Article – Liaison offices: get in touch with the Parliament near you

Thousands of activities

In 2019 hundreds of thousands of people joined in thousands of activities informing them about the European elections taking place last May and this community continues through www.together.eu so you can join in.

Parliament's offices support volunteers and their activities or directly organise meetings, debates and training session both offline and online. From time to time there are competitions to win a trip to Parliament in Brussels or Strasbourg, so check out the website of your nearest office or follow them on social media.

Young Europeans in the spotlight

The liaison offices also support pan-European activities for young people:

- The European Youth Event (EYE) brings together thousands of young people to share and shape their ideas on the future of Europe. The next one will be in Strasbourg on 29-30 May 2020.
- Euroscola is a simulation for young students that get together in Strasbourg to engage in negotiations, debates in the plenary chamber, voting and adopting resolutions as if they were real MEPs. There are about 20 Euroscola sessions a year in Strasbourg, which attract some 10,000 students every year.
- The European Parliament Ambassador School Programme gives secondary and

vocational school students the opportunity to learn about the EU and their rights. As of the end of October 2019 there were 3,411 teachers and 21,450 students actively involved, from 1,500 certified schools in 27 EU countries (all except the UK).

Parliament's liaison offices also work with the media and of course with the MEPs from their country, who they involve in debates and other activities.

Visit, experience and discover

The Parliament not only offers visitors centres in Brussels and Strasbourg. In Berlin, Helsinki, Ljubljana and Copenhagen, you can visit the Europa Experience for an interactive exhibition showing how decisions are made at the European level. There will also be a Europe Experience in Talinnn soon.

In the US you can also visit the liaison office in Washington DC, which primarily liaises with the US Congress but also engages with the European community overseas.

Updated weekly schedule of President Charles Michel

Monday 6 January
20.00 Phone call with Secretary-General of the UN António Guterres
22.00 Phone call with Prime Minister of Canada Justin Trudeau

Tuesday 7 January 2020
11.00 Phone call with Prime Minister of Australia Scott Morrison
14.30 Meeting with Prime Minister of Romania Ludovic Orban
19.00 Phone call with President of Cyprus Nicos Anastasiades
20.00 Phone call with Prime Minister of Greece Kyriakos Mitsotakis
22.00 Phone call with Prime Minister of the United Kingdom Boris Johnson

Wednesday 8 January 2020
Brussels
12.00 Meeting with Prime Minister of the Government of National Accord (GNA) of Libya Fayez Al-Sarraj

Bratislava
17.00 Meeting with Prime Minister of Slovakia Peter Pellegrini
17.30 Press statements
18.00 Working dinner with Prime Minister Peter Pellegrini

Thursday 9 January 2020
Zagreb
10:00 Phone call with President of Iran Hassan Rouhani

11.55 Welcome by Prime Minister of Croatia Andrej Plenković
11.57 Signing of the guest book
12.00 Meeting with Prime Minister Andrej Plenković
13.10 Press conference
14.00 Working lunch
19.00 Opening ceremony of the Croatian Presidency of the Council of the EU

Saturday 11 January 2020
Istanbul
14.00 Meeting with President of the Republic of Turkey Recep Tayyip Erdoğan

Cairo
20.00 Meeting with President of Egypt Abdel Fattah al-Sissi

Sunday 12 January 2020
17.30 Meeting with Chancellor of Austria Sebastian Kurz

Christine Lagarde: Interview with “Challenges” magazine

INTERVIEW

Interview with Christine Lagarde, President of the ECB, by Pierre-Henri de Menthon and Sabine Syfuss-

Arnaud

8 January 2020

You have described yourself as neither a dove nor a hawk, but rather an owl. Why exactly this rather unusual type of bird?

Owls are traditionally seen as birds of wisdom that can see well in the dark and have a wide range of vision. However, what I really wanted to highlight was my wish to ensure that discussions within the Governing Council take place in an efficient, of course, but also composed manner.

What, in your view, does 2020 have in store for us? What is the greatest threat to the global economy?

We would anticipate a growth rate of around 1.1% in the euro area for 2020, which is slightly lower than in 2019. Both within the euro area and globally, the biggest threat is a downturn in trade resulting from a range of uncertainties, primarily affecting manufacturing and hampering investment. This range of uncertainties, in addition to geopolitical risks and issues relating to climate change, includes ongoing trade tensions and Brexit.

