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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)****STRASBOURG
MONDAY, 06 OCTOBER 2025**

1-0002-0000

PRÉSIDENCE: AURORE LALUCQ
Présidente

1-0002-5000

(Le dialogue monétaire débute à 19:10)

1-0003-0000

Chair. – Dear colleagues, we move to point 4 of our agenda: monetary dialogue with Christine Lagarde, President of the European Central Bank.

Je vais parler en français pour ce point.

Je suis ravie d'accueillir aujourd'hui, pour la troisième fois cette année, la présidente de la Banque centrale européenne, Christine Lagarde. Nous nous réunissons à Strasbourg aujourd'hui, après la visite d'une délégation de la commission des affaires économiques et monétaires à la Banque centrale européenne ce matin. Merci beaucoup pour votre accueil et la qualité des discussions que nous avons pu avoir.

Les dialogues monétaires et la visite annuelle de membres de la commission des affaires économiques et monétaires à la Banque centrale européenne, comme celle de ce jour, ainsi que les travaux sur le rapport d'activité sont essentiels pour l'exercice du contrôle démocratique du Parlement européen sur la Banque centrale européenne.

Quelques éléments sur le contenu du dialogue monétaire de ce jour : nous allons aborder, premièrement, l'évaluation trimestrielle de l'orientation de la politique monétaire de la Banque centrale européenne, puis nous discuterons de la domination monétaire, c'est-à-dire de l'implication d'un euro plus fort au niveau international.

En matière de politique monétaire, pour commencer, depuis notre dernier dialogue monétaire en juin, l'inflation globale dans la zone euro a continué de se stabiliser autour de l'objectif à moyen terme de 2 % fixé par la Banque centrale européenne. Les dernières projections des services de la BCE prévoient que l'inflation globale devrait s'établir en moyenne à 2,1 % en 2025, avant de reculer à 1,7 % en 2026, puis de remonter légèrement à 1,9 % en 2027. Dans ce contexte, le 11 septembre, la BCE a décidé de maintenir ses trois taux d'intérêt directeur inchangés pour la deuxième fois consécutive. Le taux directeur, le taux de facilité de dépôt, s'établit à 2 %.

Dans le même temps, la Banque centrale européenne a réaffirmé qu'elle continuerait à suivre une approche fondée sur les données, réunion par réunion, de manière graduelle, pour déterminer l'orientation de la politique monétaire et que le bilan de l'Eurosystème continuerait à être réduit de manière régulière.

En ce qui concerne maintenant la situation de la domination monétaire et l'euro international, faisant écho à l'appel lancé en juin par la présidente Lagarde en faveur d'un moment «euro mondial», l'Union européenne poursuit une série d'initiatives visant à renforcer le rôle international de l'euro. En effet, les préoccupations actuelles concernant le dollar offrent une occasion historique de renforcer la position mondiale de l'euro. Si une monnaie dominante à l'échelle mondiale comporte à la fois des avantages et des défis pour la zone monétaire émettrice, l'approche des décideurs politiques de l'Union européenne et de la Banque centrale européenne a évolué au fil du temps, devenant de plus en plus proactive. En particulier, les dernières évolutions du marché et les politiques aux États-Unis nous obligent, de ce côté-ci de l'Atlantique, à nous demander si nous devons pousser plus vigoureusement pour un rôle international plus important de l'euro.

Comme d'habitude, vous avez reçu toute une série d'informations et de documents et, comme d'habitude, nous allons avoir le même processus, c'est-à-dire que la présidente Lagarde aura dix minutes pour son discours et puis nous aurons une série de questions-réponses.

Je souhaite encore une fois la bienvenue à la présidente Lagarde et je lui donne tout de suite la parole.

1-0005-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you so much. *Merci beaucoup de votre accueil.*

I'll switch to English for the communication on both accounts – the current economic outlook, as well as the dominance of an international currency.

It's a great pleasure to be back here in Strasbourg and to continue our regular dialogue. In recent months we have faced a period of heightened uncertainty. Yet, despite these challenges, the euro area economy has held up quite well.

This resilience is no coincidence. It reflects, in no small part, the strength of two achievements we sometimes take for granted: first, our single market; second, our single currency, the euro.

As a foundation for stability and a powerful symbol of European unity, both at home and abroad, the euro is one of Europe's greatest assets.

But in today's geoeconomic world, the likelihood of larger and more diverse economic shocks is expected to remain a constant feature of our environment. This prompts an important question: in this new global landscape, what role should the euro play on the world stage?

I will focus specifically on this question in my remarks after I have given you a quick overview of our assessment of the economic situation and our monetary policy stance.

Over the first half of this year the economy grew by 0.7 % in cumulative terms, thanks to resilient domestic demand. Stronger growth in the first quarter partly reflected frontloading of global trade ahead of expected tariff increases.

You have that in this part of the introductory statement graphs. In blue, on the side, you have growth on a quarter-by-quarter basis. You can see that in the first quarter of 2025 there is a significant frontloading that appears. It's not just that. It's also consumption; it's also investment. But there is a strong frontloading element in anticipation of the tariffs that were going to hit later on in the year.

Sluggish export performance driven by higher tariffs, a stronger euro and increased global competition is expected to hold growth back for the remainder of the year. However, the effect these headwinds will have on growth should fade next year. At the same time, survey indicators suggest that services continue to grow, signalling some positive underlying momentum in the economy.

Despite softening labour demand, the labour market remains a source of strength and is expected to support consumer spending. Consumer spending and investment should both benefit from our past interest rate cuts feeding through to financing conditions. Investment should also be underpinned by substantial government spending on infrastructure and defence.

As a result, ECB staff expect the economy to grow by 1.2 % in 2025 – which is an upgrade from where we were in our last projection, which was 0.9 % – by 1.0 % in 2026 and by 1.3 % in 2027.

Risks to economic growth have become more balanced as the likelihood of major tariff-related downside risks materialising has fallen, owing to the new trade deal. In particular, if you remember, we had anticipated that there would be retaliation. This has not taken place. As a result, the downside risk has certainly narrowed, and it is now more balanced.

At the same time, risks remain that renewed trade tensions could further dampen exports, investment and consumption. By contrast, higher-than-expected defence and infrastructure spending and productivity-enhancing reforms would add to growth. Geopolitical tensions remain a major source of uncertainty.

Inflation remains close to our 2 % target. According to Eurostat's flash estimate, it edged up to 2.2 % in September, from 2.0 % in the previous three months – June, July, August at 2.0 %, 2.2 % in September – mainly due to higher energy inflation. Core inflation – excluding energy and food – remained at 2.3 %. Indicators of underlying inflation remain consistent with our 2 % medium-term target. Real wages have caught up with levels seen before the inflation surge. Again, you have that in the graph in the left-hand side column at the bottom of page 1, on real wages. You can see the blue line coming back to where we were in the early days pre-COVID impact.

Nominal wage growth was 3.9 % in the second quarter, down from 4.0 % in the previous quarter and 4.8 % in the second quarter of last year, so slightly declining. Forward-looking indicators, including the ECB's wage tracker, suggest that wage growth will moderate further and contribute to easing domestic price pressures.

ECB staff projections see headline inflation averaging 2.1 % in 2025, 1.7 % in 2026 and back to 1.9 % in 2027. Inflation excluding energy and food is expected to fall from 2.4 % in 2025 to 1.9 % in 2026 and 1.8 % in 2027, owing to the stronger euro and declining labour cost pressures. Notably, the outlook for euro area inflation remains more uncertain than usual, with a still-volatile global trade policy environment responsible for both upside and downside risks, with a range of risks on both sides that has narrowed.

With inflation currently at around 2 % and expected to remain at around that level over the projection horizon, we can say that the disinflationary process is over. At its most recent meeting, the Governing Council decided to keep its key interest rates unchanged.

