

Crisis Situations are a Test for the Quality of Democracies



CIVEX webinar “Tensions between crisis management and fundamental freedoms”, 12 June 2020

Around 70 CIVEX participants, including CIVEX members, CoR staff and political advisers attended the webinar on “Tensions between crisis management and fundamental freedoms”, organised on 12 June by the CIVEX Commission.

Moderated by the CIVEX Chair, Mark Speich, and introduced by a contribution of Sophie Pornschlegel, Senior Policy Analyst of the European Policy Centre, the webinar allowed CIVEX members to exchange views and experiences from their territories, starting with an introduction on different approaches in several member States and brief overview on the freedoms concerned by restrictions (e.g. freedom of movement, right to data protection).

From experiences in France, Italy, Hungary, Poland and Finland it emerged that **the overall quality of a democracy is measured in crisis situations, and stressed that fundamental freedoms should not be seen as obstacles to health protection**. If measures are proportionate to the scope, limited in time and subject to a transparent scrutiny, then they can be considered as respectful of fundamental freedoms. Moreover, **an open, evidence-based and transparent decision-making process** allows restriction measures to be understood and accepted by the population.

Several members also stressed the importance to monitor the respect of the subsidiarity principle and warned against the risk that emergency measures might lead to centralization of powers by national governments – thus limiting the role of the Parliament and of local and regional authorities.

The CIVEX Commission will further work on the subject, developing the inputs emerged in its institutional work on democracy, fundamental rights and subsidiarity.

Working group on euro risk-free rates recommends voluntary compensation for legacy swaption contracts affected by

the discounting transition to the €STR



PRESS RELEASE

16 June 2020

- Working group recommends voluntary compensation for legacy swaption contracts
- Market participants advised to contact swaption counterparties to discuss and decide on voluntary compensation
- No single preferred option for implementing voluntary compensation, but several potential modalities identified.

The private sector working group on euro risk-free rates has today endorsed a [recommendation](#) that counterparties voluntarily exchange compensation for legacy swaption contracts affected by the transition of central counterparty discounting from the euro overnight index average (EONIA) to the euro short-term rate (€STR), which is planned for around 27 July 2020.

The working group, whose members come from the private sector, acknowledges that the modalities for implementing voluntary compensation may vary. It decided not to recommend one approach above others, as market feedback did not single out a preferred option. There was also no consensus around the scope of the swaption contracts to be compensated. The working group is also sharing additional information on what appear to be the most feasible and preferred options with market participants to assist them in making their own decisions.

The working group notes that this recommendation is based solely on feedback received from the [public consultation](#) launched in March of this year. It also stresses that any agreement between counterparties to make adjustments to their contracts or exchange compensation, whether based on the working group

recommendation or not, would be entirely voluntary.

For media queries, please contact [William Lelieveldt](#), tel.: +49 69 1344 7316.

Notes

- An interest-rate swaption is a type of derivative contract that, in exchange for a premium, gives the buyer the right but not the obligation to enter into a specific interest-rate swap agreement with the seller at or up to a specific future date.
- The working group on euro risk-free rates, for which the European Central Bank (ECB) provides the secretariat, is an industry-led group established in 2018 by the ECB, the Financial Services and Markets Authority, the European Securities and Markets Authority and the European Commission. Its main tasks are to identify and recommend alternative risk-free rates and transition paths. Its current work is focused on the transition to the €STR and on fallbacks for the euro interbank offered rate (Euribor).

Speaking engagements

[Media contacts](#)

[Fabio Panetta: Interview with Le Monde](#)



INTERVIEW

Interview with Fabio Panetta, Member of the Executive Board of the ECB, conducted by Eric Albert, and published on 16 June 2020

16 June 2020

In March, the ECB launched the pandemic emergency purchase programme (PEPP) with a package of €750 billion. On 4 June, it added €600 billion. At the speed you are using it, it will all be spent by February 2021 and more will be needed. Is your policy working?

Yes, it is working. But we're fighting against strong headwinds. So we need forceful measures to avoid the tightening of credit conditions, stabilise the economy and thus respond to inflation moving further away from our aim. This is why we recently decided to expand the PEPP by €600 billion. We have a pragmatic approach and we stand ready to adjust our policy in line with our mandate, based on our assessment of the medium-term outlook. At the moment, there is still a lot of uncertainty around how the public health and economic situation will develop. It would have been unwise to go for the "full monty" –using our firepower to a larger extent – without a clearer picture.

