Daily News 11 / 05 / 2017

Discours du Président Juncker au Sénat et au Parlement roumain réunis en Congrès

A l'occasion de sa visite en Roumanie, le Président **Juncker** s'est adressé aux sénateurs et parlementaires roumains réunis en Congrès. Il a rappelé à cette occasion le chemin parcouru par la Roumanie depuis son adhésion à l'Union européenne en 2007 soulignant qu'il fallait aussi "*se souvenir que ce chemin fut difficile et exigeant*". Et il a rendu "*un hommage solennel au courage et à la volonté du peuple roumain et de ses dirigeants politiques qui tenaient une boussole européenne entre leurs mains*". Evoquant les réformes qui doivent être encore faites, le Président **Juncker** a rappelé qu'il s'est engagé "*à supprimer le Mécanisme de coopération et de vérification d'ici la fin du mandat de ma Commission*" ajoutant "*avec vous, je ferai tout pour honorer l'engagement qui fut celui de ma Commission. Et je voudrais souligner, dans l'appellation de ce mécanisme, l'importance du mot coopération. Coopération veut dire collaborer à une action commune visant la même fin.*" Il a par ailleurs souligné que "*la place naturelle et méritée de la Roumanie est au sein de l'espace Schengen.*" Par ailleurs le Président **Juncker** a déclaré que pour lui en Europe, "*il n'y aura jamais de pays de seconde catégorie ou de pays qu'on aurait abandonné en chemin. Je vous le garantis et j'en fais le serment car, lorsqu'elle est unie, l'Europe peut réaliser de grandes choses.*" Et il a rappelé que la Roumanie a participé à la plupart des coopérations renforcées, "*ce qui n'est pas toujours le cas des Etats membres fondateurs. Aucune de ces coopérations structurées n'a créé de nouvelles lignes de divisions.*" Ainsi, a-t-il dit "*la Roumanie nous donne une belle leçon d'ambition pour l'avenir*". Le discours est disponible ici. *(Pour plus d'informations: Margaritis Schinas – Tel.: +32 229 60524; Mina Andreeva – Tel.: +32 229 91382)*

Spring 2017 Economic Forecast: steady growth ahead

The European economy has entered its fifth year of recovery, which is now reaching all EU Member States. This is expected to continue at a largely steady pace this year and next. In its Spring Forecast released today, the European Commission expects euro area GDP growth of 1.7% in 2017 and 1.8% in 2018 (1.6% and 1.8% in the Winter Forecast). GDP growth in the EU as a whole is expected to remain constant at 1.9% in both years (1.8% in both years in the Winter Forecast). Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"Europe is entering its fifth consecutive year of growth, supported by accommodative monetary policies, robust business and consumer confidence and improving world trade. It is good news too that the high uncertainty that has characterised the past twelve months may be starting to ease. But the euro area recovery in jobs and investment remains uneven. Tackling the causes of this divergence is the key challenge we must address in the months and years to come."* The full press release is available here. The Spring 2017 Economic Forecast is available here. Commissioner **Moscovici**'s remarks (including slides) will shortly be available here. *(For more information: Annika Breidthardt – Tel.: +32 229*

56153; Enda McNamara – Tel.: +32 229 64976)

Commission welcomes the adoption of EU technical support programme by EU Ministers

The European Commission welcomes today's adoption by the EU Council of Ministers to approve the new EUR 142.8 million Structural Reform Support Programme (SRSP). The programme allows the Commission to expand the tailor-made reform support it provides to Member States, at their request, as they carry out reforms that help their economies to grow, strengthen competitiveness, encourage investment and offer job opportunities. The support is managed by the Commission's Structural Reform Support Service (SRSS). Valdis **Dombrovskis**, Vice-President for the Euro and Social Dialogue, also in charge of Financial Stability, Financial Services and Capital Markets Union said: "*We welcome today's adoption by EU Ministers of the Structural Reform Support Programme. This new EU programme will allow the Commission to expand the technical support it provides to help Member States carry out essential reforms that can help modernise economies, strengthen competitiveness, encourage investment. This in turn, can generate jobs and raise living standards. From the economic forecast also published today, we see economic growth continuing in the EU, but the picture varies from Member State to Member State. Technical support from the new EU programme can help Member States address challenges that are holding back more effective economic and social progress.*" *(For more information: Annika Breidthardt – Tel.: +32 229 56153; Juliana Dahl – Tel.: +32 229 59914)*

The European Union steps up its support to Somalia with €200 million at the London Conference

The European Commission has announced new support today worth €200 million at the London Conference on Somalia where partners agreed on a Security Pact for the country. High Representative / Vice-President Federica **Mogherini** who represented the EU at today's conference said: *"Somalia's future matters to Europe and our support matters to Somalia. The €200 million we have announced today strengthens the EU's leading role in supporting the country's development, stability and security. We already play a major role for peace in the country through the three active missions in the country as well as our support to the African Union peacekeeping mission AMISOM. We believe that the people of Somalia can and should shape the future of their country. We want Somalia to rise again – and today we demonstrate it in very practical terms."* Neven **Mimica**, Commissioner in charge of International Cooperation and Development, added: *"Today's support package of €200 million is new and additional to what we already do in Somalia. It will focus on building effective and sustainable responses to security challenges, on creating economic opportunities and on building state legitimacy and democratic governance. We are also concerned by the severe drought in Somalia and the humanitarian challenges this brings. (…)* The EU is a long standing partner to Somalia in development aid, peacekeeping operations and humanitarian aid.

Read the full press release and factsheet. *(For more information: Catherine Ray – Tel.: +32 229 69921; Daniel Puglisi – Tel.: +32 229 69140; Christina Wunder – Tel.: +32 229 92256)*

European Commission launches public consultation on the modernisation of EU company law

The European Commission just launched a public consultation on how to improve EU company law. Commissioner Vera **Jourová said**: *"Our Internal Market offers vast opportunities to European companies and thereby is a driver for jobs and growth. But EU company law rules are not up to speed with the digital age and businesses still struggle with uncertainties in many cross-border situations. We need to provide modern and clear rules. And we need a modern approach towards administering them: Companies should be able to use digital tools at every step, from registration to filing, and when communicating with shareholders."* The consultation will help the Commission assess the best way forward with regards to the scope and the content of a possible future initiative on EU company law. The initiative would aim to make the internal market simpler and fairer by allowing a greater use of digital tools, by providing clearer and legally certain EU procedures for some cross border operations and by ensuring more effective protection through safeguards and improved access to relevant information for all stakeholders concerned, in particular for creditors and employees. It would seek to fight against the abuses of social rights and possibilities of fraud. The current EU company law is not adapted to the digital age yet nor sufficiently supportive of the development of a fully-fledged, seamless Internal Market. It does not allow companies to reap all the benefits of digital technologies nor provide a comprehensive framework for cross-border mobility of companies and clear rules on the jurisdiction that applies to companies in case of cross-border conflicts. The public consultation seeks to collect views from a broad range of stakeholders, as well as from the public on three points: 1) on the use of digital tools and processes throughout a company's lifecycle, 2) on the cross-border mobility of companies (mergers, divisions, conversions) and 3) on the conflict-of-law rules for companies. The results of the consultation will feed into the company law initiative, announced by the Commission in its 2017 Work Programme. The consultation is available here this afternoon and will be open until the 6 August July 2017. *(For more information: Christian Wigand – Tel.: +32 229 62253; Mélanie Voin – Tel.: +32 229 58659)*

