Philip R. Lane: The analytical contribution of external statistics: addressing the challenges

SPEECH

Keynote speech by Philip R. Lane, Member of the Executive Board of the ECB, at the Joint European Central Bank, Irving Fisher Committee and Banco de Portugal conference on "Bridging measurement challenges and analytical needs of external statistics: evolution or revolution?"

Lisbon, 17 February 2020

Introduction

It is a pleasure to speak at this first edition of the conference on external statistics, which is jointly organised by Banco de Portugal, the Irving Fisher Committee and the European Central Bank.[1] Not only as a central banker but also during my time in academia, I have spent much of my time analysing data on external transactions and international investment position. So it should come as no surprise that I take a very active interest in the programme of this event and look forward to the discussions today.

It is fair to say that the richness and availability of external statistics has increased considerably over the last 20 years. At the same time, the measurement challenges have increased, meaning that there are still many analytical hurdles to overcome when interpreting external statistics.

For the ECB, high-quality measurement of cross-border statistics is centrally important to the ECB for several reasons. First, the euro area is closely integrated into the global economy, both on the real side – via trade linkages and participation in global value chains (Chart 1) – but also on the financial side – as indicated by the size of euro area external assets and liabilities (Chart 2). Second, the current account balance of the euro area is a primary macroeconomic variable and the underlying shifts in the current account have widespread implications for the overall real and nominal dynamics of the euro area.

It follows that accurately measuring the external sector of the euro area is central to understanding exposures to external shocks and the international transmission of the ECB's policies.

In my remarks, I will first discuss some of the globalisation-related measurement challenges that are affecting the real side of external statistics, before turning to the financial side. I will then highlight some of the ongoing initiatives to address these measurement challenges and outline some ideas to enhance the external statistics compilation framework, with a focus on the euro area.

Chart 1

Euro area trade and global value chain participation

(percentages of euro area GDP (left side); percentages of total exports (right side))

Sources: ECB, Eurostat and World Input-Output Database.

Notes: The data refer to extra-euro area trade. The exports and import data account for goods and services. Global value chain participation is measured as the share of gross exports that cross at least three borders. The latest observation for trade is 2018 and for global value chain participation is 2014.

Chart 2

Euro area external assets and liabilities

(percentages of euro area GDP)

Sources: ECB and Eurostat.

Notes: The data refer to positions vis-à-vis extra-euro area counterparts. The latest observation is for 2018.

Measuring the real side of globalisation

The increase in international trade has been accompanied by the rise of complex production chains involving firms specialising in different stages of production. The global production network includes both multinational enterprises (MNEs) – large, profitable global firms – and also smaller and often highly specialised firms.[2] By now, it is well recognised that MNEs have complex organisational structures which frequently involve numerous legal entities, including special-purpose entities (SPEs). This complexity influences balance of payments (b.o.p.) statistics in various ways. The size of transactions related to MNEs, which are often intra-firm, poses challenges to the interpretation of balance of payments and national accounts statistics. The impact in terms of the magnitude and volatility of statistical indicators is especially visible in financial centres and small, very open economies where global firms are large relative to the size of the domestic economy. However, these factors are also increasingly relevant in understanding the external statistics of the aggregate euro area and other large economies.

In relation to measuring international trade, cross-border production arrangements, such as contract manufacturing, have considerable implications for concepts that are central to the b.o.p. and national accounts.[3] Such arrangements may involve foreign subsidiaries (offshoring) or an arms-length relationship with an unrelated company (outsourcing). The extent to which such production arrangements matter for the euro area trade balance can be seen by comparing data on trade in goods between the b.o.p and international trade statistics. This is possible because of an important methodological difference between the two datasets: b.o.p data are based on the concept of change in economic ownership, while trade statistics measure all goods crossing a border. In terms of the goods trade balance for the euro area, the gap between these two datasets has been growing over time, in particular since 2015 (Chart 3).[4] This divergence has been driven by euro area financial centres with a high presence of MNEs.[5]

Chart 3

Euro area goods trade balance

(EUR billions)

Sources: Di Nino, V., Habib, M.M. and Schmitz, M. (forthcoming) based on ECB and Eurostat.