What would the "full monty" look like then? How about a write-off of sovereign debts, which is a popular idea with some economists in France?

The Treaty on the Functioning of the EU is clear: Article 123 forbids monetary financing. If we buy sovereign bonds and decide not to eventually seek repayment, it would be monetary financing and thus it would not be legally allowed. I am aware of the ongoing debate in France on the idea of cancelling debts. But this is just not an option for the ECB. And not only due to the legal constraints: it would expose us to citizens losing trust in the currency, similar to what happened in some countries when people needed to push around wheelbarrows of banknotes because the banknotes had basically lost their value. It would end in financial disorder. This is not the path to prosperity and this is why the Treaty forbids monetary financing.

Another idea is simply to roll over debts in perpetuity, or at least for a very long time...

We have a reinvestment policy, which means we will roll over debts until it is necessary to do otherwise to achieve our price stability objective.

The Federal Reserve already buys so-called fallen angels. Are you in favour of this?

We have shown that we are ready to take all the necessary measures to reach our inflation objective and we are still guided by this aim. Fallen angels? We haven't discussed it in the Governing Council but we will consider that if necessary.

Debt in many European countries will be very high after the crisis, especially in Italy. It will be next to impossible to increase interest rates

or tighten monetary policy. Have we not entered a new era of monetary policy, with rates that will stay low for a very long time?

Based on the inflation outlook, I expect a prolonged period of very accommodative monetary policy to fulfil our mandate. This offers the right conditions to national and European authorities to stimulate growth, to conduct reforms to improve competitiveness and to make sure that we exit this crisis better placed to deal with future challenges.

Let's turn to fiscal policy. The European Commission has proposed a new €750 billion package, including €500 billion of grants. It would be a historical move. However, it looks like nothing will be agreed at the EU summit this week (19 June). How urgent is it for them to act?

It is extremely urgent and the aim should be to deploy it as soon as possible, no later than early 2021. The longer we wait, the costlier it will be to intervene. Both fiscal and monetary policy need to work hand in hand to bring the economy back on track as soon as possible. To be effective, fiscal policy needs to modernise the economy, for instance by investing in human capital, technology and the protection of the environment.

Are European authorities doing too little, too late?

European authorities have already delivered measures that were unimaginable only three months ago, and we have to be realistic; the political debate takes time. European authorities have shown a remarkable awareness of the need to intervene. I remain optimistic.

This might be so but, meanwhile, Euroscepticism is rising, especially in your country, Italy. How dangerous is it?

Euroscepticism has been largely motivated by the mistakes made in the financial crisis and, more recently, by the immigration crisis. Reactions to the coronavirus shock have been very different. European authorities have acted much more decisively, and they have delivered, despite sometimes harsh discussions. Italy, like all other countries, will benefit from European spending through the issuance of EU debt. The announcement by France and Germany was very important in pushing towards an ambitious European response. Germany was perceived by some as resisting a common European policy. This perception has changed. As for the ECB, we have learned the lessons of the sovereign debt crisis and acted rapidly and forcefully. Acting together means acting more effectively. And all Europeans are benefiting.

Are you saying that the pandemic has actually been a time when Europe proved it could act?

"Europe will be forged in crises, and will be the sum of the solutions adopted for those crises," as Jean Monnet once said. European integration is a constant process. It sometimes seems slow, but who would have thought ten years ago that countries would give up responsibilities for banking supervision? That EU authorities would now bring forward a forceful fiscal response, amounting to 10% of GDP? Probably no one. Day to day, we might not

see progress. But 20 years from now, those who write the history books might well see this coronavirus shock as a turning point for European integration: a key moment for Europe, when we all understood that addressing challenges together brings benefits to everyone.

The euro was launched 20 years ago, but it has not become a meaningful competitor to the dollar, which is still used three times as much in international reserves. Is it a failure?

I believe the euro could and should have a bigger international role. This has not happened because the institutional framework of the euro area is incomplete. To reduce the gap with the dollar and for all Member States to benefit from the euro's global currency status, the euro area needs to offer international investors a common safe asset and deep, liquid European capital markets. It must also continue to react forcefully to crises, through policies designed for the benefit of the euro area as a whole. And we, as a central bank, also need to live up to our responsibilities, acting decisively as we did in this crisis, and providing a liquidity backstop to holders of liabilities in euro in phases of turbulence.

Does this mean the ECB should be ready to be an international lender of last resort, like the Federal Reserve?

