# Feedback on the input provided by the European Parliament as part of its resolution on the ECB Annual Report for 2017

The ECB Annual Report for 2017 was presented by the Vice-President of the ECB on 9 April 2018 in a dedicated session of the Economic and Monetary Affairs Committee (ECON) of the European Parliament.[1] On 15 January 2019 the President of the ECB attended the Parliament's plenary debate on the Annual Report.[2] The following day, the plenary adopted its resolution on the ECB Annual Report for 2017 (hereafter referred to as "the resolution").[3]

On the occasion of the transmission of the ECB Annual Report for 2018 to the European Parliament, the ECB is providing its feedback on the input provided by the European Parliament as part of the resolution.[4] This feedback is made public in line with the past practice started in response to a request from the European Parliament.

## 1 The ECB's monetary policy

### 1.1 Effectiveness of monetary policy and its potential side effects

The resolution discusses the effectiveness of the ECB's monetary policy measures and their side effects, for example in paragraphs 6, 17, 18, 19, 20 and 21.

**The ECB considers that its monetary policy measures have contributed significantly to improving financial conditions for companies and households, and to higher economic growth and inflation.**[5] At the same time, the ECB monitors potential side effects of its unconventional policy measures. These effects so far appear to be limited. Credit developments remain relatively modest and do not indicate any major resource misallocation. However, it would be up to other policy areas to act if the side effects of monetary policy were to become worrying, unless they could affect the achievement of price stability in the euro area. Adverse distributional effects of negative interest rates and asset purchases also appear to

1 See the ECB's website.

2 See the ECB's website.

3 The text of the resolution as adopted is available on the European Parliament's website.

4 This feedback does not cover the issues raised in the European Parliament's resolution on the Banking Union. For a discussion on these matters, see the 2018 ECB Annual Report on supervisory activities. The feedback on the resolution on the Banking Union will be published later this year.

5 See "Taking stock of the Eurosystem's asset purchase programme after the end of net asset purchases", *Economic Bulletin*, Issue 2, ECB, 2019.

have been limited in the short term. In any case, taking into account their macroeconomic effects, positive distributional effects dominate in the medium term given the support that the ECB's measures give to the economic recovery, employment and price stability, all of which tend to benefit households, and poorer families in particular.[6]

**As regards the impact of the ECB's monetary policy measures on bank profitability, which is discussed in the resolution, this appears to be contained.** The profitability of euro area banks, measured on the basis of the return on equity, has improved gradually since 2014, although remaining overall low and lagging behind that of many of their global peers. Apart from cyclical factors, structural elements of the euro area banking system have also probably contributed to the underperformance – including overcapacity in certain domestic banking markets and high operating costs.[7] According to the ECB's analysis, the recovery in bank profitability would have been weaker in the absence of the ECB's monetary policy measures. Low interest rates have contributed to lower net interest margins, but this effect has been counteracted by improvements in the economic outlook, which have positive effects on credit quality and thus reduce provisioning costs. Moreover, the improved economic environment spurs lending volumes.

**While the ECB's monetary policy measures affect financial conditions for the insurance and pension fund sector in the short run as argued in the resolution, they are positively contributing to its stability in the long run.** In particular, the ECB's monetary policy measures support economic growth and job creation, which facilitate sales of new life insurance and pension fund products, while also reducing the risk of policy lapses. In the short run, however, the measures contribute to the current environment of low yields, which pushes up the present value of insurers' and pension funds' long-term liabilities and also has an impact on investment income. The ECB is monitoring the effects of the low interest rate environment on the sector, which appear to differ markedly across individual insurers and funds depending on their business model and balance sheet structure.[8]

## 1.2 The corporate sector purchase programme and monetary policy implementation

Paragraphs 24 and 40 of the resolution discuss the corporate sector purchase programme (CSPP) in particular. Other issues related to monetary policy implementation are discussed in paragraphs 21, 23, 24, 25, 32, 33 and 34.

6 See the box entitled "Monetary policy, household inequality and consumption" in the article entitled "Private consumption and its drivers in the current economic expansion", *Economic Bulletin*, Issue 5, ECB, 2018.

7 See Financial Stability Review, ECB, November 2018.

8 See "Euro area insurers and the low interest rate environment", *Financial Stability Review*, ECB, November 2015, and the sections on the insurance sector in subsequent issues of the Financial Stability Review.

**Regarding the resolution's discussion on the economic impact of the CSPP, the programme has strengthened the pass-through of the ECB's monetary policy measures to the real economy.** In particular, the CSPP has contributed to the further easing of financing conditions for all firms in the euro area, including through declines in corporate bond spreads and improved primary market conditions for corporate bond issuers. Moreover, the CSPP has also benefited companies which do not rely on capital markets for their financing, such as small and medium-sized enterprises. With net lending of monetary financial institutions to the non-financial corporation (NFC) sector accelerating overall and some CSPP-eligible companies shifting their funding away from bank loans, NFCs with little or no access to bond markets have indirectly benefited from the CSPP, as banks have increased the supply of bank loans to them. Ultimately, reduced funding costs and better access to finance, for both small and large companies, will have a positive effect on investment.[9]

**With regard to the comment made in the resolution that the targeted longer-term refinancing operations (TLTROs) would not be used for stimulating bank lending to the real economy, the ECB considers that the TLTROs have contributed to very favourable financing conditions.** When looking at individual banks, it is evident that the banks that borrowed funds in the TLTROs have increased their lending to NFCs more significantly than their peers which did not participate in the operations. It should be noted that in TLTRO-II, the interest rate applied is linked to the participating banks' lending patterns and banks that outperform their benchmarks benefit from a lower interest rate.[10] Likewise, TLTRO-III will feature built-in incentives for credit conditions to remain favourable.