Notes: The blue area shows the net exports of the euro area as recorded in trade statistics. The yellow and orange areas depict the difference between b.o.p. and trade statistics in financial centres and other euro area economies, respectively. The group of financial centres includes Belgium, Cyprus, Ireland, Luxembourg, Malta, Netherlands. Four-quarter moving sums. The latest observation is for the second quarter of 2019.

This episode illustrates how b.o.p data and, by extension, also national accounts statistics can be affected by exports of goods that are not produced domestically and also do not cross the border of the domestic economy. In line with this, recent ECB research (already presented in session 2 of this event) finds that the trade surplus of euro area financial centres is mainly generated by foreign value added.[6] Notably, the pricing of the various transactions involved in cross-border production arrangements, in particular if these are intra-firm, substantially affects the amount and location of profits booked, reflecting the well-established concept of transfer pricing.

Over time, the location of corporate structures has become increasingly mobile. This is partly driven by the redomiciliation of headquarters and the increased relevance of intangible assets, such as patents and copyrights.

These intellectual property products (IPPs) are particularly important for digital companies, but are also relevant in other industries such as the pharmaceutical sector. IPPs can easily be moved across borders, including to jurisdictions that offer favourable tax treatment for profits arising from such assets. Typically, one entity of an MNE group owns the IPP assets of the group, while other entities in the same group pay licence fees and royalties for their use.

Over the past few years, IPP-related transactions have had a marked effect on the services component of the euro area current account balance. In particular, there have been three large spikes in IPP-related imports (Chart 4).

Chart 4

Euro area services trade balance

(EUR billions)

Source: ECB.

Notes: Quarterly data. The latest observation is for the third quarter of 2019.

These episodes – which reflect the transactions of a small number of large companies – are also visible in the euro area national accounts, where they show up as large imports of services and, commensurately, high gross fixed capital formation (Chart 5). Importantly, this increase in investment has also translated into a larger measured level of euro area domestic demand, although the associated change in the underlying euro area domestic production patterns is likely to be quite minor.

Chart 5

Euro area national accounts: selected components

(quarter-on-quarter growth rates in percentages)

Source: Eurostat.

Notes: Seasonally and working day adjusted quarterly data. The latest observation is for the third quarter of 2019.

Such episodes highlight the dichotomy between the residency principle underlying macroeconomic statistics and the global footprint of MNEs. Data on the numerous entities belonging to MNE groups are not consolidated across borders with the home country of the parent MNE. Instead, they are recorded in the national statistics of the economy where the entities reside, even if their effect on domestic economic activity may in fact be small.

This dichotomy also extends to the way statistics are still collected and compiled nowadays, which is not much different from a century ago: these are gathered nationally and subject to strict data confidentiality rules, which often prevent cross-border data sharing. For global companies, this implies that the information sets available to national statisticians differ across countries, which gives rise to both gaps and overlaps at the same time. This, in turn, has negative implications for cross-country comparability and overall data quality, including for the euro area. It also enables the emergence of large bilateral asymmetries. A case in point is the sizeable differences recorded for the bilateral current account balance between the euro area and the United States based on US and euro area data (Chart 6). This discrepancy gives rise to several interpretations, which I will come back to later on.[7]

Chart 6

Bilateral euro area-US current account

(EUR billions; 2018)

Sources: ECB and US Bureau of Economic Analysis.

Note: Positive balance indicates a surplus for the euro area.

Measuring the financial side of globalisation

Let me turn to the financial side of globalisation. While the post-crisis environment was generally marked by a halt in financial globalisation, foreign direct investment (FDI) positions continued to expand until recently.[8] A striking pattern that I identified in collaboration with Gian Maria Milesi-Ferretti of the International Monetary Fund is that the post-crisis expansion was concentrated in positions vis-à-vis international financial centres (Chart 7). This can, in turn, be linked to the increased complexity of the corporate structures of MNEs, as I just mentioned.