Will Europe be weakened as a result of Brexit?

Following the recent elections in the United Kingdom and the approval by the House of Commons of the withdrawal agreement, the UK is due to leave the European Union on 31 January 2020. This means one less uncertainty, which is good news for investors. That said, the biggest challenge is yet to come – namely the issue of reaching a trade deal between London and the EU during the 11-month transition period. The economic and financial impact of Brexit will depend on the details of that agreement – if indeed one can be reached – during that short period of time. However, what we do know is that, as a result of Brexit, the European Union will lose a wealthy Member State and one that is a powerful military force. The EU will recover, but will need to bolster its efforts to compensate for the UK’s departure.

You have moved from Washington to Frankfurt. Can you explain the difference in growth between the United States and the euro area, where Germany’s role as an “engine of growth” appears to be losing momentum?

The difference is largely due to economic policy choices – the United States has seen a significant fiscal stimulus, whereas Europe has not. The United States is less restricted, fiscally-speaking, and enjoys the privilege of the US dollar’s international position. The US was also able to restore the health of its financial sector at an earlier stage following the crisis. However, the EU is still the most powerful economic and trading area in the world, with enormous potential. It has also shown that it was able to recover from the crisis and create new employment after two recessions, particularly thanks to the measures taken by the ECB. A concerted fiscal stimulus at the euro area level would help speed up growth, which at 1.1% in 2020 and 1.4% in 2021 (according to our latest projections) remains below our potential, at least for 2020.

What do you mean when you refer to a "new policy mix" for Europe?

It makes sense to use all of the tools at our disposal when it comes to increasing growth, which will also result in inflation moving towards levels close to 2%. There are three elements to this policy mix: monetary policy, which has continuously been used to maintain price stability; fiscal policy, which should be used more often in order to support monetary policy in Member States where possible; and structural reforms to increase the growth potential within our economies. Greater cooperation between competent authorities, without infringing on the independence of their roles, would make it possible to optimise the multiplier effects of their decisions.

The ECB's policy is pushing economic operators into debt. French public debt is now in excess of 100% of GDP. Should we be worried?

Although public debt is decreasing within the euro area, in France, it is increasing. This is a cause for concern, since it does reduce the room for fiscal manoeuvre in the event of a downturn in the economy. France needs to take steps to reduce its deficit and debt, while adopting a growth-friendly fiscal policy. Other countries have managed to achieve this difficult task. I am confident that the French government will also be able to do so, particularly through structural reforms.

In your role as Managing Director of the IMF, you were often critical of Germany's surpluses. To what extent has this changed?

Primarily in terms of current account surpluses – but not just with regard to Germany. Such high surpluses in relation to GDP result in imbalances, particularly where a single currency is concerned.

Given the major challenge posed by populism, how can the ECB be brought closer to the citizens?

This is one of my priorities. Bringing the ECB closer to the people requires dialogue and explanations. We need to engage with our fellow citizens and enter into dialogue with them. We need to explain to them – also through you – what the ECB does and that we are committed to doing its work effectively. We should bear in mind that three-quarters of euro area citizens are in favour of the euro.

Your mandate is to ensure price stability. Is this the main issue today?

Doesn't asking the question imply an assumption that price stability has been maintained? I would take that to be a compliment for the ECB. Indeed, since the introduction of the euro, annual inflation has averaged around 1.7% in the euro area. However, inflation currently stands at 1% and inflation projections are still low, at some distance from the level of below, but close to, 2% that we would like to reach over the medium-term.

The President of the European Commission, Ursula von der Leyen, has presented her "Green Deal". How will it interact with ECB policy? Are you going to transform the ECB into a green bank?

I commend the determination of my friend, Ursula von der Leyen, and her commitment to the environment. This battle is to our credit in Europe, with all of us acting within our remits. In this, I also include the European Investment Bank. We will play our part within the framework of our mandate of maintaining price stability and of banking supervision. What effects do climate-related risks have on our growth and inflation projections? What signals do we send through our bond purchases and what assets are held by the banks that we supervise? The stakes are high enough to arouse a keen interest in these questions, while pursuing our primary mission. As regards monetary policy, the review of our strategy will be the ideal time to address these questions.

