de l'Atlantique – c'est donc une hypothèse que j'écarte totalement –, mais imaginons, que se passerait-il? L'ensemble des marchés intégrerait dans leurs taux d'intérêt de marché à moyen et à long terme – à deux ans, à cinq ans, à dix ans, à trente ans, même à cinquante ans, puisque un certain nombre de gouvernements empruntent à cinquante ans – l'inflation à venir. Ils incorporeraient cette inflation à venir dans leurs taux d'intérêt de marché. Et donc, la dette, au lieu d'être progressivement éliminée par l'inflation, croîtrait comme une bulle qui s'enflerait à mesure de l'importance des taux de marché qui incorporeraient l'inflation. Donc, en garantissant la stabilité des prix, les banques centrales aident à sortir d'une situation qui est, en effet, très difficile – c'est incontestable – sous l'angle des finances publiques.

J'ai pris très bonne note de votre remarque sur le Conseil du risque systémique. Nous nous tenons à votre disposition. On peut certainement avoir un dialogue extrêmement fructueux. À vrai dire, c'est le prolongement de celui auquel vous avez participé il y a plusieurs mois, puisque je me souviens qu'à plusieurs reprises, c'était du Parlement que venait la demande à la Banque centrale européenne de se montrer plus allante dans ce domaine et de se montrer tout à fait prête à participer activement au Conseil du risque systémique.

1-012

**Gay Mitchell (PPE).** – Madam Chair, I also join in thanking the President. The European Central Bank has been admirable in dealing with the issue of inflation, but not with asset inflation. For two years I questioned you here, Mr Trichet, about asset inflation in the country I know best, Ireland, and the implications for the Irish economy of what was happening there. The ECB seemed to be powerless to act.

This can happen in any Member State. Do you think it is time the ECB did have some power to act, or should some indication of asset inflation work its way into the

harmonised index of consumer prices? Have you been consulted about the National Asset Management Agency (NAMA) in Ireland, which is making its way through the legislature at present there, and do you have any concerns about the approach being taken to deal with this particular issue in Ireland?

1-013

**Jean-Claude Trichet, President of the European Central Bank.** – Thank you for this question. I can confirm that you have been very consistent in stressing this concern of yours, and for very good reasons.

At the level of the euro area, in line with our primary mandate we are looking at what is good for the entire euro area of 330 million people in 16 countries. Given that we are optimising monetary policy at the level of the continent, it is up to each individual country to ensure that apparent anomalies are corrected by national means that can be utilised at national level, such as structural reforms, fiscal policies, or any kind of prudential measures, such as Pillar 2 in the Basel regulatory framework. So there are a number of instruments that exist at national level.

At the level of the Governing Council of the ECB, in which all the governors of national central banks of the euro area participate very actively, if the suggestion is that we were not sufficiently decisive in aiming to prevent a bubble, I remember that we were heavily criticised at the beginning of 2004 because we were not decreasing rates. When we were asked to decrease rates we were at 2% and we were asked very eloquently to go to 1%, and we said 'no'.

We were heavily criticised when we increased rates in December 2005. We were at the level of 2% and we decided that it was necessary to increase rates. In both cases we were criticised by those who were looking only at the economic analysis, but we were also looking at the monetary analysis, at the evolution of monetary aggregates of credit and, through credit, at the evolution of asset prices.

So I would say that, thanks to the two-pillar concept that we apply – an economic analysis and a monetary analysis – we are probably the central bank that tries hardest to incorporate your preoccupation, which is very important. I have to say that the academic world is working hard to try to find out what might be the best concept.

At this moment it seems that we are approaching the best way of incorporating again this long-term preoccupation of yours, and I would say there is no contradiction between long-term price stability and long-term prevention of excessive dynamism in monetary aggregates, their components and their counterparts.

1-014

**José Manuel García-Margallo y Marfil (PPE).** – Señora Presidenta, me gustaría hacer tres observaciones muy rápidas con las consiguientes preguntas.

El Gobernador del Banco Central Europeo, al que estoy encantado de reencontrar en este nuevo término parlamentario, ha señalado que ha aumentado la confianza, pero lo cierto es que el crédito sigue sin llegar a las economías reales.

En su declaración inicial ha expuesto que esta falta de crédito se debe a razones de demanda. Decía que la caída de la actividad económica hacía que no se pidieran créditos. Me parece que no es ésa la percepción de muchas empresas y muchas familias, por lo menos en mi país, donde creen que no hay créditos simplemente porque los bancos no lo dan. Se ha hecho recientemente una encuesta sobre el tema y me gustaría saber si esa encuesta confirma o no que también hay restricciones por parte de los prestadores, reticentes a dar dinero.

En segundo lugar, estoy completamente de acuerdo en que no es el momento de retirar las muletas al enfermo, pero sí es el momento de empezar a pensar que hay que prepararle para caminar sólo en un futuro.

Si he entendido bien, en una de las respuestas el Gobernador del Banco Central entiende que muchas de las medidas *non standard* o extraordinarias o no ortodoxas, cualquiera que sea el adjetivo, van a desaparecer por sí mismas.

En el listado este, ¿va a desaparecer por sí misma también la ampliación de los colaterales que el Banco Central va a admitir?

En segundo lugar, quiero referirme a los plazos —sobre los que hemos discutido mucho— de reintegro de los préstamos. Yo creía que un préstamo a seis meses era a largo plazo, y era corto; ahora se ha pasado a uno. ¿También es otra de las medidas que el Banco Central piensa retirar cuando la crisis pase o va a tener carácter permanente?

Y la tercera y última pregunta, ya sobre el Consejo de Riesgo Sistémico, el Banco Central va a anunciar alertas y va a hacer recomendaciones. ¿Cómo vamos a garantizar que los países sigan esas recomendaciones? ¿Se van a hacer públicas, se va a prever algún tipo de sanción, etc. o vamos a entrar en un sistema de colaboración blanda con el que tenemos malas experiencias en otros terrenos?

Muchísimas gracias, señora Presidenta, por su benevolencia y enhorabuena al Presidente del Banco Central por estar aquí con nosotros.

1-015

**Jean-Claude Trichet**, *President of the European Central Bank*. – Thank you for your questions, which are very important. As regards the distribution of credit, it is clear that the main reason for the recent figures we have observed, showing that credit is stalling, is that the real economy has diminished very substantially, as you mentioned, and so demand is much less dynamic than it used to be.

Together with the Commission we sought to understand better what was going on, particularly for small and medium-sized enterprises, and we had the following results that were published: 77% of requests for credit had received a totally or partially positive response, while 12% triggered a ‘no’.

Those figures demonstrate that the system of allocation of credit is functioning. Unfortunately we cannot compare with the response in normal times, but to the extent that the role of banks in a market economy is from time to time to say ‘no’, this figure of 12% ‘no’ is, frankly speaking, something which seems to be a normal attitude. The 77% ‘yes’ is also what I would hope to see in normal times, provided it is judged appropriately. The fact is that demand is the main culprit for the absence of dynamism that we are observing **in terms of outstanding credit**.

As regards the non-standard measures, as I explained we have embarked on five types of non-standard measures. We were, by the way, the first in the constituency of central banks to embark on medium-term refinancing – **over periods of six months to a year – and** we were the first to enlarge collateral eligibility in a very active fashion. In this respect we were also the first to give a diagnosis of the situation, which we judged back in August 2007 to be very grave. Unfortunately we were proved right in this diagnosis.