Implementation of the Marrakesh Treaty: political compromise achieved, better access to books for blind and other disabled people

Negotiators of the European Parliament, the Council and the Commission reached yesterday a compromise on draft legislation to implement the Marrakesh Treaty in the European Union. The Commission welcomes the political compromise which will help millions of blind and other print disabled people to get better access to books. The objective of the proposals, made by the Commission as part of the ongoing modernisation of the EU copyright law, is to facilitate access to published works for persons who are blind, have other visual impairments or are otherwise print disabled. The deal will be now subject to the formal approval by the two EU co-legislators. Following the political compromise, Vice-President for the Digital Single Market Andrus **Ansip** said: *"I am delighted that EU copyright rules will now be adapted to allow visually impaired and people with reading disabilities to access a wider range of reading material in the EU and in third countries that they can use for their education, work and entertainment. I am particularly pleased that our Digital Single Market strategy creates more social inclusion. And I am also confident that this compromise today will pave the way for a rapid ratification of the Marrakesh treaty by the EU."* Further details can be found in the press release. *(For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Johannes Bahrke – Tel.: +32 229 58615; Inga Höglund – Tel.: +32 229 50698)*

Juncker Plan: EUR 177 million for Romanian SMEs

The Juncker Plan has backed a European Investment Fund agreement with Raiffeisen Bank that will unlock EUR 177 million in loans to small and medium-sized Romanian businesses. Around 2,000 Romanian SMEs are expected to benefit from these loans. The European Fund for Strategic Investments (EFSI), the central pillar of the Juncker Plan, was a crucial factor in making this loan agreement possible. **Corina Creţu,** Commissioner for Regional Policy, said*: "The Juncker Plan is working to support jobs and spur growth across Europe. Facilitating access to finance for small and medium-sized businesses is an important component of the Plan. I am delighted that, with today's agreement, more Romanian businesses will be able to invest in expansion, job-creation and innovation thanks to the Juncker Plan."* As of April 2017, the Juncker Plan is expected to trigger around EUR 743 million in investments In Romania. For the latest figures country-by-country, see here. A full press release is available here. *(For more information: Annika Breidthardt – Tel.: +32 229 56153; Enda McNamara – Tel.: +32 229 64976)*

Commissioner Navracsics welcomes Tunisia to the Creative Europe programme

Commissioner for Education, Culture, Youth and Sport, Tibor **Navracsics,** and the Minister of Foreign Affairs of the Republic of Tunisia, Khemaies Jhinaoui, have today signed an Agreement on Tunisia's participation in Creative Europe, the EU programme for the cultural and creative sectors. The signing ceremony took place in Brussels during the EU-Tunisia Association Council meeting. Commissioner **Navracsics** said: *"I welcome the prospect of strengthening EU-Tunisia relations through culture and direct contacts between people. Tunisia will be the first Southern Neighbourhood country to join Creative Europe and the signature of this Agreement is particularly welcome as one of the concrete deliverables of the EU's strategy on international cultural relations."* The Agreement will now have to be ratified by the Tunisian Parliament (Assemblée des Représentants du Peuple) before it enters into force, with Tunisia's participation scheduled to begin on 1 January 2018. Tunisian cultural and audio-visual operators will then be able to participate fully in the Culture sub-programme and partially in the MEDIA sub-programme (i.e. training, film festivals, film education, and market access activities) of Creative Europe. Ahead of the signing ceremony, Commissioner **Navracsics** had a bilateral meeting with Minister Jhinaoui to discuss current EU-Tunisian relations in the field of culture, education and youth. *(For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Inga Höglund – Tel. +32 229 56184)*

La Commission approuve une nouvelle appellation d'origine protégée de Slovaquie

La Commission européenne a approuvé la demande d'inscription du «Stupavské zelé»dans le registre des appellations d'origine protégées (AOP). Le «Stupavské zelé» est une choucroute obtenue grâce à la fermentation lactique de choux blancs crus cultivés dans la commune de Stupava et ses environs, située dans l'ouest du pays à quelques kilomètres au nord de Bratislava. "Zelé" signifie chou dans le dialecte local. A travers l'histoire, les livraisons de choucroute provenant de la région en question ont rapidement dominé les marchés de légumes de Vienne à un point tel que les Viennois en sont venus à appeler *Slowakisches Salat* la *Sauerkraut* traditionnelle. Les producteurs locaux se sont d'ailleurs associés au XIXe siècle pour fonder la «Société de fabrique de zelé», lançant ainsi leur production industrielle. La choucroute est devenue un produit apprécié en Europe dans la seconde moitié du XIXe siècle, quand la richesse du chou en vitamine C a commencé à être connue. La méthode de production traditionnelle sans le moindre ajout de conservateurs a été conservée jusqu'à aujourd'hui. Cette nouvelle appellation va rejoindre plus de 1390 produits déjà protégés dont la liste est disponible dans la base de données DOOR. Pour plus d'informations, voir aussi les pages sur la politique de qualité. *(Pour plus d'information: Daniel Rosario – Tel: +32 2 29 56185; Clémence Robin – Tel: +32 229 52 509)*

State aid: Commission authorises more gradual sale of Slovenia's Nova Ljubljanska Banka

The European Commission has endorsed a request by the Slovenian State for a more gradual sale of Slovenian bank Nova Ljubljanska Banka (NLB), amending the Commission's 2013 state aid Decision concerning NLB's restructuring. As part of the 2013 Commission decision, the Slovenian authorities had committed to sell a certain proportion of the State's shares in the bank before a specified confidential deadline. Slovenia will sell a first tranche within the original deadline but requested additional time to sell a second tranche. Apart from the timing Slovenia remains fully committed to divest the initially foreseen stake. In this context, Slovenia furthermore proposed an extension of the bank's acquisition ban. On the basis of the amended commitments, the Commission has concluded that the aid to NLB remains compatible with EU state aid rules. More information will be available on the Commission's competition website, in the public case register under the case number SA.33229. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni- Tel.: +32 229 90526)*

Mergers: Commission clears creation of joint venture between Linde AG and PJSC Power Machines

The European Commission has approved under the EU Merger Regulation the acquisition of joint control of Linde Power Machines LLC, a newly-established Russian joint venture company, by Linde AG of Germany and PJSC Power Machines of Russia. Linde Power Machines LLC will be active in engineering, production and distribution of stainless steel heat exchange equipment for natural gas liquefaction units as well as provision of related services and spare parts. Linde AG is an international gas and technology group active in industrial gases, medical gases, equipment, engineering and services sectors. PJSC Power Machines is a manufacturer of power generation equipment and other devices for power plants, in particular turbines and generators. The Commission concluded that the proposed acquisition would not raise competition concerns, as the joint venture will operate primarily in Russia and the transaction will not change the competitive landscape in the European Economic Area. The transaction was examined under the simplified merger review procedure. More information is available on the Commission's competition website, in the public case register under the case number M.8426. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni- Tel.: +32 229 90526)*