Given the low or even negative interest rates, are savers right to be worried about their savings?

The measures taken aim to maintain stable prices. In the medium to long term, this ensures the best possible economic environment and the preservation of purchasing power for all, whether savers or borrowers. Interest rates are instruments rather than objectives in themselves. There have been times in Europe when savers invested in money market funds that delivered high returns, such as at the start of the 1990s. But the monetary environment of that period penalised borrowers and the situation at that time resulted in a deep economic recession. In a recession, savers tend to reduce their savings in an effort to maintain their level of consumption. In other words, a recession is bad for savings. Negative interest rates aim to keep the economy on a balanced growth path and to avoid a recession.

Isn’t it a little shocking that banks could charge for holding deposits?

It would be shocking if the banks did not take full advantage of the historical monetary conditions that they are benefiting from to provide more funding to the real economy. But negative interest rates have been useful and progress has been made. In spring 2014, just before the rate on the deposit facility was reduced into negative territory, lending to the real economy was declining with all that that entailed, such as the risk of an economic downturn and deflation. Today it is growing at about 3.5% per year.

Specifically, it is not just countries, but firms and households too, that are living off credit. Are we witnessing the creation of “bubbles”, in particular property bubbles?

Overall, not in the euro area as a whole, although the work of the European Systemic Risk Board, which I chair, and the ECB’s latest Financial Stability Review call for prudence and the implementation of targeted macroprudential measures, which are sometimes necessary at the national level.

Can the euro take advantage of the current turmoil to gain ground on the world stage?

I share the European Commission’s view that there is indeed room for the euro to further develop its international role in line with the economic and financial importance of the euro area. But, ultimately, it’s the economic

agents who determine whether this takes place. Of course, we will help strengthen the international role of the euro by being credible in what we do, by making the euro area more robust, by completing banking union and the capital markets union, and by continuing to innovate in the field of payments.

Is creating a cryptocurrency a legitimate task for the ECB?

Innovation in the area of payments is racing ahead in response to the urgent demand for quicker and cheaper payments, especially cross-border ones. The Eurosystem in general and the ECB in particular want to play an active role in this field, rather than just acting as observers of a changing world. In 2018 the Eurosystem launched an infrastructure to provide pan-European instant payments with direct settlement in central bank money (TIPS, i.e. TARGET Instant Payment Settlement). This enables banks to process payments between themselves in a matter of seconds, 24 hours a day, 365 days a year, all over Europe. This caters not only to the preferences of younger generations, who want to make round-the-clock payments with their smartphones, but also to firms, which want to optimise payment and supply chain processes.

In terms of the road ahead, the ECB will continue to assess the costs and benefits of issuing a central bank digital currency (CBDC) that would ensure that the general public remains able to use central bank money even if the use of physical cash eventually declines. However, the prospect of central bank initiatives should neither discourage nor crowd out private market-led solutions for fast and efficient retail payments in the euro area. We are looking closely into the feasibility and merits of a CBDC, also because it could have major implications for the financial sector and for the transmission of monetary policy. At the end of 2019 we created an expert task force at the ECB that will work closely with the national central banks to study the feasibility of a euro area CBDC in various forms, covering all the practical aspects, including how to minimise possible unintended side-effects.

You left France in 2011 – do you miss it?

Wherever I am, France is always close to my heart!

Luis de Guindos: Europe’s role in the global financial system

SPEECH

Speech by Luis de Guindos, Vice-President of the ECB, at the SUERF/De Nederlandsche Bank Conference “Forging a new future between the UK and the EU”,

Amsterdam, 8 January 2020

It is my pleasure to deliver the keynote speech at this year’s SUERF/DNB conference.

The title of this conference is very apt. Brexit will certainly require a new future to be forged between the United Kingdom and the EU. The United Kingdom’s departure has important implications for the EU financial system, most notably for capital markets. So we need to give serious thought to optimally shaping the future relationship between our financial sectors in the awareness that London, though likely to remain an important global financial centre, will become less integrated with EU markets and firms. We will also need to step up our efforts to further develop the EU’s domestic capacity in capital market activities, so as to avoid a Brexit-induced increase in financial fragmentation, while at the same time ensuring that the United Kingdom and EU Member States do not engage in a race to the bottom on regulation.

