

Klaus Regling at Eurogroup press conference, January 2022

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Transcript of remarks by ESM Managing Director Klaus Regling Press conference after Eurogroup meeting Brussels, 17 January 2022

Good evening and happy New Year to all of you also from my side. A few points to add from the ESM perspective. On the first point you heard, when we discussed the policy response of the euro area to Covid-19, there is agreement, and I think it's justified that the policy response was a good one. It was appropriate.

Of course, every crisis is different. Comparing this crisis with the global financial crisis and the euro crisis is complex. We had this time - despite the problems that Covid brought and despite the fact that this created the most serious economic crisis since World War II - some advantages compared to the euro crisis, where we faced the situation that major macroeconomic imbalances had to be corrected in a number of countries. It happened; it was successful, but it was painful and cost growth at the time.

Also, this time we had a much stronger financial system, stronger banking system; that was also positive. Certainly, banks this time were not part of the problem. They are and continue to be part of the solution.

And finally, today we can work with a much stronger institutional architecture of the monetary union that we didn't have in 2010, and to mention only a few acronyms - there are many - the SSM (Single Supervisory Mechanism), SRB (Single Resolution Board) and ESRB (European Systemic Risk Board), it's EBA (European Banking Authority), and of course also the ESM. And I think all of that is helping us in dealing with new crises. And it also helps to make clear to financial markets that we are better equipped today to deal with crises, and that also leads to more confidence. Of course, it's important to continue this process to make the euro area more resilient. And in that context, the other points that were discussed today are very important: economic governance, banking union, and capital markets union.

I don't want to add to what you heard already. I fully agree; this was the first round of discussion. We will have many more, I think, in the course of the year on all topics. This is very important.

On banking union, it was impressive that there was a very broad agreement today on the benefits of completing banking union and making good progress towards capital markets union because it would lead to better allocation of capital. It could therefore strengthen the growth potential of the euro area. It would also increase risk-sharing inside the monetary union, which would lead to more convergence among countries, and a lower risk of fragmentation. The risk of crisis would decrease, and the cost of future crises would be smaller, so many, many important benefits here, which also means in the end, because financial markets are watching us, that if we make good progress, also the international role of the euro would be strengthened.

And that leads me to my final point. The next important step in moving towards a full banking union is the backstop from the ESM to the Single Resolution Fund. That requires ratification of the revised ESM Treaty, which has happened in 17 of our 19 member states. In one country there's a court case pending. But we were told that that might be resolved next month. And there is one country that made it very clear that they are committed to ratification. So I'm optimistic that we will take this next step very soon and then we can continue in the important process of completing banking union as outlined by the President [of the Eurogroup]. Thank you.

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