We are determined to ensure that inflation stabilises at our 2 % target in the medium term. We will continue to determine the appropriate monetary policy stance by following a data-dependent and meeting-by-meeting approach. In particular, we will base our interest rate decisions on our assessment of the inflation outlook and the risks surrounding it – that was added as a result of our strategy review – in light of the incoming economic and financial data, as well as the dynamics of underlying inflation and the strength of monetary policy transmission. Therefore, we are not pre-committing to a particular rate path.

Let me now turn to the international role of the euro, which was the topic that was chosen for this hearing.

The international standing of currencies evolves slowly. For decades, the US dollar has been the dominant global currency, while the euro has firmly established itself as the second-most-used currency worldwide. This is evident in our latest report on the international role of the euro. I think you have a reference to that in the two pages that are available to you – at the bottom, on the left, where you see the dollar at 58 %, just below 60 %, and the euro at 20 %.

But the world is in transition. Geopolitical shifts and heightened policy uncertainty remind us that no currency's global position is guaranteed – it has to be earned. In this changing landscape, there is a unique opportunity to create conditions to strengthen the euro's role on the global stage.

International currencies can appreciate in times of global stress as they attract safe haven inflows. Yet, there is no mechanical relationship between the global status of a currency and its exchange rate.

At the same time, raising the euro's global standing would bring tangible benefits. For instance, greater use of the euro in trade invoicing would reduce transaction costs for exporters and shield prices in the euro area from exchange rate volatility. Moreover, increased foreign demand for euro-denominated assets would lower borrowing costs for households, businesses and governments – in the context of the United States, this was often referred to as the 'exorbitant privilege'.

We will not realise the full benefits of a stronger international role of the euro unless we adopt the right policies. To seize the benefits while avoiding the risks, Europe must do its homework and strengthen its foundations. Let me mention three key foundations.

First, from an economic standpoint, we need to create the conditions for sustainable growth and investment. Completing the single market remains essential to unlocking Europe's full

potential. At the same time, we must integrate and deepen our capital markets, taking concrete steps towards completing the savings and investments union, for which an ambitious timetable is critical. We look forward to the European Commission's forthcoming initiatives in this regard, notably the single market roadmap and the proposal for strengthening capital market supervision.

In addition, steps like joint financing of public goods – such as defence, for instance – would help establish a safe and liquid pool of EU public debt. One year on from the publication of Mario Draghi's report on the future of European competitiveness, the time has come to put words into action.

Second, on an institutional level, we must safeguard investors' trust in the institutions and policies that underpin our currency, including by upholding the rule of law and defending central bank independence.

Third, from a geopolitical perspective, we must maintain our commitment to open trade and strike new agreements with global partners. At the same time, Europe must invest in its security to navigate an increasingly uncertain world.

These responsibilities do not really rest with the central bank. They rest with governments and legislators. The ECB's role is to safeguard price stability, ensure financial stability and improve the financial and payment infrastructure that supports the euro. We are committed to continuing supporting an environment in which the euro can thrive.

Let me give you a few examples. Extending swap and repo lines to key partners. If we do that, we safeguard against euro liquidity shortages abroad disrupting the smooth transmission of our monetary policy, which in turn encourages those partners to transact more in euro. In addition, our work on settling transactions in central bank money using distributed ledger technology supports the development of Europe's digital capital markets, while aiming to enhance wholesale payment systems. In the same vein – and you are very familiar with that – we are working on a digital euro and pursuing initiatives to enhance cross-border payments in euro, which could potentially facilitate international cross-border transactions in the future.

The euro was born out of a vision of a stronger and more united Europe. Today, that vision must adapt to meet the challenges posed by profound geopolitical shifts and to seize the opportunities offered by digital transformation.

The euro can be more than the currency of a continent and a symbol of unity – it can become a global anchor of trust. But vision alone is not enough. Europe needs bold reforms to turn this vision into reality. Now is no longer the time to just discuss those reforms, but to implement them.

I very much trust that you also want to do that and that we can transform that vision – that dream – into a reality that actually plays a global role.

1-0006-0000

Chair. – We can now move to the Q&A session.

I will start with Luděk Niedermayer for EPP. One-and-a-half minutes for the question, three minutes for the answer. There is the possibility of a follow up: one minute for the question and two minutes for the answer.

1-0007-0000

Luděk Niedermayer (PPE). – Thank you Madam Chair and thank you Madam President for being here. I especially appreciate your opening statement – there are so many things I can really only agree with.

Nevertheless, I will have two questions. The first is on the consequences of so-called new trade policy by the United States. As you rightly said, we have seen a kind of impact in the first and second quarter, because there was frontloading in the first quarter and negative consequences in the second. But, later on, we will probably see the overall result. So I wonder if you have some estimates on what the risks will be of the long-term impact on the EU economy, taking into account both the impact on our exports to the US, as well as the risk that some other US trading partners will redirect part of the trade to the EU market.

And the second question: there are so many troubles now all around us that we maybe don't pay attention to troubles that are emerging – even traditional ones. So I wonder how serious, in your view, the risk of the fiscal policy is. I'm not talking only about France, where we can see that fiscal crisis can trigger even some kind of political crisis. But if you look around the Europe, there are quite a few countries that have a very high structural deficit. In the current conditions, we see that, politically, removing the structural deficit is very, very difficult. So I wonder how far we are from a situation where this can undermine our stability and the future prosperity of EU economies.

1-0008-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much for your two questions. Let me focus on the first one, because it's one that probably could be recurrent. I will take maybe more time on that one than on the second part.

Prior to the change in tariffs, the average tariff on goods – not all, just goods – from Europe to the United States, was 2.3 %. As a result of the trade agreement that was struck on 21 July, that trade average tariff moved to 13.1 %. So you can see that there is a clear difference north of 10 %. I'm mentioning those numbers because in the baseline that we built in our June projections, prior to the 21 July arrangement, we had assumed for purposes of our baseline a 10 % tariff that would apply to the sale of goods from Europe to the United States. So our baseline was a little bit short of what effectively was the impact of the new trade policy.

That 13.1 % applies to about 40 % of the imports from the United States because of the size of the movement of goods between Europe and the United States. For us, it's a much reduced volume because the United States represents about 17 % of our total trade.

It's always a bit risky to try to make an assessment of exactly how much it will impact. But so far, our staff has calculated that, as a result of this additional tariff on the shipment and sale of goods between Europe and the United States, the impact would be on the activity of reduction by 0.7 percentage points cumulatively between 25 and 27, so over a period of three years. That's the estimated impact relative to what it would be without the tariffs.

Obviously, I'm saying this under the assumption that the cap of 15 %, which has been negotiated under the EU-US tariff deal struck on 21 July, applies as a cap, and that any investigation that is conducted under Regulation 232 of the United States, which goes into really determining what rates should apply, will be capped by that 15 % overall cap.

It seems to be the case for pharmaceutical products, apparently. It seems to be the case with the automotive industry and spare parts. It's not necessarily the case for kitchen cabinets and other kitchen equipment. But, despite the fact that this trade deal was enforced, there is always a degree of uncertainty that is recurrent, if you will, under the current regime. However it is more explicit for the European Union than it is, for instance, for the UK. That's what I wanted to clarify. I hope it's clear.

1-0009-0000

Luděk Niedermayer (PPE). – Yes, and on the fiscal side because you also had experience in your past life removing high structural deficit, as we can see not only in the western part of Europe, but also in central Europe, where some countries are probably around 4 % of GDP.

This is kind of challenging. Obviously you can reduce this deficit the way the Greeks did it, for a very high social price, but how difficult would it be to get it into order? And if it's not in order, what could be the consequences for growth and stability of the EU if countries are stuck with very high structural deficit?

1-0010-0000

Christine Lagarde, President of the European Central Bank. – Notwithstanding the tariffs, notwithstanding the uncertainty, there is a fiscal framework that has been agreed upon and to which all Members of the European Union are expected to adhere.

