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COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS**MONETARY DIALOGUE WITH CHRISTINE LAGARDE,
PRESIDENT OF THE EUROPEAN CENTRAL BANK
(pursuant to Article 284(3) TFEU)****BRUSSELS
WEDNESDAY, 3 DECEMBER 2025**

1-0002-0000

PRÉSIDENCE: AURORE LALUCQ*Présidente de la Commission des affaires économiques et monétaires*

1-0003-0000

(Le dialogue monétaire débute à 14h35)

1-0004-0000

Présidente. – Bonjour à toutes et à tous, je suis ravie d'accueillir aujourd'hui, pour la quatrième fois cette année, la présidente de la Banque centrale européenne, Madame la Présidente Christine Lagarde.

Les dialogues monétaires comme celui d'aujourd'hui, ainsi que les travaux sur le rapport d'activité et la visite annuelle des membres de la commission des affaires économiques et monétaires à la Banque centrale européenne, sont essentiels pour l'exercice du contrôle démocratique du Parlement sur la Banque centrale européenne. Ces éléments font d'ailleurs partie intégrante de l'accord que nous avons avec la Banque centrale européenne sur les pratiques en matière d'interaction entre nos institutions, dans le domaine des activités de la Banque centrale.

Let's go back to English now, with some elements of the content of today's monetary dialogue, during which we will mainly discuss two topics: first, the quarterly assessment of the ECB's monetary policy stance; second, the policy instruments for market stabilisation in the euro area – a review of the ECB's toolkit.

First, on monetary policy, since our last monetary dialogue in October, headline inflation in the euro area has continued to stabilise, slightly above the ECB medium-term target, at 2.1 %. The recent ECB staff projection forecasts that headline inflation is expected to edge down to 1.7 % next year, and then to increase to 1.9 % in 2027. In this context, on 30 October, the ECB Governing Council decided to keep the three key interest rates unchanged for the third consecutive time. The key policy rate – the deposit facility rate – stands at 2 %. At the same time, the ECB has reiterated that it is not pre-committing to a particular rate path and that the Eurosystem balance sheets continue to be steadily reduced.

Second, on the policy instruments for market stabilisation, the ECB's toolkit has repeatedly proven essential to safeguard monetary policy transition during times of severe stress, most recently during the pandemic. While the instruments' deterrent effect has often been effective, the mechanism for activation and practical use remain to some

extent ambiguous. The outright monetary transaction (OMT) programme, announced more than a decade ago, has never been triggered, the pandemic emergency purchase programme (PEPP) was decisive during the pandemic, but its scope and future availability are not clearly defined, and the Transmission Protection Instrument (TPI), introduced in 2022, was designed as a new anti-fragmentation backstop, yet its activation criteria remain vague.

Finally, the collateral framework has been adjusted with temporary measures, but without a clear executive strategy on when and how such flexibility are applied. The Monetary Policy Strategy Review and Assessment in 2021 and 2025 have brought some clarification to this framework, but some uncertainty remains. Such ambiguity risks are likely to weaken the instruments' effectiveness, accountability and trust.

In this context, today's monetary dialogue is an opportunity to contribute to more clarity and transparency on operational details, the governance of activation and the division of responsibility between monetary and fiscal authorities. As usual, all the briefing papers prepared by Parliament's panel of experts on these two topics in view of this monetary dialogue are available on the ECON Committee website.

As for today's choreography, as always President Lagarde will have ten minutes for an opening statement, followed by a round of questions. I would ask you to strictly respect the time given to you.

President Lagarde, we are looking forward to hearing you. You have ten minutes. The floor is yours.

1-0006-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for giving me the floor. I'll try to stay within my ten allocated minutes – I can't guarantee, but I'll try.

It's my great pleasure to come before you. This is the fourth and last time this year. As you will remember, on previous occasions we have discussed the shifting global environment, we've discussed its implications for the European economy, and that was against the landscape of major technological, geopolitical and structural changes that continue to redefine our economy.

So today what I will do is focus my remarks on the topic that was of interest to you, which are the instruments in our toolkit – and I know that you have received various productions by well-informed professors and representatives of the profession – but before I do that I'm going to comment quickly on the world economic outlook and, more importantly, the euro area outlook as we see it, bearing in mind that in about two weeks' time, on 17 and 18 December, we will be having a Governing Council meeting which will be deciding our monetary policy stance, and at that point we will produce new projections, which are elaborated both by the ECB and by the national central banks together. So the numbers that I'm going to quote now will most likely be revised as a result of this new projection exercise in two weeks' time. I'm sorry that we are not meeting in two weeks' time, but I cannot jump start and comment on numbers that I'm not totally aware of.

So what happened in the third quarter of this year is that our economy grew by 0.2 %, and that was supported by robust domestic demand and in particular by the service sector, which grew notably as a result of a pick-up in digital services. Tourism is still an active

driver of service activity, but the pick-up in IT infrastructure investment, in artificial intelligence, by many operators into their functioning and their operations was a driver of this growth. By contrast, manufacturing and exports were held back by higher tariffs, still-heightened uncertainty and a stronger euro as well. You must have received this document which is a recto-verso document. On the recto, you have a good chart that indicates what economic activity we have benefited from, and how growth has evolved over the course of the last few quarters. We are, as I said, expecting the next numbers in reasonably short order.

Looking ahead, a growth in economic activity should benefit from increased household spending and a resilient and more inclusive labour market, with the highest labour force participation rate since the start of the euro. Again, on this chart, you have an interesting box on the labour market, on the unemployment and job vacancy rate, and you see that the vibrancy of that market is gradually abating, but we are still on a positive trend.

In addition to that vibrant – or rather inclusive – labour market, substantial infrastructure and defence spending are also expected to support economic activity. The global environment is likely to remain a headwind, as the impact of higher tariffs on euro area exports and manufacturing investment continue to unfold.

Risks to the outlook have become more balanced thanks to the EU-US trade deal reached over the summer, thanks to the ceasefire in the Middle East and thanks to progress in the US-China trade negotiations. That's on the up side. At the same time, the outlook remains uncertain owing to a still-volatile global trade environment, a potential deterioration in financial market sentiment and geopolitical tensions that remain.

Turning to inflation, it remains close to our 2 % medium-term target. Again, you have a good chart on inflation and its components. According to Eurostat's flash estimate, inflation edged up slightly to 2.2 % in November. It was 2.1 % in October, 2 % in September, 2.2 % in November, and that is mainly due to higher services and energy inflation.

Core inflation, excluding food and energy, was constant at 2.4 %, and our indicators of underlying inflation remain consistent with our 2 % medium-term target. The reduction in inflation towards our medium-term target has been supported by a gradual moderation in wage growth, from its peak at 5.7 % in the second quarter of 2023 to 3.9 % in the same quarter of this year. Of course, it will be seen at our next projection exercise what kind of indicators we are receiving and how wages are expected to evolve.