Mergers: Commission clears acquisition of USI Insurance Services by KKR and CDPQ

The European Commission has approved under the EU Merger Regulation the acquisition of indirect joint control of USI Insurance Services ("USI") by KKR & Co. L.P. ("KKR"), both of the US, and Caisse de dépôt et placement du Québec ("CDPQ") of Canada. USI is an insurance brokerage and consulting firm active in property and casualty insurance, employee benefits, personal risk services, retirement, program and specialty solutions in the US. KKR is a global investment firm, which offers asset management services and provides capital markets solutions. CDPQ is an institutional investor active globally, which manages funds primarily for the public and para-public pension and insurance plans. The Commission concluded that the proposed acquisition would raise no competition concerns, as the joint venture does not and will not have any activities in the European Economic Area. The transaction was examined under the simplified merger review procedure. More information is available on the Commission's competition website, in the public case register under the case number M.8462. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni- Tel.: +32 229 90526)*

Mergers: Commission clears acquisition of joint control over McDonald's China Management Limited by Carlyle and CITIC together with McDonald's

The European Commission has approved under the EU Merger Regulation the acquisition of McDonald's China Management Limited by McDonald's Corporation and The Carlyle Group ('Carlyle'), both of the USA, jointly with CITIC Capital and CITIC Limited (together "CITIC") of the People's Republic of China. McDonald's China Management Limited includes over 2000 McDonald's restaurants in mainland China, Hong Kong and Macau. McDonald's is active worldwide in the quick service restaurant industry, operating and franchising McDonald's restaurants in over 36 000 locations in more than 100 countries.

Carlyle manages funds that invest globally in corporate private equity, real assets, global market strategies and solutions. CITIC is engaged in both financial and non-financial businesses. The Commission concluded that the proposed acquisition would not raise competition concerns because of its limited impact on the market structure, as the target has no actual or foreseen activities within the territory of the European Economic Area. The transaction was examined under the simplified merger review procedure. More information is available on the Commission's competition website, in the public case register under the case number M.8384. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni- Tel.: +32 229 90526)*

Mergers: Commission clears acquisition of joint control over Telxius by KKR and current owner Telefónica

The European Commission has approved under the EU Merger Regulation the acquisition of joint control over Telxius Telecom S.A. of Spain by KKR & Co. L.P. of the US and the current owner Telefónica S.A. also of Spain. Telxius provides infrastructure services through its telecom infrastructure assets, including telecommunication towers and subterranean/submarine fibre-optic cables. KKR is a global investment firm investing in companies in a variety of sectors. One of KKR's portfolio companies is active in retail telecommunication services in Germany, which are related to Telxius activities in wholesale transmission capacity. Telefónica is a global telecommunications operator and mobile network provider active in mobile, landline, internet and television telecommunication services. The Commission concluded that the proposed acquisition would raise no competition concerns, because it does not create horizontal overlaps between the companies' activities. In addition, the overlaps between KKR and Telxius' activities on related markets are limited. The transaction was examined under the simplified merger review procedure. More information is available on the Commission's competitionwebsite, in the public case register under the case number M.8427. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni- Tel.: +32 229 90526)*

Mergers: Commission clears acquisition of joint control of IPTO by the Hellenic State and Chinese State Grid

The European Commission has approved under the EU Merger Regulation the acquisition of joint control of the Greek Independent Power Transmission Operator S.A. ("IPTO") by the Hellenic State and the State Grid International Development Limited ("SGID") of China. IPTO, currently solely controlled by the Hellenic State, is the Greek electricity transmission system operator. SGID is controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China ("Central SASAC"). It is primarily engaged in the investment and operation of regulated electricity transmission and distribution businesses outside China. The Commission concluded that the proposed acquisition would raise no competition concerns, because there are no horizontal overlaps or vertical links between the activities of IPTO and SGID (or other companies controlled by Central SASAC). The transaction was examined under the simplified merger review procedure. More information is available on the Commission's competition website, in the public case register under the case number M.8379. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Tsoni- Tel.: +32 229 90526)*

Eurostat: Demandeurs d'asile considérés comme mineurs non accompagnés – 63 300 mineurs non accompagnés parmi les demandeurs d'asile dans l'UE en 2016 – Plus de la moitié sont soit Afghans soit Syriens

En 2016, 63 300 demandeurs d'asile sollicitant une protection internationale dans les États membres de l'Union européenne (UE) étaient considérés comme étant des mineurs non accompagnés, un nombre en baisse d'environ un tiers par rapport à 2015 (avec quelque 96 500 mineurs non accompagnés enregistrés) mais toujours près de cinq fois supérieur à la moyenne annuelle relevée sur la période 2008-2013 (environ 12 000 par an).   En 2016, une forte majorité de ces mineurs non accompagnés étaient des garçons (89%) et plus des deux-tiers étaient âgés de 16 à 17 ans (68%, soit quelque 43 300 personnes), tandis que ceux âgés de 14 à 15 ans représentaient 21% des mineurs non accompagnés (environ 13 500 personnes) et ceux de moins de 14 ans 10% (près de 6 300 personnes). Plus d'un tiers (38%) des demandeurs d'asile considérés comme mineurs non accompagnés dans l'UE en 2016 étaient Afghans et environ un cinquième (19%) Syriens. Un communiqué de presse est disponible ici. *(Pour plus d'informations: Natasha Bertaud – Tel.: +32 229 67456; Tove Ernst – Tel.: +32 2 298 67 64; Kasia Kolanko – Tel.; +32 296 34 44)*

STATEMENTS

Joint-statement by First Vice-President Timmermans and Commissioner Jourová on the EU accession to international convention combating violence against women

Following the Council Decision on the signing of the Convention on preventing and combating violence against women and domestic violence (Istanbul Convention), First Vice-President **Timmermans** andCommissioner **Jourová** said in a joint-statement: "*Violence against women is violation of human rights and a brutal form of discrimination. One in three women in Europe have experienced violence at least once in her life. The Council's decision today is a significant step towards the EU becoming – along with its Member States – a full party to the Convention preventing and combating violence against women and domestic violence. It will allow the EU and its Member States to develop and strengthen the prevention, prosecution and elimination of violence against women and girls and domestic violence.*" The Istanbul Convention of the Council of Europe is the most comprehensive international treaty on combatting violence against women and domestic violence. It recognises violence against women as a human rights violation. The Convention addresses violence against women through measures aimed at preventing violence, protecting victims, and prosecuting the perpetrators. The European Commission had proposed in March 2016 the EU accession to this international convention. As a next step, the EU will now proceed with the conclusion of the Convention. Full statement is available online, as well as a factsheet on the Convention and a factsheet on what the EU does to combat violence against women. *(For more information: Christian Wigand – Tel.: +32 229 62253; Mélanie Voin – Tel.: +32 229 58659)*

European Commission welcomes the Council adoption of visa liberalisation for the citizens of Ukraine

