



EU banking supervision and ECB role discussed by MEPs and national MPs

The European Central Bank's potential role in helping to make Europe's fragmented system of financial supervision more effective was one of the key issues discussed over two days of debate between the Economics Committee and national MPs.

How the EU should act to safeguard jobs and growth in the European economy during the crisis was also on the agenda at the annual meeting on Wednesday and Thursday of the Economic and Monetary Affairs Committee with its counterparts from the national parliaments of the 27 Member States.

European system of banking supervisors...

Pervenche Berès (PES, FR), chair of the Economic and Monetary Affairs committee and co-chair of the meeting, stressed the importance of improving financial supervision at EU level: "We, as Parliament, have more than once called for a strengthening of European cooperation as far as supervision is concerned." She proposed "a system of European supervisors, on the model of the European System of Central Banks, allowing the necessary synergy between national expertise and European integration of the means to sanction".

...or a supervisory role for the ECB?

European Central Bank Executive Board member Lorenzo Bini Smaghi argued that it was the ECB itself which should take on this supervisory role: "Coordination in Europe is credible only if it is based on an institution which offers and ensure confidentiality, independence and efficient decision making. [...] There is such an institution today. It performs this role in monetary policy and has performed it in areas associated with financial stability. It is the ECB and the Eurosystem, for the euro area."

He added that this would not require a change in the Treaty, unlike the creation of a new body in charge of prudential supervision - and "it would be irresponsible to wait for a Treaty change via the normal revision procedures to achieve a stronger supervisory framework if the same result could be achieved without it." Such a move, he said, would also ensure information synergies between central banking and supervision were exploited to the full.

Ms Berès noted that the issue of how such a step would affect the balance of power between the EU institutions was a real one.

Evolution not revolution, says Czech Finance Minister

Earlier, Czech Finance Minister Miroslav Kalousek had called for steps to improve the supervisory architecture, but warned against "hasty political decisions on regulation

which would do more harm than good. Revolutionary changes often lead to bad results. Let's go for an evolutionary approach." The interconnected nature of modern financial markets meant that global coordination was needed, but that did not mean nothing should be done until a worldwide consensus emerged, he said. Europe could lead the way.

Protectionism "a road to hell"

Mr Kalousek added: "The challenge is to ensure Europe remains open. All protectionist measures should be rejected; they would only make the situation worse." Responding to the parliamentarians, he continued "Protectionism is a huge risk. No one EU country can exist on its own consumption and demand alone. Populist politicians fall for the protectionist argument, but we must do the harder job, even to the detriment of our own popularity, by explaining that protectionism is the road to hell."

A healthy banking sector essential - pressure to lend to SMEs

Jan Hajda, Chair of the Committee on National Economy, Agriculture and Transport of the Czech Senate, the other co-chair of the meeting on Wednesday, stressed the importance of "making the lives of small and medium-sized enterprises [SMEs] easier". He also emphasised the importance of innovation to boost employment and economic growth.

Joaquín Almunia, Commissioner for Economic and Monetary Affairs, said it was essential to get restore the banking sector to health: "We are convinced that if the financial markets do not function properly over the coming months, the efficiency of the Recovery Plan and monetary policies will be seriously affected".

Philippe Maystadt, President of the European Investment Bank (EIB) said the objective was not to help banks per se. As far as the EIB's action was concerned, the aim was to providing SMEs with as much credit as possible. He said a condition applies for each bank receiving funds: "For every euro we lend to a bank, it needs to prove that there two euros are made in new loans to an SME".

The EIB President also stressed the need to keep the pressure on banks so they do lend to small businesses.

Stability Pact and creating positive expectations

Mr Almunia stressed that, despite some opinions to the contrary, "the Stability and Growth Pact needs to be respected and enforced in this time of crisis". Its credibility is needed to finance public debt and consolidate public investments, he concluded.

Oldřich Vojtěch, Chair of the Committee on Economic Affairs of the Czech Chamber of Deputies, and co-chair of Thursday's session, said governments could do little about cyclical changes in GDP, but "politicians have to do at least something to create positive expectations. If the left and the right could agree to proceed in a similar way that would already be a political victory."

"Euro zone will not break up"

Ms Berès also made clear that: "Despite certain catastrophic statements, I do not believe that the Euro zone will break up. The cost of leaving the euro zone would in fact be so high for the country concerned and for the Economic and Monetary Union, that such a scenario is just not possible."

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