Chart 7

Evolution of external assets

(percentages of world GDP)

Sources: External Wealth of Nations database (Lane and Milesi-Ferretti) and

ECB staff calculations.

Notes: Aggregates for advanced economies, financial centres and emerging and developing countries are defined as in Lane, P. R. and Milesi-Ferretti, G. M. (2018), “The External Wealth of Nations Revisited: International Financial Integration in the Aftermath of the Global Financial Crisis”, *IMF Economic Review*, Vol. 66, No 1, International Monetary Fund, pp. 189-222.

Due to these trends, interpreting headline FDI data has become increasingly difficult, including for the aggregate euro area. Notably, there is a high presence of SPEs in a number of euro area countries. In these economies, SPEs account for sizeable shares of cross-border financial transactions and positions, not only in terms of FDI but also in terms of portfolio investment and other investment. SPEs located in euro area financial centres typically hold equities, manage debt issuance, and allocate funding across parent and subsidiaries.[9] Statistics on SPEs are, however, not yet sufficiently developed: these are only available for a limited set of countries, largely focus on FDI and do not follow a harmonised international definition.

Large changes to the international balance sheet and financial flows of an economy may also arise from redomiciliations of headquarters. Common patterns associated with moving the headquarters of an MNE to a financial centre economy are increases in net FDI assets of the financial centre, while portfolio equity liabilities increase if the shareholders remain unchanged.

In relation to FDI of the euro area, it is notable that, in recent years, gross FDI transactions of euro area financial centres have been so large that these have driven aggregate euro area developments (Chart 8). Another defining feature of FDI is the strong positive correlation between gross assets and liabilities, especially in financial centres, which hints at the importance of the pass-through of financial flows for the evolution of FDI data.

Chart 8

Euro area foreign direct investment assets and liabilities transactions

(percentages of euro area GDP)

Sources: ECB and Eurostat.

Notes: Financial centres refer to Belgium, Cyprus, Ireland, Luxembourg, Malta, Netherlands. Inverted values for liabilities. Four-quarter moving sums.

The latest observation is for the second quarter of 2019.

Data on bilateral FDI assets of US companies in the euro area offer insights on the changing nature of euro area FDI liabilities.[10] Between 2003 and 2018, US FDI positions in the euro area increased by a factor of 4.5 (Chart 9). A striking pattern is that this increase was largely driven by US investment in holding companies in the euro area, which are often SPEs, while US FDI in other, more traditional sectors such as manufacturing, grew more modestly.

Chart 9

US foreign direct investment assets in the euro area by industry of euro area affiliate

(USD billions)

Source: US Bureau of Economic Analysis.

Notes: The euro area is based on data available for Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

The latest observation is for 2018.

A forthcoming ECB study suggests that the income recorded on US FDI assets in the euro area plays a decisive role in the asymmetries observed in the bilateral euro area-US current account balance (Chart 10) that I mentioned earlier.[11] The likely drivers of asymmetries in FDI income are, first, the difficulty in recording reinvested earnings of US MNEs with complex ownership chains (including holding companies) and, second, the problems in properly allocating the income flows geographically. Differences in the information set on MNEs available to European and US statisticians may be an important factor behind these patterns.

Chart 10

Bilateral euro area-US foreign direct investment income flows

(EUR billions; 2018)

Sources: ECB and US Bureau of Economic Analysis data.

Note: Positive balance indicates a surplus for the euro area.

