

Klaus Regling at Eurogroup press conference

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Press conferences

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Transcript of remarks by ESM Managing Director Klaus Regling

Press conference after Eurogroup meeting, 4 December 2018

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Most people are more awake and more dynamic in the morning, so it's good to meet at this time of the day. Let me start with EMU and ESM reform – I'd like to congratulate the President of the Eurogroup for reaching an agreement among the enlarged Eurogroup, under difficult circumstances. We have been working hard, based on the mandate given to the Eurogroup by President Tusk, and the mandate was clear – to further strengthen Economic and Monetary Union. I think it's good to remember in that context that during the last 8-10 years, a lot has happened to already strengthen the functioning of monetary union. The Banking Union was created, the ESM was created, the ECB developed new tools, there is better policy coordination in the EU, and very importantly, national reforms – particularly in the programme countries – have been taken successfully, and that's a good reason why we are out of the crisis. So one has to see it against that context. But we all agree that a limited number of additional steps will be useful to make monetary union even less vulnerable.

You heard the main topics that were discussed and that you will find in the documents that will be distributed.

So let me say a few words on those points that are particularly relevant for the ESM. That doesn't mean that the other points are not important; at the ESM we are very interested in the good working of monetary union. But let me focus on those.

The backstop [to the Single Resolution Fund] is obviously really needed to give the SRF the necessary firepower for big problems. The Eurogroup President talked about the details and conditions to have the backstop introduced before 2024; I think we've reached a good understanding today what needs to happen to have it earlier. One point that is important for many member states is that the backstop will be fiscally neutral, which means the SRF will pay back the ESM, normally after three years, but it can be extended by another two years. And the money will come from European banks, not from taxpayers, as I sometimes read in some newspapers.

On the ESM toolkit, we reached an agreement of the precautionary instruments. As you know, we have two: the Precautionary Conditioned Credit Line (PCCL) and the Enhanced Conditions Credit Line (ECCL). They have never been used so far, so it's good to understand why not and what to change to make them more accessible. We could also learn from the IMF's experience over the decades with different precautionary arrangements. There is now the flexible credit line; three countries have used it for many years – Columbia, Mexico and Poland. And all three of them – and I've talked to all three – are very happy with their experience, so it has really worked to their advantage. And we want to learn from that, so the eligibility criteria were streamlined and they are lighter. The PCCL is only for countries with a sound economic situation, the ECCL for countries with some structural weaknesses.

On debt sustainability, the ESM will play a role; it will be explained in detail in the papers you will receive. I think we managed to improve the existing framework for promoting debt sustainability. There will be “single-limb” Collective Action Clauses (CACs) introduced by 2022, and there is evidence – we looked at that very carefully – that the introduction of such CACs does not have any negative impact on bond markets. The debt sustainability analysis (DSA) will be done in a transparent and predictable way, while allowing for some judgement, and that's what we agreed. The ESM might facilitate the dialogue among members and investors.

On the cooperation between the Commission and the ESM, we already talked about that after the last Eurogroup, so I can be short. The Eurogroup Plus endorsed our understanding today, and you may remember that we intend to work very closely together, particularly on debt sustainability and we hope that the Euro Summit will also endorse this understanding.

Let me say a word on the international role of the euro, because it's very closely linked to the debate on deepening monetary union. I think there is a feeling that the time has come to strengthen the international role of the euro, and then one should ask what are the conditions under which one can achieve that. And all those who spoke today clearly said that the key condition would be deepening monetary union, making it more robust, less vulnerable, so we are back to all the items that we discussed – completing Banking Union, Capital Markets Union in order to create a really integrated financial market, which we don't have at the moment; it's fragmented. Also precautionary arrangements, the role of the ESM, so this is very important, in addition to issues of financial infrastructure, payment systems, using the euro more in strategic sectors like energy. The Commission Communication has many more details on that.

I don't think I need to say much on Greece, although we participated of course in the surveillance mission. Let me just say that the objective, now that Greece is out of the programme, is very clear: Greece should strengthen its growth potential, while respecting the agreed primary surplus. These are the two key objectives under which we assess the policies of the government, and I think Greece is on a good way. On Spain, Cyprus, post-programme monitoring, I will not say anything to save time, thank you.

Response to question about the proposed European Deposit Insurance Scheme [EDIS]

Just a point to add on EDIS. You rightly said that the Commission is in favour, and most countries – that's true. But the argument is what are the pre-conditions that have to be in place to make it happen. I'm clearly in favour of EDIS, I've said it many times, but I also say that legacy issues need to be sorted out first, so that the risk reduction that we have been talking about plays a strong role, and there are different assessments of that part. Not really the final objective, but the disagreement is about how quickly we will get there. That it is useful one day in the functioning of monetary union in my view is absolutely clear.

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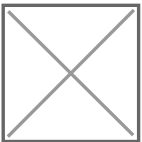


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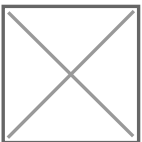


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