

# Sabine Lautenschläger: Interview with Mannheimer Morgen

**IKB, a German Mittelstandsbank\*, was facing a serious crisis at the end of July ten years ago. Do you remember that?**

The problems with subprime securities, i.e. risky home loans packaged together in bonds, started to appear in April 2007 in a US company. We already had an uneasy feeling in the spring, but we didn't think that it would send the banking systems into a tailspin.

**Many people thought that it was a one-off event. Did you have a premonition of what September 2008 might bring and of what might follow?**

Nobody foresaw the extent of what would happen between summer 2007 and summer 2009, even though in late summer 2007 it was becoming clearer that the turbulence could intensify.

**Could such a financial and banking crisis happen again?**

I would never say that there could be no recurrence of a financial and banking crisis. 100% protection does not exist. However, supervision is today in a much better position. We can intervene much more decisively and also in a more preventive way. Before 2009 supervisors in Germany could only take action if they could clearly demonstrate that banks were at risk and that damage would soon be inflicted. Supervisors can now demand much higher capital requirements for risks at a much earlier stage. A comprehensive new regulatory framework has greatly strengthened supervision.

**So, banks and savings banks are now safer than ten years ago.**

All credit institutions have significantly more capital and significantly higher liquidity today. The requirements have been increased, including in respect of a bank's risk management. The management board of a large bank must, for example, include a chief risk officer with wide-ranging powers who has equal status with the other board members.

**Banks only need to hold 3% of their balance sheet total as capital. In Germany, measured against the risks on the balance sheets, the figure is now on average around 12%. That seems small when you look at the capital ratios of small and medium-sized enterprises, for instance.**

The 3% relates to each and every bank transaction, whether it is risky or not. It is a sort of basic provision. Besides, the quality of capital is very carefully monitored. Is it immediately available to cover risks? Or is there only a commitment that the capital would be available in the event of a crisis? Supervisors closely scrutinise the risks posed by assets, loans and trading activities. The greater the risks of such deals, the more capital the bank must hold. A German government bond, for example, does not represent a risk when calculating the capital ratio, unlike securitised loans. So the

average figure of 12% is only indicative.

### **So you take a close look at banks' books?**

Yes. And in the end the capital ratio for one business segment may be much higher than the average. On average three times as much capital has been put aside for the trading activities of banks as in 2008. But we also need to strike the right balance between capital requirements and risk. After all, banks should always be able to issue loans to businesses and consumers and to support the real economy, to assist with mergers and acquisitions, and to organise initial public offerings on the stock market.

### **Savings banks and credit unions are complaining about the costs of regulation and about supervisors going too far.**

Generally speaking, the same risks must be subject to the same rules. Nevertheless, a systemically important bank must today meet considerably more stringent requirements and is monitored much more closely than a savings bank or a credit union. The key point is that a major bank in difficulty is more likely to pose a threat to financial stability than a small bank, and if that is the case, distinctions are called for in some, but not all, rules. And after ten years, we should check whether the new rules are also having the intended effect.

### **In the United States there are plans to relax the rules for banks.**

I don't believe in returning now to deregulation or to purely national rules. That would be a big mistake. We need globally consistent rules for the activities of large banks, of banks which are important for the financial system. The crisis should have taught us that. Banks are not only highly interconnected with each other but also with financial markets, and only global rules can protect us from chain reactions and regulatory arbitrage, i.e. exploiting differences in regulatory standards.

### **There is now a European resolution authority for ailing banks, but recently it didn't intervene in several credit institutions in Italy. Again, the taxpayer is being asked to cough up. You can't have liked that.**

We have taken some enormous steps forward with the European resolution authority and our banking supervision. But we haven't yet reached our goal. For instance, European banking supervision is still lacking some tried and tested tools to be able to act more quickly and effectively. Take the moratorium tool, for example: if a bank gets into trouble, all cash outflows can initially be stopped. That tool exists in Germany but not in Spain.

### **But banking supervision is in any case in a state of flux because there are constant innovations. Just think of the fintechs.**

Yes, there are always new developments in the banking business – but there's no need to react to every innovation with a new tool. After all, you don't buy a new screwdriver every time you buy a new shelf, regardless of whether you bought it from a Swedish furniture store or from an exclusive manufacturer.

