

## Daily News 08 / 06 / 2018

### **EU budget: Boosting cooperation between tax and customs authorities for a safer and more prosperous EU**

For the next long-term EU budget 2021-2027, the Commission is proposing measures to make tax and customs cooperation between Member States better and more efficient. The new **Customs Programme** will help put in place a modern Customs Union which puts the interests of EU business and citizens at its heart, while the **Fiscalis Programme** will support cooperation between Member States' tax administrations and better contribute to the fight against tax fraud, tax evasion and tax avoidance. Continued funding of these programmes will help the EU to progress in offering businesses unfettered and easy access to the EU's Single Market so that trade can flourish, protect citizens from dangerous goods entering the Union at our external borders and ensure that Member States are equipped to fight tax avoidance and tax evasion. Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"Protecting the European Union's customs territory and implementing our common rules on taxation require strong cooperation between the relevant national authorities. Our new Customs and Fiscalis programmes will help to make that happen. At minimal cost, they provide a true European added value, offering unprecedented advantages to Member States' tax and customs authorities as they work together in the interests of our citizens and businesses."* The Commission is proposing a continued financial commitment of €950 million for the EU's customs programme and €270 million for the EU's Fiscalis programme, representing just 0.07% and 0.02% of the next EU budget respectively for programmes with a big added value for the EU. A full [press release](#) and [MEMO](#) are available online, while the legislative proposals and factsheets are available [here](#). (For more information: Vanessa Mock – Tel.: +32 229 56194; Patrick McCullough – Tel.: +32 229 87183)

### **Telecommunication Council reached a general approach on the Cybersecurity Act**

The Telecommunications Council reached today a general approach on the [Cybersecurity Act](#), which was presented by President Jean-Claude **Juncker** in his annual State of the Union Address in 2017. Vice-President for the Digital Single Market Andrus **Ansip** and Commissioner for the Digital Economy and Society Mariya **Gabriel** welcomed the political agreement from the Council in a joint statement: *"Today's agreement opens the door to transform and strengthen the mandate of European Union Agency for Network and Information and Security (ENISA) into the EU Agency for Cybersecurity, which will support Member States with tackling cybersecurity threats and attacks. [...]* Strengthening Europe's cybersecurity is the only way to assure a strong and viable Digital Single Market for the benefit of all. It is vital for Member States to work together in building a more cyber secure European Union and avoid the complication of different national laws." The full statement is available [here](#). The cybersecurity package was proposed by the Commission in September 2017 as a part of a [wide-ranging set of measures](#) to deal with

cyber-attacks and to build strong cybersecurity in the EU. This included the Cybersecurity Act: a proposal for strengthening the EU Agency for Cybersecurity as well as creating a new European certification framework, ensuring that products and services in the digital world are cyber secure. More details on cybersecurity are available [here](#) and in the [factsheet](#). (For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Inga Höglund – Tel.: +32 229 50698)

### **Transport Council: Ministers support 3 initiatives of the Commission for clean and competitive mobility**

Meeting yesterday in Luxembourg, the European transport ministers agreed on three proposals put forward by this Commission to support the competitiveness and sustainability of the mobility sector. This will allow for the opening of interinstitutional negotiations with the European Parliament ('trilogue') in view of a swift adoption. [Speaking after the meeting](#), Commissioner for Transport Violeta Bulc said "We have reached an agreement within the Council on three important files, and I am confident that we can complete their adoption by the end of the year. Progress has also been achieved on other files that are still under negotiation, and I look forward to work closely with the incoming Austrian Presidency." More specifically, ministers firstly agreed on new rules aiming to safeguard competition in air transport. This was the flagship initiative of the '[Open and Connected Aviation](#)' tabled by the Commission a year ago. It will allow the EU to take appropriate action, should European airlines be subject to unfair practices affecting competition with third country carriers. Secondly, ministers agreed on [European rules](#) providing incentives for ships to dispose of their waste on land, rather than dumping it at sea. This agreement was reached only five months after the Commission put forward this proposal as parts of its [ongoing efforts to tackle plastic waste](#). Ministers also agreed on common specifications for a European electronic toll service. They will establish interoperable road tolling services throughout the EU and improve cross-border cooperation on enforcement. In addition, ministers discussed progress made on other important dossiers, such as the market and social aspects of Europe on the Move or the [Commission's proposal to update rail passenger rights](#). More information is available [here](#) and on the [Council website](#). (For more information: Enrico Brivio – Tel.: +32 229 56172; Alexis Perier – Tel.: +32 229 6 91 43)