We expect inflation to stay around our 2 % target in the coming months. Risks to the outlook continue to be two-sided, although more narrow than they were. Uncertainty remains higher than usual, pre-Covid, owing to volatile global trade policies, but has clearly abated since the conclusion of the agreement between the US and Europe in relation to tariffs.

The next Eurosystem staff projection, to be published on 18 December, will shed further light on both growth and inflation.

As our assessment of the inflation outlook was broadly unchanged, as a result, at our last October monetary policy meeting, we kept our interest rate unchanged. We continue to follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance and, in particular, our interest rate decisions will be

based on our assessment of the inflation outlook and the risks surrounding it, as well as the dynamics of underlying inflation and the strength of monetary policy transmission – and we are not committing to any predetermined path.

Let me now turn to the ECB's instruments, which were the topic of interest on the occasion of this meeting. We have reconfirmed, in our recent strategy assessment, that we are committed to setting monetary policies such that inflation stabilises at our 2 % target in the medium term. That has not changed. We had it in our strategy review of 2021. We maintained it unchanged and we think that it has served us well so far.

Our primary monetary policy instrument is the set of three key ECB interest rates. The DFR is the best known – but there are two other ones that apply in certain circumstances, for refinancing in particular – but we may also use other instruments than interest rates as appropriate, and we would do that to preserve the smooth functioning of monetary policy transmission and provide additional accommodation when interest rates approach their lower bound, which is not the case at the moment.

Effective transmission of our monetary policy stance across the euro area is critical for delivering on our price stability mandate. We must therefore remain attentive to situations in which cross-country differences in the impact of our policy on key economic variables become excessive, or signal that the transmission mechanism is impaired. To address such concerns, we have developed over the course of the years several tools to safeguard the smooth transmission of our monetary policy.

I will focus on three specific instruments which have been commented upon by the reports that you have commissioned. The outright monetary transactions, OMTs, was announced in August and September of 2012 and that was right in the midst of the Greek crisis when there was suspicion that the euro area would not hold. The second that I will comment is the transmission protection instrument, the TPI, which we developed and announced in July 2022 and then the Pandemic Emergency Purchase Programme, which is the PEPP, announced in March 2020. I could have included in that the TLTRO, which is also an instrument that we have used at the time of Covid and the pandemic in order to stabilise the economy and facilitate and encourage the financing of economic activity. But I'm focusing on these three.

The first one, the Outright Monetary Transactions, 2012, was a follow up to 'whatever it takes' and is designed to safeguard the transmission of monetary policy in all euro area countries. OMTs enable us to address severe distortions in government bond markets, which originate from, in particular, unfounded fears among investors of the reversibility of the euro. You might remember some speeches about the fact that the euro is irreversible – my predecessor pronounced that word several times – and associated with that was the OMT, which was, by the way, never ever used.

A necessary condition for OMTs is strict and effective conditionalities attached to an appropriate European Stability Mechanism programme. It's not an IMF programme, it's an ESM programme, which includes conditionality, that addresses some of the weaknesses of the fundamentals of that economy. That's for the OMT.

The Transmission Protection Instrument, the TPI, can be activated to counter – and all words matter here – 'unwarranted disorderly dynamics in the market for securities issued in countries experiencing a deterioration in financing conditions that are not warranted by country-specific fundamentals'. In that situation, the Governing Council will

consider a cumulative list of criteria to assess whether the countries in which the Eurosystem may conduct purchases under TPI are pursuing sound and sustainable fiscal and macroeconomic policies. The criteria, among others, include compliance with the EU's fiscal framework and an absence of severe macroeconomic imbalances.

The final one is the Pandemic Emergency Purchase Programme – by the way, TPI was not used either, though both OMT and TPI are available in the toolbox and ready to go, but never used.

The Pandemic Emergency Purchase Programme was launched and used in response to the Covid-19 shock, which affected all euro area countries, but to different degrees. The programme was designed with a dual role. On the one hand, it supported market functioning as well as – second role – the transmission of monetary policy. On the other hand, it enabled a substantial easing of the monetary policy stance to counter the serious downside risks to price stability posed by the pandemic. So transmission and stance, both of them combined in one single instrument.

In the face of the extraordinary economic and financial shock, the programme's flexibility, which allowed the pace and composition of purchases to be adjusted – really important – proved critical in stabilising markets, addressing impediments to transmission, supporting the economic recovery and safeguarding price stability. Again, the two pages provide you with a reference to how much was actually used for the PEPP. The size and pace of the PEPP were recalibrated and reinvestment of maturing bonds was fully discontinued at the end of December 2024, contributing to the normalisation of our balance sheets that you have alluded to.

So together, these tools demonstrate that the ECB's toolkit is adaptable to unprecedented challenges while remaining clearly within the scope of monetary policy competence. Consistent with our commitment to transparency and accountability, we have engaged extensively with your committee to explain our assessment and answer questions on these tools.

The ongoing dialogue underscores our dedication to ensuring that our actions are thoroughly scrutinised and clearly understood by the public. If you look at our website, for instance, you have all the terms and conditions, criteria and assessments that take place in order to activate any of these instruments.

So to conclude, as also highlighted in our monetary policy strategy statement, the Governing Council will continue to respond flexibly to new challenges as they arise. It is essential that not only monetary policy, but other policies, take the lead in strengthening Europe's prospects and reducing vulnerability to future shocks. This means creating the right conditions for Europe's sources of economic strength to reach their full potential, most notably by making the single market truly single.

In that context, I warmly welcome the European Commission's forthcoming package on capital market integration and supervision. These proposals are, in our view, key to overcoming fragmentation and enhancing the efficiency of the capital market and fostering innovation.

We have solutions at hand. Some of them are in our hands – I've just described some of them – but other solutions necessary are in the hands of others. Thank you very much.

1-0007-0000

Markus Ferber (PPE). – Frau Präsidentin! Sie haben jetzt die Instrumente noch einmal dargestellt, und wir stellen fest, dass wir steigende Verschuldungen in den Mitgliedstaaten haben.

Da gibt es ja Stimmen, die fordern ganz offen, dass die Europäische Zentralbank entweder die Zinsen senken sollte oder auch wieder verstärkt Anleiheaufkaufprogramme starten sollte, um die Finanzierungskosten hoch verschuldender Staaten zu senken oder auch um die Spreads etwas einzudämmen in den Zinslasten verschiedener Mitgliedstaaten. Aber nicht nur innerhalb der EU, auch außerhalb der EU gibt es ja starken Druck auf die Zentralbanken, ich denke da insbesondere an die USA.

Deswegen meine Frage angesichts weiterhin hoher öffentlicher Schulden und steigender Zinslast im Euroraum: Wie stellen Sie sicher, dass Sie derartigem Druck standhalten können und die Idee der monetären Dominanz nicht ausgehöhlt wird?