Following the adoption by the Council of the Commission proposal for visa liberalisation for Ukraine, Commissioner for Migration, Home Affairs and Citizenship Dimitris **Avramopoulos** made the following statement: "*One year ago, I was in Kiev to personally congratulate the Ukrainian government for the tremendous efforts they have made to implement the reforms set out under the visa liberalisation process. Today, I am pleased to see that we are reaching the end of the process and I welcome the Council's adoption of visa liberalisation for Ukraine – a final step towards visa-free travel to the Schengen area for Ukrainian citizens. Today's decision is an acknowledgment of the successful and far-reaching reforms carried out by Ukraine, often in very challenging circumstances. Ukraine has come a long way and today this is recognised and rewarded. Now it is important to sustain this progress. The European Union stands ready to continue providing support and assistance to the Ukrainian authorities in this endeavour. Visa-free travel to the Schengen area will soon become a reality – it is an important and well-deserved moment for Ukraine and its citizens that will make our already close relations even stronger.*" The full statement is available here. *(For more information: Natasha Bertaud – Tel.: +32 229 67456 ; Tove Ernst – Tel.: +32 229 86764; Katarzyna Kolanko – Tel.: +32 229 63444)*

ANNOUNCEMENTS

First Vice-President Timmermans in Sweden

This morning in Stockholm, First Vice-President Frans **Timmermans** had a constructive meeting with Swedish Prime Minister Stefan Löfven, about globalisation, migration, and the EU Social Summit in Gothenburg later this year. This meeting was the start of a programme which concludes this evening with a Citizens' Dialogue which can be followed live here at 17h00. First Vice-President **Timmermans** also paid his respects this morning to the victims at the site of the terror attack of 7 April, alongside Minister for Home Affairs Anders Ygeman. At 13h00, the First Vice-President will speak at a seminar on 'Better Regulation for a more competitive Europe'. *(For more information: Natasha Bertaud – Tel.: +32 229 67456; Tim McPhie – Tel.: +32 229 58602; Katarzyna Kolanko – Tel.: +32 229 63444)*

Vice-President Ansip in Greece to discuss digital transformation

Vice-President for the Digital Single Market Andrus **Ansip** will meet today in Athens several Ministers, Member of the Parliament as well as representatives of Greek enterprises. This morning he discussed Greece's digital economy and relevance of highly skilled workers to master the digital transformation with the Federation of Hellenic ICT Enterprises (SEPE). During his visit to the Hellenic Parliament where he held a speech in front of the European Affairs Commission, Production and Trade Commission and Public Administration Commission. He presented the review of the Digital Single Market strategy (adopted by the Commission yesterday) and highlighted the importance of the digitisation of the economy, and especially of public services. Vice-President **Ansip** will meet this afternoon with Greek Minister of Digital Policy, Telecommunications and Media Nikos Pappas and with Minister of Administrative Reform and E-Government Olga Gerovasili. The Vice-President will additionally pay a visit to the Athens office of the European Union Agency for Network and Information Security (ENISA) and thereafter hold a keynote speech at the dinner ahead of the international conference "A Digital Strategy for Greece" organised by Hellenic Federation of Enterprises (SEV). The Conference aims at presenting a roadmap for the digital transformation of the Greek economy. More live updates from the visit are available on @Ansip_EU. *(For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Johannes Bahrke – Tel.: +32 229 58615; Inga Höglund – Tel.: +32 229 50698)*

Commissioner Moscovici participates in G7 Finance Ministers' meeting in Bari, Italy
Commissioner **Moscovici**, responsible for Economic and Financial Affairs, Taxation and Customs, will represent the European Commission at the G7 Finance Ministers and Central Bank Governors' Meeting on 11-13 May in Bari, Italy. The agenda includes discussions on growth and inequality, international taxation, the coordination between international financial institutions and security as a 'global public good' (including issues related to anti-terrorism financing, remittances and cyber security). "*The global economic recovery is firming. In Europe as in the rest of the G7, we now need to find ways to ensure that growth benefits all segments of society. I welcome the decision of the Italian G7 presidency to put growth and equality at the top of the agenda for Bari*," said Commissioner **Moscovici** in advance of the meeting. The discussions in Bari will pave the way for the G7 Taormina Leaders' Summit on 26-27 May. *(For more information: Annika Breidthardt – Tel.: +32 229 56153*; Vanessa Mock – Tel.: +32 229 56194*)*

Upcoming events of the European Commission (ex-Top News)

Vítor Constâncio: Macroprudential policy in a changing financial system

Remarks by Vítor Constâncio, Vice-President of the ECB, at the second ECB Macroprudential Policy and

Research Conference, Frankfurt am Main, 11 May 2017

This is the full text of a speech delivered in abridged form in Frankfurt on 11 May

Ladies and Gentlemen,

It is a pleasure to welcome you to the second macroprudential policy and research conference of our annual series.

Macroprudential policy emerged from the crisis as a new tool to deal with systemic risk in the financial sector. Recognition that microsupervision of individual institutions was not sufficient to ensure financial stability led to the emergence of a new policy area. A new authority was needed to be accountable and responsible for monitoring and preventing the build-up of endogenous systemic risk in the financial sector.

As many other crises, the recent one had its origins in excessive leverage and excessive credit or debt creation in the financial system as a whole. This was partly due to the fast growing activities and entities outside the regulated financial sectors.

These excessive imbalances were not considered a risk by the economic thinking of the time. The efficient market hypothesis dominated, conflating allocative efficiency with information processing efficiency. In the prevalent macro models, the financial sector was absent, considered to have a remote effect on the real economic activity. In these model frameworks, macroeconomic fluctuations resulted mostly from technological or productivity shocks or from monetary policy unexpected measures. The economy was supposed to be mostly self-correcting and move quickly towards its steady state. No defaults of any agent were possible. Thus, excessive debt could not be a problem. As many wrote, for any debtor there was a creditor and so debt was a non-event at the macro level. This ignored the fact that banks create money by extending credit *ex nihilo* within the limits of their capital ratio. A loan, with its inherent risk, creates a deposit which is money. In fact, not all deposits originate from previous savings that the system only intermediates.

As credit expanded and assets grew, the share of the financial sector in total GDP increased exponentially. Another indicator of that expansion, are the profits from the U.S. domestic financial sector that exploded from 8% of the non-financial corporations profits at the beginning of the 1980’s, to a peak of 68% in 2003 and has hovered around 30% in the past few years.[1] This increase was the product of two developments: increased leverage in the banking sector and the expansion of shadow banking.

The expansion of the financial sector was not enabled by savings invested in the capital of financial institutions but by a redefinition of risk capital and its endorsement by regulators. To quote a known specialist in risk management, Aaron Brown, “Who paid for all this growth? Did people suddenly start saving more or taking money that had been other places and giving it to Wall Street? No and no… It was quants who created the money to pay for the party …We did it by redefining the basis of value from cash or gold in the vault to risk equations… Quants know how to create true capital, and you don't need a printing press or sovereign powers. The keys are derivatives and securitization".[2]

On the eve of the crisis, some significant European banks had a leverage ratio (equity over total assets) of just 1.5% while capital ratios were well above the regulatory minimum of 8%. The "magic" of internal models to calculate risk weights in regulatory capital explains the difference, although the low leverage ratio meant that a mere loss of 2% in assets would wipe out the banks' capital.