Personally, I do think we should do more in this direction, yes.

Bulgaria and Croatia are next in line to join the euro. Is it really a good idea to accept countries whose economies are very different and which are much poorer than other euro area countries?

A country can only join the euro area after a serious convergence process, comprising institutional convergence, financial convergence and macroeconomic convergence.

Sure, but Greece had a convergence process. It didn't end up well, did it?

Maybe in the past the importance of convergence and, in particular, of all its facets, was underestimated. Today, we take convergence more seriously: to be accepted in the exchange rate mechanism (ERM II, a two-year process before formally adopting the currency), countries now have to accept banking supervision by the ECB, for instance. And Croatia and Bulgaria took bold measures to converge.

When will they join?

If the process is completed successfully, they could join ERM II by the end of the year. So, the first available window for Croatia and Bulgaria to join the euro area would be 2023, if all preliminary assessments are successful.

Press release – Pre-session briefing on Tuesday 16 June at 17.00



Main topics MEPs will debate and vote on include:

- Anti-racism protests
- EU-UK future relationship
- Summit/MFF/EU recovery plan- Conference on the Future of Europe
- Schengen border controls- Disinformation/Fundamental rights
- COVID-19 impact on foreign policy
- Tourism and transport in 2020 and beyond
- Protection of strategic industries
- Green Investments

Find all information on [EP plenary in our newsletter](#)

Parliament will be using an interactive virtual press environment (with interpretation) based on Skype TX, in conjunction with the traditional EbS and web-streaming services.

If you wish to ask a question:

- **You will need a SKYPE account.**
- **Connect to VOXBOXEP and write your name and media organisation in the chat box**

Please use headphones and a microphone for better sound quality.

The system will be managed by Parliament's media services and you will be placed in a queue (virtual waiting room) before being invited to ask your question(s).

If you have any trouble connecting, you can contact: +32 22834220 or use Skype chat box.

After asking a question / listening to the reply (and any follow-up), you should then disconnect from Skype so that the next journalist in line can be connected to the press briefing room.

You only need to connect through Skype if you wish to ask a question.

- You can follow the briefing LIVE on [EP MMC](#) or [EbS+](#).

REMINDER: working conditions in Parliament for journalists in light of Coronavirus

It is mandatory as of 13 May to wear a community mask that covers mouth and nose at all times while in Parliament's buildings. This is to continue to ensure Parliament's operational capacity, while at the same time avoiding health risks for Members, staff and other persons working in and visiting the European Parliament. In addition, as of Monday 15 June, temperature controls will be carried out on all persons entering Parliament's premises.

The wearing of a mask for journalists is compulsory and necessary at all times. However, journalists could exceptionally and for the limited duration of a recording (stand-ups, interviews, studio recordings) remove their mask, if the social distancing measures are respected. This exception also applies to taking the floor in press conferences. Please note that masks should be put on again immediately after the recording.

To allow for this exception, journalists are required to keep a distance of 2 meters preventively. This also applies to use of the work stations in Parliament's press room.

Please refrain from coming to EP premises if you present any symptoms of a respiratory infection, if you have knowingly been in contact with an infected person in the last 14 days or if you have been to regions with very high transmission rates.

[Press release – EU-UK Statement following the High Level Meeting on 15](#)

June



Prime Minister Boris Johnson met the President of the European Council Charles Michel, the President of the European Commission, Ursula von der Leyen, and the President of the European Parliament, David Sassoli, on 15 June by videoconference to take stock of progress with the aim of agreeing actions to move forward in negotiations on the future relationship.

The Parties noted the UK's decision not to request any extension to the transition period. The transition period will therefore end on 31 December 2020, in line with the provisions of the Withdrawal Agreement.

The Parties welcomed the constructive discussions on the future relationship that had taken place under the leadership of Chief Negotiators David Frost and Michel Barnier, allowing both sides to clarify and further understand positions. They noted that four rounds had been completed and texts exchanged despite the challenges presented by the COVID-19 pandemic.

The Parties agreed nevertheless that new momentum was required. They supported the plans agreed by Chief Negotiators to intensify the talks in July and to create the most conducive conditions for concluding and ratifying a deal before the end of 2020. This should include, if possible, finding an early understanding on the principles underlying any agreement.

The Parties underlined their intention to work hard to deliver a relationship, which would work in the interests of the citizens of the Union and of the United Kingdom. They also confirmed their commitment to the full and timely implementation of the Withdrawal Agreement.