Not all of them are there, and there is clearly a degree of investment that will affect the fiscal position of many Member States, because you have the conflicting commitment of fiscal governance on the one hand, and the determination to invest in order to satisfy the requirements under NATO. How these two are going to advance in parallel and how much of the escape clause will be sufficient in order to cover the gap between the two is something that is going to be for the countries and for the Commission to assess.

For macro purposes, we assume that, on the part of all those countries that are very short of their commitment to NATO, there will be investment in both defence and infrastructure over the course of the next 3 to 4 years. Some of it will begin to apply in late 25, but really in full force as of 26.

1-0011-0000

Irene Tinagli (S&D). – Madam President, it's always a pleasure.

I just want to go back to an issue that we already touched on in the last monetary dialogue, because we remain seriously concerned about a potentially extensive interpretation of MiCA. If I may generously put it this way, it goes beyond what was agreed by us co-legislators, particularly with respect to multi-issuance.

I read the speech that you gave at the beginning of September at the ESRB annual conference with great interest, and in particular the part where you said: 'European legislation should ensure that such schemes cannot operate in the EU unless supported by robust equivalence

regimes in other jurisdictions and safeguards relating to the transfer of assets between the EU and non-EU entities.' Then you also mentioned the need for international cooperation, the need for a level global playing field.

I would like you to elaborate a little bit on that. In particular, the question is: do you really think it's possible to have effective international cooperation on this? Given that the US Government is explicitly backing stablecoins, do you believe that a level playing field can realistically be established? Do you see a risk of importing financial stability risk with a larger uptake of US-based stablecoins? If so, how does the ECB intend to deal with this risk?

1-0012-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for your very pointed and clear question on a matter which is really important. You point to the framework that we in Europe have put in place under MiCA, which includes reference to what is otherwise called stablecoins and the difference between what has now been put in place by the US authorities under the Genius Act. Under some of the provisions of MiCA, there is a proposal that there could be issuance of different instruments.

I have to confess that I looked carefully at MiCA and my staff has looked very carefully at MiCA, and I'm at pains to find actually reference to multi-issuance in the regulation and I'm at pains to understand exactly where the issue of fungibility is, which is often referred to in order to expect equivalence, safeguards and a level playing field, as well as international cooperation.

I hope I'm wrong and I did not read it carefully enough, and my staff has not read it carefully enough. But I think that in order to be sustainable and to avoid risk of financial stability, which is of concern to us, those key points that you have identified, in other words, equivalence, the equivalence regime, safeguards in place, international cooperation, the level playing field and access to the reserves if and where there was an issue – all of that should really be considered and should be decisive, before there is authorisation to multi issue and to open our framework to non-European issuance of those stablecoins.

So we hope that this matter will be under very thorough review, but I can tell you – because I'm out of my ECB President depth here, but in the depth of the President of the ESRB – the ESRB will issue in the course of October a specific recommendation regarding those issues.

1-0013-0000

Irene Tinagli (S&D). – I have a follow up just to specify. Yes, you are right. It's not explicitly mentioned for a reason: it was excluded. Fungibility was not intended by the legislator. So that is why we believe that if something like this is introduced, it should be by new regulations, not by technical documents of any kind. There's nothing to interpret. That was made clear by the legislator.

You mentioned the digital euro discussion and debate. The follow-up question is: how do you look at this debate also in light of this emerging idea of European private-sector solutions as a sort of a means to limit the spread of US-backed stablecoins? There are those who believe that if we support private-sector stablecoins, maybe the digital euro project is less relevant. How do you see this debate?

1-0014-0000

Christine Lagarde, *President of the European Central Bank*. – We are in for a long debate! The digital euro, to keep it as simple as possible, is digital cash and cash is the remit of the central bank, and the anchor of our currency is central bank money. If the world is going digital, central bank money should go digital. That's the basic, most simplistic foundation for the project that we are working on and which is really developing well.

In addition to that, we want it to be simple to use. So user-friendly, cheap, and we want it to constitute a European solution to payment within the entire euro area and it can be expanded to non-euro area countries within the European Union as well under certain conditions.

This is not mutually exclusive with stablecoins that would be issued by actors in the European Union. So if banks in Europe were to issue stablecoins, it's not mutually exclusive. I think the infrastructure that will be used to settle instruments, whether they are digital euro or whether they are stablecoins issued in Europe by European banks, is something that is perfectly compatible.

1-0016-0000

Giovanni Crosetto (ECR). – Signora Presidente, onorevoli colleghi, avrei qualche domanda sul cambio euro-dollaro per la Presidente Lagarde.

Come Lei sa molto bene, l'apprezzamento dell'euro riduce la competitività delle nostre imprese esportatrici e crea perdite importanti a tutti gli investitori europei che hanno acquistato titoli americani. Tutto questo si somma ai dazi americani che dobbiamo subire, finendo con l'appesantire fortemente la crescita economica. Lei questo, Presidente, lo ha riconosciuto durante l'ultima conferenza stampa dell'11 settembre.

Ma io Le chiedo, non dovremmo preoccuparci anche e soprattutto per il livello di inflazione? Anche perché stiamo parlando del deprezzamento del dollaro sull'euro più significativo degli ultimi 50 anni.

E io Le vorrei quindi chiedere, Presidente: nella *reaction function* della Banca centrale europea, il cambio euro-dollaro ha un peso rilevante oppure no?

E Le chiederei inoltre, visto che Lei ha dichiarato che da parte della BCE c'è un costante monitoraggio, quali sono le vostre previsioni circa l'andamento del rapporto euro-dollaro nei prossimi mesi?

1-0017-0000

Christine Lagarde, *President of the European Central Bank*. – Thank you very much for your question. Let me first of all say that we do not target an exchange rate, but obviously we are attentive to the appreciation of currencies or to the depreciation of currencies relative to the euro because it has an impact on our economies.

It's well known that the euro has appreciated relative to the dollar by roughly 13 %, but in real effective rate it has appreciated by about 5 %. So it depends on what you compare it with, but it is a fact that the euro has strengthened, so it has appreciated vis-à-vis the basket of currencies in which we trade. But it has particularly appreciated vis-à-vis the dollar, because the dollar has depreciated vis-à-vis the rest of the world, essentially.

It has an impact on exporters, as you just said; it has an impact on importers as well. It has an impact on certain categories of products that are denominated in dollars for their exchange. If you buy commodities, if you buy oil, for instance, those commodities are denominated in dollars. If you are buying in euros, you have a better bang for your buck with the euro.

It cuts both ways, depending on whether you are an importer or an exporter and what categories of goods you are either selling or buying and in what currencies they are marketed.

It proves one point, which I made in my introductory statement, which is that we should encourage trade to be denominated in euros as much as possible. That is an element of the strength of a currency. We want the euro to be strong as a currency, which doesn't mean to say that it is appreciated or depreciated – those two issues are very different. You can have a strong currency which is not highly appreciated or which is depreciated. We have seen periods where the dollar, as a dominant currency – as the dominant currency, the international currency of reference – could be low relative to others, or could be high relative to others. So those are two completely independent factors.

But to have the euro as our currency of invoicing and trading would certainly protect us and would give us a shield against variation relative to other currencies and in particular the dollar.

1-0018-0000

Pierre Pimpie (PfE). – C'est en français que je m'exprimerai.

Madame Lagarde, vous avez dit, récemment, qu'il fallait un peu plus d'immigration en Europe afin de contrer le vieillissement, mais il me semble que c'est aux États souverains de faire ce choix, surtout sur un sujet aussi sensible. Ce faisant, n'êtes-vous pas sortie du cadre strict de votre mandat et du rôle de la BCE?

Et je voudrais savoir si la BCE a réalisé des études sur les avantages et les coûts de cette immigration qui fonderaient votre assertion.

1-0019-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much. I really believe that assessing wages, understanding how wages are going to evolve – whether they will evolve moderately, whether they will evolve sharply – is a factor of the labour market. If you have a labour market where the supply of labour is rarefied, as a result of the fact that there is less working population, then we have to take that into account because it will impact inflation.