**Are credit institutions earning enough money? Banks are complaining about low interest rates and the resulting lower interest margin.**

The low interest rate environment is certainly a challenge in the long run. But the earnings performance of quite a few banks was already critical when interest rates were high. That's because, among other things, we have a very large number of banks in Germany, around 1,600. There are, in fact, too many of them. They maintain a large and very costly network of branches. And because competition is fierce, the banks' margins are low. Loans are cheap, some of them too cheap, and some banking services are being provided free of charge. That eats away at earnings.

**So we need more mergers.**

Consolidation is necessary. Some banks have already been moving in that direction, such as in the cooperative sector. There are now fewer than 1,000 cooperative banks; 15 years ago there were several hundred more. But banks must continue to squeeze costs and open up new sources of revenue.

**So prices are set to rise for customers?**

Not all banking services can remain as favourable as they are now. We see aggressive rates in some areas. While the supervisor doesn't determine prices, generally speaking good services should command fair prices. Such services can't be free forever.

**Do you understand why German savers are complaining about low interest rates?**

Yes, I understand why, but every saver is an employee or a business person, and sometimes also a borrower. There are, for instance, many young families who can build their own home because interest rates are very low. An expansionary monetary policy helps in the medium and long term, also because, as a result of growth, jobs are created, which in turn generate income. Only that makes it possible for people to buy property or to save or invest.

**You approach monetary policy as a member of the ECB's Executive Board and Governing Council. When will the ECB start to unwind its monetary policy?**

The expansionary monetary policy has both advantages and side effects. As time passes, the positive effects get weaker and the risks increase. So it's important to prepare for the exit in good time. What's crucial in that context is a stable trend in the rate of inflation towards our objective of just under 2%. It's not quite there yet. Still, we need to address the issue: how should the return to normal monetary policy be arranged? What will be the time frame, what will be the tools and what will be the sequence? What steps are to be taken and when should we start to wind down the bond purchases?

**That's likely to be a long process.**

That's why we on the ECB's Governing Council should now answer the questions I just asked.

\* A Mittelstandsbank serves small and medium-sized enterprises.

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## [Daily News 28 / 07 / 2017](#)

### **EU Trust Fund for Africa adopts €46 million programme to support integrated migration and border management in Libya**

Following up on the [Commission's Action Plan](#) to support Italy from 4 July, the [EU Trust Fund for Africa](#) adopted today a programme worth €46 million to reinforce the integrated migration and border management capacities of the Libyan authorities. The new actions respond to the measures proposed under the Action plan to address the migratory flows along the Central Mediterranean Route and it aims at stepping up activities in support of the Libyan Border- and Coast Guards, to enhance their capacity to effectively manage the country's borders. The programme will be implemented by the Italian Ministry of Interior and co-financed by Italy. High Representative/Vice-President Federica **Mogherini** said: *"Security and stability in Libya are key for the Libyans, the region and Europe, and they come also by better managing the borders and strengthening the resilience of the population. While we keep working to a political solution to the political crisis in the country, that brings peace and reconciliation, we also continue to support the communities and the Libyan authorities, also in their capacity to address the migration flows, rescue migrants, making sure that human rights are respected, and fight against the smuggling networks. This new programme is part of our comprehensive approach: increased border management will go hand in hand with the work we are doing on the sustainable socioeconomic development of local communities, as well as protection, assisted voluntary returns and reintegration of migrants"*. Commissioner for

European Neighbourhood Policy and Enlargement Negotiations Johannes **Hahn** said: *"The European Commission, through the EU Trust Fund for Africa is undertaking rapid and concrete measures to reduce migratory pressure along the Central Mediterranean Route. With this new package we have mobilised already €136 million to better manage migration in Libya and our work continues. The European Union, working hand-in-hand with its Member States will keep on supporting the Libyan authorities for the sake of the people in Libya, for the stabilisation of the country and of the region, which is part of our Neighbourhood."* A full [press release](#) is available online. (For more information: Maja Kocijancic – Tel.: + 32 229 86570; Alceo Smerilli – Tel.: +32 229 64887; Esther Osorio – Tel.: +32 229 62076)

