

ESAs publish recommendations on the supervision of retail financial services provided across borders

The Joint Committee of the European Supervisory Authorities (EBA, EIOPA and ESMA – ESAs) published today a [Report](#) on the cross-border supervision of retail financial services. In this report, the ESAs identified the main issues that national competent authorities (NCAs) face when supervising financial institutions that provide cross-border retail financial services within the EU and make recommendations to both NCAs and EU institutions on how to address them. In particular, the Report calls for more clarity on when activities carried out through digital means fall under passporting rules, and for considering the identified high-level principles on cooperation as the basis for any new legislation or possible amendment to current legislation.

In their Report, the ESAs recognise that the deepening of the EU Single Market in financial services and the digitalisation of financial services have intensified the demands placed on NCAs when supervising financial institutions that provide retail banking, investment, and/or insurance services across EU borders. The Report provides an overview of the main rules that apply in the EU in respect of consumer protection, conduct of business, and the cooperation between NCAs and assesses the extent to which these rules address the supervisory issues faced by NCAs.

The Report concludes with recommendations addressed to the European Commission, Council and Parliament, proposing to amend existing, or develop new, legislation to facilitate the deepening of the single market. The Report also lists recommendations addressed to NCAs aimed at enhancing cooperation amongst them, such as following the high-level principles on cooperation laid down in the report in the absence of any detailed requirements on cooperation in the applicable legislation or liaising with the ESAs so that registers of contact points for notifications and exchange of information are kept up to date.

Legal basis

The ESAs issued this report in fulfilment of the mandate conferred on them in Article 1(4) of their respective founding regulations, which requires them to contribute to improving the functioning of the internal market, including, in particular, a sound, effective and consistent level of regulation and supervision; preventing regulatory arbitrage and promoting equal conditions of competition; and enhancing customer protection.

[A new digital publication – People on the move – statistics on mobility in Europe](#)

Did you know that among the half a billion people living in the EU, 8% do not have the nationality of their country of residence? Also, 1.3 million Europeans live in one country, but work in another, and 1.7 million EU students study abroad.

[Full text available on EUROSTAT website](#)

[Philip R. Lane: Q&A on Twitter](#)



Interview on Twitter with Philip R. Lane, Member of the Executive Board of the ECB, conducted and published on 9 July 2019

Congrats Mr. Lane! We wish you all the success and the best in your new Duty.

Lane: Thank you, I am very happy to be here at the ECB. I'm liking Frankfurt so far and I'm sure that I'll continue to enjoy it [#AskECB](#)

#AskECB Hello, Mr Lane, it seems that market is confident that ECB will cut interest rate and restart the QE, what's your view on the stimulus package?

Lane: We meet every six weeks to discuss monetary policy and take decisions. We continuously assess the state of the economy and stand ready to act to keep inflation on a path to our aim [#AskECB](#)

#askECB Do all the ECB macro models of inflation rely on the Phillips curve? If not, what do you use instead (perhaps a Philips curve *:)? Also and related, are you confident that macro models include the finance sector in a useful way?

Lane: The Phillips Curve is a useful framework : it combines the dual influences of activity levels and inflation expectations in determining inflation outcomes. At the ECB, we look at many specifications of the Phillips Curve, rather than rely on a single version. [#AskECB](#)

#askecb euro area unemployment is falling fast and service indicators point to strong employment growth in q2. Wage growth is rising helping consumption. Growth was strong in q1. Export to China and US is still rising. House prices are going up. Credit up. Why rate cuts?

Lane: While the euro area is doing well along some dimensions, inflation remains below target and there are downside risks to the growth outlook. Substantial accommodation is still required to bring inflation back to aim. If more easing is needed, we have the tools [#AskECB](#)

#AskECB Doesn't extremely accommodative policy create problems in the future (eg asset bubbles; lower returns for future pensioners)? Doesn't it provide room for governments to postpone structural reforms? Doesn't it push up savings rate and depress demand?