1-0008-0000

Christine Lagarde, President of the European Central Bank. – Thank you so much for your question, Mr Ferber. I can assure you that when we decide our monetary policy stance, we are doing exactly what I explained, which is that we look at all the data, we analyse the risk associated with our inflation outlook, we study very carefully whatever instruments and tools we have to be (*sound lost*) for instance on wages we have a lot of backward-looking instruments, but we have also built some tools that help us to understand exactly what is likely to happen. So we look at all of that and, on a meeting-by-meeting basis, looking at the inflation outlook with the risk associated to it, the underlying inflation and the transmission, we look at all those three, we look at the objective that we have set for ourselves, which is 2 % medium-term, we look at our primary objective, which is price stability, and we make the decision.

We regard that as a 'mission critical' for the ECB. There are other 'missions critical', but they are in the hands of other institutions and, in particular, when it comes to public finances, it is not for the Central Bank to redress public finances or to accommodate any particular policy – it is for those in charge of public finances to actually select the investment that will make the economy more productive, while being attentive to the debt sustainability of their economy. So we are not fiscally dependent, if you will.

1-0009-0000

Markus Ferber (PPE). – Dann fange ich gleich mit der Anschlussfrage an. Wir haben ja auch auf europäischer Ebene die Fiskalregeln angepasst, dass Ausgaben für die Verteidigung im Rahmen der Fiskalregeln nicht angerechnet werden. Das heißt, wir gehen davon aus – oder müssen davon ausgehen –, dass wir in den kommenden Jahren steigende Verschuldungen in den Mitgliedstaaten haben. Indem Sie ja sagen, Sie nehmen die Fakten hier in Betracht, die zu betrachten sind – wie sehen Sie die Schuldentragfähigkeit der Mitgliedstaaten und was hat das dann für Implikationen auf die Geldpolitik, wenn Sie unabhängig entscheiden?

1-0010-0000

Christine Lagarde, President of the European Central Bank. – If I take the example of the country that you know best, and that I have the pleasure to live in, we try to understand exactly what is the investment programme, when it is going to have a bearing on the economy, what kind of investment will be made, and will it be in the nature of productive investment? Will it be sourced in Europe or outside Europe? And we try to anticipate what

exactly will be the impact on the economy so that we can adjust the projection that we have for growth.

Now, of course, it will have an impact on the debt level. It will have an impact on debt sustainability, on the service of the debt as well. But how that financing is invested will matter a lot. Those are the various items that we try to take into account in our analysis of how effective, how productive, the investment will be for the economy of that country but also, as you know, there will be spill-over, and probably an encouragement to other countries to also go along.

1-0011-0000

Jonás Fernández (S&D). – Es cierto que, en los próximos días, conoceremos la propuesta de la Comisión para avanzar en la consolidación de los mercados de capitales, y estará bien. Pero, en las últimas semanas, he percibido en algunas de sus declaraciones públicas una posición muy vocal a favor de avanzar más rápido y en otros sectores vinculados al mercado único.

La competitividad pasa por más mercado único. El objetivo primario de su institución es la inflación, y más mercado único también ayudaría a contener la inflación. Me gustaría preguntarle cómo ve y qué respuesta encuentra a esas exigencias de más mercado único, porque algunos creemos que son un poco vagas todavía.

1-0012-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much for your question, Mr Fernández. You are correct that in order to fight inflation and in order to deliver on price stability, we have to look at multiple elements. We have to look at the activity, we have to look at the risk bearing on the activity, we have to look at the labour markets, we have to look at all sorts of things, and expectations matter a lot.

In relation to growth and activity, we were shocked several times in the last few years. The latest shock that we suffered was the shock of tariffs, for instance, when moving from one plus a little percent to 13.1 %. This was obviously a shock that affected our trade activity with one of our major partners, the largest trading partner.

So it begs the question of how do we address that and how do we deal with a reduction, most likely, of trade activity, which is one of the drivers of growth? Then you have to turn to your own market to look at what the domestic market has to offer. Our job as the European Central Bank is that we look at the whole euro area and see what additional growth could be leveraged out of our economies.

I don't know if you remember, but the IMF produced a study which concluded with the fact that there was an equivalent of 40 % tariffs on goods trade within the euro area and 100 % equivalent tariffs on services traded within the euro area. So when we saw that study, we were a little bit shocked by the fact that we were inflicting upon ourselves those kinds of obstacles and barriers, and we conducted a similar study trying to be a little bit more refined, more sophisticated, taking a little bit more time as well to get to the bottom of it, and we came up actually with numbers that were not only of the same magnitude, but higher. The latest study that was produced – I think it was in the Economic Bulletin – was 65 % quasi tariffs for goods and 110 % on services.

Our great economists then tried to measure how much it would take in order to offset the negative impact of additional tariffs to compensate for that loss of activity. It's fascinating

because when you look – and that's the beauty of the diversity of the euro area – if all members of the euro area were to apply the same barriers as the Netherlands, we would eliminate the negative impact of the additional tariff from the United States onto euro area exports. It's not even that, it's if we did only a quarter of that effort, we would set it off.

It's with that in mind that whenever I'm asked for my views, I say the single market is not just for monetary purposes. The single market should be really the delivery of the promise of Jacques Delors, way back, when we affirmed that goods, services, capital and people should move freely. We haven't realised that and there is a massive potential to be had as a result. I'm not going to repeat the reports of the great Letta and the great Draghi. They said it, they documented it. But what we can do in addition to that is measure how much we inflict upon ourselves.

1-0013-0000

Jonás Fernández (S&D). – En virtud de estos números producidos por el Fondo Monetario o por el propio BCE sobre los aranceles internos del mercado único, ¿no considera que la agenda de la Comisión exclusivamente centrada, o casi exclusivamente centrada, en simplificar las normas estrictamente comunitarias —aunque sea necesario— es absolutamente, en fin, no diré que inútil, pero marginal a los efectos de los problemas que realmente debemos resolver en el funcionamiento del mercado único?

1-0014-0000

Christine Lagarde, President of the European Central Bank. – I don't want to insert myself in policies that are not of our responsibilities, but the Competitiveness Compass, which was intended, I think, to be a translation of the prescriptions of the Draghi report, is a set of measures that would be helpful to achieve better competitiveness, more single market.

I don't think it can be reduced only to simplification, which is a big word that covers lots of other things. If I look at what I know better, which is what we do at the European Central Bank, and if I look in particular at the work that has recently been done on simplification of the regulatory framework, of the reporting framework, of the supervision framework, we are at the juncture of two forces, if you will. There is the European force which tries to harmonise, set frameworks, organise in a sort of more consistent way the regulatory requirements and the supervision requirements in the financial sector. But the second force is actually the national force at each level of each Member State, where additional layers, special requirements, further licensing, special permission are added to what has already been harmonised.

So my take, if the same phenomenon applies in other sectors, is that charity begins at home and Member States should be looking at what they have added, how they have supplemented – sometimes with good intention, but with a limited result in terms of effectiveness and efficiency – just as much as the European Institutions, including mine, should look at how effective one can be without layers of duplication or additional unnecessary reporting, for instance.

1-0015-0000

Enikő Győri (PFE). – Thank you, Madam President. Welcome back. Let me ask you about two very timely issues.

