

Remarks by M. Centeno following the Eurogroup meeting of 19 November 2018

Good evening. We organised this extraordinary Eurogroup meeting today to advance on our agenda to strengthen the euro with a view to deliver a good reform package to our Leaders in the December summit.

Overall, we have made good progress today on many sensitive issues. Let me take them in turns.

We focused on three main building blocks: Banking Union, ESM reform and the instruments for competitiveness, convergence and stabilisation.

Starting with banking union, the institutions updated us on the progress with risk reduction. As you know, those updates are critical to take further steps towards risk sharing. Overall, the findings are very positive: banks are more resilient and there is significant progress with the legislative processes for several risk reduction measures at EU and national level. The Commission, the ECB, and the SRB all agree that risk reduction efforts are substantial, are having an impact and pave the way for further risk sharing measures. Naturally, these efforts should continue.

In this regard, it is of utmost importance that we adopt the so-called banking package, which includes measures to reduce risks in the banking sector. This is currently being negotiated with the European Parliament. We need to preserve the overall balance achieved at the Council and make progress in this approval as well.

We then discussed the issue of liquidity in resolution, where the current framework presents clear limitations. Currently, after the adoption of a resolution scheme, the bank - even if adequately recapitalised - may not have access to liquidity after the resolution weekend. Be it from the markets or from the central bank.

We discussed various policy remedies to this issue - ranging from the possible refinements of the current resolution framework to the provision of European public guarantees or other arrangements for liquidity provision. This is a complex issue which needs further work in early 2019. It is also a critical gap in the resolution set-up and we need to move soon, with results, towards a political decision.

Still on bank resolution, we returned to the issue of setting up a common backstop, namely what conditions and legal changes would be needed to allow for its early introduction, that means before 2024.

Changing the Intergovernmental Agreement (IGA) would be an option. This would allow for a more effective backstop in the transition period, and we will continue working towards a limited change to the IGA. We need to bear in mind that there are member states with strong concerns about reopening an IGA, and also that a change in the IGA is not – *strictu sensu* - necessarily needed for the early introduction of the backstop.

Overall, there was broad support for an early introduction of the common backstop, provided that sufficient progress has been made in terms of risk reduction.

We also came back to the ESM reform, which is - together with the backstop - the key deliverable for December.

First, we welcomed the fact that an agreement was reached between the Commission and the ESM on their future cooperation. The ESM would take a stronger role in the development and monitoring of financial assistance programmes, in collaboration with the Commission. This falls in line with Treaty provisions. There was broad support for this agreement as a good starting point to the future cooperation between the two institutions.

The terms of cooperation between these two institutions are important as they will be the ones who will manage rescue programmes in the next crisis.

Second, we exchanged views on debt sustainability issues. Let me say upfront that there is no support in the room for introducing any automaticity or mechanic approaches in the context of debt restructurings. Rather, we are looking at ways to make it more

efficient, should there ever be the need to have a debt restructuring. One of the things we have discussed in this context is the introduction of "single limb" collective action clauses. These would reduce the risk of so-called holdouts, creditors which refuse to take any loss. Also, a role for the ESM as a facilitator in the dialogue with private creditors was discussed. This would be in line with the IMF practices in this respect. Both ideas were met with broad support among ministers.

Lastly, we have a very good discussion on a new fiscal instrument for the euro area. The French and German Finance Ministers presented their recent proposal on the architecture for a euro area budget. Ministers welcomed this contribution. This is an important addition to our discussions, which already started on the basis of the Commission proposals a while ago. Further work will certainly be needed on the design of possible instruments for competitiveness, convergence and stabilisation, as well as on their articulation with the EU Budget plan, the Multiannual Financial Framework. The topic will remain on our agenda.

Again, just to conclude, good progress made today. And not only today, I must say. Since last September we managed to cover a lot of complex issues. I am confident that we can deliver something concrete and substantive at our next meeting in December. Then it's up for the Leaders to decide. Thank you.

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