But having said that, we will have to do all that is necessary to be sure that we do not do anything to endanger price stability, which is not only the primary goal given to us by the people of Europe, but is a necessary condition for the recovery to be sustainable.

I do not want to elaborate more on the fact that in any case future inflation expectations are incorporated into today’s interest rates, so if we want to **support** the recovery we have to continue to be credible in the delivery of price stability. We will do whatever is necessary to ensure that we can deliver on price stability; as regards the timing, I would say again that today is not the time. You can only count on us to be sure that we do what we have to do when the time comes.

On systemic risk I fully agree with you. The task of the ESRB will be to identify risk, to engage in early warning and to make a recommendation, not to decide in the place of the various authorities, and that makes the follow-up very important, as you underlined.

1-016

**Antolín Sánchez Presedo (S-D)**. – Señora Presidenta, yo también quisiera agradecer la presencia del señor Trichet y expresar que fortalecer las relaciones entre el Banco Central Europeo y el Parlamento Europeo será muy fructífero y muy positivo para el proyecto europeo.

También voy a referirme a dos cuestiones. La primera, se refiere más específicamente a las pequeñas y medianas empresas, y la segunda a la macrosupervisión.

Parece que la crisis financiera —la parte más aguda— está pasando. Es evidente que la crisis, en su sentido más amplio, necesitará recuperar el crecimiento económico y el empleo e incluso corregir algunos de los desequilibrios globales. Y hace aproximadamente un mes, su colega de la Reserva Federal, el señor Bernanke, decía que la recuperación no existiría hasta que el crédito volviera nuevamente a las PYME.

Hace muy poco se ha divulgado un informe de Banco Central y de la Comisión sobre las pequeñas y medianas empresas. Las pequeñas y medianas empresas dependen en gran parte, en su financiación, de los bancos. Están más afectadas, por lo tanto, sus necesidades por la financiación bancaria. Tienen necesidades crecientes y parece que se nota cierto deterioro de su acceso a la financiación bancaria.

¿Cuándo se puede normalizar esta situación? ¿Cómo valora usted esta situación?

Y la segunda cuestión se refiere a la macrosupervisión. Probablemente, de la crisis financiera, la principal enseñanza es la necesidad de una supervisión que vaya más allá de las instituciones y que tenga un carácter sistémico.

Es evidente que el Banco Central, según los Tratados, tiene una opinión y está siendo consultado en este proceso y, por lo tanto, estamos muy interesados en saber si, en este Consejo Europeo del Riesgo Sistémico, los poderes que están inicialmente diseñados son suficientes para cumplir su misión, porque ha habido alertas antes de la crisis económica por el BPI, por el Fondo Monetario y por el propio Banco Central.

Pero la cuestión es: ¿son suficientes las recomendaciones? ¿No sería necesario ir algo más allá para proporcionar eficacia a esta Institución a fin de garantizar que efectivamente no existan riesgos a nivel europeo? ¿Podría el Euroform incluso tener una estructura específica dentro de este Consejo? Y ¿cómo se realiza la cooperación internacional?

1-017

**Jean-Claude Trichet**, *President of the European Central Bank*. – On your first question I confirm that, in our own analysis, since the end of the second quarter of this year we have been at the end of the free-fall episode in the European and global economy that we have experienced since mid-September last year, when we had to cope with a single event which had a dramatic impact on the entire global economy. We are out of the free-fall period but we have to remain prudent.

As you know, our staff considered that the projections had to be reviewed upwards, both as an average for this year and for next year, but in both cases growth remains very negative this year, even if it is 0.5% more than was previously foreseen, and the same for next year, it remains slightly positive, very close to zero. So there is still a bumpy road ahead of us. We have to be prudent,

to be very cautious and to be permanently alert. This is no time for complacency in any respect.

As regards the SMEs, they are extremely important: these companies are creating the jobs that are needed, and so we are following as carefully as possible what happens there. As you know, we have concentrated all our non-conventional measures on the banks, because we consider that SMEs in particular have access to credit only through banks, they do not have access to markets, and so it was very important for us to concentrate on the channel of bank financing. This is a different approach from the one taken on the other side of the Atlantic, but this difference is very well explained by our situation and by our concern for the SMEs.

We are telling the banks about everything we are doing for you, namely all the non-conventional measures that I mentioned and the level of interest rates that we are practising – all this is done not for you, but for the real economy, for you to participate as actively as possible in the recovery at which we are all aiming.

I have to say that in a number of cases we are telling the banks: if you need more capital, then you should take advantage of what the governments put aside as possible new capital. I consider that, at present, our assessment is that 55% of the capital that was earmarked by governments for possible recapitalisation options has been utilised, but 45% has not. So there are still possibilities, and there is always the possibility to have direct recourse to markets. But having said that our message to the banks is clear: do your job.

As regards the Systemic Risk Board, I agree again with your remark on the fact that it is extremely important that the follow-up is very well organised. The concept which has been adopted at this stage is really one where we have a strong moral suasion in the hands of the Systemic Risk Board, but no substitution for other responsibilities. That is the concept.

We take it as it is. I have always said that my colleagues and I stand ready to participate actively in the Risk Board, which again is not the ECB. The ECB is very actively providing everything to which I referred in the introductory remarks: contributing to the success of the Risk Board, having a very dense intertwining with the Risk Board; but I am not confusing the responsibility of the ECB with the responsibility of the Risk Board.

1-018

**Robert Goebbels (S-D)**. – Monsieur le Président, j'ai moi aussi plaisir à vous retrouver et je vous poserai la question suivante: je crois que la Banque centrale européenne a bien joué son rôle en permettant aux banques de se refinancer, notamment après l'assèchement du marché interbancaire suite à l'affaire Lehman Brothers.

Néanmoins, toutes vos actions et également la baisse des crédits n'ont jusqu'ici que peu profité aux entreprises et aux consommateurs, vous l'avez dit vous-même, il y a eu

une augmentation du crédit de 0,1 % en août. Et comme vient de le dire mon ami Sánchez Presedo, pas de reprise sans crédit.

Or, toutes ces liquidités énormes que vous avez mises à la disposition des banques, elles ont servi à quoi? J'ai l'impression qu'au mieux, les banques ont acheté avec cet argent des bons du Trésor. Vous n'êtes pas en mesure de financer les gouvernements mais vous subventionnez indirectement, en quelque sorte, les crédits aux États et vous permettez, de ce fait, aux banques d'empocher de l'argent facile.

Et puis, et surtout, il me semble que cet argent a servi également aux banques pour spéculer, notamment sur les marchés monétaires et d'autres marchés où la spéculation est très vive. Ma question est donc: est-ce que la BCE ne devrait pas attacher des critères un peu plus restrictifs à ces financements, notamment ceux à maturité très longue?

1-019

**Jean-Claude Trichet**, *président de la Banque centrale européenne*. – Je dirais que notre message pour les banques a toujours été celui que je viens de dire, à savoir "Nous ne faisons pas ce que nous faisons, dans tous les domaines, aussi bien de la politique monétaire que des mesures non conventionnelles, pour vos beaux yeux, mais pour que vous fassiez votre travail, qui est de financer l'économie".