Going beyond FDI, a careful interpretation of cross-border statistics is also needed for appropriate risk assessments and policy analysis related to international financial exposures.[12] Data on international financial transactions and positions have improved significantly over the past decade, both in terms of coverage and available details as regards instruments, sectors and geographic breakdowns.[13] Such data are helpful for identifying the holders and issuers of financial instruments. This, in turn, matters for the analysis of the transmission of shocks and the stability of investment positions over time.[14]

However, even these additional details cannot fully reveal the matrix of linkages between the ultimate investors and the ultimate issuers of financial instruments. The identification of ultimate exposures has been further complicated in recent years by the rise of international financial intermediation chains, which often involve non-bank entities in international financial centres. Recent research on US investors and mutual funds shows that ultimate exposures – for example with regard to securities issued by emerging market economies – may differ significantly from those observed in international investment positions data.[15] These patterns point to the need to improve the statistical information available for the analysis of interconnectedness. Another way of helping to complete the analysis of exposures would be to integrate the sectoral information of the external balance sheet in domestic sectoral data. This would enable the identification of the domestic sectors that ultimately drive external imbalances.[16]

A further important dimension in measuring international balance sheet risks relates to the transmission of financial shocks through the valuation channel arising from exchange rates and other asset price movements.[17] In the past, data on the valuation channel could only be roughly estimated, resulting in substantial measurement errors. However, such data are now available in the official statistics for many economies, including the euro area, with a considerable degree of detail (Chart 11). For some economies, security-level data that provide highly granular insights into the trading of individual assets are now available. For example, granular datasets such as the ESCB’s Securities Holdings Statistics enable analysts to zoom in on refined dimensions of security holdings and draw up an ad hoc analysis of specific exposures.[18] Studies exploiting these data show that different investor types respond differently to asset price fluctuations.[19]

Chart 11

Valuation changes in euro area portfolio investment assets

(EUR billions)

Source: ECB.

Notes: Quarterly data. The latest observation is for the third quarter of 2019.

Official statistics that provide a comprehensive picture of foreign currency exposures in international balance sheets are still relatively sparse. Such data are important, however, since the full analysis of the transmission of exchange rate movements needs to take into account net foreign currency exposures. The lack of official statistics on the currency dimension of the international balance sheet has prompted the assembly of research-based datasets. Plausible estimates can be constructed by carefully merging a range of datasets, together with some estimates of the currency positions in different financial instruments (Chart 12).[20]

Chart 12

Cumulative distribution of net foreign currency exposures

(y-axis: cumulative distribution; x-axis: units of net foreign currency exposure measure)

Sources: Bénétrix, A., Gautam, D., Juvenal, L. and Schmitz, M. (2019), “Cross-Border Currency Exposures. New evidence based on an enhanced and updated dataset”, *IMF Working Papers*, No 19/299, International Monetary Fund.

Notes: Net foreign currency exposures shown on the horizontal axis range between -1 and 1. The vertical axis presents the cumulative distribution (the proportion of countries) below each value on the horizontal axis for 1997, 2007, 2012 and 2017. The sample includes 50 advanced (ADV) and emerging (EME) countries.

International initiatives to address measurement challenges

The measurement challenges that I have discussed are well recognised in the international statistical community. A number of data initiatives – both at European and global level – point to progress in addressing these problems, as for instance recognised in the G20 Data Gaps Initiative. I am sure that, over these two days, you will have the opportunity to become familiar with many of these initiatives.

I would like to turn to what I consider to be required in order to enhance the relevance of cross-border and national accounts statistics. In general, the statistical system needs to become more agile to keep pace with the rapidly evolving activities of multinational firms and financial intermediaries.

To this end, the international statistical infrastructure needs to be enhanced. A key pillar in this infrastructure is the Legal Entity Identifier (LEI), which will bring transparency and facilitate the distinct identification of legal entities and link them to the ultimate parent entity. The ECB is actively engaged in this project, since it not only supports the statistical process, but also brings transparency to financial markets and to the exercise of prudential supervision.