### **2018 Skills Forecast: EU agency for the Development of Vocational Training publishes insights in tomorrow's trends in skills demand and supply**

Today, the European Centre for the Development of Vocational Training ([Cedefop](#)) has released its [2018 skills forecast](#), which shows future trends in skills needed on the labour market for the period up to 2030 across Europe. Commissioner for Employment, Social Affairs, and Inclusion Marianne Thyssen said: "Cedefop's work on the skills forecast is an important contribution to employment and skills policies, including the implementation of the Skills

*Agenda for Europe and the European Pillar of Social Rights. The Pillar puts emphasis on person's right to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market. Knowledge of tomorrow's trends in skills demand and supply is necessary to design growth, employment and education policies today."* The 2018 Skills Forecast projections suggest that four in five new jobs will require a high level of skills. The Forecast also projects fast growth of high-skills occupations, with some growth in certain less-skilled jobs (for example, sales, security, cleaning, catering and caring occupations). In contrast, the number of jobs in medium-skill occupations, such as skilled manual workers and clerks, is projected to see a very slow growth or even to decline over time. At the same time, the need to replace the existing workforce (e.g. due to retirement) will generate numerous job openings, including for occupations that are otherwise in declining demand (e.g. metal and machinery trades workers or agricultural workers). On the supply side, there may be an even larger pool of high-qualified workers from which workers can be drawn, which means that some highly trained workers may therefore end up in jobs below their qualification level. The 2018 skills forecast launch is taking place today at the Residence Palace in Brussels. More information on the event can be found [here](#). The 2018 skills forecast can be found [here](#). (For more information: Lucia Caudet – Tel.: +32 229 56182; Sara Soumillion – Tel.: +32 229 67094)

### **Concentrations: la Commission autorise l'acquisition de CityFibre par Goldman Sachs et Antin Infrastructure Partners**

La Commission Européenne a approuvé, en vertu du règlement européen sur les concentrations, l'acquisition conjointe de la société CityFibre, basée au Royaume-Uni, par Goldman Sachs, basée aux Etats-Unis, et Antin Infrastructure Partners, basée en France. Cityfibre est un opérateur grossiste de réseaux urbains en fibre optique au Royaume-Uni. Goldman Sachs est une banque d'affaires, de placement et de gestion de portefeuille de dimension mondiale. Antin Infrastructure Partners est une société de capital-investissement axée sur les infrastructures, en particulier dans les secteurs de l'énergie, de l'environnement, des télécommunications, des transports et des infrastructures sociales. La Commission a conclu que l'opération envisagée ne soulèverait pas de problème de concurrence dans la mesure où les entreprises ne sont pas actives sur les mêmes marchés. L'opération a été examinée dans le cadre de la procédure simplifiée de contrôle des concentrations. De plus amples informations sont disponibles sur le site internet [concurrence](#) de la Commission, dans le [registre public](#) des affaires sous le numéro d'affaire [M.8935](#). (Pour plus d'informations: Lucía Caudet – Tel. +32 229 56182; Maria Sarantopoulou – Tel.: +32 229 13740)

### **Antitrust: Commission confirms unannounced inspections in the styrene monomer purchasing sector**

The European Commission can confirm that on 5 June 2018 its officials carried

out unannounced inspections in several Member States at the premises of companies active in styrene monomer purchasing. The Commission has concerns that the inspected companies may have violated EU antitrust rules that prohibit cartels and restrictive business practices (Article 101 of the Treaty on the Functioning of the European Union). The Commission officials were accompanied by their counterparts from the relevant national competition authorities. Styrene monomer is a chemical product used as a base material for a number of chemical products such as plastics, resins, rubbers and latexes. A full statement is available [online](#). (For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Sarantopoulou – Tel.: +32 229 13740; Lucía Caudet – Tel. +32 229 56182)