Quand 77 % des petites et moyennes entreprises répondent qu'elles ont eu une réponse positive à leur demande de financement – positive totalement ou partiellement –, je ne peux pas dire que le constat est aussi négatif que vous le dites. Mais je retiens de votre question qu'effectivement, il importe que nous soyons aussi clairs que possible dans notre message. C'est le message des banques centrales, car nous faisons beaucoup, en effet. Je dis que c'est le cas de la BCE – je suis, en tant que président de la BCE, devant vous aujourd'hui –, mais c'est le cas de toutes les banques centrales des 27, sans exception, bien sûr, et c'est le cas plus généralement au niveau mondial.

Mais les gouvernements aussi ont décidé de suivre cette voie, et il fallait le faire, nous leur avons demandé nous-mêmes. Nous leur avons dit "Nous avons un problème de liquidités systémique considérable. Nous pouvons le traiter. Nous ne pouvons pas traiter le problème de solvabilité systémique". Et de ce point de vue-là, les options de recapitalisation, les options de garantie pour le financement à moyen et à long terme, les options pour les *impaired assets* sont des options gouvernementales et, bien entendu, les gouvernements ne font pas ça non plus pour les beaux yeux des banques. Donc je dois dire que, compte tenu de l'ensemble de ce qui est fait, notre message doit effectivement être renforcé.

Ceci dit, nous sommes dans une économie de marché et nous ferions une grosse bêtise si nous décidions de nous substituer aux banques. Dans une économie de marché, il faut naturellement qu'il y ait des décisions

décentralisées, sinon nous sommes dans un autre univers. Mais la persuasion morale doit opérer aussi fortement que possible. Et en cela, je suis d'accord avec vous.

1-020

**Wolf Klinz (ALDE)**. – Herr Präsident! Ich teile Ihre Ansicht, dass es in der Tat Hinweise darauf gibt, dass sich die Situation zu bessern scheint. Ich möchte als Freier Demokrat aus Deutschland hinzufügen: Ein Grund, der mich optimistisch stimmt, ist das gestrige Bundestagswahlergebnis, und insofern haben wir Grund, optimistisch in die Zukunft zu schauen.

Lord Turner von der FSA hat ein paar unkonventionelle Vorschläge dazu gemacht, wie man das Finanzsystem robuster und widerstandsfähiger ausgestalten kann. Er hat u.a. vorgeschlagen, dass man einen maximalen Hebelfaktor festlegt, also eine *maximum leverage ratio*, und eine minimale Kerneinlagenquote, also eine *minimum core deposit ratio*, und einiges mehr.

Würden Sie, wenn dieser Europäische Ausschuss für Systemrisiken bei der EZB angesiedelt wird, glauben, dass es dann auch Aufgabe dieses Ausschusses wäre, solche Vorschläge ins Kalkül zu ziehen, oder sagen Sie, das ist nur Aufgabe des Supervisors, und Sie befassen sich lediglich mit der Feststellung des systemischen Risikos? Darüber hinaus möchte ich auch noch eine andere Frage stellen: Wäre es nicht sinnvoll, ein internationales Kreditregister zu schaffen, das einen sehr schnellen Überblick ermöglichen würde, so dass man sofort wüsste, wo die Risiken und wo möglicherweise Klumpenrisiken liegen, die man bislang nur sehr mühsam feststellen kann?

1-021

**Jean-Claude Trichet**, *President of the European Central Bank*. – As you know better than anybody, the institution I represent, the ECB, issues the currency for all sensitivities – for the sake of all our people, our 330 million fellow citizens. I think it is important that we see the future Risk Board putting itself in the right place amongst the various forms of international cooperation, if I may put it like that, because many concepts for supervision in the domains of insurance, banks and markets in general, are devised at a global level.

By the way, I am very happy that the oversight body of the Basel Committee – in between the G20 Summits in London at ministerial and government level, and in Pittsburgh at the level of heads of state – has been able to work out a consensus on how to advance in the domain of bank supervision at a global level with all parties concerned, including the emerging countries. I can see that Pittsburgh has backed this move towards better supervision.

At the level of the Risk Board, I think we will have to see what is of a macro-prudential nature, and what could be the right messages which could be sent by this Board to improve macro-prudential measures, fully taking into account the responsibility of micro-prudential

authorities. These will be included because, as you know, we have a membership comprising the three heads of the three authorities in Europe.

But again I do not think it is possible to say what we will do in advance. I am assuming that nothing should be excluded ex-ante, provided we are doing the job which we are called upon to do, namely if necessary to engage in early warning and make recommendations, which could be of the kind suggested by Lord Turner. Of course I do not make any pronouncement on any particular one of these suggestions.

As regards the idea of having a leverage ratio, it is part of the global consensus to consider that we have to work on it. Of course we have the Basel II requirement for capital based on weighted risks, but on top of that, we could imagine that the idea of working on a leverage ratio – which should normally not bite in normal times, because what would bite would be the requirements that are based upon weighted risks – could, in some exceptional cases, be useful. This is now part of the global avenue that we have to work on and, as I have mentioned, we will continue to work very actively on that.

1-022

**Derk Jan Eppink (ECR).** – Meestal reguleren wij de vorige crisis en in het proces daarvan bereiden wij dan de volgende crisis voor. Dus is het heel belangrijk dat er in ons toezichthoudend systeem geen weeffouten zitten. Daarom is mijn vraag ten aanzien van het *European Systemic Risk Board (ESRB)* de volgende: ik zou erg benieuwd zijn naar de grootte van dat orgaan. Hoeveel leden gaat het tellen en hoe beslist men of er sprake is van een systeemrisico?

Terugkijkend op de Federal Reserve Bank, in de Verenigde Staten waren er mensen die zeiden dat de Amerikaanse hypotheekmarkt tot een systeemrisico leidt, maar de directeur van de bank zei dat dat niet het geval was. Hoe komt men tot die beslissing, wordt daarover gestemd of moet dat unaniem worden beslist?

Een tweede punt is: wat is de ultieme bevoegdheid van die autoriteit in geval van noodsituaties, de zgn. *emerging situations*? Hier heeft u ook het probleem van Eurolanden en niet-Eurolanden. Stel dat er een probleem is in Groot-Brittannië – ik noem maar een willekeurig voorbeeld – gaat die autoriteit dan tegen de Bank van Engeland zeggen: luister, u bent verkeerd bezig, u moet doen wat wij zeggen? Ik lees in het voorstel ook een zinnetje - het klinkt allemaal wat byzantijns - maar misschien mag ik het voorlezen? Hier staat eigenlijk wat men wil:

1-023

‘the Authority should be empowered to adopt, as a last resort, decisions directly addressed to financial institutions in areas of Community law directly applicable to them aimed at mitigating the effects of the crisis and restoring confidence in the markets.’

1-024

**Derk Jan Eppink (ECR).** – Misschien, mijnheer de bankpresident, kunt u in gewone mensentaal uitleggen wat hier wordt bedoeld?

1-025

**Jean-Claude Trichet, President of the European Central Bank.** – First of all, although you are putting this question to me, it is not we who have worded all that. What we said is that we were standing ready to participate very actively in the body considered by Europe as appropriate to cope with this systemic risk. Please do not ask me questions which, it seems to me, should be put to the Commission and perhaps to the Council. In any case there is codecision for that purpose.

To be as clear as possible, as I understand it the situation is the following. First you have the governors of the 27 central banks: it is a 27-member institution. In our own vocabulary it is an ESCB concept, not a Eurosystem concept with 16 countries: it is a 27-member ESCB concept.