You will remember from many discussions that we had in the past: services was a dominant factor in core inflation in particular. And services is predominantly fuelled by wages. It's a labour-intensive activity, much more so than the production of goods. But in labour-intensive services, labour matters and wages matter. So we have to anticipate that. We have to try to take into account where wages are heading because it does have an impact on services and the price of services.

We can look at the work and the studies done by Ms Goldin, for instance, who has recently been attributed the Nobel Prize in economics. If you look at her work on the replacement of the working population and the decline of the fertility rate around the world, but in particular in advanced economies, you have to worry about how the labour factor is going to impact

wages, which in turn will determine the price of services, which is critically important for inflation purposes.

Why do I explain all that? It's to tell you why we believe that the tense labour market, because of the rarity of the supply of labour, is something that we need to look into. Yes, we do study that and we do publish on these matters, but not so much because we want to, say, propagate, support and advocate immigration, but simply because we look at what is there and we see that between the ageing population and the diminution of the working population, something needs to give.

Artificial intelligence might be part of the answer; robotisation might be part of the answer. But it probably will not be sufficient to reduce the rarefaction that we see.

1-0020-0000

Pierre Pimpie (Pfe). – Je vous rejoins sur le fait que vous soulevez un vrai problème. Certes, au sein de nos pays il y a ce vieillissement, mais si l'on souhaite que les gens fassent des enfants, on peut aussi agir sur la confiance, sur les aides sociales, il y a une foule de choses à faire.

Quand on fait un choix plutôt qu'un autre, c'est un choix qui n'est pas seulement financier, c'est aussi un choix philosophique. C'est peut-être un peu cela qui est gênant, c'est-à-dire qu'on ne se situe plus dans un cadre simplement financier.

1-0021-0000

Christine Lagarde, President of the European Central Bank. – All of that is your assessment and is very correct in many ways. The problem we have as economists is that we have to look at temporality. If you have babies now, they will hit the labour market in 20 years' time. What we see at the moment is shortages that will last for a certain period of time. We have to find the remedies now for those 20 years' time.

1-0022-0000

Stéphanie Yon-Courtin (Renew). – Madame la Présidente, chère Madame Lagarde, c'est toujours un plaisir de vous accueillir ici, au Parlement européen. Malgré un contexte géopolitique instable marqué par de nombreuses tensions et crises autour de notre continent, l'inflation s'est stabilisée. Dans cette tempête, l'euro démontre sa solidité. Sur ce constat, j'aurai trois petites questions.

D'abord, pour commencer, faut-il craindre les pressions trumpistes ou trumpiennes outre-Atlantique sur la Fed ? Et dans quelle mesure cela affecte-t-il la crédibilité et le travail de la BCE pour garantir la stabilité des prix en Europe ?

Ensuite, quels moyens la BCE met-elle en œuvre pour préparer les citoyens aux futures crises ? Je prends par exemple la récente recommandation de la BCE de conserver une petite partie ou une petite réserve d'espèces chez soi. Ce sont des questions qui ont été pas mal posées, chez moi notamment – chez nous – en Normandie.

Enfin, le renforcement du rôle international de l'euro reste un objectif stratégique, mais il se heurte souvent à de nombreux obstacles et vous l'avez dit, notamment comme l'Union de l'épargne et de l'investissement non accomplie. Dans ce contexte, l'éducation financière constitue un levier important. J'avais suivi avec intérêt la conférence de la BCE sur l'éducation

financière qui s'est tenue cette année, en mars, à l'occasion de la Journée internationale des femmes, lors de laquelle plusieurs banques centrales ont présenté des initiatives très concrètes déployées sur le terrain. Selon vous, comment la BCE peut-elle jouer un rôle actif pour promouvoir cet agenda d'éducation financière auprès des États membres et des banques centrales nationales, puisqu'on sait que c'est quelque chose qui est à la main des États?

1-0023-0000

Christine Lagarde, *Présidente de la Banque centrale européenne*. – Merci beaucoup pour toutes ces questions précises. Alors...

The first question you have relates to the independence of the Fed. I will simply say that from the literature on central banks, from the expertise and the experience that have been gained over the course of time by central banks – I would say in the last 40 years – it appears very clearly that an independent central bank can do a better job in relation to price stability than a non-independent central bank.

I will not mention any particular country, but I can think of a few where the central bank is not independent, and where the fight against inflation has been far more difficult than in other places where the central bank was independent. I very much hope that this independence will be preserved. It is not without the accountability that goes with it.

So it's perfectly legitimate that I come here often to address your questions and am available for all the letters that you care to send with questions to us, while at the same time being able to resist the pressure of governments, in particular the fiscal authorities, in order to not monetise the debt. It is something that is clearly important.

The preparation of citizens for crisis. In my good Normandy, I also heard quite a few questions about this. There was a study that was conducted by our economic department, and which gave rise to a publication in the form of a blog, if I recall. No, it was not a blog; it was actually a publication in the Economic Bulletin. It was a serious study that was eligible for publication in the Economic Bulletin of the ECB, which really looked across the board to all Member States to see what the reaction was in cases of crisis. It was pretty obvious in all those countries that had faced crises that the first thing that people wanted to do was to have cash available. The first thing that they wanted to organise was to go to the ATM or to any cashpoint to get some cash.

I think there was also a study that was conducted in Spain at the time of the major flood, which prevented the functioning of many of the ATMs where the central bank of Spain in the various provinces had to organise the delivery of cash, of banknotes, because people wanted to have banknotes. Hence the recommendation at the end of that study, which really looked at practical real-life cases, for people to always have something like EUR 70 to EUR 100 available, I think they said, because that's really how much you need for about 72 hours, which is the period of time that was considered in the study.

Because it touches on banknotes and because it touches on cash, it becomes very emotional. That study, which otherwise, like so many studies published in the Economic Bulletin, would not have raised any eyebrows, suddenly became the story of the day. And it was on many radio talk shows on why we should keep some banknotes. That's the genesis of it all.

Your third question on the reinforcement of the euro: you are right. It is a national central bank responsibility. It's a government responsibility to upgrade and beef up literacy in financial matters. I'm very proud that many of the central banks around the euro system have initiatives and take that to heart by having training, workshops, roundtables and really propagate this sense of investment and the appetite for risk. We as the ECB do not do that directly. We encourage it; we have a platform where we consolidate all the best practices, all the experiences of the national central banks, and that's how we give an incentive to them to continue making the same effort. We will come back on 8 March 2026 to take stock and see who has done what and make sure that we progress further so there will be new initiatives.

1-0024-0000

Stéphanie Yon-Courtin (Renew). – Merci pour vos réponses sur l'euro numérique, qui est une initiative que nous soutenons également.

Je voulais rebondir sur l'intervention de ma collègue Tinagli. Dans le prolongement de sa question, est-ce que vous pouvez nous préciser en quoi l'euro numérique contribuerait à la stabilité financière en cas de future crise?

1-0025-0000

Christine Lagarde, Présidente de la Banque centrale européenne. – Je ne suis pas sûre que ça contribuerait nécessairement à la stabilité financière. Ce dont je suis sûre, c'est que ça n'aggraverait pas l'instabilité financière.

On a fait des études très précises sur les conditions dans lesquelles, avec le plafond qui est envisagé et qui a commencé à être discuté et qui le sera à nouveau avec vous, on n'a pas une aggravation du risque d'instabilité financière dans l'hypothèse d'un choc qui concernerait telle ou telle banque, il n'y a pas du tout ce risque-là. On a fait vraiment des études qui portent sur des seuils, des plafonds beaucoup plus élevés que ce à quoi on arrivera, je l'imagine.

1-0027-0000

Damian Boeselager (Verts/ALE). – Thank you, President, for being here. I mean, it seems a lot of governments are falling over the question of how to deal with the narrowing fiscal space that they have. The 12-hour French government is, I guess, no exemption, but there was also a German one that fell over the very small fiscal space discussion, and others.