The second development underlying the expansion of finance relates to the rapid growth of the shadow banking sector. In the euro area, financial sector indebtedness in 2007 roughly amounted to euro area GDP and represented half of total debt across all other sectors.[3] The non-bank, non-insurance financial sector in 2007 accounted for overall €17 trillion in the euro area, which has now further risen to €31 trillion.[4]

An appropriate concept of shadow banking conflates entities and activities involved in a vast array of services related to securitisation, repurchase agreements (repos) and securities financing transactions (SFTs), as well as OTC derivatives. The latter allow for risk transformation and exchange via swaps, comprising credit default swaps, interest rate or forex swaps. Several of these activities can be conducted either by regulated banks or by non-regulated institutions. Two aspects make these activities relevant: first, they contribute to the creation of a credit system based on secured short-term market funding; second, these new liquidity instruments are akin to money but are not counted in the usual monetary aggregates. [5]

These two features – the emergence of a new market credit system and the significance of forms of money not viewed as such – is what justifies the "shadow banking" designation.[6]

The origins of this new credit system relate to the emergence of very sizeable cash pools that could not find safety in banks' insured deposits and were in search of safer forms of placing that cash in the short term.[7] Securitisation, with tranches and enhanced ratings, repurchase agreements (repos) creating inside liquidity as well as risk transformation and exchange via OTC derivatives were the three main instruments created to place these "safer" private short term assets.

The crisis came when crashing housing prices raised doubts about securitisations and when chains of inside liquidity created by repos with re-hypothecation and re-use of the same securities[8] collapsed with rising haircuts and resulting illiquid markets. That is why Gary Gorton characterises the 2007/2008 financial crisis as a "run on repo".

We live now in a collaterised financial system where unsecured interbank transactions have been continuously declining.[9] The increased demand for safe assets and the relative shortage of official sector safe assets were responsible for the attempt to create private "safer" assets whose value proved to be illusory at the first stressful situation. This shortage of safe assets facing a huge demand is one of the important causes behind the very low levels of government bonds yields. These low rates are in fact lower than real rates of return of capital invested by non-financial firms pointing out that any concept of natural rate of interest cannot simply be a result of the marginal productivity of real capital as Wicksell and other neo-classical economists believed. Ricardo Caballero and co-authors introduced the concept of a “safety trap” [10] to illustrate that a shortage of safe assets has emerged in advanced economies giving rise to the phenomenon of potential currency wars in the international economy.[11]

Jeremy Stein and Gary Gorton have insisted on a dimension of macroprudential policy associated with the use of sizeable Central Banks balance sheets, beyond the cyclical reasons justifying such a policy, in order to influence, (via open market operations and reverse repos), the supply of safe assets and maintain the quality of collateral that the financial system requires.[12] According to them, this policy of permanently keeping significant Central Bank balance sheets would discourage the expansion of private short-term “safer” liabilities. This move from private to “manufactured” short-term “safer” liabilities would have a positive effect on financial stability. I will not dwell on the merits of such a proposal. I just wanted to draw attention for the broad dimensions of financial stability concerns associated to the crisis and highlight the complementarities between monetary and macroprudential policy. Macroprudential policy is indeed essential to complement monetary policy as the business and financial cycles are not always synchronised. This is even more the case in a monetary union where vulnerabilities identified in each country can be addressed with macroprudential policy, allowing for the appropriate heterogeneity, while countries remain subject to a single monetary policy.

However, the most commonly used concept of macroprudential policy does not refer to the management of collateral quality but rather to the use of financial regulation to ensure the resilience of the system and to smooth the financial cycle which implies that the policy has to be actively pre-emptive.

To deal with the risks created by shadow banking activities or market-based finance new statistical definitions and adjusted reporting requirements are needed to include the quasi-money services provided by shadow banking in monetary statistics as well as to record changes in risk exposures generated by OTC derivatives in flow-of-funds statistics.[13] Without this reporting, which should also include the flow of collateral among types of agents, a comprehensive risk assessment for the system as a whole, identifying the ultimate bearers of risk, is not possible.[14] In Europe, the Securities Financing Transactions Regulation (SFTR) and European Market Infrastructure Regulation (EMIR) are first steps in that direction.

Data coverage alone is however not enough: regulation of the non-bank sector activities also remains insufficient.

Let me therefore turn to my second topic, the regulatory reform agenda.

The regulatory reform agenda – a concerted ongoing effort towards a more stable financial system

Since the crisis, we have made sizeable progress towards a comprehensive regulatory overhaul at the international level. This regulatory reform was conceived from a macroprudential perspective which is important to underline as regulation that designs a robust financial system is the first and fundamental step in macroprudential policy. Much work has focused on making banks safer by bolstering their capital and introducing regulatory liquidity ratios. Importantly, a Leverage Ratio (LR) was introduced to put an ultimate break on the expansion of the sector, although calibrated at 3% it still allows total assets to be 33 times Tier 1 capital.

Reforms were also introduced to deal with shadow banking activities and some non-bank institutions. Although insufficient in some areas, they have contained the inherent risks of this sector. Broker-dealers in the U.S. have become more strongly encapsulated into banking structures. While this was always the case in Europe, stricter requirements for certain capital market activities, like market making and trading in derivatives and repos, embedded in the CRR/CRD IV, EMIR and SFTR, have contributed to constrain some investment banking activities.

The lessons from the crisis led to the collapse of securitisation activity. This has reduced assets of euro area-based financial vehicle corporations involved in securitisations, which shrank by almost a third to EUR 1.8 trillion over that period. In 2016 euro area ABS issuance stood at around 250 billion EUR, compared to more than 1 trillion EUR in 2008.[15] In Europe, where securitisations based on European assets showed quite low default rates, we are trying to revive simple and transparent securitisations.

There have also been important regulatory changes in the area of OTC derivatives.

First, data on OTC derivative transactions are now being collected via trade repositories. These data fill an important gap, and provide public authorities with information for the analysis of systemic risk. Yet, data quality needs to be improved so that the full benefits can be reaped.

Second, central clearing of certain derivative contracts, most prominently interest rate swaps, has become mandatory. In Europe, this obligation currently applies to major dealers and large banks, and is in the process of being rolled out to the rest of the financial sector. Unfortunately, the requirement applies only to new contracts. Joint work of the ECB and ESRB has shown that there is still a large outstanding stock of non-cleared bilateral exposures.[16]

Third, all standardised derivatives were supposed to trade on regulated trading platforms “where appropriate”.[17] This would increase transparency and bring competition into a market that is heavily dominated by a small set of very large dealers able to exert considerable market power. Progress in this direction has been very slow and trading on regulated trading platforms remains to be implemented in Europe under MiFID 2.

While the overall progress in making derivative markets safer has been quite notable, additional work needs to be done.

One area that still lacks reform concerns re-hypothecation and re-use of collateral. The recent reports by the Financial Stability Board are in my view not sufficiently far-reaching,[18] and initiatives on the international level to limit collateral velocity have largely stalled. We need to take up this agenda again, even if not easy in the current environment. Indeed, the trend seems to go in the opposite direction. There is a push to exclude repos from the Leverage Ratio calculation underway that not only weakens the standard but also eliminates the only brake to banks' capacity to the unconstrained creation of inside liquidity.