Lane: Our policies support higher consumption and investment, even if there are differences across households and firms. Financial stability risks should be primarily addressed through macroprudential policies. The European Semester monitors fiscal and reform efforts [#AskECB](#)

#AskECB Doesn't negative interest rates combined with inflation greater than 1% lower consumer spending because people have to save more for retirement?

Lane: While some households may save more, others will avail of low rates to increase consumption and household investment (home renovations etc.) [#AskECB](#)

Does the continuation of negative rates (and inflation consistently below target) suggest that the Eurozone is entering a definitive "Japanification" era? [#AskECB](#)

Lane: Pro-active measures (including negative rates) are the surest way to ensure inflation climbs to our aim: a temporary period of negative rates is the pathway to positive rates in the future. [#AskECB](#)

Is the slowdown moving towards recession or it will be reversed? [#AskECB](#)

Lane: We do not see a recession, although the prolongation of uncertainties is weighing on our growth outlook [#AskECB](#)

[#AskECB](#) Now that Facebook is launching its own cryptocurrency, what are your further plans for the regulation of cryptocurrencies?

Lane: Benoît Cœuré, my colleague on the ECB's Executive Board, leads the G7 working group on stablecoins. The group will present its initial findings on 17 July [#AskECB](#)

[#askecb](#) Due to technological advances/robotics/automation, cost of manufacturing/services will continue to decline in the long-term. With above, is the old era idea of inflation/inflation targeting still relevant? Or is (lack of) inflation now a convenient excuse for more QE?

Lane: It has always been the case that technological progress is associated with a trend increase in the relative price of services compared to manufacturing. Such relative price movements are not new and do not change the economics of inflation [#AskECB](#)

[#AskECB](#) which EU banks are using TIPS

Lane: You'll find the list of banks participating in our instant payments system here

<https://www.ecb.europa.eu/paym/target/tips/facts/html/index.en.html> [#AskECB](#)

[#AskECB](#) Do you think Structured CryptoCurrency Investments – Debt guaranteed securities, offered by Investment banks, linked to CryptoCurrency indices, hedged with cryptocurrency futures, are a credible way to invest in the crypto-payment space? [@centralbank_ie](#)

Lane: We are not here to give investment advice – remember, you invest at your own risk. By the way, it is a high hurdle for a crypto-asset to satisfy the definition of a currency. More in our explainer

<https://www.ecb.europa.eu/explainers/tell-me/html/what-is-bitcoin.en.html>
[#AskECB](#)

[#AskECB](#) in a 2012 paper you concluded that “the alternative scenario in which the single European currency implodes is no longer unthinkable” Seven years later, would you confirm this conclusion? And what can the [#ECB](#) do to avoid it?

Lane: The first half of 2012 saw much debate about the future of the euro but much happened in Summer 2012, including the famous “whatever it takes” speech. The euro area today is much stronger. Further improvements in the architecture would be welcome. [#AskECB](#)

Lane: Here is the link to the papers

<https://www.aeaweb.org/articles?id=10.1257/jep.20.4.47>

<https://www.aeaweb.org/articles?id=10.1257/jep.26.3.49> [#AskECB](#)

[#AskECB](#) During a period of prolonged zero/negative interest rates, does it make sense to stick with IT as the main monetary policy tool? Alternatively,

the ECB could directly use injections of base money, the money supply, as an intermediate target to hit its 2% inflation goal.

Lane: While we certainly find it useful to examine monetary aggregates, shifts in money demand mean that it is not a good idea to overly focus on monetary volumes as an intermediate policy target [#AskECB](#)

[#askecb](#) The independence of a central bank is crucial in a fiat money system. Is the [@ecb](#) able to act fully independent, if highly indebted member states of the European Monetary Union are dependent on the central bank keeping the interest rates artificially low?