Taking up the theme of the conference, I would first like to focus on how to forge a new future between the United Kingdom and the EU with regard to some key financial activities. I will then turn to the much-needed drive to strengthen the European financial system by completing the capital markets union and banking union.

London’s pre-eminence in certain key financial market segments

For decades, Europe’s leading financial centre has been the City of London and, in some notable areas, the EU’s financial ecosystem has relied heavily on services provided by UK-based banks and market infrastructures.

Derivatives clearing – a critical segment of financial markets – is a striking example. As of December 2019, almost 90% of all over-the-counter (OTC) derivatives positions taken by euro area institutions were cleared at UK global clearing houses.

Derivatives clearing is not the only example, however. Large investment banks operating from London play a significant role in euro area bilateral OTC derivatives markets. In August last year, over a quarter of uncleared OTC derivatives held by euro area institutions were sourced from the United Kingdom. While the activities of these investment banks were considered unlikely to create financial stability risks in a hard Brexit scenario (also thanks to the temporary measures taken by EU and national authorities), they are still relevant to the provision of liquidity to euro area markets over the longer term.[1] UK-based investment banks are also key providers of advisory and financing services related to securities issuance, M&A activity and syndicated lending to euro area clients. They play an active role in debt and equity issuance for euro area non-financial corporations, including book running and underwriting services. Between 2012 and 2018, almost half of all debt and equity issuance for euro area non-financial corporations was carried out by global banks serving our market from London. Our reliance on London also stems from the fact that, in some cases, the City represents a gateway to global financial markets for euro area financial and non-financial firms, allowing them to tap into global capital and liquidity pools. In other areas, however, reliance on London is quite limited. For instance, UK-domiciled banks play a marginal role in direct lending to euro area households and non-financial companies.

Had it not been for Brexit, certain global and regional trends might even have led to an increase in the EU’s reliance on the City of London as a centre for market-based finance. Indeed, the balance between banks and non-bank financial institutions in the EU has been evolving in recent years: although still very much bank-based, our economy is increasingly financed by non-bank institutions. In the euro area, total assets held by non-banks have almost doubled over the last ten years, growing from €23 trillion in 2008 to €45 trillion in June 2019. Non-banks currently account for around 55% of the euro area financial sector. Their fast growth reflects their expanding role in financing the euro area real economy. Whereas in 2008 non-banks accounted for 14% of the euro area financial sector’s loans to non-financial corporations, that share roughly doubled in a decade. Non-banks provide a steady net flow of financing to non-financial corporations through the purchase of debt securities.

Regulatory decisions and economic drivers will affect the status quo

These examples give a sense of the level of integration between UK and continental financial markets, in particular for certain complex and sophisticated financial services linked to derivatives markets and investment banking activities. However, Brexit will change this status quo and a degree of decoupling is likely.

It is difficult to make firm predictions about the extent to which our two financial systems may drift apart or remain integrated. The contours of the future EU-UK relationship in financial services are still uncertain, and the economic drivers and regulatory choices which could reshape this relationship will probably only be felt over time. The EU will need to balance the benefits of continued integration with the UK financial system against potential risks to financial stability, consumer and investor protection, the level playing field and the integrity of the Single Market. As I have said in the past, this path will not be easy for either side of the Channel, and the risks linked to regulatory divergence and a potential race to the bottom should not be taken lightly.

Allow me to briefly discuss the regulatory dimension of this question. A possible scenario is that the United Kingdom will not seek to remain a member of the EU Single Market once it leaves the EU. This means moving away from a fully-integrated relationship underpinned by the EU's single rulebook and single passport for financial services, and relying instead on the EU's equivalence framework for third countries. For some types of financial activities, this framework allows financial service providers from third countries to continue to serve EU clients provided a number of strict conditions are met.

For example, in the area of central clearing – which I touched upon earlier – cross-border market access is widespread: 15 jurisdictions are considered equivalent by the EU and 33 third-country central counterparties (CCPs) are recognised by the European Securities and Markets Authority (ESMA). At the same time, given the euro area's reliance on UK CCPs, strong safeguards must be put in place to preserve financial stability and a level playing field. In this respect, I am very pleased that EU legislators have adopted a new supervisory framework for CCPs in the European Market Infrastructure Regulation (EMIR 2). This framework requires third-country CCPs which are critical for the EU to meet EU prudential requirements under ESMA's supervision, with the involvement of the relevant EU central banks. If UK CCPs are to continue to provide euro clearing services on a systemic scale under the equivalence framework, they should be subject to the rigorous application of these safeguards.

