Questions proposed by the Monetary Expert Panel

At their meeting of 26 October 2017 ECON Coordinators had an exchange of view on the working of the Monetary Dialogue exercise and decided that monetary experts should complement their papers with two or three questions to be used as guidance/input for MEPs discussion with ECB President in the Q&A session of the Monetary Dialogue. What follows is the list of questions, grouped by topic, suggested by the Monetary Expert Panel for the Monetary Dialogue of 9 July 2018. Papers and questions are available at http://www.europarl.europa.eu/committees/en/econ/monetary-dialogue.html

Topic 1: Virtual currencies and central banks monetary policy: challenges ahead

Bruegel (Grégory CLAEYS, Maria DEMERTZIS, Konstantinos EFSTATHIOU)

• Eligibility and haircuts of collateral in the ECB’s monetary operations are based on external ratings since 2005. Given that this is not fully satisfactory (as discussed by the Financial Stability Board in 2010) and pro-cyclical, does the ECB plan to reform this element of its collateral framework and to find an alternative solution to external ratings?

CASE, Centre for Social and Economic Research (Marek Dabrowski, Lukasz Janikowski)

• What are, in opinion of the ECB, main risks for financial stability connected to virtual currencies?
• What actions were taken already by the ECB in order to mitigate them?
• What actions is ECB planning to take in the future in order to mitigate these risks?

Kiel Institute for the World Economy (Salomon FIEDLER, Klaus-Jürgen GERN, Dennis HERLE, Stefan KOOTHS, Ulrich STOLZENBURG, Lucie STOPPOK)

• Does the ECB have any plans for issuing a Central Bank Digital Currency (CBDC) for use by the non-financial public?
• How do you assess the impact of a CBDC issued by the ECB on the euro area? In particular with respect to the following aspects:
  - Do you think such a CBDC could lift the constraint that the effective lower bound on nominal interest rates imposes on monetary policy? In this regard, what is your opinion on the future of traditional cash?
  - Do you agree that a publicly available CBDC would challenge the current model of fractional reserve banking and transform it in the direction of 100 percent banking? In particular, would the availability of safe CBDC accounts weaken the case for deposit guarantees and simplify regulations for commercial banks?
• Do you think that privately issued (domestic or foreign) virtual currencies challenge the role of traditional central banks? Do you consider them a potential competitor for the provision
of the generally accepted means of exchange or will non-official virtual currencies remain a niche-market without any major impact on monetary policy?

**Topic 2: ECB non-standard-monetary measures, collateral constraints and potential risks for monetary policy**

**Andrew Hughes HALLETT (Copenhagen Business School)**

**Background:** We typically assume that monetary policy can be set appropriately for any given fiscal policy across the Eurozone. But that could result in the real exchange rate getting out of line in particular member economies; or in a build-up of risk via excessive financial and fiscal imbalances. Assess GDP bonds as way to start redressing those imbalances.

- How do we ensure that the balance of fiscal policy is right overall, and in individual economies, so that monetary policy is set right?
- Are GDP-bonds a practical proposition? Do they offer a good way to coordinate fiscal and monetary policy implicitly (that is without explicit negotiations between governments and the ECB that could compromise the ECB’s independence)? How should they be priced?

**OFCE, Observatoire Français des Conjonctures Économiques, (Christophe BLOT, Jérôme CREEL, Paul HUBERT)**

- Does the Governing Council intend to tighten its collateral framework when it ends its quantitative easing policy in December 2018?
- Since the collateral framework affects demand and prices for eligible assets, does the Governing Council intend to add this policy to the standard toolkit of monetary policymakers?