Basic information

2019/2129(INI) INI - Own-initiative procedure	Procedure completed
European Central Bank - annual report 2018 **Subject** 5.20.03 European Central Bank (ECB), ESCB	

Key players

European Parliament	**Committee responsible**	**Rapporteur**	**Appointed**
	ECON Economic and Monetary Affairs	MAVRIDES Costas (S&D)	18/07/2019
		Shadow rapporteur EVREN Agnès (EPP) GARICANO Luis (Renew) JAKELIŪNAS Stasys (Greens/EFA) VAN OVERTVELDT Johan (ECR) BECK Gunnar (ID) PAPADIMOULIS Dimitrios (GUE/NGL)	

European Commission	**Commission DG**	**Commissioner**
	Budget	OETTINGER Günther

Key events

Date	Event	Reference	Summary
24/10/2019	Committee referral announced in Parliament		
23/01/2020	Vote in committee		
28/01/2020	Committee report tabled for plenary	A9-0016/2020	Summary
11/02/2020	Debate in Parliament		
12/02/2020	Decision by Parliament	T9-0034/2020	Summary
12/02/2020	Results of vote in Parliament		

12/02/2020	End of procedure in Parliament		

Technical information	
Procedure reference	2019/2129(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Annual report
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	ECON/9/00498

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE642.911	17/10/2019	
Amendments tabled in committee		PE643.166	15/11/2019	
Committee report tabled for plenary, single reading		A9-0016/2020	28/01/2020	Summary
Text adopted by Parliament, single reading		T9-0034/2020	12/02/2020	Summary

European Central Bank - annual report 2018

2019/2129(INI) - 12/02/2020 - Text adopted by Parliament, single reading

The European Parliament adopted by 452 votes to 142, with 53 abstentions, a resolution on the European Central Bank (ECB) annual report for 2018.

Parliament welcomed the role of the ECB in safeguarding euro stability, while stressing that its statutory independence was indispensable for the fulfilment of its mandate to maintain price stability. It also stressed the irreversible nature of the single currency.

Concerned about the decline in GDP growth from 1.9% to 1.1% between 2018 and 2019 in the euro area and the slowdown in growth in industrial production and world trade, Members stressed the need to maintain appropriate liquidity conditions and a certain degree of monetary accommodation.

Recalling that a monetary policy alone could not ensure sustainable growth and price stability, Parliament stressed the need for a supportive fiscal policy and socially balanced structural reforms aimed at increasing productivity. It stressed that the strengthening of the role of the euro requires appropriate structural conditions, including:

- the deepening of the European monetary union;

- the completion of banking union;

- the completion of the capital markets union.

Monetary policy

Parliament stressed that the open market operations and non-standard monetary policy measures put in place by the ECB contributed to economic recovery, improved financing conditions and compression yields across a wide range of asset classes. However, it called on the ECB to continue to monitor potential risks to its balance sheets, asset price inflation, potential misallocation of resources and disadvantages for savers. It invited the ECB to remain vigilant regarding the possible formation of an asset price bubble.

Moreover, while low or even negative interest rates enhance economic dynamism and reduce unemployment and the cost of credit, they can have adverse consequences for pension and insurance systems.

Members stressed President Draghi's call for a better alignment between the ECB's monetary and Member States' fiscal policies, highlighting that a more balanced macroeconomic policy mix would allow low interest rates to deliver the same degree of stimulus as in the past, but with fewer side effects. They also underlined the importance of cooperation between central banks, both in the European Union and at a global level, for the achievement of the inflation targets in the medium term.

Actions against climate change

Parliament recalled that the ECB was bound by the Paris agreement and that the fight against climate change should be reflected in its policies. It invited the ECB to implement the environmental, social and governance (ESG) principles in its policies, in full respect of its mandate and independence. It took note of Christine Lagarde's declaration of 4 September 2019 in which she advocated a gradual transition towards the elimination of carbon assets from the ECB's portfolio.

Members deplored the fact that 62.1% of the ECB's corporate bond purchases take place in sectors responsible for 58.5% of the euro area's greenhouse gas emissions. They called on the ECB to study the impact of the asset purchase portfolio on climate change, and in particular the impact of the corporate sector securities purchase programme with a view to strengthening its social and environmental character. In this respect, they proposed the establishment of a coordination framework between the ECB and the European Investment Bank, including InvestEU.

Access to credit, stability of financial markets, union of capital markets

Parliament called on the ECB to ensure that micro, small and medium-sized enterprises in the EU have access to credit, given the slow improvement in their financial situation. It stressed the need to encourage public and private investment in the Union and called for further efforts to ensure financing of the real economy.

Furthermore, the ECB should continue its preparatory efforts to ensure the stability of the EU's financial markets against any imbalances and negative consequences, in particular related to Brexit, taking into account that some regions and countries are more directly affected than others.

Members called for the proposed Capital Market Union (CMU) to be accelerated in order to deepen financial integration and enable the efficient mobilisation of capital in Europe to help promote sustainable growth and improve the Union's financial stability and resilience to shocks.

Money laundering and e-money

Parliament called on the ECB and all supervisory authorities to step up the monitoring of crypto-assets and the increased risks in terms of cyber-security and money laundering in order to prevent negative effects on the stability, integrity and security of the financial sector.