## **E-commerce: making online shopping safer for consumers**

The Commission has today issued guidelines to help national market surveillance authorities better control products sold online. In 2017, 55% of Europeans buy online (2017 Consumer [Scoreboard](#)) and get products shipped directly to their door, escaping the authorities' traditional controls. Some of these products might be dangerous and not in line with EU product safety laws, for instance toys containing substances banned in the EU. The guidelines published today clarify: 1) that any product sold online to the EU has to comply with EU product legislation, even if the producer is based outside the EU; 2) the obligations of online marketplaces when authorities require them to remove dangerous products through the 'notice and action procedure', as defined in the [e-commerce directive](#); and 3) the responsibility of all actors in the supply chain, including fulfilment service providers who receive the order, package and send the product. Věra **Jourová**, EU Commissioner for Justice, Consumers and Gender Equality said: *"Shopping online is an easy way for consumers to shop, but it should never come at the expense of safety. With the new guidelines, national surveillance authorities will be able to check products bought online and ensure that all products sold in Europe are safe. Our latest figures show that trust in e-commerce is growing. Today's safety measures will further contribute to this trend and reassure consumers. It's our duty to make sure online commerce is as safe as traditional shopping."* Elżbieta **Bieńkowska**, Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, added: *"With rising online sales, national market surveillance authorities find controlling and tracing products sold on-line increasingly complex. This guidance will ensure Europeans can shop online safely while further measures to strengthen market surveillance in Europe are planned for later this year."* As outlined in the [2015 Single Market Strategy](#), the Commission is working on a package of measures later this year that will open up more opportunities to companies that want to expand cross-border and keep unsafe and non-compliant products out from the EU market. Full guidelines available [online](#). (For more information: Christian Wigand – Tel.: +32 229 62253; Maud Noyon – Tel.: +32 229 80379)

**La Commission agit pour assurer l'avenir financier de l'Orchestre des jeunes de l'Union européenne**

La Commission européenne a proposé aujourd'hui une solution juridique solide et transparente qui permettra à l'UE de poursuivre son soutien financier à l'Orchestre des jeunes de l'Union européenne. L'Orchestre, qui forme de jeunes musiciens, parmi les meilleurs en Europe, bénéficie de l'appui des institutions européennes depuis sa création en 1976. Ce soutien est essentiel à la formation des jeunes musiciens, à la possibilité qu'ils ont de se produire à l'échelle internationale, de bâtir leur carrière et de développer leur talent sous la direction de chefs d'orchestre réputés. Très ému lorsqu'il avait appris que l'Orchestre traversait des difficultés financières, le Président de la Commission, Jean-Claude **Juncker**, avait annoncé [des solutions](#) pour sa survie dès juin 2016. Il a déclaré : *"Depuis 40 ans, l'Orchestre des jeunes de l'Union européenne incarne la diversité culturelle de l'Europe et a permis à des jeunes venant d'horizons différents de rassembler leurs talents et de faire partager leurs passions. Notre Union a toujours porté la culture dans son cœur. Ceux qui tentent de la réduire à des termes purement politiques ou économiques oublient tout ce que nous avons réalisé et à quel point la culture nous a aidés à le faire"*. Depuis 2016, l'UE a réservé pour l'Orchestre une subvention d'un montant de 600 000 euros par an. Aujourd'hui, la Commission [propose](#) au Parlement européen et au Conseil de modifier le règlement établissant le programme de soutien aux secteurs culturels et créatifs, [Europe Créative](#), afin que l'Orchestre soit reconnu en tant qu'organisation habilitée à recevoir un soutien financier sans passer par des appels à proposition devenus par ailleurs très compétitifs. (Pour plus d'informations: Nathalie Vandystadt – Tél.: +32 229 67083; Maud Noyon – Tél.: +32 229 80379)

## **Commission consults on how to better protect victims of car accidents**

The Commission launches today a public consultation on how best to protect victims of motor vehicle accidents. In particular, the Commission intends to look into the role and functioning of motor guarantee funds, especially in cases where the insurer of the liable party becomes insolvent. Moreover, it seeks to increase the role of the insurance claims history of individuals when moving between EU Member States, which is used to calculate no-claims discounts. This initiative follows the publication of the [Consumer Financial Services Action Plan](#) in March 2017. Vice-President Valdis **Dombrovskis**, responsible for Financial Stability, Financial Services and the Capital Markets Union, said: *"The Motor Insurance Directive affects us all. Many people own a car and any EU citizen can become the victim of a motor vehicle accident. If accidents happen in the EU, no matter if in your home country or abroad, proper compensation mechanisms should be in place. The latest developments in the car and insurance markets and recent case law require that we evaluate our legislation in the field."* The EU motor insurance legislation has been evolving since 1972, continually strengthening the protection of injured parties in accidents abroad. The Motor Insurance Directive was last amended in 2009. Evidence from court cases, citizens' complaints and enquiries suggest that Member States implement the Directive differently. The input from this consultation will help the Commission review all elements of the Directive. The consultation questionnaires, one aimed at

consumers and one at professionals and interested organisations, are available [here](#). The consultation will be open until 20 October 2017. (For more information: Annika Breidhardt – Tel.: +32 229 56153; Letizia Lupini – Tel.: +32 229 51958)