Second, as I have said, there will be not only the central bank governors and the Vice-President and the President of the ECB, there will also be three heads of authorities, of macro-supervision authorities, and a representative from the Commission. It will be a wise body, a body which is looking to the medium-to-long-term sustainability of European finance and, based on its own wisdom and capacity to have a medium-term vision, will make recommendations or warnings.

It will not be a substitute for the authorities in question, whether they are public or private, but will report to you and decide whether or not to make such recommendations public. It will of course have influence, and we expect that the follow-up would be designed to permit those wise recommendations to be followed by action, but again this body will not be a substitute for those who have to take the decisions.

1-026

**Sven Giegold (Verts/ALE).** – Frau Vorsitzende, Herr Präsident! Schön, Sie wiederzusehen, Herr Trichet. Ich habe eine Frage, die sich auf die außerordentlichen Maßnahmen der EZB bezieht. Sie haben Sicherheiten angenommen, die man in normalen Zeiten als höchst fragwürdig betrachten würde. Mich würde zum einen interessieren – ich habe die Daten Ihres Jahresberichts 2008 gesehen –, wie groß der Anteil der nichtmarktfähigen Sicherheiten ungedeckter Bankschuldverschreibungen – *asset backed securities* – an allen Sicherheiten im Jahr 2009 ist, die sie von privaten Banken entgegengenommen haben.

Ich frage Sie auch, welche Konsequenzen es aus Ihrer Sicht für die Banken haben wird, wenn sie diese Risiken und Sicherheiten wieder zurücknehmen müssen, also wenn die außerordentlichen Maßnahmen auslaufen. Mich würde Ihre Einschätzung der Stabilität der Banken in dem Moment, in dem diese Sicherheiten wieder zurückfließen, interessieren.

Zu guter Letzt stellt sich angesichts der großen Größenordnung dieser Sicherheiten die Frage, was passieren würde, wenn sich diese Risiken zu einem relevanten Teil verwirklichen, zumal die entgegengenommenen Sicherheiten nach den mir vorliegenden Daten das Eigenkapital der EZB erheblich übersteigen.

1-027

**Jean-Claude Trichet**, *President of the European Central Bank*. – First of all, let me again mention what I have already said, namely that even before the start of the turbulence – which in the ECB we date from 9 August 2007 – we were accepting private paper and not only treasury paper, as was the case with a large number of other central banks. We were accepting asset-backed securities as collateral when others would not. We were not only accepting asset-backed securities, we were even accepting loans.

So we were in a situation where we had a collateral framework which was more open. We have enlarged it in the non-conventional measure but, in comparison with the starting point, obviously not much. What has happened is that there has been – for obvious reasons, with the development of the turbulence and the open crisis since September last year – a will on the part of the banks to present to us much more this kind of private paper than the kind of public paper that was presented before.

You have a point, and I fully agree that the unwinding of these exceptional measures that we have taken – these non-standard measures – will call for progressive moves in the behaviour of the banks. That is true for the particular element that you have underlined. It is also true of the possibility they have today to be refinanced for a full year or for six months.

At the very beginning of the crisis, our permanent steady state was three months – not six months, and not a year. So, again, this is part of the exit strategy. As I have mentioned, today is not the time to exit, but that time will come and, when it does, the kind of questions you raise will have to be dealt with. We are publishing all our figures so I will not bore you with a lot of figures. What I would say is that your question is pertinent.

1-028

**Jürgen Klute (GUE/NGL)**. – Ich möchte noch einmal auf Lord Turner zurückkommen, auf den eben schon Bezug genommen wurde. Er hat noch eine andere öffentliche Äußerung gemacht, die noch ein anderes Licht auf die Ursachen der Finanzkrise wirft. Er hat sich sehr kritisch zur Größe und zum Gewicht des Londoner Finanzplatzes geäußert und hat auch insgesamt Kritik an den globalen Finanzgeschäften geübt. Auch deutete er an, dass sie möglicherweise viel zu aufgebläht sind, d.h. dass der Finanzsektor insgesamt viel zu aufgebläht ist. Das kann man auch als Folge einer falschen Verteilungspolitik in unseren Gesellschaften verstehen, wenn man das will.

Meine Frage dazu wäre: Wie schätzen Sie als Präsident der Europäischen Zentralbank das ein? Sehen Sie Möglichkeiten, den Finanzsektor sozusagen auf ein Normalmaß zurückzustutzen? Das wäre ja die Konsequenz aus dem, was Lord Turner gesagt hat.

Sehen Sie auf der anderen Seite im europäischen Primärrecht überhaupt die Möglichkeiten dazu, eine solche Veränderung des Finanzmarktes durchzuführen? Lord Turner spricht sich für eine Tobin-Steuer aus. Das wäre ja z.B. eine Möglichkeit, den Finanzsektor etwas kleiner zu halten, zumindest in bestimmten Bereichen. Dabei stellt sich dann allerdings die Frage, ob überhaupt die Voraussetzungen im europäischen Primärrecht gegeben sind.

Noch ein zweiter Aspekt dazu: Auf dem G20-Gipfel im April d.J. in London hat der stellvertretende chinesische Finanzminister den Vorschlag gemacht, den Dollar als Leitwährung zu ersetzen, nicht durch den Euro – wie das der eine oder andere sagt. An die Stelle einer Leitwährung, wie Dollar oder Euro, könnten Sonderziehungsrechte treten, um damit Krisen von der Art, wie wir sie jetzt hatten, vorzubeugen. Mich würde interessieren, wie Sie dazu stehen.

1-029

**Jean-Claude Trichet**, *President of the European Central Bank*. – You have addressed a lot of very important questions. I shall first say that my understanding of what has happened is that we have experienced the fragility of global finance and, by way of consequence, the fragility of finances at the level of the European Union, of all entities that make up the global economy.

This is something which has to be corrected. We cannot accept living in a world that is so fragile. The absence of resilience is the element that we have to take care of. My understanding is that, as with a disease which is very hard to treat, you have to practise multiple treatments. As I see it, it would be a big mistake to scapegoat any particular part of global finance, because if you scapegoat, say, the investment banks, the commercial banks, the rating agencies and so forth, then you are saving the others; they are not targeted.

Everything has to be changed; everything has to be fixed. I am very happy that this is the way we are proceeding because we have an accord on the methodology at global level, at the level of the emerging world, as well as the industrialised world, and we have decided to try to treat everything.

I would not consider that there is any part which does not need to be very substantially improved, because the fragility came from the system itself.

As regards the Tobin tax, I am against it, at least if you are referring to the taxation normally known as the Tobin tax. I do not want to say more on that, but I am against the Tobin tax.

As regards the dollar, I would say that in the present situation it is extremely important that we can have, in the framework at the level of global finance and the global economy, a strong dollar, as the authorities in the United States are claiming. Ben Bernanke, Tim Geithner and the President of the United States are all saying that a strong dollar is in the interests of the United States. I trust that; I trust that it is true and that what they say in this respect about the solidity of the dollar is very important.

1-030

**Godfrey Bloom (EFD).** – Thank you for your time, Mr Trichet. I spent 35 years in financial services in various ways, and I see this from a slightly different perspective.

Most politicians are economic laymen: they do not really understand these things. When we talk about where this all actually started, you hear Lehman Brothers mentioned and all the banks being blamed and so on and so forth, but I would argue – and I would be interested in your view – that this chain of events was perhaps started by politicians – American politicians – who brought in the Community Reinvestment Act. I rather agree with my colleague, Mr Eppink, who made mention of this.