## STATEMENTS

### World Oceans Day 2018: Statement by Commissioner Karmenu Vella

On the occasion of World Oceans Day, taking place every year on 8 June, Commissioner for Environment, Maritime Affairs and Fisheries, **Karmenu Vella** stated: *“Today, on World Oceans Day, I want to join the global celebration of our oceans. I want to highlight their importance for our wellbeing and for the wellbeing of future generations: as an abundant supplier of food, energy and other natural resources; as a regulator for our climate and many of our natural cycles; and as source of inspiration, imagination and humility. On this day, I also want to recall the urgent need to address the immense challenges that our oceans are faced with: climate change, pollution, environmental degradation and unsustainable management of their resources [...] The theme of this year’s World Oceans Day is “Preventing plastic pollution and encouraging solutions for a healthy ocean [...] The European Union is playing its part, we are taking care of our future; standing up for our oceans.”* Full statement available [here](#). (For more information: Enrico Brivio – Tel.: +32 229 56172; Iris Petsa – Tel.: +32 229 93321)

## ANNOUNCEMENTS

### High Representative/Vice-President Federica Mogherini travels to Jordan on 9-10 June

High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission **Federica Mogherini** will travel to Jordan on 9-10 June. She will reiterate the EU’s strong longstanding partnership with Jordan and the continued EU support to the country and the Jordanians. During her visit, High Representative/Vice-President **Mogherini** will be received by H.E. King Abdullah II and will hold a number of other meetings in Amman. The meetings will provide an opportunity for the EU and Jordan to discuss the latest events and exchange views on the concrete progress on socio-economic cooperation, which is one of the top priorities of the EU-Jordan partnership

to increase growth as well as job opportunities for Jordanians, in particular in the context of the Syria crisis and its regional impact. The regional situation, including the Syria crisis and the Middle East Peace Process, will also be part of the discussions. While in Jordan, the High Representative/Vice-President will also deliver a speech at the German Jordanian University in Madaba on the occasion of the graduation ceremony of Jordanian and Syrian students supported under EU programmes. The visit will be covered on [EbS](#). (For more information: Maja Kocijančič – Tel.: +32 229 86570; Lauranne Devillé – Tel.: +32 229 80833)

### **Commissioner Stylianides in Rome to open exhibition on EU emergency response for natural disasters**

Today, Commissioner for Humanitarian Aid and Crisis Management, Christos **Stylianides** will open the [EU SAVES LIVES](#) virtual reality exhibition in Rome in the presence of Ms Elisabetta Gardini, Member of European Parliament and Mr Fabrizio Curcio, Coordinator of Civil Protection, the Council Presidency. Speaking at the opening ceremony in Rome, Commissioner **Stylianides** said: *“This campaign is about bringing Europe closer to its citizens. We want to showcase the added value of the EU in situations when natural disasters hit. The EU, through its emergency response, saves lives and protects European citizens in Europe and worldwide.”* This campaign comes just a few months after the European Commission launched an ambitious proposal to further support Member States by upgrading the current collective [European Civil Protection Mechanism](#) via [rescEU](#). The European Commission’s virtual reality exhibition EU SAVES LIVES is travelling to several countries to explain in an interactive way how Europe helps coordinate emergency response to natural disasters and other crises in Europe and worldwide. The traveling exhibition has already been in Berlin, Bucharest and Vilnius attracting more than 160,000 visitors so far. Following a ten-day stop in Rome, the roadshow will travel to Marseille and Madrid. (For more information: Carlos Martin Ruiz De Gordejuela – Tel.: +32 229 65322; Daniel Puglisi – Tel.: +32 229 69140)

### **Les commissaires Hogan et Moedas participent à un dialogue citoyen au Portugal sur l’avenir de l’Europe et du secteur agricole européen**

Le commissaire à l’agriculture, Phil **Hogan**, est aujourd’hui en visite à Santarém, au Portugal, où il participe à un [dialogue citoyen](#) aux côtés du commissaire à la recherche, l’innovation et la science, Carlos **Moedas**. Le dialogue portera sur les débats autour de l’avenir de l’Europe et plus particulièrement les défis auxquels font face les agriculteurs européens. La Commission a présenté à ce propos la semaine dernière ses propositions législatives pour la [future politique agricole commune](#). L’événement est organisé dans le cadre d’une conférence plus générale sur l’agriculture européenne et sera suivi d’une intervention du Premier Ministre portugais, M. António Costa, ainsi que du ministre portugais de l’agriculture, M. Luis Capoulas Santos. A la suite de la conférence, les commissaires **Hogan** et **Moedas** visiteront le [Salon de l’agriculture](#) à Santarém avec le Premier ministre Costa. Le commissaire Hogan aura également une réunion avec M. Capoulas Santos. (Pour plus d’informations: Daniel Rosario – Tél .: +32 229 56 185, Clémence Robin – Tél .: +32 229 52509)