In central clearing or other areas such as trading or listing, the extent of continued market access will depend on whether or not a decision is taken to grant equivalence to the United Kingdom. These decisions are beyond the purview of the ECB, and it is not my place to comment on them. Suffice to say that there is no automatic right to equivalence.

For other types of financial activities, no specific regime for accessing EU markets has been established. This is not unusual: most if not all countries place some restrictions on the types of financial services that can be provided across their borders. There may be good reasons for these restrictions, such as consumer protection or financial stability considerations. In the case of the EU, certain bank lending and deposit-taking activities are not covered by the so-called third-country regimes and so will no longer be able to be provided from the United Kingdom, but will need to be provided from within the EU. This – together with the fact that equivalence cannot be taken for granted – is why many banks have chosen to relocate activities to the EU27, and have been engaged in very detailed discussions with the ECB and other authorities to obtain agreement on their plans. The ECB expects banks to build up their capabilities in EU27 countries and to implement the agreed relocation plans within the previously agreed timelines.

The risks of financial fragmentation

Regulatory drivers – and in particular the end of passporting rights for certain UK-based activities – are already having an effect on the geography of financial centres in the euro area. According to preliminary evidence, a small number of financial hubs appear to be emerging as a result of the relocation – or plans for relocation – of certain activities. Most incoming banks have indicated Germany, Ireland, the Netherlands or France as their new main location in the euro area.

This pattern also seems to apply to the relocation of activities beyond banking. Public statements and market intelligence suggest that a sizeable fraction of asset management firms and insurance companies that are relocating activities from the United Kingdom as a result of Brexit have moved to either Ireland or Luxembourg. And speaking here in Amsterdam, I should note that the Netherlands is attracting a substantial amount of trading platforms, exchanges and fintech companies.

The persistence of such dynamics, and the emergence of a clearly multi-centric euro area financial system, could raise a number of challenges. In particular, without further progress on banking and capital markets union, a more fragmented financial structure could affect the ability of investors and companies from a country experiencing a negative shock to access investment and funding opportunities in unaffected countries (private risk-sharing). It could also create regulatory and supervisory challenges: domestic capital markets within the EU are currently subject to national rules and supervision; the differences in regimes could further inhibit the integration of markets and perhaps incentivise regulatory arbitrage.

Brexit and the need for renewed momentum on the capital markets union and banking union

Indeed, from a global standpoint, European capital markets are too small and fragmented. The goal of the capital markets union (or CMU) is to develop an

ecosystem that will allow the development of strong European financial markets and intermediaries which are able to compete internationally. This requires designing policies to support the development of markets’ size and scope, removing barriers between EU capital markets, expanding sources of funding for companies, and broadening the role of the non-bank financial sector. Ultimately, a well-developed CMU will increase private risk-sharing, promote financial stability and boost economic growth.

Starting in 2015, the European Commission launched a series of initiatives to stimulate the development and integration of EU capital markets. On market development, the Commission adopted a set of harmonised rules on securitisation and published its fintech action plan in 2018. Initiatives on market integration included the review of the European Supervisory Agencies and the covered bond legislative package. The former aimed to make our system of financial supervision more efficient and effective and also gave the European Banking Authority a coordinating role in the areas of anti-money laundering and terrorist financing. The latter should foster the development of covered bonds by creating a harmonised EU framework, providing a source of long-term financing for banks and supporting the real economy across the EU.

Despite the efforts of policymakers and market participants, retail investors are far from having embraced investing in capital markets. While the full impact on the real economy may take time to materialise, it is concerning that the initial ambitions of the plan launched by the European Commission towards the development of a CMU were significantly lowered to enable co-legislators to reach an agreement.