We do not seem to hear that this was part and parcel of political engineering of the very worst kind which was picked up by the banks and run together with the banks, which made profits out of it. They have been backed up with taxpayers' money and by politicians who made the mistake. The regulators have made nothing but mistakes – and I hear Lord Turner's name mentioned. The FSA in London have just paid themselves 10% salary increases and bonuses and heaven knows what else for presiding over what is probably the biggest muck-up in the history of banking in Europe, and I do not think we need to listen too much to what he might have to say.

Should we not be looking towards the British dominions – Australia and Canada – which have not had this problem? The Australian banks and the Canadian banks do not have this problem because they have a completely different sort of regulation which is not prescriptive and not box-ticking. I think it is time somebody spoke up for the taxpayer who has had to clear up this mess.

1-031

**Jean-Claude Trichet, President of the European Central Bank.** – As I said, I am working on the assumption that global finance needs to be fixed. We should not point the finger at any part of the system, because it is global finance itself that proved very abnormally fragile, demonstrating an absence of resilience that triggered a free fall of the global economy. It is this we must fix.

In identifying what has to be done, it is clear that those national systems that have proved the most resilient need to be looked at very carefully, because a lot of lessons have to be drawn from that. I would echo what you said that when I look, for instance, at Canada, the Canadian way of dealing with its own financial system in the Western hemisphere has been quite resilient, and here

again we probably have lessons to learn. I do not want to single Canada out for praise, but it is an example where we can see that resilience has been preserved.

1-032

**Burkhard Balz (PPE).** – Frau Vorsitzende, Herr Präsident! Ich war sehr beeindruckt von Ihren Ausführungen zum ESRB, vor allen Dingen auch davon, wie Sie erklärt haben, wie die EZB, aber auch Sie und Ihr Stellvertreter in dem Ausschuss involviert sind. Ich habe in den letzten Wochen gelernt, dass Sie dann auch Warnungen und Empfehlungen geben können. Meine Frage ist: Könnte es sein, dass Sie möglicherweise in eine gewisse Rechtfertigungssituation kommen könnten, falls sich solche Warnungen und Empfehlungen letztendlich nicht als richtig erweisen? Und wie verträgt sich das mit dem übergeordneten Ziel der EZB einer unabhängigen Geldpolitik? Meine Frage ganz konkret: Sehen Sie hier mögliche Interessenkonflikte?

Die zweite Frage, die ich habe, ist folgende: Ich bin, bevor ich ins Parlament kam, 15 Jahre in der Finanzbranche tätig gewesen. In den letzten Monaten hatten wir in ganz Europa eine Diskussion über die Frage, was sogenannte systemisch relevante Institute sind. Bisher hat mir keiner eine befriedigende Antwort darauf geben können. Kann mir hier der Präsident der EZB ein wenig weiterhelfen?

Meine dritte Frage betrifft die sogenannten Staatsfonds, vor allem diejenigen außerhalb des Euroraums, aber auch allgemein. Haben diese Staatsfonds aus Ihrer Sicht in den letzten 12 bis 18 Monaten zur Stabilität der internationalen Finanzmärkte beigetragen?

1-033

**Jean-Claude Trichet, President of the European Central Bank.** – As I have already said, the ESRB will consist of a number of participants. I should also have mentioned that observers will come, when necessary, from the various supervisory authorities. There is certainly no conflict of interest, because the ECB itself has the Treaty of Maastricht, and, as I said at the end of my introductory remarks, it is so to speak a sanctuary for monetary policy.

The recommendations that we will make in terms of macro-supervision will perhaps not be so very different from what we ourselves are saying without the Risk Board, on fiscal policies and on the necessity of structural reforms. So we make recommendations in this domain. It seems to me that, although it is of course not the same, it might show you how it could function.

Again, we will not have executive authority. We will make recommendations. We are responsible for our recommendations when we have discussions with you before your committee. Very often I have to respond to questions on structural reforms, on whether we are right or wrong to call for structural reforms in such and such a domain. We try to explain in the best fashion possible, and it seems to me that this is also part of what we are doing.

As regards the systemically relevant financial institutions, this is a matter of judgement. Very unfortunately we recently had big examples of systemically relevant financial institutions when governments on both sides of the Atlantic decided to try to avoid catastrophes. They judged that it was systemically relevant. I trust that their judgement was correct. In one case we could see that a single event could trigger, all over the world, the synchronising downwards of decision-making processes in emerging countries, in industrialised countries and in the financial and non-financial corporate world. We could see there that this concept of a systemic event was a real one, but I agree with you that it is of course a matter of judgement.

Regarding your last question, I have no particular assessment to make on the government funds. I think they continue to play their role but at this stage I have no judgement to make.

1-034

**Alfredo Pallone (PPE).** – Signora Presidente, signor Presidente Trichet, io volevo fare delle domande sui regolamenti perché ho potuto notare che, sulle tre autorità, mi è venuto in mente come fu costruito poi il processo che riguardava la moneta unica e la Banca centrale europea, attraverso un grande processo di democrazia e quindi con una grande autonomia della BCE.

Ecco la domanda: io ho letto il regolamento e sono rimasto molto perplesso ad un passaggio che dice che il nuovo regolamento escluderebbe di fatto che potremmo trovarci in una situazione in cui l'organo principale – the *European Systemic Risk Board* e lo *Steering Committee* – possa in teoria non comprendere il governatore della BCE. Ed è qualcosa che mi ha lasciato molto molto perplesso, e quindi poi vedendo le tre autorità che sono nominate direttamente, non come è accaduto a lei, signor Presidente, direttamente dai governi e dal Parlamento, ma sono nominate direttamente dai membri del *board* dei supervisori.

E quindi le domando, signor governatore Trichet: non crede che sia necessario garantire due punti, specialmente per quanto riguarda la vigilanza macro e micropurudenziale? E che quindi venga rafforzata e non indebolita la BCE e che si porti avanti un discorso che significa l'*accountability* di queste autorità e che quindi riporti il discorso più al governo dei cittadini, ai governi nazionali, e non solamente ai *board* dei direttori generali dei vari *supervisor* che sono nei nostri paesi.

1-035

**Jean-Claude Trichet, President of the European Central Bank.** – If I correctly understand the question, you are addressing the proposal which is made at micro-supervision level, and I have to say that we are working on that very actively. We are not, as you said, directly involved, but we will have to make up our minds in the normal consultation process, so we are working actively to study what has been proposed for micro-supervision.

We are much more familiar with the macro-prudential body because we have, since the very beginning, been directly involved at this level so I will be very prudent on all the remarks you made at the level of the micro-supervision authorities.

I hope that you will forgive me for that because, again, we will see exactly what is the judgement of the Governing Council of the ECB, which will have to make up its mind.

You said at a certain moment that the President of the ECB would not be part of something, and I am afraid I did not catch exactly what.

1-036

**Alfredo Pallone (PPE).** – (*prima parte dell'intervento senza microfono*) ... potrebbe non essere coinvolto da un nuovo regolamento.

1-037

**Jean-Claude Trichet, President of the European Central Bank.** – Again, you are back to the micro-supervision authorities. This has been explicitly suggested by the de Larosière group – and I have to say that this was not the position taken by a large number of MEPs, who told us that we should be involved in micro-supervision – but it was not what was adopted by the de Larosière group or, at this stage, by the Commission and the Council.