## **Commissioner Gabriel travelling to Hanover for CeBIT 2018 digital business fair**

Commissioner for the Digital Economy and Society Mariya **Gabriel** will participate on Monday and Tuesday in the digital business fair [CEBIT](#). On Monday evening she will hold a keynote speech at the official opening ceremony of CEBIT 2018. The Commissioner will meet on the sidelines of the event German Minister for Economic Affairs and Energy Peter Altmaier. On Tuesday morning she will meet Minister-President of Lower Saxony Stephan Weil as well as Bernd Althusmann, Minister of Economic, Labor, Transport and Digitalisation of Lower Saxony. In the afternoon the Commissioner will deliver a keynote speech on the benefits of the [Digital Single Market](#) at the CEBIT Digital Transformation Forum and participate in the following panel discussion. She will additionally make a tour through the exhibition halls and meet, among others, German Minister of Education and Research Anja Karliczek. (For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Inga Höglund – Tel.: +32 229 50698)

## **Commissioner Thyssen visits European Social Fund project in Germany**

On Monday 11 June Commissioner for Employment, Social Affairs, Skills and Labour Mobility, Marianne **Thyssen** will travel to Mannheim, Germany, where she will visit a European Social Fund project in presence of Member of European Parliament Ms Ingeborg Grässle. The project concerns the [Landesarbeitsgemeinschaft Katholische Jugendsozialarbeit \(LAG KJS\) of Baden-Württemberg](#), an association specialised in youth care aid, youth homes, help with school work, part-time education for single parents and more. It will be an opportunity for the Commissioner to learn more about the association and exchange views on how EU funding can be used. (For more information: Lucia Caudet – Tel.: +32 229 56182; Sara Soumillion – Tel.: + 32 229 67094)

## **Future of EU finances – Commissioner Oettinger at the Conference on Cohesion Policy beyond 2020 in Sofia**

Commissioner Günther H. **Oettinger**, in charge of Budget and Human Resources, is participating to the [Conference](#) on Cohesion Policy beyond 2020, “Perspectives for Convergence and Sustainable Regions”, organised by the Bulgarian Presidency of the Council. Decision-makers and key cohesion stakeholders from across Europe will meet in the Bulgarian capital to share their visions of the future of the policy, following the [Commission’s proposal](#) for Regional Development and Cohesion Policy beyond 2020 presented on 29 May. Commissioner **Oettinger** will deliver a speech on challenges and opportunities for the new EU budget and Cohesion Policy after 2020. “The Commission’s proposal for the next Cohesion Policy is both rational and ambitious,” said Commissioner **Oettinger**, “Rational, because the cost of non-cohesion between EU regions and Member States will be far greater than the effort of solidarity we ask for. And ambitious, because a strong Cohesion Policy with an investment power of €373 billion can help reach EU-wide goals

of growth, jobs and innovation in every corner of Europe.” In Sofia, Commissioner **Oettinger** met Pedro Marques, Minister of Planning and Infrastructures of Portugal, Jerzy Kwieciński, Minister of Investment and Economic Development of Poland, Gabrijela Žalac, Minister of Regional Development and EU Funds of the Republic of Croatia and László Palkovics Minister for Innovation and Technology of Hungary. *(For more information: Alexander Winterstein – Tel.: +32 229 93265; Sophie Dupin de Saint-Cyr – Tel.: +32 229 56169)*

[Upcoming events](#) of the European Commission (ex-Top News)

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## [Antitrust: Commission confirms unannounced inspections in the styrene monomer purchasing sector](#)

The European Commission can confirm that on 5 June 2018 its officials carried out unannounced inspections in several Member States at the premises of companies active in styrene monomer purchasing.