Lane: The ECB is, and will remain, fully independent and sets its policies in pursuit of its mandate of maintaining price stability [#AskECB](#)

[#AskECB](#) Could monetary policy include the buying of bonds from the EIB? As far as I can see this would keep the money from leaking out of the Eurozone (as happened with QE) and directly stimulate jobs and inflation. It could even explicitly target specific areas of the EZ.

Lane: We are already buying EIB bonds, classified as supranational bonds. The supranational bond purchases amount to €230 billion. The list of eligible assets is here <https://www.ecb.europa.eu/mopo/implement/omt/html/pspp.en.html> [#AskECB](#)

[#AskECB](#) Congratulations Mr. Lane ! In your opinion, is the low interest rate context a hindrance to restoring counter-cyclical buffers in case of future severe economic downturn ? [@ecb](#)

Lane: The counter-cyclical (CCyB) is an important tool that can help avoid a credit squeeze in a future downturn. By raising the CCyB in good times, it can be reduced if there is a negative shock in the future. [#AskECB](#)

[#AskECB](#) There is a growing discussion about [#MMT](#). What do you think about? [#ECB](#)

Lane: The links between monetary and fiscal policy have been much studied over many years. Just to be clear – monetary financing is prohibited by the EU Treaty [#AskECB](#)

Is the ECB's primary easing tool rate cuts at this point? The message has gotten rather blurred as the discussion of raising QE issue limits seems to have taken precedence in the market. [#AskECB](#)

Lane: We have a variety of tools in our kit. When we need to use them, we will choose the one most suitable for the situation [#AskECB](#)

Does ECB have plans to add [#Bitcoin](#) to its reserves? [#AskECB](#)

Lane: No. Bitcoin is not a currency, it rather is an asset and it is very volatile [#AskECB](#)

[#AskECB](#) does the ECB plan on doing something to effectively help Eurozone

Banks consolidation and will the ECB help to pave the way for some profitability relief in the medium term? @ecb

Lane: Banking union and the creation of a level playing field – including a key role for the single supervisory mechanism (SSM) – provide important support for a more efficient pan-European banking system. [#AskECB](#)

[#AskECB](#) In the backdrop of [#EU](#) [#Economy](#)'s [#Growth](#) disparities/Concerns & [#Financial](#) Sector/[#Monetary](#) [#Policy](#) related issues, besides [#Brexit](#) related matters – wondering, if [#ECB](#)'s adequately prepared w/Contingency Plans – to better navigate the (future) Challenges?

Lane: Yes, we are prepared and ready to act if needed to keep inflation on track towards our aim. We certainly have the tools and we have a good performance record in responding to various sources of risks. Our policies are most effective if other actors do their part [#AskECB](#)

[#AskECB](#) after 7 years of wrong forecasts and monetary madness have you any clue of what are you doing?

Lane: Since 2014, our policies have been successful in eliminating deflation risk and fostering strong recovery in employment in Europe. Financial stability risks remain contained. Our focus is on returning inflation to our aim [#AskECB](#)

Why are you floating the idea of more QE when €3 trillion failed to boost the economy last time and only widened the wealth gap? [#AskECB](#)

Lane: Our asset purchases have been very successful by lowering financing conditions for firms and households and have led to the creation of millions of new jobs over recent years. [#AskECB](#)

so [#AskECB](#)...what do you really think of Lagarde replacing Draghi?

Lane: She is an excellent choice for the ECB. I am very much looking forward to working with her. [#AskECB](#)

[#AskECB](#) Are you measuring the risks and side-effects of your proposed policies? Is it prudent to make risk assessments public when considering easing measures? Would publication expose the weaknesses of EU fiscal and integration policies and pressure EU leaders?

Lane: We are constantly assessing the risks and side effects of our policies. We are transparent on this: please take a look at the accounts of Governing Council meetings

<https://www.ecb.europa.eu/press/accounts/2019/html/index.en.html> [#AskECB](#)

[#askecb](#) Bad data is now met with positive uptick in stocks and risk assets. Is this not symptomatic of the dangerous environment created by QE where participants now believe CB's will keep on providing them with cheap liquidity? Is the ECB now forever beholden to stock mkts?