Of course you will make up your own minds, but for me it is something that has already been more or less decided for some time. We will have to make up our minds and respond to your question in the name of the Governing Council, because this is the consultation process.

1-038

**Othmar Karas (PPE).** – Frau Vorsitzende, Herr Präsident! Ich beginne gleich bei Ihrer letzten Feststellung. Das Europäische Parlament hat in der Bankenrichtlinie sehr deutlich gesagt, dass es einen Integrationsschritt bei der Aufsicht wünscht und die EZB verstärkt einbinden will. Mir reicht das, was jetzt auf dem Tisch liegt, nicht aus. Das gilt gerade auch im Hinblick auf das, was Sie gesagt haben, nämlich dass wir zwar eine globale Finanzmarktstruktur haben, aber nicht einmal eine europäische Finanzmarktaufsicht. Wie wollen wir zu einer globalen Aufsicht gelangen? Wir sind noch nicht weit genug. Ich bitte Sie, mir zu sagen, ob Sie das auch so sehen.

Der zweite Punkt ist die Prozyklizität. Eine wichtige Frage ist, welche Kosten die Prozyklizität verursachen würde, was die Eigenkapitalfrage und was die Bilanzierungsregeln betrifft. Auch muss geklärt werden, ob man darauf eingehen muss, denn wir müssen das im Herbst diskutieren.

Mein dritter Punkt ist folgender: Sie haben zuerst gesagt, das Problem liege in der Struktur und nicht in den einzelnen Produkten oder Instituten. Diese Meinung teile

ich. Aber können Sie mir ein konkretes Strukturproblem nennen, das wir lösen müssen?

Meine letzte Frage betrifft Schulden, Inflation und Exitstrategie. Auch die Schulden können zur Inflation führen, nicht nur das leichtere Geld. Wie sehen Sie das im Zusammenhang mit der 2%-Grenze Ihres Auftrages? Welche Rolle spielt die Schuldenpolitik bei Ihrer Exitstrategie?

1-039

**Jean-Claude Trichet**, *President of the European Central Bank*. – On the first remark, what we are trying to do at global level, and what has been decided at the level of the G20, the grouping which includes both the industrialised countries and the emerging world, is to work out the same concepts and the same principles. I am happy with that; it is extremely important. We need a level playing field. If we want the system to be much more resilient we also must have a level playing field and the same principles applying everywhere.

This was the theory of the old Basel Committee. It was created at the time of the terrible crisis that we had in the 1980s, the crisis of the sovereign risk, and so it is a long-standing necessity to have a single set of principles and of concepts of prudential measures at global level.

Is it being applied correctly or not? I shall let you judge, but it was clear that we had to improve considerably on the fair implementation of the same principles at global level, and the question then arises of whether to ask for a single authority to be responsible for their implementation? Of course, the concept relies upon implementation by a constellation of authorities, certainly at global level, and also even at European level.

I know pretty well what **Parliament's** position is because you have made it very clear, including **in this committee**, and I would say that in the first instance it is a very good idea to have a single authority in Europe to do that at micro-supervision level. But this is not what has been proposed. I trust that it is very unlikely that there is a possibility of **proceeding**, taking into account the positions of the various countries at this stage, and I understand that you regret that, but I tend to consider at this stage that it is a fact of life.

It is all the more important, then, that we be sure that the same single principle – in the case of Europe, the same directive – is implemented fairly, exactly in the same fashion, with exactly the same concept, for each particular country.

As regards the exit strategy, I understand your question as telling me not only that there must be an exit from the non-standard measures, but that you have to run your own monetary policy and take your decision as regards interest rates, and I always said that goes without saying. Again we have to do whatever is necessary so that we can continue to tell you and our fellow citizens: you can rely upon us, we deliver price stability in the medium and long run.

By the way, when we compute at the end of the year what we have done since the setting-up of the euro, over the first 11 years, you will see that we were capable of fulfilling the primary mandate that you, the democracies of Europe, gave us.

My colleagues and I are proud of that, but it is the fact that we are credible for the time to come that enables us to have, incorporated in the present market rates, medium- and long-term, this definition of price stability 'below 2%, but close to 2%', which is credible in the eyes of all market participants, investors and savers in Europe and in the rest of the world.

1-040

**Edward Scicluna (S-D)**. – Mr Trichet, first of all, like my colleagues, I would like to thank you for the importance you are giving to our meetings and our questions.

My question concerns monetary and fiscal policy, which should normally go hand in hand – or, at least, the left hand should know what the right hand is doing.

On the monetary side, you were very clear. You said, regarding the exit strategy, that it is not the time yet to exit, and we agree.

I feel that, on the fiscal side, especially in the eurozone, such guidelines are more ambiguous in the sense that, while the Commission is also agreeing and saying that it is not the time to step down from the fiscal stimulus – not to increase taxes but not to reduce them for the moment – at the same time it is slapping tight deadlines on the excessive fiscal deficit procedures and ignoring the fact that this recession is a special circumstance in itself.

Do you not agree that at least we should, on a country-by-country basis, wait for each country at least to see some – one quarter at least – upturn before reducing its deficit?

1-041

**Jean-Claude Trichet**, *President of the European Central Bank*. – First of all, I have to say that we totally support the Commission in its very difficult task of ensuring the implementation of the Stability and Growth Pact. It is a difficult task but it is very important.

It is also a question of confidence. If our people and the investors, the savers, and the markets do not feel that the fiscal situation is under control in the medium and long term, we will not be able to work out the recovery. We will be blocked.

The message being given by the Commission – with our full support – at the level of Europe as a whole, and the euro area in particular, is that starting to return to normal in terms of fiscal policies should coincide with, and not be later than, the recovery, and in any case should involve a step-up for a large number of countries in

2011. That is what the Commission says, and we fully support that.

Of course some countries have additional difficulties in terms of outstanding debt as a proportion of GDP, and in terms of the size of the deficit. This is noted by savers and markets in terms of spreads and also by our fellow citizens in terms of losing confidence. All this is very important, but I believe that there need not be a contradiction between demonstrating that we are able to go back to a sustainable pace and helping the recovery. It is the confidence channel that is the most important today. It is the absence of confidence which created the crisis.

1-042

**George Sabin Cutaş (S-D).** – The recent stabilisation of the eurozone, as you said, and the hopes for the possibility of relaunching growth are a source of optimism, including for the countries that have yet to join the eurozone.

But, as you know, the deficits – which you have already mentioned – of a large majority of Member States are expected to surpass 3%, and average government debt levels are predicted to reach 80%. However, the need for new Member States to deal with the facts of recession conflicts with the need to respect the Maastricht criteria. The high impact of the crisis on the new Member States is also partly a consequence of the differentiated policy responses between the eurozone and the non-eurozone, as happened in the case of asymmetric liquidity and credit management by parent banks.

My question is this: given the actual context, what additional measures do you consider necessary in helping the new Member States to join the eurozone? To draw a parallel with your previous speech, what medicine do you prescribe to remedy this situation?

1-043

**Jean-Claude Trichet, President of the European Central Bank.** – Entry into the eurozone is a matter of strategic will, of political will in the noblest sense of the term, namely multipartisan will, and I always note that those countries inside the euro area went into the euro area on the basis of a large multipartisan consensus, making it a multinational and multipartisan area. This is not surprising: after all, the ECB itself is running a currency for all sensitivities. That is my first comment.