The Commission has concerns that the inspected companies may have violated EU antitrust rules that prohibit cartels and restrictive business practices ([Article 101](#) of the Treaty on the Functioning of the European Union). The Commission officials were accompanied by their counterparts from the relevant national competition authorities.

Styrene monomer is a chemical product used as a base material for a number of chemical products such as plastics, resins, rubbers and latexes. These products are then used in a very wide range of applications (insulation, packaging, etc.).

Unannounced inspections are a preliminary step in investigations into suspected anticompetitive practices. The fact that the Commission carries out such inspections does not mean that the companies are guilty of anti-competitive behaviour nor does it prejudge the outcome of the investigation itself. The Commission respects the rights of defence, in particular the right of companies to be heard in antitrust proceedings.

There is no legal deadline to complete inquiries into anticompetitive conduct. Their duration depends on a number of factors, including the complexity of each case, the extent to which the undertakings concerned cooperate with the Commission and the exercise of the rights of defence.

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## EU Sustainable Energy Week in Armenia – EIB and multi-donor fund E5P spearhead the rehabilitation of kindergartens in Yerevan



- A pioneer project in Armenia will make buildings more energy efficient and resilient to earthquakes
- Almost 150 kindergartens will benefit from the EUR 5m grant from the Eastern Europe Energy Efficiency and Environment Partnership (E5P) to which the European Union is the largest contributor
- The project is jointly implemented by the EIB, the Municipality of Yerevan, the Green Climate Fund and UNDP
- The grant completes the EIB loan of EUR 7m signed in 2017

The European Investment Bank (EIB) signed today with the multi-donor fund E5P and the Municipality of Yerevan a pioneering grant agreement of EUR 5m to support an unprecedented upgrading of public buildings in the Armenian capital, Yerevan. The Eastern Europe Energy Efficiency and Environment Partnership, or E5P, is a EUR 200m fund supporting municipal investments in energy efficiency and environmental projects in the Eastern Partnership countries\*.

The E5P grant represents support additional to the EUR 7m EIB loan signed in December 2017 to help the Municipality of Yerevan finance energy efficiency improvements in public buildings. The grant will finance projects that will increase the energy efficiency and the resilience to earthquakes of kindergartens: 29 kindergartens will be fully renovated, while 118 will benefit from a lighter renovation, namely energy efficiency measures subject to satisfactory preliminary studies. This will create a much safer and caring environment for approximately 34,500 people, including pupils, teachers and staff members. It will result in primary energy savings of 27,800 MWh a year, reduce CO<sub>2</sub> emissions by 5,502 tonnes a year and significantly decrease other greenhouse gas emissions. This will contribute to climate change mitigation and reduce Yerevan's municipal budget expenditures for energy services by EUR 1.1m. In addition, it will generate local and regional economic activities, particularly in the construction industry, and therefore support the development of private sector businesses.

**EIB Vice-President Vazil Hudák** commented: *“The EU bank, together with its partners, is making a real difference for the people of Armenia. We encourage projects like this one that help to improve the environment and therefore also the quality of life. The 147 Yerevan kindergartens will show the way on energy efficiency and savings because the cheapest energy is the one we avoid generating”.*



**Head of EU Delegation H.E. Piotr Antoni Switalski** stated: *“Energy efficiency is the cheapest energy as it’s the one on which money is not spent! New technologies can generate cleaner energy and create jobs, while mobilising stakeholders from the government, international financial institutions, municipalities, civil society and citizens will be the key task for scaling up reforms and investments. The EU has been and will continue supporting energy efficiency measures in Armenia, including for the 21 signatory municipalities of the Covenant of Mayors and more than 6,000 households which have benefited from EU-funded projects. The proposed E5P grant of EUR 5m will thus make affordable the implementation of the refurbishments and renewable energy measures, support Armenia’s investment efforts in demand-side energy management, ensure strong economic impacts at the municipal budget level, and bring positive social and environmental benefits. The EU believes that with a successful large-scale pilot like the one proposed, other cities/actors will be willing to invest as well.”*

