

Pierre Gramegna at Eurogroup press conference, May 2025

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Press conferences

Remarks by ESM Managing Director Pierre Gramegna

Press conference following Eurogroup meeting

Brussels, 12 May 2025



Good evening. Tonight, I'm going to deal with three topics: the banking union, the preparation of the Annual Meeting of the ESM Board of Governors, and, finally, I will say a few words on the perceptions I had from the Spring meetings at the IMF.

On the banking union update, the Single Resolution Board and the Single Supervisory Mechanism (SSM) gave a very timely and comprehensive update on the situation. The ESM clearly concurs with the statement that financial stability is a prerequisite for a resilient and competitive economy. As pointed out by the SSM, heightened geopolitical tensions pose significant risks to the banking sector, namely in areas of credit, liquidity, funding, and cyber. We need to deepen our understanding of these risks and build on the decade of financial stability Europe has enjoyed.

In a recent blog I wrote with the Chair of European Banking Authority, José Manuel Campa, we look into these challenges and flag their financial stability implications. The ESM also fully shares the Single Resolution Board's call for the urgent

operationalisation of the common backstop to the Single Resolution Fund to be provided by the ESM. Banking is at a disadvantage compared to other jurisdictions because of the lack of a common backstop, because it weakens the attractiveness of European banks and affects foreign investors' views on operations in the euro area. Completing the banking union is also important because it contributes to the objectives of the savings and investment union.

On the preparation of the Annual Meeting of the ESM Board of Governors in June, I would like to say that it was a very timely moment to take stock of where we stand on ESM-related matters in preparation of that event. The ESM is happy to welcome its shareholders, the finance ministers of the euro area, and observers from EU institutions to Luxembourg in June. Today's discussion was a good start to exchange on how to make best use of the ESM in view of the current and future challenges. My main message was the ESM remains hopeful that the amended ESM Treaty will be fully ratified, which would allow the ESM reform to become effective.

Meanwhile, there is a lot that the institution can do to support its Member States and the euro area within the existing framework. We will use the following weeks to liaise with the countries to best prepare for this Annual Meeting.

Lastly, a short debrief on the IMF spring meetings. The shifting international order, increased geoeconomic fragmentation, and uncertain global outlook has renewed the interest in regional crisis fighters like the ESM and the cooperation between the IMF and these regional crisis mechanisms.

This was also stressed by Kristalina Georgieva, the IMF Managing Director. The IMF will soon start an assessment of the global financial safety net, including the role of regional financing arrangements and their ability to safeguard global financial stability. The ESM is an important partner of the Fund in this important endeavour because we have, for 10 years, played the role of coordinator amongst all the regional financing arrangements.

On the macroeconomic side, I heard in Washington concerns of more persistent damage emerging from the policy course of the US administration. Markets are closely watching the role of the US dollar and US securities as safe havens. In this environment, Europe is seen as a relatively more attractive and reliable partner with a more stable policy framework, with rule of law and a rules-based trade framework. Europe must seize this opportunity. That was also said to us by many players in the

market. The best way to seize that opportunity is by doing our homework, and that is to implement the banking union, and the savings and investment union.

Response to question on the consequences of not completing the ratification of the revised ESM Treaty

Obviously, I subscribe 100% [to what Paschal Donohoe said]. Just to have the numbers in mind: the Single Resolution Fund has accumulated €80 billion, and we at the ESM have earmarked €68 billion for the backstop, for the additional safety net. So this €68 billion cannot be mobilised if Italy doesn't ratify [the revised ESM Treaty]. Now, just one precision, though. Just because this revised treaty is not now fully ratified does not mean that the ESM cannot act. We have the founding treaty which is in place, and we have all our financial instruments in place, and we will discuss next month with our members to see how these financial instruments or our toolkit can be modernised to be sure that it is fit for purpose for the types of crises that we're facing today.

Response to question on Pierre Gramegna's view concerning the information that Greece intends to fully repay its loans granted under the first bailout package

On the early reimbursement of the Greek Loan Facility, which was announced today by the Finance Minister of Greece, I have a very short comment: It's excellent news because it shows that the Greek economy is doing well, better than expected, and that the government has accumulated some reserves that allow it to reimburse creditors more quickly. So it's great news. And we welcome it.

Response to question on whether Pierre Gramegna was questioning the role of the US dollar and Treasury bonds in the international financial system

I was just describing what I heard in Washington from different players. I'm not making any judgement; it was more looking backwards at what happened and that there were some lingering effects of what had happened that were raised by some interlocutors of mine. I'm just reflecting on what I heard there; I'm obviously not challenging anything.

Author



[Pierre Gramegna](#)

Managing Director

Contacts

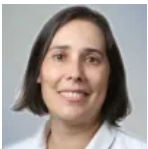


[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu