Conférence sur

« L’internationalisation de l’euro et la création de l’Union des Marchés des Capitaux de l’UE »

Propositions anciennes et nouvelles de la LECE pour des actifs sûrs en euro et pour accélérer l’Union des Marchés des Capitaux

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Participants in the 2011 ELEC Working Group

All members participated in their personal capacity and do not represent the views of their institution. Naturally, not all members agree with every aspect of the scheme. We are grateful to others who contributed to the discussions and provided illuminating insights.

The participants came from Austria (Franz Nauschnigg, OeNB), France (René Karsenti, ICMA), Spain (Nicolás Trillo Ezquerra, BBVA), UK (Graham Bishop) and the Netherlands (Niels Gilbert, DNB; René Smits, University of Amsterdam; Wim Boonstra and Shahin Kamalodin, Rabobank; Marko Bos, European Movement, Netherlands, Alman Metten, former MEP.

Wim Boonstra acted as Chairman and Graham Bishop as Rapporteur.

December 2011: Proposal for an "EMU Bond Fund"

- After a euro area State's economic policies have been approved by ECOFIN in the European Semester as both economically effective and politically durable;
- Then all such States should pool their short-term borrowing via a Fund that would only last four years. The Fund would borrow in the markets for, at most, a two-year term – to match the borrowing profile of its client States;
- The borrowings of the Fund would enjoy a "guarantee" involving all participating euro area States. **We are launching a survey to test the acceptability of different levels of guarantee;**
- The fund's capacity would be large enough to fund for the next two years all the maturing bonds of euro area states that were unable to access the capital markets on normal terms;
- Interest surcharges would be applied to those States that breached the Stability and Growth Pact (SGP);
- States that became subject to sustained SGP sanctions would cease to be eligible to borrow from the Fund in the future.

January 2012: Update

- “International financial institution” (based on the ESM Treaty/guarantees)
- “Pass thru” market finance to participating states so cash in/out matched - for absolute simplicity and transparency
- Only states that are in `good standing’ with Eurogroup can borrow
- Temporary – for five years (Member States could extend/make permanent if successful BUT issuance could be halted at any time, and liability run off in two years maximum – minimising moral hazard)
- Range of bills from overnight to two-year maturity
- Bills to be sold to individuals, businesses and financial institutions
- All participating states MUST raise all sub-two-year funds via TEF
- Size: likely €1-1.5 trillion; likely maximum under crisis circumstances: €2.5 trillion
- Exclusion from TEF: Automatic upon imposition of sanctions under SGP…
- No change to TFEU required and the TEF could operate within a year via an inter-governmental Treaty

Commission Expert Group   Presentation to ECON – 2014   Summary

Current relevance of these concepts

1. Safe asset for banks – to minimise the `doom loop’
2. Base for a euro yield curve that could compete with US Treasury Bills
3. Required for non-bank credit e.g. through securitisation, loan origination funds
4. Would it reduce the need (if any) for a euro CBDC – especially at the retail level?