Lane: Our goal is not to make markets happy, but rather to provide favourable

financing conditions that can stimulate the real economy and anchor inflation expectations [#AskECB](#)

[#AskECB](#) The [#Eurozone](#) is not an optimal currency area. Which are the necessary steps to become one? Is there a role for the [#ECB](#) in this process?

Lane: The optimal currency area (OCA) concept is very useful – but does not provide a precise roadmap. I would highlight the roles of macroprudential policies, banking and capital markets union and an effective fiscal framework. [#AskECB](#)

[#AskECB](#) will Euro banknotes ever have elements like the Braille system?

Lane: Euro banknotes already do: they come in different sizes – the higher the value, the bigger the banknote, for example. See here for more features for the visually impaired:

<https://www.ecb.europa.eu/euro/visually/html/index.en.html> [#AskECB](#)

What's your favourite bird of prey and/or peace? [#AskECB](#)

Lane: Definitely the liver bird [#LiverpoolFC](#) [#youllneverwalkalone](#) [#LFC](#) [#AskECB](#)

[Remarques du Commissaire Moscovici lors de la conférence de presse de l' Eurogroupe](#)

Concernant d'abord la Grèce, j'ai présenté à l'Eurogroupe le troisième rapport de surveillance renforcée qui est un bon état des lieux en termes de mise en œuvre des engagements de réformes, et en termes de priorités pour les mois à venir. Si je devais résumer la situation à presque un an depuis la conclusion du programme, je dirais que la Grèce a pris un bon départ dans la surveillance post-programme, même si plusieurs défis restent à relever. J'ai noté que de nombreux intervenants ont tenu à rappeler le chemin qui a été parcouru, et la très grande différence entre la situation d'aujourd'hui et celle de la crise, du moment où nous avons frôlé le *Grexist*. Il faut garder cette vision essentielle.

Dans ce contexte, je veux souligner, comme l'ont fait beaucoup d'intervenants aujourd'hui, l'importance de la contribution d'Euclid Tsakalotos et George Chouliarakis. Ils ont été des interlocuteurs précieux pour la Commission et pour tout l'Eurogroupe lorsque nous avons travaillé ensemble pour redresser l'économie grecque. Je sais que leurs tâches n'ont pas été faciles et je veux les remercier pour le courage dont ils ont fait preuve et l'engagement qui a été le leur.

Nous espérons une collaboration également fructueuse et efficace avec le nouveau gouvernement qui s'apprête à relever ce défi. Nous sommes très impatients de retrouver le nouveau ministre des finances nommé aujourd'hui, qui est une personnalité connue et avec laquelle j'ai eu l'occasion de travailler lors d'un précédent gouvernement. La Commission Européenne restera toujours aux côtés de la Grèce pour que son économie continue à se redresser et pour que soit enfin créés les très nombreux emplois qu'attend la population et notamment la jeunesse.

Concernant l'Italie, la Commission a eu l'occasion d'expliquer la conclusion que le paquet présenté par le gouvernement est suffisant pour ne pas proposer l'ouverture d'une procédure de déficit excessif à ce stade. Ce paquet a d'ailleurs été présenté par le Ministre Giovanni Tria avec lequel nous avons eu un dialogue serré, exigeant mais de qualité.

J'ai noté avec satisfaction le soutien à cette conclusion de la part de plusieurs intervenants et leur appréciation pour notre transparence lors de la présentation de celle-ci. La Commission se sent appuyée et confortée par le soutien de l'Eurogroupe dans le dialogue qu'elle mène avec les autorités italiennes au nom de l'Eurogroupe.