I think my first question is, given the zero growth, the demographics that you talked about, the increases in pension spending, what does your scenario analysis look like in terms of the risk of an actual fiscal crisis?

Then, when you look at your interest rate decisions at the moment, what role does the refinancing cost for national debt play for you, and the sustainability of these debts?

You mentioned the safe asset. That would be my third question. Like, what role does European debt play in this regard and is it really useful if we then spend it one third on agriculture and one third on cohesion? Or like, how could we set up European debt in a way that a safe asset would contribute?

Then maybe just as a last question, connected to this, is the international role of the euro that colleagues have also asked about. It seems that Trump really wants to get rid of that role also

because he believes that the demand for the dollar is too high compared to the exports that are existing.

So wouldn't we be harming potentially our exports to other non-euro denomination nations because we are keeping the value of the euro too high and therefore making our products more expensive?

1-0028-0000

Christine Lagarde, *President of the European Central Bank*. – You have a whole range of questions, but they're all really interesting as well. So on the issue of fiscal space, I think first of all we're not at zero growth.

1-0029-0000

Damian Boeselager (Verts/ALE). – Sorry, that's a German perspective.

1-0030-0000

Christine Lagarde, *President of the European Central Bank*. – Well, even German growth is not forecast to be at zero. But if I look at the euro area, my forecast for growth in 2025 is 1.2 %. So we're not quite at that potential, but we're getting close to that. So there is growth. It's not as much as we would like it to be, but there is growth. So there is increased spending that has been decided by several Member States and with some of them, as I said earlier, in response to a previous question there is that sort of paradox of having to comply with the new fiscal governance, what used to be the Stability and Growth Pact, and the requirement to honour the commitment under NATO and more, if necessary, in order to guarantee the security of people.

So I think that's a question of the focus of the investment. If it's investment in security, in the infrastructure that is needed to convey and transport and ship the military equipment necessary for security you are effectively investing in the future of the country. You are hopefully improving the competitiveness and you are also responding to international commitments. There is probably no escape to that.

At the same time, clearly countries have to comply with their fiscal governance objectives, and they have to give their mid-term projections to deliver on the commitment to, for some of them, reduce their fiscal deficit, for others to arrive at the agreed deficit, which is negotiated with the Commission. That is going to be a process that will unfold in the years to come. It's not something that is going to be a static moment, a static observation, but it will unfold over the years to come.

The interest rate obviously has an impact on the servicing of debt. You asked me about that question. The interest rate, I'll remind you, went from 400 basis points, where it was a little over a year ago, down to 200 basis points. We have cut eight times in order to arrive at a rate which means that today, when I look at my inflation outlook and the balance of risk, when I look at the underlying inflation, when I look at the transmission, we are in a good place, as I have said repeatedly.

So the disinflationary process is over. We are in a good place and we intend to stay in that good place and to do what is required to stay in that good place. The interest rate determines the servicing of debt, and this is something that the very indebted countries are realising in

the sense that it increases the percentage of debt servicing relative to the percentage of other expenses.

You asked me about safe assets. I mentioned in my introductory remarks the project of safe asset in relation to defence, which is by a sense a common good, where clearly that could be understood. But this is not something for the European Central Bank to decide. It's for the government, it's for the parliaments to elaborate and to decide whether it's a project that warrants collective endeavour. Do we want to defend ourselves collectively? Are we one single region that abides by the same principles? And, if so, is it legitimate to have defence bonds, for instance? That would be European ones.

The only reason I mention it is that I think it is relevant in relation to the strength of the euro. It will be difficult to have a dominant currency such as the euro if, number one, we do not have the capacity to defend ourselves, so the military might. The defence capacity is going to be important. And, number two, if we do not have a deep and liquid capital market, which is generally defined *ab initio* by a safe asset. The reason why the US market is so deep and liquid is because the Treasury bonds are massively liquid and available. We're talking about 30 trillion.

1-0031-0000

Siegbert Frank Droese (ESN). – Frau Lagarde, auch noch mal vielen Dank für den Dialog heute. Wir sind ja naturgemäß etwas eurokritisch eingestellt, aber es war heute früh eine gute Debatte, eine gute Diskussion. Dafür auch vielen Dank!

Ich will anschließen an eine Frage von heute Morgen an Frau Claudia Buch. Es geht um Klimapolitik und Preisstabilität. Die EZB will grüne Investitionen fördern, etwa durch günstige Konditionen oder bevorzugte Sicherheiten. Doch Großprojekte wie der beschleunigte Ausbau von Energienetzen oder Infrastruktur treiben kurzfristig die Preise. Damit geraten sie unserer Auffassung nach in einen Zielkonflikt: Das eine soll Investitionen stützen, das andere Inflation dämpfen. Wie kann die EZB in dieser Lage glaubhaft Preisstabilität sichern, wenn ihre eigene Politik gleichzeitig Preisimpulse verstärkt? Ist das nicht ein Beleg dafür, dass Klimapolitik, falls überhaupt, in die Verantwortung der Regierungen gehört, und dass sie andernfalls das Ziel der Preisstabilität selbst gefährdet? Ein Blick auf die USA zeigt: Dort ist man von diesem Thema völlig weggekommen. Unter Umständen ergeben sich da also auch noch Wettbewerbsnachteile. Jetzt bin ich auf Ihre Antwort gespannt. Vielen Dank.

1-0032-0000

Christine Lagarde, President of the European Central Bank. – Well, what I can tell you is that our mandate, our mission at the European Central Bank, is price stability. We have defined that price stability as the objective of 2 % symmetric, medium term, and we will do whatever is necessary in order to deliver on our mission.

The issue of how climate change and the transition impact on our policy is something that goes through several channels. Channel number one, we need to understand how climate change is going to impact prices, whether flood, drought, additional costs for transition, failure to ensure that goods that are exposed will actually have an impact on price. That's one channel.

The second channel relates to the valuation of risks, and that was more a story of the past in the days when we were purchasing corporate bonds, for instance, when it was appropriate to

determine what was the additional risk, exogenous risk that was included in the price of the bonds, and whether they were properly priced or not, in order to decide how much was in our balance sheet. I'm saying that it's a story of the past because we do not purchase corporate bonds anymore. We do not sell them either. We let them run their course through their maturity, and then they gradually, over the course of time, exit our balance sheet.

The third channel through which it impacts is in relation to the value of collaterals, in exchange for which commercial banks are extending credit. And for that, again, we have a methodology which has now been approved, which is not yet in place because we are waiting for certain publications, by the Commission in particular, which helps us define what is the value of collaterals, what kind of haircuts, or what kind of reduced value is associated with an exogenous risk that relates to climate change.

I hope I addressed your question as well as I could.

1-0033-0000

Siebert Frank Droese (ESN). – Zum digitalen Euro: Der Kollege Cipollone versucht uns das ja aus Sicht der EZB nahezubringen und beantwortet sehr viele Fragen. Das ist auch interessant, also auch ein guter Dialog mit ihm.

Die EZB, Frau Lagarde, verspricht beim digitalen Euro Bargeldähnlichkeit und Privatsphäre. Gleichzeitig bestätigt sie, dass alle Transaktionen über Zahlungsdienstleister abgewickelt werden, Limits gelten, KI-gestützte Prüfmechanismen vorgesehen sind und so weiter. Damit ist die technische Möglichkeit zur Filterung oder Blockierung von Zahlungen aus unserer Sicht real. Wie kann die EZB glaubhaft versichern, dass eine Infrastruktur, die Kontrolle ermöglicht, niemals zur Kontrolle genutzt wird und dass ein staatlich kontrolliertes digitales Geld am Ende nicht genau das Gegenteil seiner Versprechen bewirkt? Danke!

1-0034-0000

Christine Lagarde, President of the European Central Bank. – You're going to take me out of my depth, because that's also a construction issue, and it's construction of the technology that will produce two things which seem antinomic, but which are not.