**Mayor of Yerevan Taron Margaryan** noted: *“Yerevan Municipality highly appreciates the projects implemented with the financial assistance of the European Investment Bank and European Union. The cooperation in various spheres of the urban economy is important for the development of Yerevan’s infrastructure. Through the EIB loan public buildings will be renovated, and in the first stage we will refurbish the majority of the municipality’s kindergartens, which is very important for us as children are our future. The project will be a pioneer in Armenia: as it contains energy efficiency and seismic resilience component. Yerevan Municipality is highly committed to participating in the funding of the project along with the EIB, E5P and GCF, and with the signing of the E5P Grant Agreement the implementation of the project is entering into a realistic phase. I would like to emphasize that all of the projects which are under way will have very positive impact and are aimed at improving the well-being of the residents of the capital and I hope that similar projects will be continuous.”*

The Grant Agreement signature took place today in 110 Kindergarten Yerevan. The children and teachers of the kindergarten attended the ceremony, together with the representatives of the diplomatic representations of the EU in Armenia and the EU Member States, and Yerevan Municipality and RA Government. The event was organised under the **EU4Energy Initiative** and in the context of **the EU Sustainable Energy Week**, which is the biggest energy efficiency event in Europe, aimed at encouraging citizens and stakeholders to discover and debate the major issues driving the transition to sustainable energy.

The project was developed thanks to the results of a study on energy efficiency and renewables financed by the technical assistance grant support from the Eastern Partnership Technical Assistance Trust Fund (EPTATF).

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\* Eastern Partnership covers Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine

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# Yves Mersch: Central bank risk management in times of monetary policy normalisation



EUROPEAN CENTRAL BANK  
EUROSYSTEM

## **Speech by Yves Mersch, Member of the Executive Board of the ECB, at the International Risk Management Conference, Paris, 8 June 2018**

Risk management has come a long way since Edward Altman introduced the z-score to measure the likelihood of bankruptcy in 1968, and the financial crisis has brought about significant changes in risk management for commercial banks and central banks alike.

But as we now emerge from the crisis, we would do well to reflect on what should persist from that period, and what the “new normal” for risk management should be. So today I would like to discuss what risk management has meant for the ECB in recent times, and what changes we can expect as we approach a phase of monetary policy normalisation.

But before I elaborate on this, I should note that we have entered the quiet period before the next monetary policy meeting of the ECB Governing Council, and therefore my remarks should be understood as high-level reflections and not be interpreted as containing any commitments or comments on upcoming monetary policy decisions.

## Parallels between risk management at commercial and central banks

Risk management has gained in importance in recent years for both commercial and central banks.

The regulations that emerged following the crisis have led commercial banks to bolster their risk functions in a number of ways. They are now subject to more detailed and demanding capital requirements, higher standards for risk reporting and, in particular, more detailed rules for the building of internal models. More recently, the Targeted Review of Internal Models (TRIM) was launched to assess banks' compliance with these requirements and thereby reduce inconsistencies and unwarranted variability in the outputs of their internal models.

The ECB's involvement in risk management is perhaps most familiar in this context: as a banking supervisor. But the management and measurement of risks has also been of great significance for the monetary policy side of our operations. The ECB, like other central banks, has expanded its balance sheet substantially in recent years, resulting in several changes in our risk management framework. For example, we have expanded the range of eligible collateral for our lending operations and begun purchasing financial assets outright, including a wide array of private sector assets.

While there are many parallels in the way that we and the commercial banks have managed risks, there are also important differences due to our public mission as laid down in our mandate.

First, we conduct a single monetary policy for the euro area as a whole. Though our credit operations and risk mitigation measures are in some ways similar to collateralised lending operations by commercial banks,<sup>[1]</sup> the financial assets we take as collateral and the lending rate we set are the same for all borrowers. That, in turn, requires a risk control framework which aims to achieve risk equivalence across all assets accepted as collateral.

Second, our primary goal is to maintain price stability. So, unlike commercial banks whose fiduciary responsibility is to maximise their financial income, central banks have to consider the wider macroeconomic picture when they set their risk management frameworks.

This is why central banks' exposure to financial risks can – and may indeed have to – increase in order to honour their mandates, while commercial banks typically aim to reduce risks during crises. In exceptional times, central banks may need to take more risk on their own balance sheets so as to reduce risks for the financial system as a whole. This contributes to financial stability and, ultimately, to price stability.