Secondly, there are the criteria, and there is currently very broad agreement that the criteria for entering the euro area have to be met. We try, in the constituency of the central banks, to be as cooperative as possible in our mutual understanding. We meet in the General Council of the ECB every quarter. We have permanent contacts. We have a lot of technical assistance of all kinds inside the European Union, inside the 27, and we will continue to cooperate very closely. The ESRB will to some extent intensify this cooperation, because we will have to cooperate at the level of the 27 for risk identification and recommendations.

I would say our own responsibility is to keep the euro area in order, and in correct order, because the euro area is the first client and the first supplier of the eastern and central European countries, and the fact that we are on our feet is something that is extremely important. However, at this stage I would say: let us all try to facilitate the good functioning of the European Union, knowing that 25 countries are committed to enter when the time comes and when they meet the criteria.

1-044

**Olle Schmidt (ALDE).** – Hopefully it is 25 – I do not know that. It could be one less. I have been trying to understand the consequences of these documents, the proposals from the Commission last week, and it is not that easy. I think you can enlighten me.

The recommendations on the ESRB are not legally binding, as you have said. If those recommendations that you are putting to the different authorities and the different Member States are not fulfilled, if they do not follow them, what will happen? Is there not a danger that the authority of the ESRB would be impaired if that were the consequence?

I totally agree with you that the euro and the eurozone have been the anchor in this crisis, including for those countries outside the eurozone. Now, for the post of chairperson of the ESRB there is a possible choice among a whole range of different governors and representatives, but would it not be dangerous for the authority of the ECB, if it did not chair the ESRB? I do not mean that you should chair it in person; that is not my question. I am asking you about the authority of the ECB.

My last question is related to some of the questions from colleagues here. You could say that Europe has been more unified after this crisis, but you could also say that it has been more divided, with the euro countries on the one side, and the rest of us on the other side. Does that not suggest, not only to you but also to other politicians, that the interpretation of the criteria must be a bit more flexible, as the IMF proposes?

1-045

**Jean-Claude Trichet, President of the European Central Bank.** – On the first point – which is very important – I would say that, in the text as it is, it would be a matter of judgement as to whether the recommendation of the ESRB is made public or not. What the recommendation then says would be a matter of judgement, but even the decision whether or not to publish would be a matter of judgement.

This exercise of judgement would, I hope, help to answer your question, because you were – if I understand correctly – thinking that, if there is a recommendation based on the ‘comply or explain’ concept, and the recommendation is not followed, it would perhaps put the institution in question in a more difficult situation.

Of course if you take your reasoning to the extreme, then let us change absolutely nothing – if you consider that even recommendation, without substituting any authority, would be counter-productive. But again I think that the right answer to your question is that it can be public, but that in some cases it would perhaps seem more effective not to be public. This is what has been provided for.

As regards the Chair and Vice-Chair of the ESRB, it has already emerged that these posts would be filled by the General Council of the ECB. My colleagues, then, would say whatever they want: I cannot give a better answer than that because it would be up to them.

1-046

**Olle Schmidt (ALDE).** – The ECB could try to change the proposal.

1-047

**Jean-Claude Trichet, President of the European Central Bank.** – Well, frankly speaking, this proposal seems to me to be correct. You have the 27 in the General Council of the ECB and it would be clear that the Risk Board is at the level of the 27 – not at the level of the euro area alone or the non-euro area alone, but really the 27. I think this was the idea of the European Council when they reflected on it.

I do not think that we would do any good for Europe if we changed the criteria. In any case, entry into the euro area is not something that you do to avoid a crisis, to prevent a difficult time or to have an umbrella. It is a decision you take which is of extreme importance: it means sharing a common destiny. That is what we do in the euro area. So I think that the idea that one has to respect the criteria is, frankly speaking, a good one. I am sure of that.

1-048

**Slawomir Witold Nitras (PPE).** – Panie Prezesie! To wielka przyjemność słuchać dzisiaj Pana. Na jedno pytanie właściwie już Pan odpowiedział, bo chciałem zapytać, czy uważa Pan, że kryteria konwergencji są kryteriami, które należy stosować, gdyż myślę, że nie tylko w nowych krajach członkowskich coraz częściej podnosi się nieracjonalność tych kryteriów, ich nieadekwatność. Są nawet tacy, którzy żartem mówią, że kryteria te dotyczą tylko tych, którzy są poza strefą euro.

Chciałem zadać Panu następujące pytanie: w krajach, które aplikują do strefy euro, często słyszy się, że strategia polega tak naprawdę i wyłącznie na rzuceniu wyzwania tym krajom, że nie ma jakiegokolwiek polityki Unii w sprawie rozszerzenia strefy euro. Wydaje się, że nie tylko w czasach kryzysu, ale generalnie, rozszerzenie strefy euro jest czymś, co mimo wszystko stabilizuje i pozwala się szybciej rozwijać. Chciałem zapytać Pana Prezesa o Pana opinię, jeżeli Komisja Europejska podjęłaby inicjatywę tworzenia długoterminowej strategii rozszerzenia strefy euro, takiej aktywności ze strony instytucji europejskich, jakie byłoby stanowisko Europejskiego Banku Centralnego i Pana Prezesa w tej sprawie?

1-049

**Jean-Claude Trichet, President of the European Central Bank.** – I negotiated the Maastricht Treaty with my fellow State Secretaries, including Horst Köhler, who is now President of Germany. We had in mind that we should start the euro area with six or seven countries in order to have the critical mass.

The Heads of State and Government at the time had the idea that it might even be possible for as few as two countries to start the euro, and they said in any case that we had to start before 2000. On 1 January 1999 it was decided in Maastricht: the euro would go ahead, even with only two countries. And yet when we started there were 11 countries, which was fantastic. This was proof that the concept of the euro area was embracing a much larger number of countries than was foreseen at the moment of the negotiation. Then very rapidly we were 12. Today we are 16, including two former communist countries in the euro area, at the heart of the euro area.

Again, it is not a closed shop. It must not be a closed shop. But each individual country has decided to enter, not because it was the implementation of a strategy, but because they felt they were ready. They thought they had to share a destiny in common. There was a kind of all-embracing feeling of multi-sensitivity and the criteria were there.

I think we should continue: 16 countries now, when we started with 11, is a big increase. We are speaking of a phenomenon of historic proportions. Looking at it from a historical perspective, this is absolutely remarkable. We will continue to enlarge, and we have to enlarge on the basis of the strong preparation convergence that is necessary.

1-050

**Enikő Győri (PPE).** – Én is egy olyan országból jövök, mely az eurózónán kívül található, tehát a „the rest” kategóriában, és sajnálatos módon az első ország voltunk, amelyik az Európai Unió pénzügyi segítségére szorult a válság nyomán. Jórészt a saját elhibázott gazdaságpolitikájának a következtében, kétségkívül, tehát ezt nem lehet, nem is kell tagadni, ez a helyzet. És sajnos mi még nem vagyunk túl a nehezén, jelenleg is egy komoly kockázatvállalási válság van.