Another insufficiency concerns the narrow scope of regulating initial margins for repos and SFTs that apply only to non-centrally cleared operations and exclude transactions based on government debt.[19]

Notwithstanding this, and in spite of the still pending finalisation of the Basel III standard, we have to recognise that the implemented regulatory reforms made our financial system more robust and stable.

Let me now venture into brief considerations about the design of our monetary and financial systems from the perspective of the issuance and use of short-term debt as quasi-money. Douglas Diamond stated that "Financial crises are everywhere and always about short term debt".[20] I illustrated already how this was entirely the case in the recent crisis. The resulting question is whether this monetary dimension of widespread use of private issued short-term debt should be recognised and regulated in ways akin to regulation historically applied to banks as issuers of deposits. It took a long time until, after a fierce debate among economists, banks deposits started to be accounted for as money. Likewise, it is not by chance that money market funds units are included in the M3 monetary aggregate. If the unconstrained creation of private short-term debt has been at the origin of financial crises, one should not be surprised that deeper reform proposals emerged to deal with the problem.

Two authors have recently addressed the issue of money and quasi-money creation by private institutions, coming up with bold and controversial proposals that might never be considered in practice. This might be the case, even if both proposals are more reasonable than the justly discarded proposal of narrow banking, in spite of the recent re-emergence of the issue and support by well-known authors.[21]

The first proposal is the one of Morgan Ricks, described in his recent book "The Money Problem".[22] It is inspired by the introduction of deposit insurance after the Great Depression whereby, in exchange for a fee, deposits in regulated banks were guaranteed. That reform fully recognised the monetary nature of retail deposits and stabilised the banking sector. The new idea could be to extend such a concept to all other forms of short-term debt against higher fees. The author reveals a greater ambition to completely overhaul the system by proposing to limit the issuance of short-term debt to specially regulated financial institutions that could only hold as assets, loans and good bonds of any maturity. The whole book is an intellectual *tour de force* with a cogent description of the new system with the promise to end financial crises stemming from the "alchemy" of money and finance that multiplies the creation of liquidity to unstable limits.

The proposal could be however reduced to a much less ambitious scheme of extended insurance similar to the one existing for deposits to other forms of quasi-money short-term debt instruments. From a different perspective, a proposal to ensure liquidity to short-term debt is presented by the former Bank of England governor Mervyn King in his book precisely titled "The Alchemy of Money".[23] Instead of a scheme akin to deposit insurance, he proposes that all financial firms would be required to report all assets that are funded through short-term liabilities to the monetary authority and negotiate an asset-specific haircut. In the case of a liquidity emergency, the central bank would apply this haircut and provide liquidity against the underlying assets without any further conditions. Effectively, outside liquidity would step in whenever inside liquidity would fail. The ex-ante commitment, including the negotiation of haircuts, would in principle curb creditors' incentives to rely heavily on short-term liabilities in the first place. This proposal remains however quite controversial, not least due to the possibility of significant losses for the central bank and the impracticalities surrounding its implementation.

Both books provide a deep understanding of potential crises in our heavily collateralised financial system with abundant short term debt and constitute commendable attempts to confront and address deep seated problems of our socio-economic organisation.[24] However, in the end, in spite of the experience of both authors, their proposals seem too complex to be within the realm of practical possibility, especially in the present environment emerging in advanced economies of reversing several recent regulations in a sort of desperate drive to go back to the old normal that led the world into crisis.

Macroprudential policy as response to systemic risk

Coming back to the field of practical macroprudential policy, let me make some remarks about the activity in the euro area in this domain as well some references to papers on this conference. I will do this under the cover of the six principles of macroprudential policy that I enumerated in last year's conference. [25]

The first principle is that macroprudential policy should be pre-emptive and strongly counter-cyclical. Indeed, since November 2014, when the ECB has been granted macroprudential responsibilities and competence to top-up the measures taken by national authorities, more than 100 decisions of macroprudential measures have been taken. In the area of capital buffers, these include decisions to identify global and domestic systemically important financial institutions; decisions to calibrate the systemic risk buffer and countercyclical capital buffers, sectoral capital requirements for real estate and housing and use of the Loan-To-Value (LTV) and Debt-To-Income (DTI) type of measures.

Second, the concept of the financial cycle is crucial for the rationale of macroprudential policy, as it justifies targeted policy intervention already early in the cycle. A time-varying dimension is at the very heart of policy making which implies that capital and liquidity requirements should be adjustable over the cycle. In the first session, the papers by Enrique Mendoza and Jean-Charles Rochet, helps us understand the best ways to deal with systemic risk.

Third, the real estate component is of paramount importance in the financial cycle, and instruments on the borrower-side such as LTV or debt-(service-)to-income (D(S)TI) ratios pertain to the macroprudential policy toolkit to influence the demand for credit and raise household as well as bank resilience. Overall, nine euro area countries have currently activated either LTV or LTI/DTI type of measures.[26] In addition, some countries have adjusted risk weights to counter real estate risks from a macroprudential perspective. The ECB Governing Council has called for the implementation of legislative frameworks for borrower-based measures in all euro area countries to complete the macroprudential toolkit for the real estate sector. The ongoing review of the macroprudential framework in the EU provides an excellent opportunity to make these tools available to macroprudential authorities of all EU countries.

Fourth, stress tests of the banking and financial system must not be limited to microprudential supervision but need to be embedded in a macro-financial environment and take a macroprudential dimension. This afternoon, Mathew Pritsker, Mark Flood and Jérôme Henry will talk about the latest advancements for stress testing and how they can take into account the macroeconomic dimension and respective feedback loops. The ECB’s new analytical tool STAMP€, aimed at providing a macroprudential dimension to stress tests was recently published in an e-book. [27]

Fifth, macroprudential policy is complementary to monetary policy as both policies share the goal of macro-financial stabilisation through the forward-looking dynamic macro-risk management. Most Central banks across Europe must have responsibilities in both policy areas, even if they are not involved in microprudential supervision. The papers by Michael Kiley and Jae Sim and by Andrea Ferrero and Richard Harrison provide a good discussion of the relationship between the two policies. On the other hand, the paper by Caterina Mendicino and Kalin Nikolov adds default and macroprudential policy to a DSGE type of model commonly used to analyse monetary policy.

Sixth, macroprudential policy should reach beyond the banking sector and encompass market-based finance institutions and products in order to overcome the *boundary problem* that Charles Goodhart, whom I thank again for his participation in our Conference, referred to at the beginning of the crisis.[28] Leaving market-based finance outside of the macroprudential perimeter would not only leave the door wide open for the transfer of credit intermediation outside the banking perimeter, but we would also close an eye on the inherent liquidity and leverage risks of securities finance transactions and asset management.

