



EUROPEAN COMMISSION

Expert Group on Debt Redemption Fund and Eurobills

## **Minutes of the meeting of 21 November 2013; 14:30-19:00, and 22 November 2013; 8:30 – 16:30**

Brussels, Rue de la Loi 200, Berlaymont Building, Room 7/62

**Participants:** Ms Gertrude Tumpel-Gugerell (chair); Ms Agnès Bénassy-Quéré; Mr Graham Bishop; Ms Claudia Buch; Mr Leonardus (Lex) Hoogduin; Mr Ján Mazák; Ms Belén Romana; Ms Ingrida Šimonytė; Mr Vesa Vihriälä; Ms Beatrice Weder di Mauro.

Absent: Mr Vítor Bento

**Secretariat:** Clemens Ladenburger, Carsten Bermig, Magdalena Lewandowska, Alessio Silva.

The chair opened the meeting by welcoming the participants and thanking them for the timely submission of excellent working papers and presentations. She asked for approval of the agenda. The Expert Group approved the agenda.

The afternoon session was dedicated to a detailed examination by the Expert Group of the eurobills idea. The Expert Group first heard and discussed the remainder of a general presentation, circulated beforehand as working paper (and updated for this meeting), on eurobills. The discussion built on the preliminary discussion during the previous meeting and tackled the key benefits of eurobills, as well as the legal aspects. The experts discussed the potential role of eurobills in market integration and financial objectives of eurobills, in particular in terms of financial stability and monetary policy transmission.

The Expert Group then turned to issues related to financial design and sovereign debt management, based on a presentation circulated beforehand. The discussion included the basic features of the possible eurobills and their respective pros and cons. The experts analysed the main elements such as the type of guarantee (joint and several or pro rata), the maturities that could be covered by joint issuance and resulting size of the market. Further, they considered the effect on the financial markets and wider financial sector.

Finally the Expert Group heard and discussed a presentation (circulated beforehand) on merits and risks of eurobills. This covered also the idea of contingent eurobills.

At the end of the afternoon session, the chair opened a *tour de table* inviting members of the Group to present their interim résumés on the progress of work achieved so far. She concluded that the *tour de table* showed that the Expert Group had made great progress.

In the morning of 22 November, the Expert Group looked in depth at risks of moral and hazard and how to tackle them, based on a presentation circulated beforehand. Against the background of the existing economic governance regime, the discussion following the presentation focused on how to minimise possible moral hazard risks by appropriate instruments such as eligibility and exclusion criteria, ex ante and ex post conditionalities and probationary periods, administrative penalties and rewards as well as granting additional powers to the European institutions. The group also discussed for both eurobills and the redemption fund whether each of the instruments could be effectively and credibly enforced in practice. Finally, the group assessed possible legal and political implications, in particular with respect to Treaty change and debt sustainability.

The afternoon session was dedicated to a presentation and discussion on democratic legitimacy and accountability, based on a working paper circulated beforehand. Introducing a scheme of joint issuance of debt would raise new legitimacy issues in several respects. It was underlined that the EU's institutional framework based on the community method offers solid legitimacy, but that it applies mainly to regulatory policies within EU competences, whereas budget sovereignty continues to rest mainly with national parliaments. The challenge is thus to devise decision-making ensuring parliamentary legitimacy both at European level (through the European Parliament) and at national level (through an involvement of national parliaments) without mixing the levels. Treaty change would in itself help to generate legitimacy. A purely intergovernmental approach would raise serious new legitimacy issues, given notably the "tough" political decisions foreseen within a scheme of joint issuance.

At the end of the meeting, the chair gave a tentative outlook on the likely agenda of the meeting on 2 December. She also debriefed the Expert Group about her recent meeting with Sharon Bowles, chairwoman of the European Parliament's ECON Committee, during which she had explained the Expert group's Roadmap and Working Methods to Ms. Bowles and given an account on progress of work. She confirmed that according to Ms Bowles the European Parliament greatly valued the work of the Expert Group and was happy with the process as explained.