A bankok nem nagyon szeretnének hitelezni, inkább pihentetik a pénzüket, és így a növekedés beindulására egyelőre nem sok esélyünk van. Ám a válság keserűségén túl, a válságkezelés során is keserű tapasztalatokat szerezünk, ugyanis azt kellett érzékelnünk, - és én ezt egyszer már említettem Önnek egy találkózón, - hogy bizony az uniós tagállamok egyenlőségének elvét kevésbé találtuk úgy, hogy érvényesül a válságkezelés során. Pontosan mire is gondolok? 2008 októberében a Magyar Nemzeti Bank egy swap ügyletet kért a Központi Banktól, amire nem kaptunk engedélyt, míg más nem eurózóna-országok esetében, Svédországra, illetve Dániára gondolok, sor került egy ilyen swapolásra. Ez azt mutatja, hogy ugye a nem egyenlők között, mármint az eurózóna és nem

eurózóna tagok nem lehetnek egyenlők, de bizony az eurózónán kívüli tagok sem feltétlenül egyenlők.

És most itt egy kérés következne az Ön irányában, hogy amikor föláll ez az új testület, ez az Európai Rendszerkockázati Tanács, az lenne a kérés, hogy itt a közép- és kelet-európai országok problémáit sajátként kezeljék, a mi problémáink a közös részeként jelenjenek meg. És egy konkrét kérdésem is lenne. Magyarországon a devizahitelesek bedőlése komoly problémát jelentett, az MNB most kezdeményez egy törvényjavaslatot. Van-e az Európai Központi Banknak e téren kezdeményezése?

1-051

**Jean-Claude Trichet**, *President of the European Central Bank*. – Your last question was on the ESRB but I am afraid I missed the point in the translation.

1-052

**Enikő Győri (PPE)**. – Egy kérés volt és egy kérdés. A kérés az volt, hogy amikor az új Rendszerkockázati Tanácsot felállítják, akkor ott a tagállami egyenlőség elve, -amilyen azok a keserű tapasztalatok, amikre utaltam az elején, - hogyha ez jobban érvényesülhetne, hogy a problémákat, Közép- és Kelet-Európa problémáit közös problémaként kezeljék. Ez volt a kérés.

A kérdés pedig arra vonatkozott, hogy a devizahitelesek bedőlése Magyarországon komoly probléma volt, otthon ezzel foglalkoznak. Van az Európai Központi Banknak e téren kezdeményezése, hogy ezt a kockázatot esetleg kiszűrjék?

1-053

**Jean-Claude Trichet**, *President of the European Central Bank*. – Let me just say, firstly, that when we engaged in the non-conventional measures of first magnitude in the euro area – as the central bank of the euro area, which is the Eurosystem – we told our banks with subsidiaries in central and eastern Europe that they had to continue to provide liquidity in central and eastern Europe. The message was crystal clear. As I see it, this was a way – perhaps a less visible way – of helping your country and others. I should also mention that we had a repo agreement – a bilateral repo agreement with the central bank of Hungary – in order to facilitate the situation in this difficult time.

The ESRB, by definition, is an institution of the 27 – you are absolutely right – and we have to make a judgement from the point of view of the risks for the 27. The idea of looking at this question of loans in foreign currency – one of the difficulties you mention – is a typical issue that could be examined, in my opinion, in the ESRB, at the level of the 27.

1-054

**Zoran Thaler (S-D)**. – Mr Trichet, it gives me great pleasure to address you today. I agree with your statement that exceptional times call for exceptional measures. Your decision on enhanced credit support is welcome, and the same goes for the preparation of an exit strategy, but the facts still remain clear: the euro interest rate is historically low. In June the euro area

faced deflation for the first time. In August the annual deflation was already 0.7%. The banks are giving strong negative signals to borrowers. Borrower and consumer confidence is extremely low.

I believe that keeping interest rates at low levels could present a great threat. We should all think of Japan's financial crisis in the 1990s and the consequences of lowering interest rates for Japan's economic recovery. So firstly I would like your clear answer about the danger of beginning the deflation spiral, or stagflation, in the euro area.

Secondly, we know that lack of confidence is one of the key obstacles to economic recovery. We should be aware of the fact that the non-confidence spiral is getting lower and lower. Do you support the idea that banks, since they were mostly bailed out with taxpayers' money, should make the first move in making borrowing less complex? How are you going to force them to do so? Do you have any additional ideas on how to make the banks take action?

1-055

**Jean-Claude Trichet**, *President of the European Central Bank*. – Firstly, on the deflationary phenomenon: as I said, we saw a long time ago that we would have a decrease of inflation – algebraically speaking, that we would be in the negative for a certain period of time and then we would be back to positive.

Everybody understood that – the market, the observers, the market participants – and clearly we will proceed as we have said from the very beginning, because all this is due to the base effect. What is absolutely clear is that the deflationary risk has not materialised in Europe, and I think that this is now clear in the eyes of observers.

Regarding the lack of confidence, I agree entirely with you. Confidence evaporated on 15 September last year, and we have to do all that we can to re-inject confidence – in the household constituency, in the corporate businesses and in all decision-making processes. It is what we try to do ourselves by being both bold, including non-conventional measures, when necessary (as you were kind enough to say in your introduction) and also by being absolutely clear that we will never agree to depart from our primary goal, which is to deliver price stability in the medium and long term.

This is what we stress because the inflationary expectations are in line with our definition of price stability in the medium and long term, whatever the present situation with very low inflation may be. Of course I can confirm to you that we will do all that we can to improve confidence. This is our message.

1-056

**Lajos Bokros (ECR)**. – Thank you for giving me the opportunity to raise this issue. I want to follow up on those questions which relate to the Maastricht criteria.

It has been made crystal clear by you, Mr Trichet, that entry criteria should be met and there should be national

political consensus on that. I fully agree with you, but still the question arises of the consistency of these criteria for the cohesion of the eurozone, not so much for entry to the zone but for those who are already there, which is a critical issue.

Some people say that the crisis may have changed our thinking regarding the consistency of the Maastricht criteria. Some people say we need a criterion on the current account, because if a country has a twin deficit and a twin debt then that is a whole different ball game: it represents a different vulnerability as compared with just having a fiscal deficit and a large amount of fiscal debt. Others say: no, we have to eliminate the fiscal criterion, partly because most of the countries at this point in time cannot meet it and will not be able to do so in the foreseeable future.

What is your thinking? I am not asking you as the Governor of the European Central Bank but as a monetary theorist. How would you address this issue in order to strengthen the further cohesion of the eurozone?

1-057

**Jean-Claude Trichet**, *President of the European Central Bank*. – When I say that we in the ECB Governing Council stick to the criteria, we are only repeating what is being said by the Commission itself and also – to my knowledge – by most of the countries concerned. They would not like to suggest that they are entering with an abnormal situation that would not prove to be sufficiently convergent.

That being said, I would agree on the fact that you have to look at the criteria, but you also have to look at other elements that are part of the proper functioning of an economy. Inside the euro area, we have the Stability and Growth Pact which, as you know, bites much more inside the euro area than it does outside that area, because there are sanctions that can be activated by peers and by a proposal of the Commission.

But I always call for a very careful monitoring of the unit labour cost inside the euro area – of competitive indicators inside the euro area – even if we do not have that in a framework like the Stability and Growth Pact, because it is important for proper functioning. Of course we are also constantly calling for structural reforms to be implemented, even if there is no equivalent of the Stability and Growth Pact, because it is certainly very important for the proper functioning of any economy, and of the euro area in particular.

1-058

**Chair**. – That was quite a *tour de force*, and many thanks.

*(The meeting closed at 18.35.)*