Moreover, a concentric system of administrative and business registers can be a promising avenue for reconciling statistical and non-statistical needs. As the core of this system of registers, one could develop a single (near) real time EU business register, containing non-confidential information. This register could be made available as a public good for all administrative purposes. Establishing such a core register would require intensive cooperation among the operators of administrative, statistical and commercial business registers and should draw on the initiatives to enforce the universal use of the LEI. Ideally, it should support all non-statistical needs, including those of the EU Commission and those arising from the ECB’s functions (including banking supervision). In concentric circles around the core business register, one could first add the necessary statistical variables, which would be the reference for European System of Central Banks (ESCB) and European Statistical System (ESS) statistical production. Further separate concentric circles could add variables for other administrative purposes such as tax administration.

I acknowledge the sizeable initial investment implied by such a system. This requires thinking big and establishing EU law to bring it to life. Without these changes, however, I see little chance of keeping European statistics fit for purpose in the digital age.[21]

I also think that the existing data confidentiality framework in the EU needs to be urgently reviewed. The sharing of confidential data for statistical purpose within the ESCB/ESS should be facilitated by creating a solid legal basis. While the exchange of confidential information for statistical purposes is already enabled under EU statistical law, the experience of the last decade shows that this is not enough in a number of Member States.[22] Some legal initiatives will be required, possibly to replace some enabling clauses with mandatory ones. For instance, a single statistical business register would never be possible without such an enhanced data confidentiality framework.

These infrastructure developments would create a world of opportunities. For example, given the importance of MNEs and the associated measurement challenges, the centralised collection of data on, for instance, the top 500 MNEs in the EU could be envisaged, as is already the case in the financial sector for the 120 significant and 4,000 less significant banks within the framework of banking supervision. Such data, which could be made accessible to the relevant statistical authorities in the EU, have the potential to eliminate information gaps and overlaps across countries and hence ensure a more complete and consistent cross-country recording of the activities of MNEs. Moreover, this offers the prospect of significantly improving timeliness. At the same time, I am convinced that such an approach would be a win-win situation for MNEs in terms of the statistical reporting burden. Instead of receiving questionnaires from 27 Member States in 20-plus languages, a coordinated approach across the EU could significantly reduce reporting burdens. In individual Member States, like my own, the centralised approach to the biggest MNEs is bundled in large case units, which are often responsible for all reporting obligations and serve as a one-stop contact point for MNEs. Such an idea could also be considered at the euro area or EU level to the benefit of reporters and statistical authorities.

Turning to data wishes, as outlined earlier, further sectoral detail is necessary for an adequate analysis of risk exposures and to account for the activities of purely internationally oriented entities. There are important ongoing initiatives in this direction, both at a global level and within the ESCB. With regard to the need for a harmonised recording of SPEs in cross-border statistics, the definition provided by the dedicated task force of the IMF Committee on Balance of Payments Statistics is welcome and will be helpful in ensuring the availability of internationally consistent statistics with a separate breakdown for SPEs.[23] The ESCB’s work programmes on external statistics and financial accounts also seek to separately identify foreign-controlled corporations in financial accounts and provide more refined breakdowns of the non-bank financial sector. Moreover, the euro area datasets on b.o.p. and domestic sector accounts will achieve full consistency over the next year, with important benefits for the analysis of interconnectedness.

Taking a longer time horizon, the next review and update of the statistical manuals (in particular the Balance of Payments Manual and the System of National Accounts) offers an opportunity to rethink the key concepts of macroeconomic statistics. One avenue is the consolidated framework in which all entities belonging to a corporate group are assigned to the country of the headquarters. Such an approach has the potential to provide a useful alternative perspective, in particular on MNEs and in the identification of ultimate financial exposures. However, such a consolidated accounting framework should be considered as complementary rather than as a substitute for the residence-based framework. As both approaches have their merits, their usefulness depends on the specific purpose of the analysis.

Conclusions

In this speech I have focused on the topic of measurement challenges for external statistics. In particular, I have highlighted the role that measurement issues play in determining the analytical value of the statistics on euro area trade and the national accounts. On the financial side, key issues relate to the changing nature of FDI and to the proper measurement of exposures and risks.