Comme nous l'avons souligné la semaine passée, ce n'est pas la fin de l'histoire, la Commission continuera à surveiller de près dans les prochains mois l'exécution du budget 2019. Ensuite, et surtout, nous examinerons attentivement le projet de plan budgétaire 2020 qui nous sera soumis pour le 15 octobre, une des dernières tâches de cette Commission. Cette Commission et moi-même serons à la tâche jusqu'à la dernière minute, avec la même exigence et le même souci que les règles soient respectées dans leur intégralité mais aussi dans leur intelligence. Et je salue la volonté du gouvernement italien de maintenir un dialogue constructif avec la Commission en vue de cette échéance. Nous avons évité deux fois une procédure pour déficit excessif, deux fois nous avons dû procéder à un dialogue exigeant, je crois qu'il serait bon que la troisième fois, les choses se fassent de façon un peu plus spontanée et positive et c'est le message que je veux donner pour la préparation du budget 2020.

The findings of the European Fiscal Board are very much in line with the Commission's own. For 2019, our spring forecast projected a slightly expansionary fiscal stance in the euro area, which could be broadly appropriate in light of the slowdown in growth and increased uncertainty. For 2020, we concur with the recommendation of a neutral fiscal stance for the euro area as a whole. Crucially, as the Commission has consistently said, fiscal policies need to be more effectively differentiated at country level, with highly indebted Member States consolidating more and those with fiscal space investing more. We are not there yet.

Lastly, it will come as no surprise that the Commission concurs with the EFB about the benefits of adding a central fiscal capacity to the euro area institutional framework to help to mitigate the impact of any severe economic downturn in the future and we always insist on stabilisation.

I will not add much to what Mario has said on the work plan for the coming

six months in terms of EMU deepening, which the Commission fully supports and to which we will contribute actively.

Concerning the Budgetary Instrument for Competitiveness and Convergence, we are continuing to work on the design and governance aspects and stand ready to conclude this work as swiftly as possible. We will do our part to ensure that the size of the BICC can be set in the context of the next Multiannual Financial Framework, as called for by the Euro Summit last month. This means working towards a time horizon of October 2019.

For the longer term, the Commission continues to believe that a well-functioning EMU calls for a stabilisation function to cushion large economic shocks and I am happy that in the work programme envisages the pursuit of technical discussions to that end

Regarding the Banking Union, you will not be surprised to hear that we consider the delivery of a clear political roadmap and sequencing for EDIS should be the main priority. I am now a veteran in the Eurogroup, if not the veteran, and I know that from the start in 2012 and 2013, the banking union was conceived not with two pillars but with three pillars and that must not be forgotten, it's time to build it.

And finally let me add also on behalf of the Commission that we welcome the intention of Croatia to put in place the necessary elements for a successful entry into ERM II, following in the footsteps of Bulgaria last year. Of course there is much hard work ahead for Croatia in implementing the commitments made, and the Commission will monitor this closely together with the ECB, as set out in the statement published this evening. Nonetheless, this is an important milestone for Croatia and another important vote of confidence in the euro.

Remarks by Mário Centeno following the Eurogroup meeting of 8 July 2019

Good evening. We had a packed agenda today. But the atmosphere was quite positive. It could be because this is the last Eurogroup before the summer break. But actually ministers were presented with several good news. For instance Croatia's plans to join the euro but let me come to that in the end.

As it so often happens, we welcomed a newcomer in our group today: Eduard Müller who is the finance minister of **Austria's** new caretaker government.

Our first discussion was on the **fiscal stance** of the euro area. We have been monitoring economic developments very carefully across the euro area and that has been a topic of discussion in the Eurogroup, also in light of the slowdown last year. This is important to reassure us that we have the right

policy mix in place – in each part and in the whole. Today we listened to the advice of the European Fiscal Board and took stock of the Commission's analysis.

There is broad consensus that for member states with high debt levels, there is a need to rebuild fiscal buffers. At the same time, countries who have already built such buffers, can prioritise investments, boost potential growth and tackle long term challenges.

For 2020, based on current forecasts, appropriate and differentiated fiscal policies at the national level will lead to a broadly neutral fiscal stance for the euro area as a whole. Going forward, we will keep a close eye on the economy given the significant number of risks to growth that are looming.

