

## **Deputy Prime Minister and Foreign Minister Venizelos' intervention at the European Parliament Plenary session on the Single Resolution Mechanism (Strasbourg, 4 February 2014)**

E. VENIZELOS: Mr. President, ladies and gentlemen Members of European Parliament, I am pleased, first of all, to have the opportunity and honor of addressing the European Parliament Plenary, representing the Council and the Hellenic Presidency. I want to thank the rapporteur for the very creative, moderate and good-faith approach. I am pleased because the Council of the European Union, as co-legislators, agree on the fundamentals with regard to the Single Resolution Mechanism for the banks. They agree on how necessary and urgent this measure is.

The crisis we have been experiencing in the European Union, and particularly in the Eurozone, since 2008 really has provided us with invaluable lessons. It is absolutely vital that we proceed with the banking union, as the fundamental pillar of economic governance of both the European Union and the Eurozone. I come from a country where I have also served as Finance Minister, during the most difficult phase of the crisis, and I know what it means to implement, in practice, a bank resolution mechanism through the bail-out method. And I know from up close, from the Cypriot experience, what it means to implement a bail-in resolution mechanism for banks. The market is awaiting and needs the Single Resolution Mechanism; citizens, depositors, investors are awaiting and need this mechanism. It is of very great importance, bearing in mind the rapporteur's creative disposition, that we complete this process – provided it is feasible – during the current parliamentary period. And it is true that we don't have much time at our disposal.

You are aware, honorable Members of the European Parliament, that two serious institutional issues have arisen; issues that we are being called upon to confront, with full respect for the Treaties that govern the EU and for the institutional role of the European Parliament. On the level of the Council, we must compromise the Union's competencies with the reservations and sensitivities of many member states; reservations that do not concern their legislative organs or government, but mainly their judiciary branches and, more specifically, their Constitutional Courts, because there are very serious fiscal obstacles with regard to the provision and management of resources that are vital to the functioning of the Single Resolution Mechanism. By the same token, we must safeguard our ability, the ability of the EU, to formulate a mechanism that may not be the perfect mechanism from the very outset, but that will not come up against national, judicial objections. So we have to take the first step.

Now, on the level of our relations – the relations of the two legislative agencies, of the Council and the Parliament – there is always the problem between the community and intergovernmental methods. And I must say that, as an individual, I understand and fully respect the sensitivity of the European Parliament. But even more, I respect the honorable rapporteur's inclination that we overcome our problems and come to a practicable solution. I am aware, as is everyone in the Council, of the relevant ECJ case-law regarding the ESM, and I am also aware of all the problems that have been raised regarding the legal foundation.

It is necessary that we move ahead, so that, through a method that reconciles the requirements of the intergovernmental method while also fully respecting the substantial and active participation of the Parliament, we can complete the dialogue, go to the substance of the matter, discuss the essential issues, and find the best possible solution, which is a solution that is practicable and fundable; a solution that, naturally, will be in force within the logic of the uniform treatment of banks that already have problems and are in the same situation, and certainly the systemic banks. In this sense, I think that we can easily find a compromise; that we can compromise on procedural and substantial problems, and – with the required speed, if possible by the end of the current parliamentary period – on the single resolution mechanism.

We have the single supervisory mechanism, which has to prove that it functions effectively. We definitely need – and I conclude with this – the single deposit guarantee mechanism as well, because in a single banking market, higher interest rates attract depositors, and this is of great importance for the European periphery, for the countries of the south and the countries emerging from the experience of the crisis. But the ultimate criterion for every depositor is the safety of their deposits. If there is not a single deposit guarantee scheme, there is a deep structural inequality within the banking union. So I am pleased because this discussion gives me the sense that we will take an important step towards a compromise and a practical solution.

Thank you for your attention.

## **Second Intervention**

E. VENIZELOS: I listened with interest to the observations of the honorable Members of the European Parliament, and I must say that, though there were points of intense and acute criticism, I am leaving this session with a sense of optimism. I think that we are very close to achieving a practicable compromise.

I want to thank the Commissioner, Mr. Barnier, for his vast contribution to the effort to set up the banking union, and, more specifically, I want to thank him for the documented and responsible pragmatism he expressed here, on behalf of the European Commission. The Hellenic Presidency, institutionally, expresses the unified position of the Council. The Council, by its nature, always has a strong intergovernmental character, because it needs to take inter-state power relations under serious consideration, whatever process is followed in accordance with the Treaties.

Of course, as a Greek Minister, I represent a country that is at the epicenter of the crisis; that is the laboratory for the crisis. As such, what we say is of an empirical nature. So you will allow me to say to all those who observed earlier that we do not or must not represent the German government, that we cannot accept lessons in negotiating with Germany. We have negotiated hard, and we continue to do so in order to deal with an acute phase of the crisis in the Eurozone.

The banking union, as everyone is very well aware, leads to the breaking of the vicious cycle between financial and fiscal crisis. In recent years, all of us in the western economy, in the European economy, have experienced this 're-cycling'. The financial crisis evolves into a fiscal crisis, the fiscal crisis fuels, again, the financial crisis. We now have a very important opportunity to bring the situation under control and break the vicious cycle of this crisis.

I perceive the institutional sensitivities of the members of the European Parliament, but for years now, the Eurogroup has been handling bank supervision and resolution issues, without there being, in reality, a comprehensive and transparent institutional framework, and without the substantial participation of the European Parliament. Now we can take a very important and direct step, without coming into conflict with national constitutional sensitivities that would void a Single Resolution Mechanism. If the legal foundation were purely community-based, without our bearing in mind the intergovernmental dimension, we would be deluded into thinking we had a mechanism, and then the national, constitutional courts would come and, in effect, oust this mechanism.

So it is of very great importance that we create the conditions for a compromise, and I believe that the conditions for this compromise were formulated in part in today's debate. As the Council, we are very well aware of the Parliament's aversion to the intergovernmental method, and this method is, in any case, supplementary by its very nature. But here we find ourselves facing a case where this method, too, needs to be used.

On the other hand, the field is open for the substantial participation and contribution of the European Parliament in shaping the Fund, the administrative mechanism, the whole institutional framework.

You know, the historical and fateful question in the European Union is always, Who pays and who benefits in relations to the one who pays? We are experiencing this problem with regard to own resources. We experienced this problem with regard to the adjustment programmes of the Eurozone countries, which experienced the crisis and had to follow harsh adjustment programmes. With regard to the Single Resolution Mechanism, the problem is again the same. But let's look at this problem now from the perspective of enterprises, of the real economy – even from the perspective of depositors.

Many speakers correctly said that it is unthinkable – it is in reality inadmissible dumping – for a business in Greece to pay an interest rate that is five points higher than what is paid by a business in Germany that takes out a loan. Often, the difference in interest rates is 7 percentage points.

As you can see, this creates an inequality in competitiveness, in the real economy, in the creation of jobs. It undermines social cohesion, it creates a problem of legitimization for the European Union and our narrative for European integration. So it is of very great importance that, as Commissioner Barnier very rightly and clearly said, we look at we can do realistically to take the step that can be taken. We can achieve a compromise on the process and on the substance. This is the spirit expressed by the Council, and you can be sure that I will convey to the Council the spirit that was expressed in the interventions during today's debate in the European Parliament.

Thank you for your attention.