The first one is the capital markets union. I think we all agree that a competitive and well-functioning EU capital market is essential for supporting investment and growth. However, the experience of the 2008 financial crisis remains a critical reminder of how

excessive risk-taking, insufficient capital requirements and complex securitisation structures can undermine financial stability, with far-reaching consequences. In this regard, how does the ECB assess the risk related to the reduction of certain capital requirements in the Commission's current securitisation package and, based on this assessment, do you think that the Commission proposal found the right balance between loosening and financial stability, or is there still room for further lowering capital requirements and, by this, helping growth a bit?

My second question would be on the financial transaction tax, which has been brought back – it's in the air in this House, even as a new potential own resource of the EU budget. How do you think this idea is compatible with the plan of the savings and investments union, and what kind of impact would it have on this plan? Thank you so much.

1-0016-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you for your two questions. I may have missed the first part of your second question, but you'll take me back to it.

On securitisation, we believe, including from the discussions that we've had with banks, from the understanding that we have of where the project is, that securitisation is one of the components of the capital markets union, and it's certainly one that was most welcomed by banks. One of the reasons possibly is that by removing some of the risks from their balance sheets, it will then help them provide more funding to the economy and increase the volume of lending that is out there. So it's a tool and it plays a key role as far as bank support for the project is concerned. It's key to manage banks' capital and funding needs and to support lending to the real economy and create opportunities.

On 11 November, so not so long ago, the ECB communicated its views and shared them with the Commission on its securitisation proposal. The ECB generally approved the proposal, welcomed it and praised key aspects of the reform, such as more proportionality in investor due diligence and targeted simplification of disclosure requirements. The ECB also provided some technical suggestions on risk retention rules, on criteria for simple, transparent and standardised securitisation, in particular, and on the definition of public securitisations. We are particularly attentive to the follow-up to those comments, and whether synthetic securitisation in particular will be appropriately measured in terms of risks.

Now, as for the beginning of your second question, I've lost it, I'm sorry.

1-0017-0000

Enikő Győri (PFE). – No problem. It was about the financial transaction tax. This idea has been brought back in this House in the context of a new or potential own resource. I wanted to ask your opinion about whether it's a timely issue, whether it would be good, because I have very strong doubts what impact it would have on the plan of the savings and investments union.

1-0018-0000

Christine Lagarde, *President of the European Central Bank*. – As President of the ECB, I don't have fixated views on this transaction tax. It's been around, it's been promoted, for decades. I think Tobin was the one who sort of threw it in the machine as the little sand that would slow it down.

So I don't have a specific view. I think that anything that facilitates the localisation in Europe of the use of savings, of investment, in appropriate and well-calibrated financial instruments will be welcome. Anything that goes against it will not necessarily be helpful.

1-0019-0000

Enikő Győri (PFE). – Thank you so much for the answer. Just as a follow-up question, you were speaking about the importance of the effective transmission of your monetary policy, with which I fully agree. Could you be a bit more specific? Which are the major impediments to the proper monetary transmission of your policies? If you could name some concrete things which you think should be dismantled.

1-0020-0000

Christine Lagarde, President of the European Central Bank. – Well, there are two elements that are sort of reinforcing each other and are mutually inclusive and needed. It's the stance, in essence what decisions are made in order to deliver on the mission of price stability, and it's the transmission, because you can decide all the stances in the world, but if it doesn't transmit to the economy and throughout the euro area, then you haven't achieved the results that you expected.

So I can think, and you can think, of multiple impediments to transmission, but what we are particularly keen on doing is measuring whether our monetary policy stance transmits, and I've used in those days the upstream, the downstream, the speed at which it transmits, and what we are seeing at the moment, certainly, and what we have seen for quarters and quarters is very good transmission of our monetary policy.

When you start seeing the financial sector, for instance, in its lending capacity to either households or corporates, not moving when we are moving – up or down, it doesn't matter – then you know that you have an issue of transmission and you have to be attentive to the causes of that failure to transmit. I think that in all instances we have the tools to respond to that.

1-0021-0000

Stephen Nikola Bartulica (ECR). – Madam President, welcome back to the European Parliament. I have a question on the rise of cases of de-banking – sometimes described as de-risking – practices by commercial banks in the EU. Under the ECB's Single Supervisory Mechanism framework, commercial banks have repeatedly violated EU citizens' fundamental right to access the financial system, enshrined in the Payment Accounts Directive.

When banks close a client's account, this is often done with no explanation. It is happening with increased frequency throughout the EU, and this simply disallows citizens to function properly on a daily basis. What can the ECB do to prevent this practice from happening?

It is, in my view, a clear abuse of power by the banks. I think many citizens feel that this is being done simply because they have the wrong political opinions. I've hosted an event here where journalists and activists gave testimony to what happened to them. Once one bank closes their account, it's very difficult for them to find another bank where they can do business. So what can the ECB do to mitigate the consequences of this practice and to prevent the further abuse of power by commercial banks?

1-0022-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you. I was tempted to tell you my story, but I won't, because I did face that situation on an account that was not particularly 'well-credited', I would say, and given my sort of 'exposed personality' status and the requirements that go with it, I was asked politely to close my account with that institution.

So I'm not going to tell you that it doesn't happen, and it's sometimes the case, I'm sure, that some institutions, when they measure the cost-benefit of a particular account, decide that it's probably better to close it than to keep it open. Is it a good practice? I don't think so.

What can the European Central Bank do? Not much. At least for my central banking activity in the supervisory domain, I'm sure that our supervisors can be very attentive to the risk of exclusion of a population. But what I can assure you is that the digital euro, for which we have responsibility, will at least address that issue of exclusion, because it will be an inclusive mechanism that will enable people who are not bankable, or who are not banked because they choose not to, to actually have access to our currency, to the euro and to the management of the euro. So in a way, the digital euro in its functionalities will actually address a practice that is producing this exclusion which is not appropriate. So that's what we can do.

1-0023-0000

Stéphanie Yon-Courtin (Renew). – Madame la Présidente, Madame la Présidente Lagarde, merci à nouveau d'être parmi nous aujourd'hui.

L'Europe est à un tournant stratégique, un tournant pour rattraper son retard en matière financière, numérique, industrielle, et à un tournant aussi au moment où les grandes puissances économiques mondiales accélèrent massivement leurs investissements dans l'intelligence artificielle.

Pendant que les États-Unis et la Chine transforment leur économie à grande vitesse, l'Europe peine à suivre et fait face à un vrai risque de décrochage. Vous avez récemment indiqué, je cite: «L'Europe a raté le virage de l'IA et nous devons lever les obstacles qui freinent cette transformation. Sinon, nous risquons de laisser passer la vague d'adoption de l'IA et compromettre l'avenir de l'Europe.»

Mario Draghi a aussi rappelé récemment que l'IA se répand dans l'économie beaucoup plus rapidement que les révolutions technologiques précédentes et que l'écart entre les pays qui embrassent l'innovation et ceux qui hésitent va se creuser considérablement.

