ECB annual report for 2010

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The Committee on Economic and Monetary Affairs adopted the own-initiative report drafted by Ramon TREMOSA i BALCELLS (ADLE, ES) on the ECB Annual Report for 2010. Article 282 of the TFEU states that the primary objective of the ECB is to maintain price stability and that the ECB should support general economic policies to help achieve it, and also notes the work by the ESRB under the auspices of the ECB on financial stability. The committee welcomes the fact that so far the ECB has been remarkably successful in maintaining HICP inflation at close to 2% despite a number of macro-financial shocks and volatile commodity prices and at a time when average GDP growth has been low in the Union. Members express concern at the effect of interest rate increases on economic growth in the euro area. The report emphasises that the repurchasing of bonds on secondary markets is justified by the aim of restoring a monetary policy which functions effectively, during this period of exceptional malfunctioning of certain sectors of the market. It notes that these repurchasing programmes are complemented by programmes neutralising liquidity. Members believe in the strength of the euro area economy and in the importance of the euro as an international currency. They are deeply alarmed at the persistence of the renewed financial turmoil in the EU and the persistence of substantial macro-financial imbalances between the euro area economies and deflationary pressures in many euro-area Member States. They are concerned about global monetary developments and the external value of the euro, as non-conventional liquidity injections in most OECD countries have significant spillover effects. They believe that much stronger international coordination is required to make the global monetary system more stable. The Commission is invited to : set up a European credit rating foundation and evaluate the pros and cons of temporarily suspending credit ratings for countries following an EU/IMF adjustment programme; deplores, further, the current credit rating oligopoly and calls for measures to boost competition among rating agencies and increase the number of such agencies; take the steps needed to establish a European Monetary Fund and so ensure that the IMF will not need to be involved in Europes future credit policy, thereby reducing the Member States dependence on other international institutions and markets. The ECB is called upon to introduce as part of the Security Markets Programme a discount rate mechanism that can be adjusted if a given security is further downgraded by most credit rating agencies, with a view to ensuring that the ECB does not end up with too many risky assets. Members take the view that in the current emergency there is an urgent need to define and disclose additional strict conditions attaching to ECB liquidity provisions, including prudential conditions which go beyond internal and non-disclosed rules and haircuts linked to the collateral accepted for its refinancing operations. Crisis management: the report welcomes the determined and proactive stance taken by the ECB throughout the crisis since 2007 and, more recently, in the summer 2011 when some major EU economies were in difficulties in the face of continued indecisiveness on the part of the Member States, an attitude which is pushing the ECB into taking on an overtly political role in response to the current debt crisis. Members note that monetary policy must take a share of the responsibility for the creation of asset bubbles. The report deplores the lack of an adequate EU economic policy framework for crisis management and the hesitant management of the crisis by the Commission and the Member States, particularly those in which reforms are needed. It urges the Council and the Commission rapidly to put forward the comprehensive and far-reaching measures required to safeguard the stability of the euro. Members emphasise that given the lack of a proper euro area crisis framework the ECB was pushed to take risks not covered by its mandate. They acknowledge the need for non-standard monetary policy measures and notes their temporary nature, but call for a those programmes to be phased out as soon as the financial markets have stabilised and the sovereign debt crisis has been resolved and provided that a Community framework is established to deal properly with financial instability. Moreover, they call for measures to establish more integrated economic governance. Economic and financial governance: the report calls for macro-prudential supervision of the financial system which is better integrated into the monetary policy context and which takes account of differences between euro area and non-euro area countries. It calls for a significant increase in the resources available for the new financial supervisory architecture in order to increase its effectiveness. It also stresses the need for: a single

European Minister of Finance, possibly drawn from the Commission, in keeping with the proposal made by Jean-Claude Trichet in Aachen on 2 June 2011; the issue of the democratic legitimacy of such a proposal must be properly addressed; a single European Treasury to relieve the ECB of its quasi-fiscal role; takes the view that this European Treasury could be established by means of a change to the EU Treaty; a quick implementation and application of the provisions of the economic governance package; in that connection, Members call for the consistent and balanced application of the European Stability and Growth Pact and an automatic mechanism for the imposition of sanctions on countries which run budget deficits. Lastly, the report recommends that the ECB enhance the transparency of its work in order to increase its legitimacy and predictability. Members reiterate its long-standing call for the summaries of minutes of meetings of the Governing Council to be made public. They welcome the ECB's commitment to its accountability to the European Parliament and stresses the very constructive role played by the ECB at the highest level and through its staff in the codecision procedure.