I have also discussed some of the ongoing initiatives to address these measurement challenges, both at a global and European level. I would like to highlight once more that further efforts are needed to improve the analytical value of external statistics. This relates, for instance, to facilitating the sharing of confidential data for statistical purposes across borders and to exploring avenues to collect data on internationally active, large institutions in a centralised way, at the EU rather than national level.

As a long-standing user of external statistics, I very much look forward to the discussion today and will closely follow future enhancements to the data on cross-border statistics.

[Forward look: 17 – 29 February 2020]

Foreign Affairs Council, 17 February 2020

The Council will discuss current affairs and exchange views on EU-AU relations, Libya and EU-India relations.

General Affairs Council, 17 February 2020

The Council will prepare the special meeting of the European Council on the next multiannual financial framework.

Economic and Financial Affairs Council, 18 February 2020

The Council will adopt a revised list of non-cooperative jurisdictions for tax purposes. It will also receive a presentation by the Commission on the review of the EU economic governance. The agenda also includes issues related to the European Semester and the EU budget.

European Council, 20 February 2020

EU leaders will aim to agree on the EU's long-term budget for 2021-2027, the multiannual financial framework (MFF).

Education, Youth, Culture and Sports Council (Education), 20 February 2020

Education ministers will adopt a Resolution on education and training in the European Semester and will hold a debate on the topic 'Brain circulation – a driving force for the European Education Area'.

General Affairs Council, 25 February 2020

The Council will focus on preparations for the March European Council, next steps in the EU-UK relationship and plans for legislative work.

Competitiveness Council, 27 – 28 February 2020

The Council will debate the challenges posed by the transition to a climate-neutral and circular EU industry, adopt conclusions on better regulation and discuss the single market performance report. On Friday, the Council will adopt a partial general approach on the strategic innovation agenda of the European Institute of Innovation and Technology and will discuss the EU's strategy on international cooperation in research and innovation. Over lunch, ministers will discuss the contribution of research and innovation to the Green Deal.

EIB to support green infrastructure development and climate resilience in ASEAN countries with EUR 150 million

- **The EIB to support green infrastructure development in ASEAN member countries with EUR 150 million;**
- **ASEAN`s Catalytic Green Finance Facility (*ACGF*) is designed to accelerate the development of green infrastructure and attract more private investment in the sector;**
- **Needs of ASEAN member countries for investments in green infrastructure are currently assessed at around USD 200bn each year;**

The European Investment Bank (EIB) will invest EUR 150m in the Catalytic Green Finance Facility (*ACGF*) established by Association of Southeast Asian Nations` (ASEAN) to accelerate the development of green infrastructure projects and crowd-in much needed private investments in the sector. With the investment, the EU`s Climate Bank continues to support development of transport, energy and water schemes in South East Asia.

In line with its role as the EU`s Climate bank and its focus on climate action in Asia, the EIB support for ACGF will also improve environmental sustainability and climate resilience of ASEAN member countries, jointly the seventh-largest economy in the world, and advance global climate action.

Luca Lazzaroli, Director General of the EIB, said: *"The EIB is ready to support ASEAN attract funding for green infrastructure as it is a true win-win partnership for South East Asia, the European Union and the whole world. Our cooperation will benefit the people and economies of the ASEAN, support local communities by making them more climate resilient and aid the global effort to combat climate change. Partnerships like this one with ASEAN are the only way to ensure success of the global climate action and preserve our planet for future generations."*

The investment from the EU Bank will also support ASEAN meet its own climate action goals and attract much needed private funding for its green infrastructure projects in sectors like energy, transport, water and urban development.

Mobilising private sector support for green investment

Currently, ASEAN countries attract only 40 out of $200bn required each year for green infrastructure finances, with only 25% of financing from the private sector, mostly as commercial loans. The ACGF will mobilize and catalyse private finances through instruments such as green bonds, and development of commercially bankable projects with attractive risk-return profiles in order to accelerate development of green infrastructure in ASEAN.