Dans ce contexte, j'ai deux questions: premièrement, quels leviers concrets l'Union européenne doit-elle actionner? Quels obstacles devons-nous lever pour éviter ce décrochage face aux États-Unis et à la Chine dans le domaine de l'IA? Deuxièmement, est-ce que l'IA joue un rôle au sein de la BCE dans votre mission de stabilité financière et de supervision bancaire et, si oui, lequel?

1-0024-0000

Christine Lagarde, *Présidente de la Banque centrale européenne*. – Merci beaucoup de votre question à laquelle je vais répondre en anglais pour que ce soit facilement accessible pour tous sans recourir à l'interprétation.

So what are the obstacles to the adoption of major innovation? I would say, first and foremost, the capacity to invest, because in order to innovate, which will indeed improve productivity, money is needed. I think we have the intelligence, we have the talent. There are multiple examples of start-ups in Germany, in France, in Spain, in various corners of Europe – everywhere actually – where the talent is there, where innovation is created, and yet you, as well as we, have multiple examples of those start-ups that try to scale up not having access to the second or third round of financing and go somewhere else.

So my humble analysis, looking at flows of money, is to strongly encourage and request and beg that every effort is made in order to create in Europe a capital markets union that will facilitate the capacity of innovators to be financed here, and for venture capitalists to actually have an easy way in and out, if that is necessary – we don't have that in the same proportion. When you look at numbers, you see that ever since the big wave of innovation caused by the internet, we have gradually, over the course of time, lost productivity relative to the United States.

When you look at what is causing it, of course, we have good universities, as they do. Of course, we have great talents, as they do, if I compare just with the US, I'm not talking about China for the moment. But what we are missing is this moment when a strong financial push is needed in order for a start-up to scale up and become one of those *licornes* (unicorns) that we so badly need. That's my view.

1-0026-0000

Stéphanie Yon-Courtin (Renew). – Juste peut-être sur le rôle de la BCE, justement, dans cette compétence de stabilité financière: est-ce que l'IA est déjà quelque chose qui est incorporé, qui est utilisé, et quel rôle joue-t-elle?

1-0027-0000

Christine Lagarde, President of the European Central Bank. – 'Yes' is the answer. You asked me if we use artificial intelligence, if we try to monitor its use and its impact. The answer is on both accounts 'yes', we use artificial intelligence at the ECB. I don't make my speeches with artificial intelligence, I can promise you. I have colleagues who do that and who will tell you that, which I think is honest. But we do use artificial intelligence. I'll give you an example. There is a lot of reading, fact-finding, investigation that we conduct, which is harnessed by artificial intelligence, which is analysed by artificial intelligence.

When I look at the volume of corporate documents that the SSM has to verify and navigate through in order to assess the validity, the stability, the fit and proper status of persons or corporates, artificial intelligence is capable through large language models to really decipher, analyse and pick the information that is useful. The detection of fraud, same thing. So we use artificial intelligence in multiple instances and we try to also encourage as many as possible of the banks to use it for good purposes.

1-0028-0000

Pasquale Tridico (The Left). – President Lagarde, the Italian Government has introduced an amendment to the budget law declaring the gold reserve of the Bank of Italy to be the property of the Italian people. This concerns about approximately 2.5 tonnes of gold worth about EUR 300 billion, which the governing majority would like probably to make available to cover some gaps in the public budget.

Actually, in your legal opinion on the case of the gold of Italy, you state that the proposal interferes with the institutional and functional independence of Bank of Italy. You also

conclude that the concrete purpose of the provision is unclear and that the authorities cannot influence or direct how a central bank manages reserves.

On this basis, you invite the Italian authorities to reconsider the draft provision, but actually the government is going ahead, and the gold held by the Bank of Italy represents a strategic national reserve. Could you explain, for the benefit of those who may still have some doubts, why such reserves cannot be used directly to finance, for instance, public spending or reduce debt, and what the role they instead play in the Eurosystem in assuring financial stability?

1-0029-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for your question on Italian gold. It's not a trivial issue because Italy, as you know, is the third-largest holder of gold amongst the family of central banks. So it's a key component of the reserves of Italy.

It's a very fresh topic for us because we did publish our opinion – it's dated 2 December. It's on our website. I will spare you the multiple references to, essentially, Article 127 of the Treaty on the Functioning of the European Union and Article 2(1), third indent, of the Council decision. So you have all the legal basis on which we are elaborating our opinion.

That opinion, interestingly, echoes an opinion that we already rendered in 2019, with a similar question in relation to the title to the gold reserves. It's interesting, because when you look carefully at the Treaty – and, of course, our legal services did that both in 2019 and have done it yet again – there is no actual reference to the 'title to' or the 'property of'. This is not identified as such in the Treaty. But what the Treaty says very clearly is that the holding and the management of the reserves belong to the national central bank of each Member State. And Banca d'Italia is no different from any other national central banks of any other Member States.

So Banca d'Italia has the duty to hold and manage those reserves. We go full circle. Since 2019, it hasn't changed at all. It is the same opinion that we have issued and which really clarifies very specifically that, from a bookkeeping point of view, from a management point of view, from a distribution of results point of view, it is Banca d'Italia which has full authority.

I strongly refer you to the opinion of 2 December, which is already now published on our website and available for anybody to consult.

1-0030-0000

Pasquale Tridico (The Left). – Thank you very much. I just read it and, actually, the majority is assuming that the French Government is doing something similar. I have some doubts about that. Anyway, this could be something to clarify as well.

1-0031-0000

Christine Lagarde, *President of the European Central Bank*. – What is the French Government doing on that?

1-0032-0000

Pasquale Tridico (The Left). – The majority in Italy says that in France, actually, there is a similar thing as the amendment of the budget law. I have some doubts about that, in fact. But this was the answer of the majority.

1-0033-0000

Christine Lagarde, *President of the European Central Bank*. – This is something that we will look into. I'm not aware of it. We will look into it.

But what I can tell you is that we stand very strongly by the opinion of 2 December, which essentially duplicates the opinion that we issued in 2019. I don't think that we would take out any word of it. But we'll look into it. Thank you for mentioning it.

1-0034-0000

Rada Laykova (ESN). – Ms Lagarde, my question concerns the increased gold purchases by central banks. In recent years, we have seen a remarkable shift – central banks worldwide doubled their annual gold purchases between 2022 and 2024, compared with the average of the previous decade.

This scale of accumulation suggests a growing uncertainty, either regarding confidence in their own currency or in the stability of the US dollar and the euro as reserve assets. My question is: what is your interpretation of the reasons behind this trend, and what implications do you foresee for the euro?

1-0035-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for your question. It is a fact that since 2022, there has been an increased movement of gold purchases by many central banks around the world, and the PBOC – the National Central Bank of China – in particular has been a significant purchaser of gold.

But central banks are not the only ones. I think the largest purchaser of gold in the last year in particular is actually a company called Tether, which is a stablecoin issuer and is clearly investing in something that has nothing to do with digital, but which is very tangible – in other words, gold reserves.

What does that translate into? What does that mean? I think you yourself gave the answer: when some investors are short of destination, are worried about their investment and want to diversify their investment, generally that's a route that is taken.