Major and concerted efforts at all levels of regulation are needed. I very much welcome the release of the Policy Recommendations by the Financial Stability Board (FSB) to address structural vulnerabilities arising from asset management activities. They cover liquidity mismatch between fund investments and redemption terms, operational risk, securities lending activities and leverage reporting by investment funds, including synthetic leverage built up usually with OTC derivatives. Leverage requirements for investment funds, already partially introduced in Europe, represent an important point. The aim should be to extend leverage ratio requirements to a broader set of financial institutions and to account for the risks posed by synthetic leverage from the use of derivatives as recently proposed in Dirk Schoenmaker et al.[29]

This leaves me with the aspect of implementing regulation and the design of the institutional framework. This last point is covered by Paul Tucker in his keynote address, whom I thank again for having accepted to participate in our conference.

Concluding remarks

Let me conclude.

Much has been done on the regulatory and the macroprudential policy side in order to make the financial system safer. However, as credit intermediation and liquidity creation extends to the non-bank sector, it is important to expand our regulatory and policy efforts to the shadow banking sector. Moreover, the boundary problem should be addressed by increasing the coverage of macroprudential measures to the non-bank sector and by focusing the design of policy measures to activity rather than institution-based instruments. Finally, we need to build new statistical data to account for quasi money type of instruments and for risk transfers via derivatives.

I am very much looking forward to the contributions at this second edition of our annual conference and wish you all very productive debates over these two days.

Thank you for your attention.

Speech text has been updated on 11 May 2017 to include a dropped word.

Peter Praet: Interview with Peter Praet for Trends/Tendances

Interview with Peter Praet, Member of the Executive Board of the ECB, conducted by Daan Killemaes and Jasper Vekeman on 4 May 2017 and published on 11 May 2017

So let’s kick off straight away with the topic of the moment: the risk of deflation has subsided, the economy is recovering, political risk is on the wane… Isn’t it time…?

Peter Praet: (interrupts) “Yes, political risks are diminishing, yet policy uncertainties still persist – Brexit, for example. We’ve seen how negotiations can swing very fast from one side to the other. And as far as the economy is concerned, there’s still a wide array of risks. They’re moving towards a more balanced configuration, but are still tilted to the downside.

For the first time in many years, we’re seeing a synchronised recovery of the world economy. But two key points deserve mentioning here. The first is that the euro area recovery is not yet sustainable without support from our monetary policy. In addition to monetary support of the recovery, structural reforms are necessary for sustainable growth over the medium to long term.

The second point is that confidence indicators, the soft data, tend to be stronger than the hard figures. To accurately assess the level of monetary support that is still needed, it’s important to have a confirmation of confidence indicators in hard data.”

Given this uncertainty, do you think it’s too early to start reducing policy support?

Praet: “Let me start with the good news, and that is that our monetary policy is working. Am I being too triumphalist? That’s a matter for discussion, but our policy has undeniably played a key role in avoiding deflation and supporting the economy. And for the first time in many years, growth is now being driven primarily by domestic demand, and in particular private consumption. So the argument that our policy is leading people to hoard their money is unfounded. And the argument that people are actually saving more due to negative real interest rates doesn’t hold either.”

So why the caution about which policy direction to follow?

Praet: “The last time we tightened our policy was 2011. After a long period of accommodative policy such as the one we have today, any change in the policy stance must be prepared carefully and implemented very gradually. And such a change must also be supported by sufficient evidence that growth is translating into a path of sustained adjustment in inflation towards below, but close to 2%.”

So you’re not yet seeing a sustained rise in inflation?

Praet: “Inflation has recently been quite volatile. We’ve always maintained that we should look through short-term volatility. That’s why what counts most now is underlying inflation, for example core inflation *(inflation excluding the more volatile elements, such as energy, Ed.*). And that's still on the weak side. In recent months we've seen producer prices rising worldwide, and now even in Europe somewhat. In the past, the pass-through from producer prices to consumer prices for non-energy industrial goods, an important component of core inflation, typically took one to two years. We'll have to wait and see how fast it will go this time.

We are also looking at prices in the services sector, which are to a large degree determined by wages. In the past, we have sometimes overestimated wage inflation, as we failed to properly factor in people who gave up on the job market or those forced to accept part-time rather than full-time jobs. But we now have a better picture of underutilisation in the economy, which is greater than the official unemployment figures would have us believe.

Recently, the gap between that broadly defined unemployment and the traditional measure has begun to narrow. That suggests people are returning to the job market. Over the next couple of years the pressure on wages should start to feed into inflation. Things are evolving in the right direction. We're not trapped in a low inflation environment."

You're happy that inflation is returning?

Praet: "We currently have increased confidence in the path of inflation that we have outlined in our forecasts. But before we can start scaling back our policy, even gradually, we'd like to see further confirmation. We believe that the output gap (*the gap between potential production and real production, Ed.*) will have closed by 2019, and that price pressure will follow as a result.

However, for the time being, economic developments are still dependent on very favourable financing conditions, for which monetary policy plays a very important role. But there are other factors too. Financial conditions also depend on international factors, in particular on potential spillovers from the United States."

You are waiting for greater clarity, but in the meantime there is growing criticism. The banking sector in particular is grumbling about negative interest rates.

Praet: "That's true, but their criticism is often excessive. The banks don't have it easy and their profits are under pressure, but that's not only due to negative rates. There was too little consolidation post crisis, for instance. So there is now a great deal of competition in the banking sector. However, we observe that this situation does not prevent banks from letting their clients benefit from easy financing conditions, including access to cheap long-term central bank credit (TLTROs). So right now we are satisfied with the impact of our policy. Surveys of SMEs for example show that they're no longer particularly worried about access to credit. And that suggests that lending is no longer holding back growth."

As long as interest rates are negative, this will fuel criticism. Not least

because the concept of 'negative rates' is so difficult to grasp. Could that be an argument for hiking rates before scaling back your bond-buying programme?

Praet: "The negative deposit rate is part of a complex package of interrelated measures. If one element changes, this can have an immediate effect on all interest rate levels. Suppose you keep buying bonds, which pushes down long-term rates, while raising short-term rates, which changes the expectations for all future interest rates. You then exert two opposing forces on long-term rates, ultimately partially negating the effect of the bond-buying programme by raising short-term rates.

Look, there is a very strong chain of logic behind the decision to first scale back Quantitative Easing (*QE, the bond-buying programme, Ed.*), raising the term premium included in long-term rates, and only then hiking short-term rates. We have to scale back our policy in an orderly fashion if we don't want to undo the benefits of what we've been doing for the past few years."

Why does this sequence cause so much discussion if it's so obvious?

Praet: "Some bankers assert that an increase in the deposit rate would actually constitute a loosening of our policy, as banks would then give more credit. But as I said, lending levels are already developing well.

No one likes the current environment. Not even me – I'd love to see higher growth and investment and more structural reforms. But that's just not the way things are right now. We will of course re-analyse the situation in June. It's difficult to pinpoint when to start scaling down our stimulus. We first need assurance that inflation is on a sustainable path. But we need to be patient. The economy is normalising.

But it is a slow process and there are still downside risks."

What is your message to savers, as they have the feeling that they've already been paying for the crisis for years?

Praet: "I'm a saver too but we should not forget that the crisis has cost many people their jobs. Without our monetary policy, we would have been stuck in a deep economic depression. One also has to consider that low interest rates have made debt servicing easier, in particular on mortgages. In a number of countries like Belgium these gains are larger than the losses on savings accounts."