With the support from the EIB, ACGF will address these issues to reduce high up-front costs of green infrastructure and introduce new technologies, as well as create long-term finances options for green project developers and address exchange rate volatility that hinders foreign investments in the sector.

ACGF will develop a project pipeline and provide project financial structuring support, both key to attracting private sector investments. It will promote innovative finance approaches, create bankable financial models, and respond to the need for climate-responsive projects in ASEAN countries.

To support sustainable development of South East Asia, the EIB supported ACGF develop a definition of green investment criteria and currently explores expanding the cooperation to include cooperation on EIB`s Clean Oceans` Initiative, in areas such as coastal protection, plastic reduction and waste management.

Other contributions to EUR 1.2 billion strong ACGF include Asian Development Bank, Agence Française de Développement, German development bank KfW and the Government of South Korea.

About EIB in Asia:

For 25 years, the EIB has supported economic development in Asia and the Pacific region through projects ranging from cutting travel times for people of Bangalore with a new metro line, to providing cheaper, cleaner energy to western Nepal.

In Asia, the EIB focus is our lending on climate action across all sectors. Through our financing, we act as a catalyst to attract the funding needed to meet the UN’s Sustainable Development Goals for 2030. We also work to include gender equality in our projects, ensuring that women, men, girls and boys can benefit from projects equally and equitably.

In recent years, the EIB has supported new sustainable transport projects in India, Cambodia, Laos, Vietnam, and Bangladesh, water schemes in Sri Lanka and Bangladesh, renewable energy in Nepal and India and urban metro rail systems in India.

About the EIB in ASEAN:

The EIB financed 32 projects in the ASEAN Region, investing EUR 1.8bn and mobilizing investments of up to EUR 10.7bn in key sectors including rural development, transportation, energy and renewable energy, water and waste management, as well as support to Small and Medium Enterprises (SMEs).

ESMA seeks candidates for its stakeholder group

Strong stakeholder engagement has hugely contributed to ESMA's successful contribution to the development of a single rulebook for financial services and ensuring its consistent application. ESMA particularly values its relationship with the SMSG as it facilitates consultation between ESMA and its stakeholders on ESMA's areas of responsibility and provides advice on its policy development. This helps to ensure that stakeholders can contribute to the formulation of policy from the beginning of the process.

The successful candidates will take up their roles in July 2020.

Steven Maijoor, Chair, said:

"The next SMSG will start its mandate in a period which is crucial for ESMA as it embarks on the new responsibilities entrusted to it by the ESA review. The SMSG will have an important role to play in helping ESMA meet these new challenges.

"We are seeking the broadest possible stakeholder representation, in terms of stakeholder segment, gender and geography, and encourage all interested parties to put themselves forward for consideration."

The review of ESMA's founding regulation changed the composition of the SMSG and has necessitated the establishment of a new group composed of 30 members, representing consumers, users of financial services, financial market participants, employees in the financial sector, SMEs, and academics.

It meets on at least four occasions per year and twice with ESMA's Board of Supervisors.

Each Member of the SMSG serves for a period of four years and can serve two successive terms.

Application process

The call for expression of interest for membership in the SMSG is open to all those who represent stakeholders active in the European Union. The deadline for applications is 29 March 2020.

Relevant documents for the application can be found here.

- Call for Expression of Interest;
- Application form; and
- Renewal Procedure.

The applications should be accompanied by a CV, preferably in the [Europass] format. Candidates are also invited to provide a letter of motivation, clearly stating the reasons behind the application.

Selection process

The details of the selection process are in the Call for Expression of Interest.

The final decision on the composition of the SMSG is expected to be made by the ESMA Board of Supervisors end May 2020.