1-0036-0000

Rada Laykova (ESN). – Additional to that trend, there are persistent reports that the BRICS countries may introduce a trade-settlement mechanism backed by precious metals, and if this were implemented, how could this affect the global attractiveness of the euro as a trade currency, particularly for the Global South? What would be the potential economic consequences for the euro area if that were to happen?

1-0037-0000

Christine Lagarde, *President of the European Central Bank*. – A couple of things. The fear of the BRICS is something that we have been living with for the last 15 years or so. From my days as Managing Director of the IMF, we were already under the alleged 'threat' of the BRICS forming a subset of the international community, having their own infrastructure of payment, possibly having their own means of exchange and setting up the international BRICS bank. I have observed that from a distance now a bit more, but I have not seen significant moves or changes in that respect.

On settlement by way of commodities: I'm not sure that this is something that would be a very stable mechanism because commodities by nature vary extensively over the course of time in terms of value. So I don't see that as a major threat.

1-0038-0000

Lídia Pereira (PPE). – Senhora Presidente, em vários países da zona euro — como no meu caso, o caso português, em Portugal —, a economia depende fortemente do crédito bancário para financiar famílias e empresas, em particular as pequenas e médias empresas.

A nossa união bancária continua incompleta e é fragmentada. A transmissão da política monetária acontece de forma desigual, o que significa que persistem diferenças muito relevantes no custo do financiamento bancário — aliás, a senhora presidente referiu isso mesmo, no que diz respeito àquilo que aconteceu durante a pandemia de COVID-19. Portanto, precisamos de bancos mais competitivos.

Ora, o objetivo de simplificação regulatória é de tal maneira importante que a Comissão assume a intenção de reavaliar o quadro legal do setor bancário, e o Banco Central Europeu criou a *task force* para a simplificação.

Portanto, as minhas duas perguntas, rapidamente, são: que regulamentos ou diretivas entende ser prioritário rever com este propósito de simplificação? E como é que avalia o impacto deste processo na capacidade de financiamento bancário a custos mais competitivos, em particular para as famílias?

1-0039-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much for your questions and I will address it from a dual perspective. One is the imperative of simplification and the limits, but also the necessary competition in order to make sure that SMEs in particular have access to good financing conditions.

On the first account, you are right. A high-level taskforce was set up inside the Eurosystem under the presidency of Luis de Guindos, my Vice-President, bringing together representatives from various national central banks, which has spent about six months looking very systematically at layers of reporting, layers of buffers, layers of stacks of capital, looking at disclosures, looking at the combined requirements that weigh on the financial sector. I'm pleased to tell you that on Thursday next week, Luis de Guindos, the Vice-President, will be presenting very specifically the, I think, 15 different areas in which simplifications will be recommended.

It's been hard work. It's been successful, approved by the entire Eurosystem at the national central bank level. But I will leave it up to you to explain precisely what simplification areas have been tackled and what proposals will be transmitted to the Commission, so that further changes hopefully can be taken into consideration. I think that, by doing that, hopefully access to credit will be made easier for SMEs and also for banks when they measure their risk, when they assess the value of collaterals, etc.

The second part of my answer has to do with competition. I strongly believe that competition is of the essence of the quality of the services and the value for money that consumers or investors are getting. I think it's certainly a domain where banks have to enter into competition with each other, where concerted practices would be very detrimental and should be pursued. But competition amongst banks is a necessity. If that

doesn't happen, my concern and their fear is that competition will come from outside the system. And coming from outside the system, it might not be as healthy, as properly supervised and as properly regulated as well.

1-0040-0000

Présidente. – Madame la Présidente Lagarde, je vais vous poser la prochaine question au nom de ma collègue Evelyn Regner, qui ne peut malheureusement pas être là aujourd'hui.

Je vais vous parler du cas du juge Nicolas Guillou, de la Cour pénale internationale. C'est un juge qui fait l'objet de sanctions américaines et à qui tout a été coupé: tous les accès aux plateformes américaines, que ce soit Amazon, Airbnb, etc., mais aussi les moyens de paiement. Cela montre à quel point nous sommes vulnérables vis-à-vis de l'extérieur quant aux moyens de paiement, comme on l'a déjà explicité un certain nombre de fois ici.

À la lumière de ce cas, quel rôle l'euro numérique devrait-il jouer dans le renforcement de l'indépendance stratégique de l'Europe en matière de paiement et dans la protection des citoyens contre ce type précis de vulnérabilité financière externe? Car, on le voit, cela peut aller extrêmement vite. Et comment la Banque centrale européenne peut-elle également agir de manière protectrice dans ce domaine?

1-0041-0000

Christine Lagarde, Présidente de la Banque centrale européenne. – Je suis navrée qu'un magistrat de haut niveau se trouve dans une situation de cet ordre et je pense...

As I said earlier, I think that the digital euro is one of the ways in which the European Central Bank can address such situations, because the digital euro, with or without bank, can be a means of payment, a store of value. It has all the attributes of a currency, because it is a currency and is the digital form of our euro.

The euro is guaranteed at central-bank level by the banknotes that we have because EUR 20 will always be worth EUR 20 wherever you go in Europe and outside Europe, because the central bank guarantees it. We have to do the same thing with the digital euro, and this magistrate could use both banknotes, could use the digital euro, and that's one way of not being excluded from the financial system. That's the tool that we have.

So hopefully it will be available. It's not available now, but hopefully it will be available soon when you so decide.

1-0043-0000

Luděk Niedermayer (PPE). – Madam President, you painted a relatively positive picture of the near future: the outlook is good, inflation is under control, monetary policy is appropriate. But if I look more ahead, I have some concerns. We know that across the world there is a huge wave of investment in IT and AI. It doesn't seem that Europe is taking an appropriate path.

You very well describe the difficulties in improving the single market; we can also talk about other topics, like building real European defence that can improve our security and at the same time promote the economy by calling for more efficiency.

It doesn't seem to me that we are on track to capture all these potential benefits and to eliminate potential risks. So how do you see more distance into the future? Aren't you afraid about our medium-term outlook?

1-0044-0000

Christine Lagarde, *President of the European Central Bank*. – I'll be very candid with you. I think that we are pressed for time and we don't have time on our hands. Things are moving very fast. And faster, if I look at payments, if I look at payment infrastructure, if I look at new actors in that particular field. But this is true in other areas.

I did something which some of members of the audience found a bit provocative not long ago, and that was at the European Banking Congress in Frankfurt. I'm a regular guest as a keynote speaker for the European Banking Congress. Two weeks ago, when I spoke, I used a quote and I turned to the audience and asked, 'does it sound familiar?' And they all nodded. I said, 'well, it's familiar because it is what I said to you six years ago.' It had to do with how fast things were changing, how quick we should be in responding and anticipating, how the capital markets union should be not just a dream, but a project with segmented elements that will see the light of day. I would like to celebrate the work that is done by Maria Luís Albuquerque from the European Commission in order to push some of the issues.