The first thing is that, obviously, anti-money laundering, countering the financing of terrorism. know your customers, have to be respected, have to be part-and-parcel of the process. Most of that will be under the direction and the supervision of the banks. The banks will have to continue playing that role.

The second aspect is that we want as much as possible to protect the privacy of our European compatriots, so that the data, the information, is as restricted as possible in order not to expose their personal data, the information where they spend their money. Because this is not of any interest to the ECB, which has no incentive to monetise those data.

So the construction will have to navigate between these two imperatives. One, making sure that there is no money laundering, no financing of terrorism, and that the customer origin is well known. And, number two, protect the privacy of citizens, because that's a promise that the digital euro will be almost as private as banknotes – not quite, but almost as private as banknotes.

1-0035-0000

Chair. – Second round of questions. One minute for the question, three minutes for the answer. I will start with Marco Falcone for the EPP.

1-0036-0000

Marco Falcone (PPE). – Signora Presidente, signora Presidente Lagarde, onorevoli colleghi, la BCE è una banca indipendente e tale deve continuare ad essere, come sancito dai nostri trattati.

Ma la Banca centrale europea deve essere anche responsabile davanti ai cittadini europei e qui in Parlamento, grazie ai costanti dialoghi che abbiamo instaurato con Lei, Presidente Lagarde, si rafforza quel controllo democratico che è essenziale affinché la BCE sia una forza motrice, anche per la crescita della nostra condizione socioeconomica europea.

Purtroppo, la situazione attuale in generale non presenta la crescita forte che ci aspettavamo, ma è ancora debole, e anche la nostra considerazione sul non voler tagliare i tassi di interesse certamente, come dire, ci lascia perplessi.

A questo punto io Le chiedo, per volgere al termine, se sarebbe immaginabile nel prosieguo un taglio dei tassi di interesse, rilanciare la politica di acquisto dei titoli e – ultima cosa – anche offrire nuovi prestiti agevolati alle banche per rimettere nel circuito economico denaro e, quindi, crescita.

1-0041-0000

Christine Lagarde, President of the European Central Bank. – *Grazie mille* for all your questions. I'm delighted to hear you say that central bank independence is very important and is associated with our responsibility to the citizens and our accountability to you, who are representing them. That's very important. I think that, as is provided under the Treaty, government leaders should not interfere with the business of the central bank. We have a square mandate. We stay within that mandate. We are accountable and we have to honour that responsibility. But the independence should be respected. I think that applies to all Member States now.

Now, on weak growth. We would like growth to be better, yes, but I don't want to hear that we have zero growth which, as I said, is 0.7 % for the first half, and we are still anticipating growth in the second half of 2025 – probably not as high as the first half, but our forecast is for 1.2 % growth, which is on a par with an average growth that we had in the past, not at potential yet, but improving.

On our interest rates, I think we have gone out of our way – and I've repeated many times, and I'm very happy to repeat it again – in the current circumstances, and given the tools that we're using and the level of uncertainty, in particular, that still abounds, we are data dependent and we will remain data dependent. We will decide meeting by meeting whether we are in a good place, whether we need to use the tools that we have in order to stay in that good place. But I'm not going to give any rate path, nor of course tell you if and when and how that rate path will evolve in the course of time, because that would be totally inconsistent with what I say about us being data dependent, with us being a little bit more sophisticated in referring to the inflation outlook with a good study of the balance of risk, because I would just undermine completely the method that we agreed to apply in the future.

I just want to remind you as well that we have cut eight times, and we brought the interest rate from 400 basis points down to 200 basis points, where it is now, in that good place.

1-0042-0000

Eero Heinäluoma (S&D). – Madam President, may I thank you for your presentation today and also for your speech in Amsterdam last Friday, which was an interesting one. In Amsterdam you stressed that whilst you agreed with simplification efforts, you also said that the goal is not to relax rules nor undo what has been achieved. This is, of course, a very important message.

We know that we have a very hard bargaining situation: how to make sure that we have enough capital for the investments needed but, at the same time, how to make sure that we are not jeopardising the stability of the financial markets.

Here, there was an interesting opinion expressed by Mr Pedro Machado, a member of the supervisory board of the ECB, who expressed his fears that the Commission's latest proposals could have gone a little bit too far in reducing capital requirements for more complex transactions.

I would be interested to hear your viewpoints. What is the possible impact of these proposed capital reductions?

1-0043-0000

Christine Lagarde, President of the European Central Bank. – Thank you so much, and thank you very much for paying attention to the speech in Amsterdam, because it was a speech in honour of Klaas Knot who had served at the DNB for, I think, 18 years, of which 14 years as head of the bank, and, because he had spent all his professional life at the DNB between monetary policy and financial stability issues – because he was head of the Financial Stability Board – I focused my speech on those two aspects.

In relation to financial stability, I made the point very clearly that while we had an imperative of simplifying by eliminating duplication, by reducing excessive layers of data provision and declaration and disclosure, at the same time we could not possibly dilute the resilience of the banking system.

That was point number one: simplification, no dilution, maintain the resilience of the banking sector which, because of the capital ratios, which are much higher now because of the liquidity ratio north of 160 percentage points, is giving us that stability and that strength which we didn't have pre the global financial crisis.

The other point that I made during that speech is that there has been a proliferation of non-banking financial intermediaries, the NBFIs, which despite the efforts of Klaas Knot as head of the FSB, are not yet as strictly supervised and regulated as the banking sector, which is fine as they are not banks exactly and they're not subject to the same imperatives but where I said it's not a question of reducing banking supervision and regulation in order to reach the level of the NBFIs, it's the other way around and it's one of increasing the regulation and supervision applicable to NBFIs so that we arrive at a platform that is more consistent. It doesn't have to be exactly the same, but it is going to have to be converging towards a safe environment.

Now, in relation to complex financial instruments, there is work that has been done by the Commission, by FISMA in particular, on which we have given views and opinions, on which we are beginning to see speeches here and there as well. I think the principle that we have is that we welcome an improvement of the regime that is applicable. We welcome simplification, but it should not be at the price of taking so much risk that sophisticated, complex instruments are not subject to appropriate capital in order to back it in the balance sheet of those that issue them.

I wanted to pick up on the point that was made by Mr Falcone as well, because you referred to the loans that are granted by banks. I think that we are not seeing in the bank lending surveys that we conduct on a regular basis any restriction on the part of banks to extend credit, nor any restriction on the part of the corporates, in particular – mortgages as well but mainly the corporates – that seek credit, so interest rates do not operate as a deterrent to the extension of credit.

1-0044-0000

Regina Doherty (PPE). – Madam Lagarde, first of all, can I thank you for the attention that you pay to this committee, because I find it really, really valuable to have these conversations.

I'd like to ask you about securitisation. For over a year now, securitisation has been the big upcoming initiative to revitalise the capital markets union and now the SIU. There are many opinions, obviously, on it – some people feel that it's going too far, other people feel that it doesn't do enough to incentivise the investor to look at Europe in a competitive securitisation market. I'd really love to know what your view is.

Also, if you could comment on how, or if, the ECB sees its role more generally in supporting deeper and more efficient European capital markets through the use of securitisation.

1-0045-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much. As you know, the Commission has proceeded to issue proposals on securitisation and the European Central Bank generally welcomes those proposals. I think we have – and I'm going to give you the exact points on which we have – some reservations, qualifications, if you will.

So we support the fine-tuning, maintaining sound prudential requirements. That to us is key. So we support targeted improvements to the securitisation framework, enhancing market functioning and risks and sensitivity, the changes needed to incentivise. Those are important for a simple, transparent and standardised securitisation market to preserve prudential soundness and financial stability. So whenever you see the 'STS' that's what we mean. We support this simple, transparent and standardised securitisation market.