### **State aid: Commission approves rescue and restructuring aid scheme for SMEs in Belgium's Wallonia region**

The European Commission has found a €20 million Belgian aid scheme aimed at facilitating the rescue and restructuring of small and medium sized companies (SMEs) in the region of Wallonia to be in line with EU State aid rules. Under the scheme, which will run until 2020, the publicly-owned "Société Wallonne de Gestion et de Participation" ("SOGEPA") will be entitled to offer rescue and restructuring support to Walloon SMEs in financial difficulty. SOGEPA will provide support notably if a company's default would likely to trigger social hardship in the region. For example, SMEs impacted by the recent closure of Caterpillar's Belgian plant in Gosselies may be eligible for aid under the scheme. The Commission assessed the scheme under the Commission's 2014 [Guidelines on the rescue and restructuring of non-financial companies in difficulty](#) and found that the aid will be transparent and limited in time and in scope. The Commission found that the support will contribute to economic cohesion and development in the region, without unduly distorting competition in the Single Market. The scheme also requires potential beneficiaries of restructuring aid to present a sound restructuring plan ensuring their long-term viability, and to make a significant own contribution to the restructuring costs. More information will be made available under the case number SA.47781 in the [public case register](#) on the Commission's [competition website](#) once any confidentiality issues have been resolved. The [State Aid Weekly e-News](#) lists new publications of state aid decisions on the internet and in the Official Journal. (For more information: Ricardo Cardoso – Tel.: +32 229 80100; Yizhou Ren – Tel.: +32 229 94889)

### **Concentrations: la Commission autorise la création d'une entreprise commune entre LVMH et Marcolin**

La Commission européenne a approuvé, en vertu du règlement européen sur les concentrations, la création d'une entreprise commune entre le groupe français LVMH et l'entreprise italienne Marcolin. L'entreprise commune concevra, développera et fournira des produits d'optique dans le monde entier. LVMH fournit des produits de luxe tels que des bijoux, des parfums et de la maroquinerie. Marcolin fabrique et distribue des produits d'optique, notamment des montures et des lunettes de soleil. La Commission a conclu que la concentration envisagée ne soulèverait pas de problème de concurrence dans la mesure où les chevauchements entre les activités des entreprises sont modestes. Par ailleurs, les relations verticales créées par l'opération entre les activités de fourniture de produits d'optique de Marcolin et les activités de distribution au détail de LVMH demeurent limitées. L'opération a été examinée dans le cadre de la procédure simplifiée du contrôle des concentrations. De plus amples informations sont disponibles sur le [site internet](#) concurrence de la Commission, dans le [registre public](#) des affaires



sous le numéro d'affaire [M.8509](#). (For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Sarantopoulou – Tel.: +32 229 13740)

### **Eurostat: Le revenu réel des ménages par habitant en hausse dans la zone euro et quasi stable dans l'UE28**

Dans la zone euro, en termes réels, le revenu des ménages par habitant a augmenté de 0,2% au premier trimestre 2017, après avoir diminué de 0,1% au trimestre précédent. La consommation réelle des ménages par habitant est restée stable au premier trimestre 2017, après une hausse de 0,1% au quatrième trimestre 2016. Un communiqué de presse est disponible [ici](#). (Pour plus d'informations: Annika Breidhardt – Tel.: + 32 229 56153; Enda McNamara – Tel.: +32 229 64976)

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## **World Day against Trafficking in Persons**

On the occasion of [World Day against Trafficking in Persons](#) we invite you to download or order our publication on *Regulation of labour market intermediaries and the role of social partners in preventing trafficking of labour*.

The right to free movement for workers within the European Union was enshrined in Article 48 of the EEC Treaty in 1957. Nowadays, private labour market intermediaries – such as temporary work agencies and employment placement agencies – contribute to facilitating this labour mobility in their role as mediator between individual workers and organisations in need of labour. However, due to loopholes in regulation, some workers and vulnerable groups run the risk of being exploited by fraudulent agencies. This report examines how public authorities are currently regulating labour market intermediaries across Member States, highlighting the effectiveness or otherwise of different registration or licensing schemes.

**Report:** [Regulation of labour market intermediaries and the role of social partners in preventing trafficking of labour](#)