Greece was back on our agenda today. The Commission presented the 3rd enhanced surveillance report, which assesses the ongoing implementation of reforms. Contrary to the last report, this one is not linked to a decision on further debt relief measures. As there were general elections in Greece yesterday, our discussion today was relatively short. We look forward to working constructively with the new government that will result from this election. We will look into the issues raised in the Commission's report, and more broadly discuss the new government's policy intentions going forward.

We also discussed **Spain's** post-programme surveillance. The report is positive and Spain's economic outlook continues to be strong. We welcomed the good progress made to strengthen the Spanish financial sector and encouraged the authorities to continue rebuilding fiscal buffers and reducing the public debt ratio.

Next, we looked into ongoing work to strengthen the **international role of the euro**. The Commission has been building the evidence base for possible initiatives at the sectoral level. This was not our first discussion on the topic and it will not be the last – it is a priority and we will take it forward as was requested by Leaders in December.

On **Italy**, ministers heard some good news. The discussions between the Commission and the Italian authorities have led to significant improvements in the 2019 budget. The Commission explained its recent decision that an Excessive Deficit Procedure is no longer warranted and Minister Tria provided some additional explanations on the measures taken by its government. Ministers commended efforts on both sides, which resulted in this positive outcome.

Ministers also welcomed the decision by Leaders to choose the **next President of the ECB**. I explained to the group what the appointment process will be. Euro area ministers in the Ecofin tomorrow are expected to formally nominate Christine Lagarde, which will lead to a consultation by the European Parliament and the ECB itself. The European Council will then confirm its choice in October.

On a lighter note we briefly discussed a Commission proposal to issue a common commemorative **2 euro coin** in 2022. It will be dedicated to 35 years of

the Erasmus programme, an EU success story and a positive symbol of integration.

On our ongoing **euro area reform** process, ministers reviewed the conclusions of the June Euro Summit. Leaders welcomed the progress made thus far and asked us to continue working on it and finalise some files by December.

Today, we discussed how to go about this further work that is needed:

- On **ESM reform**, we will follow up from our June agreement on the ESM Treaty and finalise the full package by December. We can then start the ratification procedures in early 2020.
- In recent months we have worked on mapping out what a steady state **Banking Union** should look like. That includes EDIS. More technical work will take place until December to set out a transitional path, including the so-called roadmap to start political negotiations.
- On the **budgetary instrument** for convergence and competitiveness, Leaders asked us to work further on all open issues and to report swiftly on the appropriate solutions for financing. This is our priority right now and we aim to deliver in October, to pave the way for a broader debate on the MFF that will follow.
- Within the same timeframe, we will also look at the details of the allocation methodology, of the modulation procedure and of the governance aspects.

We will strive to deliver coherent and meaningful solutions in the coming months. For that we need a spirit of compromise of all sides. The all-nighter of the June's Eurogroup is still in our memory and there's a lot of work ahead of us. I will continue to approach this in a constructive spirit.

Finally, let me report to you on our novelty today. A meeting of ERM II members to discuss a letter sent by **Croatia** on its intention to join ERM II and Banking Union. This is a first step needed on a path to join the euro.

The Croatian authorities have set out actions they will take to ease the transition. We welcomed the commitments in the areas of banking supervision, institutional quality, governance and the business environment. These are highly relevant for a smooth entry and participation in ERM II. They show Croatia's determination to be part of the euro family.

Our expectation is that Croatia will simultaneously join ERM II and the Banking Union and will take further commitments at that point in time.

Croatia's intention to join ERM II shows that the euro area is a solid anchor of stability and growth in Europe that continues to attract new members.

This is fully in line with the process followed for Bulgaria last year. Going forward, and in line with the principle of equal treatment, we expect to follow a similar approach for any other member states wishing to join ERM II and the Banking Union. I am sure others will follow. I am convinced the euro area will continue to grow in coming years.

[Visit the meeting page](#)