Greece: The EIB supports the reinforcement and the modernization of the Greek Distribution Network with € 255 m

- **The European Investment Bank supports the development of the Greek electricity distribution network**
- **Improvement of the security of the supply of electricity and**

strengthening of the connections with Renewable Energy Sources (RES)

The European Investment Bank (EIB) supports the investment program of the Hellenic Distribution Network Operator (HEDNO), a subsidiary of Public Power Corporation (PPC), the largest electricity generator and supplier in Greece.

EIB and PPC signed today the second 20 year loan agreement, with the guarantee of the Hellenic Republic, amounting to € 100m, out of a total approved facility of € 255m for the reinforcement and the modernization of the Greek electricity distribution network across the mainland and islands.

The Minister of Finance and Governor of the European Investment Bank, Mr. Christos Staikouras stated that: "The contract signed with Public Power Corporation reaffirms the strategic support of EIB to projects that promote security of supply and energy efficiency. The reinforcement and modernization of energy networks in Greece are crucial in order to achieve the growth targets of the country. EIB, Europe's lending arm for the implementation of its new growth strategy, proves once again that it actively supports the Greek economy by providing financing and know-how."

The Minister of Environment and Energy Mr. Kostis Hatzidakis stated that: "The contract signed today strengthens the already substantial financial support and valuable know–how provided by EIB in the energy sector of the country, especially in projects that are crucial for the modernization of its infrastructure. We are looking forward to EIB's support – given its transformation to the European Union's climate bank – in the coming years in order to achieve the ambitious goals set in the National Plan for the Energy and the Climate, having as a cornerstone the Just Transition to the post lignite era."

The Chairman and CEO of PPC S.A. Mr. Georgios Stassis noted that: "The electricity distribution network has traditionally been a valuable asset of the Group and its development is a strategic priority for PPC. We are very pleased with EIB being a steady strategic financing partner supporting our investment plan in projects of great importance not only for PPC Group but for the economy, Greek consumers, the security of supply and the environment as well. The digital transformation of the Group, which is a strategic priority, involves to a large extent the distribution network as well, the digitalization and automation of which require significant investments. The support of EIB in the financing of such projects will continue to be of major importance".

The CEO of HEDNO, Mr. Anastasios Manos stated that: "EIB´s constant financial support contributes significantly to the achievement of our common strategic goals with PPC Group to upgrade the Electricity Distribution Network and safeguards the modernization of HEDNO and the services provided to all Greek citizens".

The President of the European Investment Bank, Mr. Werner Hoyer, stated: "Investment in energy infrastructure is crucial to ensure reliable electricity supply and increase use of renewable energy. The European Investment Bank is pleased to support transformational investment by HEDNO that will modernise the Greek national electricity network, provide power essential for economic growth and ensure reliable energy for customers across Greece. The EIB's has a strong track record of financing energy investment across Greece, including renewable energy, energy efficiency, interconnectors to islands and electricity distribution and is committed to working with Greek partners to energy investment in the years ahead."

The new € 100 m. loan from EIB to PPC follows the progress in the completion of the projects for the upgrade of the Greek electricity distribution network and was signed at PPC's headquarters by Mr. Georgios Stassis, Chairman and CEO of PPC S.A. and Mr. Werner Hoyer, President of EIB, with the Minister of Environment and Energy also attending.

Benefits for electricity consumers in Greece

Expansion of the national electricity distribution network will cater for expected increased future demand and enable electricity consumers across Greece to benefit from more reliable electricity supply. More than 7,000 km of new medium and low voltage electricity distribution lines will be installed that will improve distribution efficiency and increase network resilience and stability.

Improving connections to RES

Upgrading the national electricity distribution network is of pivotal importance for the further penetration of wind and solar parks as well as of other renewable energy sources to the electricity network of the Country.

Further EIB support for energy investment in Greece

Over the last decade the European investment bank has provided more than €3.4 billion for energy investment in Greece with PPC and private Greek energy partners. This has included improving connections to Greek islands essential for security of energy supply and harnessing renewable energy, supporting development of new windfarms in this country and accelerating energy efficiency investment.