That's of little comfort to savers, who are losing purchasing power due to inflation and zero interest rates.

Praet: "That's true for a certain category of savers. And in absolute terms, this group is a large one. I have in mind pensioners who are not especially wealthy but have some savings, and that have been living partly on the income from their savings. Not everyone is in a position to diversify into equities. Low interest rates are also an important issue for pension funds and life insurers, but it doesn't make a decisive case for pursuing the wrong monetary policy."

So they’re *collateral damage*, as it were?

Praet: “Well, all monetary policy entails certain redistribution effects. Had the ECB not acted, the distributional effects would have been much worse. We have our mandate and that is price stability. And where there are major redistribution effects, we have governments to even that out. It would be a major mistake to conduct monetary policy based on considerations other than price stability. Then you might as well place the central bank within the Finance Ministry. And I doubt that even they would like that idea. It remains essential to keep monetary policy separate from the government.”

But you might also make a mistake and turn off the money flow too late?

Praet: “I think there is a major difference in the sort of mistake you could make these days. If you react late, you risk some inflationary pressures, as the economy turns out to be stronger than you thought. This risk is deemed to be limited given the degree of slack we are still seeing in the euro area. On the other hand, scaling back too early could jeopardise the recovery and the convergence of inflation towards our objective”

Is that the discussion that ECB President Mario Draghi referred to in his most recent press conference?

Praet: “No, that debate primarily concerned upside and downside risks for growth. Are they balanced or not? The assessment of the balance of risks plays a very important signalling function. The Governing Council signalled that risks are increasingly balanced, but still tilted to the downside. We will of course be re-evaluating the situation in the following meetings.”

We see that Draghi sometimes changes half a sentence, and on other occasions alludes to the lower risks. Is he trying to massage the markets?

Praet: “It’s not a matter of massaging the markets, it’s more a question of careful communication.”

Do you look forward to the day when your every word is no longer dissected?

Praet: “Well, I’ll still have to wait two more years for that, until I retire. A Belgian banker once told me, when I was working with the Generale Bank: ‘I had a great deal to tell, but nothing to say. Now I have a lot to say, but may tell little. Once I retire, I guess I’ll have nothing left to say and nothing left to tell’.”

Text box

Bond-buying has increased the central banks’ balance sheets dramatically. Will they ever shrink back to pre-crisis levels?

“It’s still too early to say. There are many aspects to this issue, which is a matter of discussion in the Federal Reserve. This is also uncharted territory. What if you stop reinvesting in bonds when they reach maturity? What effect would that have on the normalisation of interest rates? Would that process then speed up? It’s not a simple matter at all. Everything in monetary policy is interlinked. Every time you change direction, you set a chain of events in motion.

Another aspect, which relates more to the functioning of financial markets, is the balance between the supply and demand for *safe assets.* A general trend has been a decline in the supply of safe assets: corporate bonds with the highest credit scores have almost disappeared; some countries have lost their AAA-rating. On the other hand, demand remains very high. A lot of research is being conducted into this matter. Some researchers are suggesting that central bank balance sheets should remain permanently higher, to use their reserves to reduce the gap between supply and demand.”

Déclaration du porte-parole sur l’attaque contre les Nations Unies en Centrafrique

L’attaque armée contre un convoi de la Mission onusienne en République centrafricaine (MINUSCA) sur l’axe Rafai – Bangassou dans le sud-est du pays, a couté la vie à quatre casques bleus et blessé 10 autres.

Cette attaque inacceptable rappelle la fragilité de la paix en RCA alors que le pays cherche résolument à avancer vers la reconstruction de l’Etat de droit et le relèvement économique pour sa population.

L’Union européenne exprime ses sincères condoléances aux familles des victimes, à la MINUSCA et aux gouvernements du Maroc et du Cambodge, et adresse ses vœux de prompt rétablissement aux blessés.

L’UE réitère son plein soutien aux efforts constants de la MINUSCA, en appui aux autorités centrafricaines, dans son mandat de protection des populations civiles et de consolidation de la paix. Cette attaque va à l’encontre des initiatives et des engagements pris dans le processus de dialogue en cours entre les groupes armés et le gouvernement

La détérioration de la situation sécuritaire et humanitaire dans l’est du pays est extrêmement préoccupante et nécessite un effort accru et coordonné de l’ensemble des partenaires engagés aux cotes du gouvernement centrafricain.

Les auteurs de cette attaque doivent être identifiés et jugés dans les plus brefs délais. Il est urgent de lutter contre l’impunité et l’UE réitère son plein soutien au Président Touadéra dans son engagement pour la stabilité et la reconstruction du pays.

The political compromise on the implementation of the Marrakesh Treaty will give a better access to books for blind and other disabled people

The negotiators of the European Parliament, the Council and the Commission have reached tonight a compromise on draft legislation to implement the Marrakesh Treaty in the European Union. The objective of the proposals, made by the Commission as part of the ongoing modernisation of the EU copyright law, is to facilitate access to published works for persons who are blind, have other visual impairments or are otherwise print disabled. The deal will be now subject to the formal approval by the two EU co-legislators.

Following the political compromise, Vice-President for the Digital Single Market Andrus **Ansip** said: " *I am delighted that EU copyright rules will now be adapted to allow visually impaired and people with reading disabilities to access a wider range of reading material in the EU and in third countries that they can use for their education, work and entertainment. I am particularly pleased that our Digital Single Market strategy creates more social inclusion. And I am also confident that this compromise today will pave the way for a rapid ratification of the Marrakesh treaty by the EU".*

The adoption of the compromise between the EU institutions comes eight months after the Commission tabled the legislative proposals in September 2016, as part of the copyright proposals to modernise the EU copyright law and help create a truly functioning Digital Single Market. The deal will allow the implementation of the Marrakesh Treaty into EU law by introducing a mandatory, harmonised EU exception to copyright rules which will allow the making and dissemination, including across borders, within the EU and with third countries parties of the Marrakesh Treaty, of special formats of print material for people with print disabilities, such as braille or daisy.

Thanks to these new rules, people who are blind, visually impaired, or otherwise print disabled within the European Union and from other countries will now be able to access more books and other print material in accessible formats, including adapted audio books and e-books, from across the European Union and the rest of the world.

Background

Tonight's political compromise is another achievement under the Digital Single Market strategy. The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled was adopted at the World Intellectual Property Organisation (WIPO) in 2013. It provides for the cross-border exchange of copies under exceptions and limitations to copyright. It is considered an important instrument to fight the ‘book famine’. It is estimated that only one to seven percent of books are available in accessible format across the world.

The compromised text agreed tonight by the EU negotiators must now be formally confirmed by the European Parliament and the Council.

The EU signed the Marrakesh Treaty in April 2014. In February this year, the Court confirmed the Commission’s view, that EU has exclusive competence for the ratification of the Marrakesh Treaty.

For More Information

Press release Commission proposes modern EU copyright rules for European culture to flourish and circulate

Q&A modernisation of EU copyright rules

Vice-President Ansip’s statement on the European Court of Justice ruling on the ratification of the Marrakesh Treaty