We believe that the Commission tries to seek this balance by making capital relief proportional to resilience of securitisation positions. We generally support the introduction of the concept of resilient transactions, but calibration of the proposed changes to the capital framework for banks may go too far.

1-0046-0000

Enikő Győri (PFE). – Madam President, my first question would be concerning the international role of the euro you were speaking about, as there is a window of opportunity

for strengthening the euro as an international currency. Is it compatible with the Commission's plans to mobilise frozen Russian assets? How do you view that?

My second question would be concerning the digital euro as seen by the non-eurozone countries. How can you relinquish the fears for monetary sovereignty of these countries?

Finally, I know that you are quite sceptical concerning the simplification of financial services regulations. I am a strong advocate for simplification and I think we are doing this too slowly. Could you tell me your arguments why you are quite reluctant? As far as I know, the ECB has concerns concerning this further simplification. Meanwhile, all my interaction with the financial sector is that they would like simpler and fewer rules.

1-0047-0000

Christine Lagarde, *President of the European Central Bank*. – Yes, sure. Everybody wants simplification. You want simplification. I want simplification too. You ask the banks, and they want simplification as well. But at the end of the day, when things turn sour, we have to be here and make sure that the citizens are protected.

So the concept of simplification is very welcome, and it may well be that over the course of time there has been an abundance and a proliferation of issuance that was not all necessary, and that can be simplified. That may very well be the case. So because we want to be helpful, we have set up, within the Governing Council of the European Central Bank, a high level task force which is under the chairmanship of my Vice-President, Luis de Guindos, that has representatives from a number of the national central banks at the table.

They're going to look at three categories of things. Essentially, one is the capital and the level of capital and whether the number of buffers is adequate, whether it should be simplified, how it should be simplified, how it should be maintained, and at what level. I would observe at this point in time that the capital ratios that are in place at the moment are certainly one of the reasons why we have gone through shocks that have not damaged the financial system that we have at the moment.

The second of the aspects that the task force will be looking at as well is the supervision, to see, yet again, if, in terms of how supervision is conducted, there can be room for simplification, bearing in mind that supervision is one of the key attributes of something like the SSM or the supervision authorities at the national level, in order to make sure that the rules are respected, that the decisions that you make here in this Parliament are effectively in place at the local level.

So simplification, yes, we will convey this information to the Commission before the end of 2025, and then it will be for the Commission to make some proposals, and I'm sure that some of it will come back to you.

You mentioned the role of digital euro for non-euro area countries. As we discussed earlier, for that to be available and to be usable in those non-euro area countries, there will have to be an agreement between the central bank of that country and the euro system. Obviously, the issue of monetary policy, of sovereignty of the currencies in the non-euro area countries, will be looked at and will be carefully weighted by both parties.

Finally, you asked me the relationship between the role of the euro as an international currency, and the Russian asset debate that is ongoing at the moment. Suffice to say that we very much expect that any scheme that is discussed and eventually introduced at some point in time will be done in accordance with international rules, with international law, in order to respect the rules by which we expect our partners and our opponents to abide, and that we should be respecting ourselves.

1-0048-0000

Billy Kelleher (Renew). – Thank you for your presentation, President Lagarde. The US Fed and the ECB, I suppose, have taken divergent views on their approach to stablecoins. The governor of the Fed believes that the issuance of stablecoins is an initiative of the private sector, and that it should be US dollar-backed. I suppose that was primarily to incentivise or encourage the demand for US government bonds.

But, I suppose, in contrast, the ECB has taken a very cautious approach to stablecoins. You raised the issues of concern around financial stability.

I'm just wondering, while the United States and the Fed encourage stablecoins and issuance backed by the US dollar, is it possible that this could undermine the EU digital currency in terms of internationalisation of the eurozone, of the euro dollar, or of the euro, I should say, due to the fact that it does take a little bit of time for us to assess the technical details that are still being worked out by the ECB, the legislative process that is going through Parliament, and in the meantime, the US could be moving very rapidly ahead with a stablecoin. So have you concerns about a potential undermining of the internationalisation of the digital currency?

1-0049-0000

Christine Lagarde, President of the European Central Bank. – Thank you very much for your point. First of all, I would observe that this is not the Fed that has taken a view as to whether stablecoins or digital currency or CBDC would be the appropriate support of this digital money. It is actually an executive order that was taken very early on in January, if I recall, by the President of the United States, that essentially decided to ban CBDC in order to probably encourage, as a result, the development of stablecoins in the United States.

The second point that I would observe is that about 99 % of stablecoins today are US dollar-denominated, and that the framework that has been put in place under the Genius Act actually supports the acquisition of short-term Treasury bills in order to act as a guarantee to the issuance of stablecoins. So you have a whole ecosystem that has been set up in order to support the development of stablecoins.

We have adopted a different approach, because way back in 2020 we agreed and thought that a digital euro would be appropriate in order to respond to the demand of our compatriots who want to have cash in a different format, in a digital format, in order to just be in sync with the demand of our European compatriots. When you look at the development of e-commerce payments, when you look at how in some countries cash has significantly reduced in terms of use, it is incumbent upon a central bank to say the central bank money is still here and acts as an anchor to the commercial money that is otherwise developed by the banks.

So that's the logic that we adopted at the time. It's less cash, development of e-commerce, a European solution that is on offer in order to honour and organise payment and settlements. And we moved in that direction.

Does that mean that we exclude or that we have any kind of hostility towards European stablecoins? No, but we are very attentive to the role that the dollar could play if stablecoins were allowed to prosper without those safeguards, those equivalents, this international cooperation, the proportionate reserves that we were discussing earlier on with the second question that I was asked in this assembly.

1-0050-0000

Evelyn Regner (S&D). – Sie haben dieses schöne Bild jetzt wiederholt geprägt, auch in Ihrer Einleitung: Der Euro kann nämlich – ich hoffe doch sehr, dass er es auch wird – ein globaler Vertrauensanker sein. Das ist eigentlich ein sehr schönes Bild, und ich möchte jetzt auf die Terminologie zu sprechen kommen, denn das kreiert ja ein Bild in uns: ein globaler Vertrauensanker. Um Vertrauen zu bilden, ist eben diese Terminologie entscheidend. Und wenn wir jetzt das Wort *Stablecoins* nehmen, stecken darin zwei Begriffe: stabil und *Coin*. Es entsteht also ein konkretes Bild des Vertrauens, selbst wenn es sich nur um eine Art Kryptowährung handelt. Das heißt, da sind die US-Amerikaner wieder mal mit dem Marketing sehr gut vorangegangen. Während bei uns in Europa in manchen Ländern das Wort „digital“ im digitalen Euro immer so Befürchtungen auslöst und nicht dieses Bild, das wir dann tatsächlich bringen können, nämlich ein entsprechendes Vertrauen.

Daher lautet meine konkrete Frage, die gar nicht so ökonomisch ist, aber vielleicht durchaus wichtig, weil es ums Vertrauen geht: Gibt es Überlegungen in der EZB, dass wir statt *digital Euro* – digitaler Euro – *digital Euro Cash* oder *digital Euro Coins* sagen, also etwas, das letztlich stärkeres Vertrauen schafft?

1-0051-0000

Christine Lagarde, President of the European Central Bank. – Thank you so much and I really appreciate your comment about the requirements to market, to identify, to give a narrative and to paint the story of our euro, and to really ensure – because unlike the idea of digital cash, and although it's not exactly either German or French or Italian, cash is something that everybody understands – that if you say digital cash, instantly it's understood as a concept.

So are we working on this? Yes, we're working on this. We're working on the name. We're working on the colours. We're working on the colour identity that will be used. All of that is in the work. Suggestions will be more than welcome.

I take your point about digital cash, and I also agree with you that there are many stablecoins which are not stable at all and which are not coins either. So it's a big issue, but it's a great marketing tool that they've used.

