

Remarks by M. Centeno following the Eurogroup meeting of 5 November 2018

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Good evening. We've had a long but good meeting today, many topics on the agenda – lots of engagement around the table.

We had with an initial stocktake of the **draft budgetary plans** that were sent to the European Commission in mid-October.

We focused on Italy because the Commission has issued an opinion asking the Italian authorities to resubmit a revised draft budgetary plan.

While this opinion was a *first*, a request to resubmit a budget is foreseen by our rules, which the Commission is implementing. It is up for the Eurogroup to have a political discussion.

Ministers supported the Commission in its assessment and invited Italy to cooperate closely with the Commission in the preparation of a revised budget that is in line with our fiscal rules.

Italy has another week to resubmit its budget. I hope the ongoing constructive dialogue will bear fruits in reassuring European partners and market participants of Italy's commitment to sound public finances.

We have discussed Terms of Reference for Communication, which are recommended lines for ministers to take and have already been circulated.

There were also other interesting discussions today. We had an update on recent developments by our bank supervisor and our resolution board (the **SSM** and the **SRB**). They filled us in on the results of the recent EU wide stress test and also on the key supervisory challenges and priorities for 2019.

The Eurogroup agrees and welcomes that – based on the outcome of the stress tests – the resilience of the banking sector has increased. It is also clear however that some legacy issues remain to be addressed, including the need to further reduce bad loans. Overall, some good news but more progress is needed.

It was a special meeting for Danièle Nouy as it was her last hearing at Eurogroup. I would like to thank her for all her work as Chair of the SSM in the critical first 4 years of its existence.

We also had a very insightful discussion on **financial stability in our currency union**. This is part of a series of discussions with academia and external experts that we are bringing into the sphere of economic policy coordination in the Eurogroup. Today we were honoured by the presence of Professor Jean Tirole who was awarded the Nobel Prize in 2014 for his work on market power and regulation. Professor Tirole presented his views on the future of the European financial integration and the main challenges to financial stability.

We made a lot of progress since the global financial crisis. Banks have significantly improved their solvency position and financial institutions are much more resilient to potential adverse shocks. There are many challenges remaining, however. Professor Tirole touched upon some of these today including the issue of shadow banking, fragmentation, the remaining sovereign-bank nexus, the rise of crypto-currencies and how to exit from the current low interest rate environment.

The Eurogroup agrees that more needs to be done to tackle these challenges. The discussions we had today on the euro area reform, which will continue in the coming weeks and months, provide an important opportunity to do so.

Today we picked up a few loose ends from our previous discussions on the set-up of a common backstop to bank resolution; ESM reform and EDIS.

We are a few steps closer to finalising the Terms of Reference of the **backstop** for bank resolution. We aim to deliver these to the Euro Summit in December, as requested. We agreed today that the size of the backstop credit line will be aligned with the target level of the Single Resolution Fund.

Regarding decision-making, the Eurogroup agrees that the ESM Board of Directors will take decisions on a case-by-case basis. There is broad agreement that decisions need to be taken swiftly and with involvement of national parliaments whenever necessary.

We discussed the **ESM precautionary instruments**. Our aim is to make these instruments more effective so they are a viable option for countries with sound fundamentals that need assistance.

There is a difficult balancing act we have to accomplish to address the potential stigma of requesting precautionary support and, at the same time, ensure an appropriate level of conditionality. We have made progress on this issue today as well.

Finally on EDIS: We were tasked by leaders to start work towards a **roadmap for beginning political discussions**. Today we had a good exchange of views. No progress was made but we now have a better understanding on where we are, how we should approach this issue and work towards a roadmap. So EDIS will not go away, it will stay on our agenda for upcoming meetings.

On that note, let me add that on November 19 we will hold an **extraordinary Eurogroup** here in Brussels and this meeting will be mostly dedicated on euro area reform. Thank you.

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