So there is still much to be done on the CMU project and Brexit makes these issues even more pressing. Let me highlight a few initiatives. First, the European Commission signalled that it would make CMU a centrepiece of the forthcoming legislative agenda and has already set up a high-level forum, composed of experts from different industry sectors, which has started work on proposals for the next CMU Action Plan.[2] Second, a high-level working group created by Germany, the Netherlands and France published a proposal to relaunch CMU in 2019.[3] This proposal includes recommendations for generating long-term savings opportunities, developing equity markets, enhancing cross-border financial flows, and developing debt, credit and foreign exchange financing tools with a view to increasing the international role of the euro. Last but not least, there have been industry-led initiatives such as the CEPS-ECMI task force on rebranding CMU, which put forward a market finance action plan.[4]

These initiatives provide valuable input for the CMU agenda. Looking ahead, I see two areas where progress is particularly needed.

First, capital markets remain subject to national rules and supervision. This hampers the cross-border provision of services. Further harmonisation, for instance in the area of insolvency and taxation regimes, is needed to foster integration in the euro area.

Second, if the EU27 financial markets deepen, diversify and expand across borders, there would be a clear flipside: these developments would need to be

accompanied by sufficient oversight and regulatory tools to avoid regulatory arbitrage or the build-up of risks in certain parts of the system. In particular, ensuring the resilience of individual institutions is not enough to guarantee the stability of the system as a whole: a macroprudential framework for non-bank financial institutions is necessary for identifying and addressing risks at the system level.[5]

The links between the capital markets union and the banking union

Revitalising the CMU agenda will also bring benefits for the completion of the banking union, as banks and markets complement each other in financing the real economy.[6] We need to ensure that this reinforcing loop is strengthened over the coming years. I would like to highlight three key priorities for the banking union.

First, it is important to operationalise a credible common backstop to the Single Resolution Fund to provide additional confidence in the bank resolution framework. The policy work on this backstop is at a very advanced stage.

Second, in order to close potential liquidity gaps that may still hinder efficient resolution, the outstanding issue of liquidity in resolution needs to be addressed. Progress is needed in the discussions on potential solutions in order to place the banking union on a par with other major jurisdictions, like the United States and the United Kingdom.

Third, it is crucial to establish a European deposit insurance scheme (or EDIS) to provide uniform protection to depositors within the banking union, regardless of their bank’s location, and to help reduce the sovereign-bank nexus. More efforts are still needed in this regard. Hopefully 2020 will be the year in which the political deadlock on EDIS will be resolved and a clear roadmap adopted, reflecting timelines and conditions for the various stages of EDIS.

Conclusion

Let me conclude. Today I have explained why Brexit underscores the need to renew our ambition on CMU and complete the work on banking union. The unifying theme of the priorities that I have outlined today is basically risk-taking and risk-sharing among private agents. In a nutshell, both the capital markets union and the banking union provide a framework that encourages innovation and integration. Further work on these agendas will enhance the attractiveness of the EU capital markets on the global stage beyond Brexit.

ESMA clarifies rules for CCPs' membership criteria and due diligence

The report further clarifies existing rules under the European Market Infrastructure Regulation (EMIR) for clearing members in both areas.

ESMA conducted a survey on CCPs' Membership Criteria and Due Diligence in order to map CCPs' practices following the default of a physical person acting as a clearing member in September 2018 at a CCP authorised to offer services and activities in the Union. This event highlighted the importance of membership criteria as a first line of defence of CCPs to control counterparty credit risk.

ESMA investigated the following three topics:

- whether individuals (i.e. a physical person, either as an individual trader or in a business capacity) can be clearing members at EU CCPs, and if so, how the CCP assesses the financial resources and operational capacities of such individuals;
- what membership criteria EU CCPs apply and whether they apply specific criteria to non-financial counterparties as defined in EMIR; and
- how EU CCPs conduct their on-going monitoring of compliance with membership requirements (due diligence of Clearing Members), especially with respect to entities different from banks or investment firms.

With regards to EU CCPs' due diligence practices, ESMA will consider enhancing supervisory practices, possibly by some form of guidance on detailed practices.

The report and Q&A are aimed at National Competent Authorities, CCPs, individuals applying as clearing member and non-financial counterparties applying or acting as clearing member.

With respect to individuals acting as clearing members, along with this report, ESMA is also updating its Q&A document on the Implementation of EMIR with a new Q&A 23(c) on the level of stringency in admission criteria.