

Klaus Regling at Eurogroup press conference

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Transcript of Klaus Regling's opening remarks Eurogroup press conference, 6 November 2017

Let me continue with deepening EMU. After we discussed the future role of the ESM a month ago, it was good to talk about Banking Union and fiscal issues today. And we never had such a broad discussion among ministers, so that's very good to prepare the summit and possible decisions next year. It's also good to have it in the EU-27 format; several ministers from non-euro countries today said they appreciated to be there, but they appreciate it because they also want to be part of the euro area one day, so they anticipate joining, as of course the EU Treaty suggests.

On Banking Union, there is a debate on risk sharing and risk reduction. During the Dutch presidency, the roadmap was established. And on the important question of completing Banking Union with a backstop for the Single Resolution Fund, and common deposit insurance scheme, the way I understand it is that there is no disagreement on this objective. The disagreement is how much risk reduction has to happen first, and that needs more work and that's what I think we have to focus on. But in the end I think everybody agrees that Banking Union, if it is completed with these two elements one day, will be very useful to support financial stability in the euro area. It will reduce the risk of capital flight, it will strengthen private risk-sharing, and it will reduce market fragmentation. I think if we'd had common deposit insurance in the last few years, ESM programmes would have been smaller, for instance. And probably also Emergency Liquidity Assistance (ELA) from the ECB would have been smaller. So there are good reasons to discuss the completion of EMU and Banking Union, and as I said, the real disagreement is on the preconditions to make that possible.

On the fiscal capacity I don't want to add much, because it was a very controversial debate, more controversial than on Banking Union; many ideas. And the question is where one can find common ground. Maybe only one comment from my side to the extent that we discussed a fiscal and macroeconomic function, which is one of the main ideas. There are others, like promoting investment, financing common European goods; that requires different approaches. But for the macroeconomic stabilisation function, including the instruments that Commissioner Moscovici mentioned, we don't need an annual budget for that. It would be a question of generating a pot of money, either through rainy day funds, or contributions from national unemployment insurance schemes. Once we have a pot of money, it would not be used every year; it would be used when there is a problem, in order to prevent a bigger crisis from developing. It would be a fund that would be replenished within a few years, so it's a revolving fund. And therefore I think the financing issue is a lot easier than for some of the other ideas. Again, there are many ideas that need to be narrowed down over the next few months.

Let me also say a word on Greece. I agree with what has been said. We made good progress in the last mission. The mission chiefs will again go at the end of the month. I also want to remind you that only one week ago, last week on Monday, we disbursed the final €800 million under the third tranche. That was after the institutions assessed that the commitment to clear arrears had been met by Greece, so the condition was there to disburse. With that payment of €800 million, the full third tranche of €8.5 billion has now been disbursed. And that brings the total sum disbursed to Greece under the current programme to €40.2 billion, out of a total programme volume of up to €86 billion.

I want to mention one other point that has not been raised; sometimes I use this opportunity to bring you up-to-date with ESM issues. We had another milestone in the last two weeks – we issued our first non-euro bond. It was a US dollar-denominated bond. And we raised \$3 billion with a 5-year maturity. It was a very successful issue; we had bids for over \$7 billion. You may ask “Why do you do this? Why do you issue dollar bonds”? Obviously we haven't had any problems issuing euro bonds, but the purpose is that we reached a wider group of investors, because we know there are many investors around the world who buy US dollar-denominated assets, and never euro assets. So we are widening our investor base, which is good in times when there might be liquidity problems. We will not run currency risk because we hedge the dollars into euros. The euro will remain our main issuance currency, of course, but we do want to issue in the dollar market once or twice a

year and to begin to build a yield curve there.

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