I would like to also mention the fact that not everything belongs to Europe in terms of progress. You contribute a lot, but a lot has to do with what happens at the national Member State level. There has to be a parallel track of wanting to deliver, of wanting to catch up and be innovative, of wanting to invest in our future and be attractive to external investors as well.

So, one response: we are pressed for time. Time is of the essence. If we don't want to be left in the dust, we'd better move. And I see too many projects where we are slow, slow, slow.

1-0045-0000

Giovanni Crosetto (ECR). – Signora Presidente, volevo farLe una domanda sulla nuova *stablecoin* denominata in euro e chiamata Qivalis, appena fondata da dieci istituti di credito europei con sede ad Amsterdam, vigilata dalla Banca centrale olandese che nel 2026 vuole fornire una nuova moneta digitale ancorata all'euro.

Io volevo chiedere la Sua posizione per quanto riguarda i potenziali effetti sulla stabilità dell'euro; se vede dei rischi, parlando in termini generali, o se pensa che questa *stablecoin* denominata in euro potrebbe invece rafforzare il ruolo globale dell'euro.

Qui io mi riferisco alla strategia americana denominata "dottrina *Miran*" che, grazie al monopolio del mercato delle *stablecoin* denominate in dollari, sta rafforzando il dollaro e stiamo vedendo il debito pubblico americano finanziato anche tramite questo canale. A livello europeo però noi non possediamo un *safe asset* europeo.

Volevo anche chiedere se questa mancanza di *safe asset* europeo Lei la vedeva come un rischio o crede che l'euro possa comunque, tramite questa *stablecoin*, rafforzarsi.

1-0046-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for your question. My response to that is that we have a regulatory framework within which stablecoins can be set up. This stablecoin – I can't remember the name. Equalvis or Evalquis? Anyway, it doesn't matter. It's a name that is supposed to inspire confidence. It clearly doesn't inspire my memory, but confidence yes, maybe!

With 10 reputable and respectable banks as the founding fathers and mothers of this euro-denominated stablecoin, if it's within the framework prescribed by MiCA, if it is properly supervised by the Dutch supervisor, fine. This is perfectly legitimate. From a macro point of view, I would just observe that, to the extent that one stablecoin has to be EUR 1, within the overall system, we still have the same volume of money around. It can move from one bank to another depending on where the reserves are kept, but it does not undermine, in my view, the Eurosystem as such.

Sometimes I wonder what the business case is for the banks who are launching those products, but I'm sure that they have studied it very carefully.

1-0047-0000

Gilles Boyer (Renew). – Madame la Présidente, je voudrais vous interroger, comme d'habitude, sur l'euro numérique – je ne voudrais pas vous désarçonner en parlant d'autre chose.

Nous arrivons à un stade important de notre travail sur le sujet, ici, au Parlement. Vous savez que notre rapporteur a publié son projet de rapport et que nous allons entamer nos discussions. Vous avez déjà mentionné plusieurs fois l'enjeu important que ce dossier représente, notamment pour l'inclusion de populations aujourd'hui exclues de l'accès à des comptes bancaires.

Quel message pourriez-vous adresser aux banques européennes qui continuent de manifester une grande inquiétude face à ce projet, tout comme je crois, par le passé, elles avaient manifesté une grande inquiétude face au projet SEPA qui est aujourd'hui entré dans les mœurs ? Et comment pouvons-nous concilier cette inquiétude, qui peut être légitime, avec l'intérêt général européen que nous avons tous à cœur de défendre ?

1-0048-0000

Christine Lagarde, Présidente de la Banque centrale européenne. – Merci beaucoup, Monsieur Boyer, et non, vous ne me décevez jamais, en particulier sur l'euro numérique.

Tout d'abord, je remercie vraiment tous les parlementaires européens qui sont attentifs à ce projet, qui ont pris le temps de l'examiner, de le comprendre. Je sais que M. le rapporteur est parmi nous et que, lui aussi, a été très attentif au projet, même s'il n'arrive pas aux mêmes conclusions que les nôtres et qu'il considère un rôle beaucoup plus étroit pour cet euro numérique que celui que nous envisageons.

Je pense, comme vous l'avez souligné, que la dimension d'inclusion pour l'euro numérique est une dimension importante. Je crois aussi que la dimension de souveraineté européenne d'un bien public, qui est notre euro, est aussi un élément important. Je sais qu'un certain nombre d'opérateurs financiers, les banques en particulier, envisagent de continuer à développer leurs mécanismes de paiement privé, ce qui est parfaitement compatible avec l'euro digital. Ce n'est pas du tout mutuellement exclusif, tout au contraire.

Et je pense que grâce au travail d'explication que nous faisons, pays par pays, parfois banques par banque, un certain nombre d'opérateurs bancaires comprennent maintenant que les banques elles-mêmes peuvent s'emparer de l'euro digital et l'utiliser à des fins rémunératrices pour elles. Parce qu'elles sont là non pas pour des raisons philanthropiques, ni pour inclure les exclus, mais pour leurs résultats, au bout du compte. Et l'euro numérique peut parfaitement être un vecteur de résultats en ce qui les concerne.

L'activité qui transiterait des systèmes de cartes de type Visa, Mastercard ou autres, vers le système de l'euro numérique peut être aussi rémunératrice que le système dans lequel elles fonctionnent actuellement.

Donc à la fois pour des raisons d'inclusion, pour des raisons de souveraineté, pour des raisons de construction du système, avec une monnaie banque centrale qui sert d'ancre à l'ensemble du système – ce qui est peut-être mis en cause ou en doute ici ou là –, et aussi parce que les banques peuvent à la fois faire coexister leur système de type Wero avec l'euro digital, et générer des revenus grâce à l'euro digital, j'espère qu'elles comprendront que c'est dans leur intérêt de soutenir ce projet.

1-0049-0000

Eero Heinäluoma (S&D). – Madam President, you have warned about the rise of geopolitical risks towards our financial sector. I still think that this is an acute thing which needs some notice also here. We have seen that the Russian economy is deteriorating, but still they have the possibility to finance the war in Ukraine. I suppose it's in the interest of all of us here that Ukraine can get a just and lasting peace. This also means that we have to be ready to finance the activities of Ukraine.

We know that there are Russian assets, which is perhaps the elephant in the room, and they ought to be used here in a legal and effective way. We know the concerns of the Belgian Government, which is not very interested in using these resources, and we now also took note of the announcement of the ECB yesterday that you are not very eager to stand up as lender of last resort.

That's the reason that I'm here asking you: can you see the importance of the Ukraine case and to help Ukraine financially? It's also important for financial stability. Is there something which the ECB is ready to do in the interest of financial stability here?

1-0050-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much for your question, because you give me a chance to clarify the position of the ECB. I think that the use of words matters, and the position that we have held is to make all the efforts that we could deploy to support the Commission in facilitating various options – and two options, as you know, have been published today – in order to help Ukraine, which needs help.