1-0051-5000

Interventions à la demande

1-0053-0000

Fabio De Masi (NI). – *Merci, Madame La Présidente*, because you said you like simplification I will try to have very simple questions. So, firstly, have you recently discussed in the Governing Council or Directorate under which conditions or from which point on you would be prepared

to intervene in the government bond markets if pressures on France persist and there are possible contingent effects. Secondly, would you see a risk that with the proposal by Friedrich Merz, the German Chancellor, on the asset freeze, sovereign wealth funds might disengage from Europe?

1-0054-0000

Christine Lagarde, *President of the European Central Bank*. – Do you mind if I ask for a point of clarification? Because, on the second one, I did not understand exactly what you mentioned about Chancellor Merz and his freeze of assets.

1-0055-0000

Fabio De Masi (NI). – The Russian asset freeze. You know, he proposed a scheme in the *Financial Times*. Would you see a risk emanating from that proposal if it were to be implemented in the way that he proposed?

1-0056-0000

Christine Lagarde, *President of the European Central Bank*. – You know, on this issue of the freeze of Russian assets, I know that there are quite a few proposals that are being floated. There is the statement that was made by President von der Leyen in her speech on 10 September, which included some general terms. I know that there is more work that is being done by the Commission, and we hope to see some clarification of what is exactly intended. Chancellor Merz has put together an op-ed, if I recall, in the *Financial Times*, in which he identifies possible options.

From my vantage point and keeping in mind financial stability and the strength of the euro, we will be looking very attentively to make sure that what is proposed is in accordance with international law, is mindful of financial stability. I think that would be particularly the case for Euroclear, which is holding a large volume of those Russian assets – it's not the only one, because there are other countries in the world, particularly in the G7 countries, that also hold Russian assets. That's my third point. I think it would be legitimate – but this is something that is to be debated by members of government and by government leaders – that the principles of use of either the proceeds or the principle, in some shape or form, respectful of international law, be adopted by all those who are holding those Russian assets.

On the other issue that you mentioned, we have a number of tools in our toolbox. They apply if certain conditions are in place, if certain criteria are met, but this is not a matter that we have discussed recently at the table of the Governing Council.

1-0057-0000

Nikos Papandreou (S&D). – Thank you, Madam Lagarde, for being here again. As our colleague said, I appreciate it very much that you come every three months, and that we be a democratic institution.

This is out of the box, if that's okay. I'm the shadow rapporteur for the digital euro, but I'm also shadow rapporteur for defence resilience – it's a report. One of the arguments that we've had about the digital euro these last few months is that it's private sector, it's too expensive, and where do we get the money? I've heard numbers like 2 billion, 38 billion. It depends who you talk to.

It seems to me, since one of the main reasons for digital euro is sovereignty and security, actually SAFE should be involved. Sovereignty and security. I know, that's why I say 'out of the box'! That way we have something to pay, that's one of the things we did with the private sector in 33 hours of discussions, 11 seminars with our rapporteur. One of the big arguments coming back was 'it's going to cost, it's going to cost, it's going to cost'.

SAFE. I'm just throwing in that idea. Maybe you'll think what a crazy idea, what are you saying? But it's security and sovereignty, and we need to think about it seriously. It's not just about making it easier. I love digital cash, by the way – that'll help me in Greece, too, because it's 'cash', everybody has that word.

1-0058-0000

Christine Lagarde, *President of the European Central Bank*. – You're absolutely right. And, you know, in addition to the imperative to have a central bank anchor for our money, for our euro, we also need to have in place a European system that is an alternative way of moving money around, of organising payments, that does not depend on any non-European solutions, non-European network, and that is where safety and security actually meet. You're totally right.

1-0059-0000

Nikos Papandreou (S&D). – I was watching some interviews with the ICC judges. They've all been sanctioned by the United States. They can't travel because they don't have use of Visa Mastercard. The Canadian one can't travel because she only has a Visa Mastercard. That's giving an example that I thought was extreme in the past. Now it's here. So the whole group of judges in the ICC cannot use American pay systems.

1-0060-0000

Christine Lagarde, *President of the European Central Bank*. – Absolutely. Thank you. By the way, I think we need to be mindful of the numbers that are floating around, because I'm aware that some privately commissioned assessment studies are way out of line with what is likely to be the ultimate cost.

There will be two components to that cost. There will be the cost borne by the euro system, which the ECB will take, non-prompted, but at the end of the day it goes back to the taxpayer. That's one thing. Then there will be the cost that has to be incurred by the banks.

But when you measure, when you combine these two, you have to compare it with the fees that are paid to those international schemes – non-European ones, I will not mention any of them, but those fees would not apply in the case of the digital euro.

1-0061-0000

Dirk Gotink (PPE). – Thank you very much for being here. I take the floor because we have some time left. I wasn't intending to ask a question, because Luděk started the thought process on the tension between the need for long-term investments, especially in defence, and fiscal space.

It looks like the political timeline in Europe is reducing, so the timeline for governments to be able to actually do something that has to do with policy is reducing. It is already, I think, well ahead of the full mandate in many countries. In my own country, the Netherlands, you have

elections that just simply speed up every time. So political space and time is condensing, and the need for long-term investments is actually getting much bigger. So there's this huge, I would say this clash, between the technocratic reality, which is quite obvious based on content and science and just our future planning, and then this reality of politics.

Specifically on the financing of defence, where this clashes quickly on SAFE and on the escape clauses, and basically what you can actually do in an annual budget, do you have opinions about, for example, what we have in the ESM and that is already there, that we already have experience with, is that something you have opinions about? It would not push on budgets, I believe, annual budgets, and it wouldn't hit the taxpayers as would, for example, an annual budget cycle. Do you have thoughts on that?

1-0062-0000

Christine Lagarde, President of the European Central Bank. – I agree with your identification of different time periods – the short term of the political cycle, the shorter term of the political cycle, and yet the long-term investment project, because it takes a lot of time to buy new fighter jets, a new tank, a new whatever. It's probably shorter-term for drones – but that's another story – but there is clearly, again, a dichotomy between the two.

I don't really have an opinion on the ESM because the ESM was conceived in other times for other purposes. My only hope for the ESM is that it be ratified by all Member States, and you know that there is one outlier which has not yet ratified and which prevents the ESM from delivering on its mission and its function, which is to act as a backstop in relation either to Member States or even financial institutions. That's my very strong hope that eventually it finds its destination as intended in the first place.

1-0062-5000

(Fin des interventions à la demande)

1-0063-0000

Présidente. – Je crois que c'est bon pour ce soir. Plus de questions.

Merci beaucoup, chère présidente Lagarde, pour cette journée entière, à vrai dire, avec les membres de la commission des affaires économiques et monétaires.

Merci beaucoup d'avoir répondu à toutes nos questions. Merci aussi pour les nombreuses réponses sur l'euro numérique.

Je voudrais juste rappeler qu'à un moment quand même, on a été très, très ambitieux, on a créé l'euro. Il me semble que ça a dû coûter un petit peu plus cher et que, politiquement, c'était quand même très important, plus que l'euro numérique, quand on y pense. Je pense donc que, quand on regarde un peu en arrière, on peut se dire « Attendez, on a fait l'euro tous ensemble quand même » – enfin tous ensemble, avec un certain nombre de pays, disons, on a fait l'euro. Donc après tout, passer juste à une toute petite étape supplémentaire qui est d'avoir de la monnaie numérique, ça ne devrait pas poser trop de problèmes. Quand on y pense, il y a un moment, on était quand même très, très ambitieux.

Merci à toutes et à tous.

Les prochaines réunions auront lieu le 13 octobre de 15 heures à 18 h 30 à Bruxelles, le 5 novembre de 9 heures à 12 h 30 et de 14 h 30 à 18 h 30 à Bruxelles, le 6 novembre de 9 heures à 12 h 30 à Bruxelles.

Je vous retrouve tout de suite pour notre audition conjointe avec la commission ENVI. À tout de suite !

1-0064-0000

(Le dialogue monétaire termine à 20:46)