Still, this is not to say that managing financial risks is not important for implementing the Eurosystem's monetary policy. Quite the opposite, in fact! Just as a commercial bank must comply with its regulations, a central bank

must follow its mandate and the risk management principles therein.<sup>[2]</sup> For us at the ECB, these principles, which were established long before we embarked on non-conventional policies, underpin all our policy measures.

Broadly speaking, the principles are protection, consistency, simplicity and transparency. They imply that – if there are several monetary policy options that we can take to fulfil our mandate – we should select the measures that minimise our own exposure to financial risks. This idea, which underpins all risk management (including in commercial banking), is known as risk efficiency. In addition, our principles require risk management to be an integral part of our decision-making. And we embody transparency and simplicity by being rules-based and as predictable as possible in our operations.

This commitment to risk efficiency is vital for several reasons. First, central bank revenues are public funds, meaning any losses by central banks are losses for the public purse in each euro area country. Second, losses can affect the financial independence of central banks and therefore, potentially, their operational independence. Third, losses can harm our credibility and reputation in the eyes of the public, and thus their confidence in the central bank to maintain price stability.

For these reasons, our principles will continue to guide our approach to risk management in all our policy decisions. But as we now move towards a new phase of monetary policy, it is worth reflecting on what these principles imply for the future risk management framework.

In my view, we should aim to return as closely as possible to the pre-crisis state. But we also need to consider carefully whether some of the temporary measures should remain part of our toolkit. And since we have taken on new risks that will be on our balance sheet for a long time, we may need to retain certain elements of our current risk management framework.

As monetary policy begins to normalise, there are three areas in particular where our risk management framework needs to be reviewed.

## **Risk management principles while returning to a more conventional monetary policy**

The first relates to the changes we made to our collateral framework during the crisis to enable greater access to central bank liquidity.

When we launched the various vintages of our longer-term refinancing operations, we introduced in parallel a number of adjustments to our collateral eligibility criteria. These adjustments contributed to the sizeable take-up of our operations and their effectiveness in reinvigorating the bank lending channel. And maintaining risk equivalence in haircuts meant that broadening the set of eligible assets did not reduce the level of protection for the Eurosystem.

But some of the measures introduced fragmentation into our collateral

framework.

Before the crisis, the Eurosystem operated on the concept of a single list. Its purpose was to enhance the level playing field across the euro area, to promote equal treatment for counterparties and issuers, and to increase the overall transparency of the collateral framework. This changed, however, with the introduction of the temporary additional credit claims (ACC) framework in 2012.<sup>[3]</sup>

The temporary ACC framework deviates from the single list principle by allowing individual national central banks to specify their own frameworks adapted to their local needs, albeit fulfilling certain agreed minimum risk management requirements. This was acceptable to combat the severe financial tensions and the uneven distribution of collateral in the euro area at the time ACCs were introduced. But clearly, once out of crisis mode, we would not want such a renationalisation of our collateral framework to persist.

So I do not see the case for maintaining national extensions to the common collateral framework in the form they are in today. At the same time, since ACCs represent a considerable source of collateral for our long-term lending operations, there might be a case for retaining them in a different form.

One option would be to return to the fully fledged single list of collateral that excludes ACCs. Another would be to introduce stronger harmonisation into any future ACC framework, which could either be part of the regular framework or part of a state-contingent framework. The key issue is that any future framework should remove the fragmentation we see today.

Other temporary measures introduced during the crisis have less bearing on fragmentation. For instance, we also widened eligibility requirements for collateral, such as for certain asset-backed securities, and accepted non-euro denominated collateral.<sup>[4]</sup> We did all this to achieve a specific monetary policy goal; but once we reach that goal and liquidity demand declines, there should be less need for those exceptional measures to continue. Of course, they will remain “on the shelf” to be used again, as necessary, to fulfil our monetary policy aim.

A central bank should be flexible and may need to have many instruments at its disposal to achieve its mandate. But it should not take higher risks than necessary.

So as we head down the path of monetary policy normalisation, we will have to decide whether some temporary measures need to be jettisoned, included in a state-contingent framework, or transformed into harmonised, more permanent measures.

Since the last of our long-term lending operations will only mature in the first quarter of 2021, this discussion does not need to be concluded today – and many questions are still open. But in any case, changes in this area will involve careful consideration, since experience has repeatedly shown that each crisis needs a tailored response.