The ECB was called on to:

- assess, together with the Commission, the legal and regulatory framework on e-money, financial instruments and virtual assets in order to provide a comprehensive framework for the supervision of financial instruments, entities and infrastructures, to combat money laundering, to foster stability and to enhance cross-border cooperation and coordination;

- create a system to better monitoring large transactions with a view to combating money laundering, tax evasion and the financing of terrorism and organised crime.

Transparency and accountability

Members called on the ECB to improve its accountability, especially to the European Parliament, as its tasks have expanded since the onset of the global financial crisis. The ECB should continue its efforts to make its decisions and actions aimed at maintaining price stability in the euro area and thus preserving the purchasing power of the common currency accessible and understandable to all citizens.

European Central Bank - annual report 2018

2019/2129(INI) - 28/01/2020 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Costas MAVRIDES (S&D, CY) on the European Central Bank Annual Report for 2018.

Members noted that the latest figures of 2019 reflect a slowdown of GDP growth in the euro area in 2018, from 1.9 % to 1.1 % in 2019, and in the EU-27, from 2.1 % in 2018 to 1.4 % in 2019, owing to the recent escalation in trade tensions, the corresponding uncertainty and to Brexit.

They welcomed the role of the ECB in safeguarding euro stability as well as its statutory independence in maintaining price stability. However, Members expressed concern as regards the decrease in growth in industrial production and world trade. Mario Draghi, the ECB's President, stressed the need for maintaining both appropriate liquidity conditions and a degree of monetary accommodation in this context. The report underlined that that strengthening the role of the euro requires the right structural conditions, among which:

- the deepening of the European monetary union;

- the completion of the banking union;

- the completion of the capital markets union.

Monetary policy

Members underlined that the open market operations and the non-standard monetary policy measures put in place by the ECB contributed to economic recovery, to an improvement in financing conditions via several transmission channels and to compressing yields across a wide range of asset classes. They asked the ECB to keep monitoring potential risks to its balance sheets, asset price inflation, potential misallocation of resources and disadvantages to savers.

The report highlighted that very low or negative interest rates offer opportunities to consumers, companies, including SMEs, workers and borrowers, who can benefit from stronger economic momentum, lower unemployment and lower borrowing costs. However, there is concern in relation to the potential impact on pension and insurance systems as a result of low returns, economic inequalities and challenges for individual savers. Some Member States have not made use of the low interest rate environment to consolidate their budgets and make structural reforms.

Members stressed President Draghi's call for a better alignment between the ECB's monetary and Member States' fiscal policies, highlighting that a more balanced macroeconomic policy mix would allow low interest rates to deliver the same degree of stimulus as in the past, but with fewer side effects. They also underlined the importance of cooperation between central banks, both in the European Union and at a global level, for the achievement of the inflation targets in the medium term.

Actions against climate change

Members welcomed the emergence of a discussion about the role of central banks and supervisors in supporting the fight against climate change and called on the ECB to implement the environmental, social and governance principles (ESG principles) into its policies. The ECB President Christine Lagarde called for a gradual transition to eliminate carbon assets from the ECB's portfolio. Members expressed concern about the fact that 62.1 % of ECB corporate bond purchases take place in the sectors that are responsible for 58.5 % of euro area greenhouse gas emissions. A study investigating the impact of the asset purchase portfolio on climate change should be conducted and, in particular, the corporate sector purchase programme (CSPP) as a preliminary step towards redesigning the CSPP in a socially and environmentally sustainable manner.

Other aspects

While recognising the importance of micro, small and medium-sized businesses in the EU, Members invited the ECB to remain attentive to access to credit for these businesses, in particular in light of the slow improvement in their financial situation. Public and private investments should be encouraged in the EU. The ECB should continue its preparatory efforts to ensure the stability of EU financial markets for all possible contingencies and negative consequences, especially for those relating to the withdrawal of the United Kingdom from the European Union.

Members called for the capital markets union (CMU) project to be accelerated in order to deepen financial integration, improve the access of SMEs to finance, allow for the effective mobilisation of capital in Europe to help promote sustainable growth in the real economy to the benefit of all citizens and to improve financial stability and the Union's resilience to shocks. They recognised the strong support of the ECB in establishing a real CMU.

Money laundering and tax evasion

The ECB is called on, in collaboration with the Commission, to assess the EU legal and regulatory framework on e-money, financial instruments and virtual currencies/assets in order to have a comprehensive framework for the supervision of financial instruments, entities or infrastructures, for anti-money laundering and stability purposes, as well as for cross-border cooperation and coordination.

Pointing out the importance of cash as a means of payment for EU citizens, the ECB is invited, without prejudice to the Member States' prerogatives, to create a system for better monitoring large transactions with a view to combating money laundering, tax evasion and the financing of terrorism and organised crime.

Transparency

Members considered that the ECB should allow sufficient access to documents and information for European Court of Auditors (ECA) audits related to banking supervision. They recalled that the nominations of Executive Board members should be prepared carefully, with full transparency and together with Parliament in line with the Treaties. There is a call for greater ECB transparency and accountability to Parliament.

Lastly, the report stressed that although the ECB has improved its communication, it should continue its efforts to make its decisions available and understandable to all citizens, as well as its actions undertaken to maintain price stability in the euro area and therefore to preserve the purchasing power of the common currency.