What I have said very clearly, and what the team around me has said, is we will do everything we can, but we will not violate the Treaty. That's the point that was precisely put to the ECB – will the ECB act as a backstop in order to substitute the commitments that Member States should give to Belgium, where the risk is concentrated, by way of guarantees? For the ECB to do something like that is a violation of Article 123 of the Treaty. I was not appointed President of the ECB by your Assembly to violate the Treaty. We cannot monetise the obligations of the Member States.

So, it's not that we are refusing, it's just that we are saying we have to respect the Treaty of Europe in relation to the functioning of the European Central Bank. I have not had a chance to review the last version that was just published about 40 minutes ago, but my strong hope is that the very excellent drafters and communicators around this project have found a way to call a spade a spade. It is a fiscal obligation that we all have. So, when the fiscal space is not there, we have to find a way. There are ways that have been

identified, in particular, option 2 is one of the ways that has been identified – the issuance of bonds that would be specifically intended to finance Ukraine. That's one option.

And there is the third option, which is in the code numbers that are being used, is something that is stretched, that hopefully is in compliance with international law, that hopefully will respect financial stability. But our duty at the ECB is: number one, to respect the Treaty; number two, to communicate to the leaders whose decision it will be – it's not my decision, but it will be for the leaders to decide – whether there is a risk of financial instability, because one key node in the financial network within which we operate, namely Euroclear, is at risk. It's our duty to say that.

The second duty we have is to check that international law is respected, because it's a matter of trust in our economic region, in our currency. My strong hope in that is that we help Ukraine, that we help the financing of it, but not bypassing the Treaty and not bypassing the imperative of financial stability, which is the reason why the Belgian Government – which has authority over Euroclear, where it has its headquarters and legal roots – wants to be guaranteed and secure that the risk will be *in solidum* and not a risk for Belgium. I'm sure there are ways, but, as I said, we don't have to violate the Treaty as a result.

1-0051-0000

Interventions à la demande

1-0052-0000

Fernand Kartheiser (NI). – Thank you, Ms Lagarde, for being with us here today and also for assuring that you are going to respect the Treaties. That is very, very good news, and I hope that others also will follow your example.

I would like to come back to the issue of banking, which is of concern to many of us. We have seen it already today here in this room also, and I mention it because the European Central Bank has a cooperation agreement with AMLA, which is the anti-money-laundering authority.

When people are being debanked – and not only physical persons, but also NGOs, press organs, and it happens quite a lot actually – often they are not being told even that they are being debanked. When they finally notice that they have been debanked, often any information is refused, with the argument that this has been done under the rules governing money laundering.

It is a very, very difficult situation and I would be grateful if you could mention this also with AMLA in order to clarify the situation.

1-0053-0000

Christine Lagarde, President of the European Central Bank. – Thank you so much. As you know, AMLA is now located in Frankfurt as well, and I will be your messenger in that respect.

1-0054-0000

Fernando Navarrete Rojas (PPE). – President Lagarde, you repeated several times that we are under pressure in several domains, and I fully agree with you, wholeheartedly.

I would like to point out two that you mentioned: on the retail side on the digital euro, on the geopolitical situation. I do agree, but we need any solution – any that does the trick to solve our sovereignty issue. I think it's what we need, as fast as we can get it – not necessarily one solution.

Secondly, maybe spreading too much our efforts. There is an area that is absolutely critical action by the ECB, which is providing wholesale CBDC. We had a hearing this morning; I know you're moving fast. Can you assure us that we are moving at full potential and we are getting a fully operational, DLT-native solution compatible with the rest of the efforts of the central banks in the world?

1-0055-0000

Christine Lagarde, *President of the European Central Bank*. – Mr Navarrete, thank you for encouraging me to move fast on the digital euro. I was not expecting anything less from you.

Let me assure you that both Pontes and Appia – I'm assuming that you know these two projects. Pontes is a short-term solution to actually have wholesale CBDC operational as soon as mid-2026. Appia is for the longer term because it requires more by way of infrastructure. But yes, I can guarantee you that we have assigned special teams and special resources to both Pontes and Appia.

We are trying to also leverage the resources of the innovation hub of the BIS, in order to get as much as possible of their advances in that respect. We are riveted to the delivery both on Appia and Pontes. And, as you know, we are already testing and trying using different national central banks to that effect. 'Yes' is the answer.

1-0056-0000

Michalis Hadjipantela (PPE). – Madam President, I just want your comments about US debt. We see that it's out of control. What is your opinion? Will it explode at once and then will the European Union have a problem as well? So I want you to comment about the huge US debt.

1-0057-0000

Christine Lagarde, *President of the European Central Bank*. – I will refrain from passing judgement, but I'm going to quote my colleague and friend Jay Powell, who is the Chair of the Fed. Jay Powell has said very clearly that the US debt at the moment is not an issue, but the US debt is unsustainable.

1-0058-0000

Dirk Gotink (PPE). – I just wanted to follow up on Eero's question because I think that will be the main issue in the coming 2, 3, 4 weeks and will also be on the table of the Council in December.

If everyone had come to the ECON meeting on 6 October and listened to you carefully, they would have not been surprised by the announcement of the ECB about the backstop, I think, because those concerns were raised here. Member States are also refusing to do that because probably they have similar concerns, maybe for other reasons.

Could you expand a bit more on the stability element of the concerns? So, one is the Treaty, and I fully respect that and agree with that. Two, what are the financial stability concerns

when it's about Euroclear and the repercussions that that can have on the rest of the system?

1-0059-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you for your question, and thank you for remembering our October discussion – true. I think it's enough to look at the numbers. I don't have the balance sheet of Euroclear, and I think it would be a much better idea to actually ask Euroclear to come and explain to you exactly how they are structured, how big a volume of transactions they conduct on a daily basis, how many trillions of euros they have under their custody. But from our perspective, we observe that it's a fundamental node in in the network of financial transactions, not only around Europe, but around the world.

There are many significant investors, notably sovereign investors, who have given custody of their assets to Euroclear. That's the reason, actually, why the Russian assets suddenly became frozen as a result of the sanctions. It's because the Russian national central bank had entrusted custody of its funds to Euroclear. It's not the only one; there are many sovereigns who have done the same thing. I speak from memory, but the volume of assets under custody at Euroclear is north of EUR 40 trillion. This is gigantic.

So if that node was under threat in any kind of situation, because Russia would suddenly be legally entitled to claim the reimbursement of its assets, and Euroclear would not be in a position to do so, because the instrument that is sitting in its account is not, for instance, a marketable instrument. That's the point in time when the guarantee of the Member States would be called in order to compensate the risk sitting in the books of Euroclear. That is what explains the concern of the Belgian authorities. I think that's the best explanation I can give in that regard.

1-0060-0000

(Fin des interventions à la demande)

1-0061-0000

Chair. – Any request for the floor? I see there is not.

Do you want to conclude?

1-0062-0000

Christine Lagarde, *President of the European Central Bank*. – As always, it's a real pleasure to be with you and to address some of your concerns and to have this frank dialogue, honestly. My favourite moment, actually.

1-0063-0000

(Le dialogue monétaire termine à 16h02)