The second area where our risk management framework needs to be reviewed is the risk control framework for our asset purchase programme (APP).

We will retain this framework beyond the horizon of our net asset purchases since, for an extended period of time past that horizon, principal payments from maturing securities purchased under the APP will be reinvested. For as long as we keep outright portfolios on our balance sheet, the principles behind the risk control measures, including eligibility criteria, purchase limits, benchmarks ensuring diversification and the different risk-sharing agreements, will continue to apply.

Still, in the reinvestment phase, some criteria and risk control parameters may warrant recalibration. This is to ensure that – given changes in portfolio composition when bonds mature and proceeds are reinvested – overall risk exposure does not increase. Moreover, with significantly lower volumes of purchases and the related increase in operational flexibility, some parameter adjustments may be possible that would actually contribute to risk efficiency gains.

The third area for review is how our counterparty and collateral framework should adapt to a post-crisis financial system. Certainly, in the future we will rely more on our own judgement on the quality of assets and counterparties and consider further expanding the Eurosystem's internal credit assessment capabilities. The crisis highlighted the importance of having more information on these aspects.

This implies, among other things, further enhancing our due diligence on external credit ratings, for which greater transparency on the judgements underlying these ratings is essential. And it implies making better use of supervisory information. The introduction of European banking supervision has brought about fundamental improvements in this regard, as it facilitates the assessment of relevant information within the legal limits of the separation principle.

Moreover, we will have to balance the aim of returning to the simplicity of our previous framework with adapting to the new realities of the financial system. For example, we will need to keep the flexibility to apply the collateral framework to financial innovations, especially complex new financial products. The new "simple, transparent and standardised" securitisation regulation is a case in point. It will allow us to better assess the collateral we accept.

At the same time, if financial innovations simply present new types of risks, we will not be so accommodating. This is also a key lesson of the crisis. We will forcefully deal with new types of securities whose risks may not yet have been fully appreciated.

## **Conclusion**

Let me conclude.

Thanks to our stable principles, the Eurosystem's risk management framework

has successfully weathered the challenges of the financial crisis. The size and type of our operations changed, as did the assets we accepted as collateral. But our principles stayed the same.

Like risk management in the banking sector, central bank risk management has to evolve with the times. So we need to reflect on where our principles will lead us in a post-crisis landscape. Most importantly, we need to start thinking about a financial risk management framework that will be appropriate in an environment of more conventional monetary policy.

While the benchmark for this future framework should be the pre-crisis state, it is not clear whether we can return entirely to the previous status quo. Instead, we might have to apply what we have learnt from the crisis, retain what is useful for the future, and leave behind things whose time has passed.

This will enable us to rely on a framework that is transparent and robust, but also flexible enough to deal with the challenges of the future.

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## [Weekly schedule of President Donald Tusk](#)

Press contacts

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### **Thursday 7 June 2018**

#### **Charlevoix, Canada (local time)**

19.30 Meeting with Prime Minister of Canada Justin Trudeau

### **Friday 8 June 2018**

#### **G7 Summit in Charlevoix, Canada (local time)**

08.30 Meeting with Prime Minister of Italy Giuseppe Conte

10.00 Joint press briefing with European Commission President Jean-Claude Juncker

10.30 Meeting with French President Emmanuel Macron, German Federal Chancellor Angela Merkel, UK Prime Minister Theresa May, Italian Prime Minister Giuseppe Conte and European Commission President Jean-Claude Juncker

11.45 Official welcome by Prime Minister Justin Trudeau

12.30 Working lunch

14.00 Family photo

15.00 Working sessions

18.30 Working dinner

**Saturday 9 June 2018**

**G7 Summit in Charlevoix, Canada (local time)**

08.00 Working breakfast with Gender Equality Advisory Council

09.00 Signing of the scroll

09.30 Working sessions

12.15 Working sessions with outreach partners

13.30 Family photo with outreach partners

13.45 Working lunch with outreach partners

**Wednesday 13 June 2018**

10.00 Presentation of letters of credentials of ambassadors

11.00 Meeting with President of Croatia Kolinda Grabar-Kitarović (photo opportunity)

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