**As regards the call to promote environmental policies and integrate ESG (environmental, social and governance) criteria into its operations, the ECB's efforts are focused on supporting market participants, legislators and standard-setting bodies in identifying the risks emerging from climate change and providing a clear framework to reduce such risks.** In line with the resolution's recommendation to the ECB to promote such policies "in full respect of its mandate, its independence and the risk management framework", the eligibility criteria of the asset purchase programme (APP) are deliberately broadly defined in order to provide a large range of purchasable securities to ensure the greatest effectiveness of the programme and avoid distortions of specific market segments. Despite the absence of an explicit environmental target in the APP, the ECB has purchased green bonds under both the CSPP and the public sector purchase programme (PSPP). These purchases have contributed to the establishment of a well-diversified portfolio. Overall, while the amount of green bonds held by the Eurosystem remains relatively small, evidence suggests that through its purchases the Eurosystem has reduced yields of green bonds and supported their issuance by

9 For more details on the impact of the CSPP, see "The impact of the corporate sector purchase programme on corporate bond markets and the financing of euro area non-financial corporations", *Economic Bulletin*, Issue 3, ECB, 2018.

10 For more details on TLTRO-II, see "The second series of targeted longer-term refinancing operations (TLTRO II)", *Economic Bulletin*, Issue 3, ECB, 2016. Annex II of Decision (EU) 2016/810 of 28 April 2016 on a second series of targeted longer-term refinancing operations (ECB/2016/10) provides the details of the TLTRO-II reporting scheme.

NFCs.[11] For its pension fund portfolio, the ECB already applies a selective exclusion list and delegates proxy voting for equity investments to investment managers that have signed up to the UN Principles for Responsible Investment, requiring them to incorporate ESG standards into their voting policies. For its own funds portfolio, the ECB is currently investigating how socially and environmentally responsible investment criteria could be implemented in the future.[12]

**Regarding the transparency issues raised in the resolution, the ECB regularly publishes a wealth of information on all of its asset purchase programmes and has further enhanced these disclosures recently.** On a monthly basis, it releases the Eurosystem holdings, cumulative and net purchases, the split between primary and secondary market purchases and the expected monthly redemption amounts over a rolling 12-month horizon. To further enhance the transparency of the third covered bond purchase programme (CBPP3) and the asset-backed securities purchase programme (ABSPP), the ECB published aggregated holding statistics for these programmes in the March 2019 Economic Bulletin.[13] Henceforth, these data will be updated and published alongside the semi-annual disclosure of CSPP aggregated holding statistics. The provision of this meaningful additional information will allow the public to better understand how the programmes are implemented, while safeguarding the efficient implementation of monetary policy. The disclosure of more detailed data on the securities held under the ABSPP and the CBPP3 could undermine the purpose of these programmes. In particular, the precise composition of the ABSPP and CBPP3 in terms of individual securities or ISINs (international securities identification numbers) was not disclosed as it might be perceived by the public as indicating a differentiation between financially sound and comparatively weaker issuers and originators in cases where certain ISINs do not appear among the holdings, even though there may be other reasons for this. It should be noted that, in contrast to the CSPP, many of the CBPP3 and ABSPP securities are issued and/or originated by euro area credit institutions, which are the main counterparties for the ECB's monetary policy operations. Such detailed disclosure may therefore lead to market fragmentation and undermine the level playing field among issuers and originators, jeopardising the ECB's aim of minimising the impact of the implementation of the purchase programmes on the functioning of the relevant markets. Finally, the ECB also publishes a great deal of details on the asset purchase modalities: for each of the programmes, it published an ECB decision covering the main purchase parameters, and information and Q&As have been published on its website and are periodically updated.[14] It should be noted that purchases largely reflect market conditions at the time of the purchases and the intention to maximise the impact of interventions on the monetary policy stance and general credit conditions, while minimising distortions of market prices. Releasing

---

11 See "Purchases of green bonds under the Eurosystem's asset purchase programme", *Economic Bulletin*, Issue 7, ECB, 2018.

12 See Cœuré, B., "Monetary policy and climate change", speech given at the conference "Scaling up Green Finance: The Role of Central Banks" organised by the Network for Greening the Financial System, the Deutsche Bundesbank and the Council on Economic Policies, Berlin, 8 November 2018.

13 See the box entitled "Providing additional transparency on aggregate APP holdings" in the article entitled "Taking stock of the Eurosystem's asset purchase programme after the end of net asset purchases", *Economic Bulletin*, Issue 2, ECB, 2019.

14 See the ECB's website.

additional operational information could therefore hinder the smooth implementation of the APP and thus have an impact on the pursuit of the ECB's objectives. For instance, it could introduce unwanted volatility and distortions in the markets, which could have a negative impact on the transmission of monetary policy impulses.

**The increase in TARGET2 balances since late 2014 discussed in the resolution is closely associated with the decentralised implementation of the APP and the subsequent portfolio rebalancing in an integrated financial market.** Large TARGET2 balances can only arise in the context of large-scale liquidity provision by the Eurosystem. Such liquidity provision only takes place against some form of asset, either as collateral in refinancing operations or as outright purchases of assets that are held on the balance sheets of Eurosystem central banks.[15] Eligibility criteria for collateral and asset purchases are set within a risk control framework, with a view to minimising the risks associated with the implementation of monetary policy.

**With regard to the provision of emergency liquidity assistance (ELA) discussed in the resolution, Article 9 of the ELA Agreement already foresees the review of the agreement in the course of 2019 at the latest.**[16] Providing ELA is currently a competence of the national central banks (NCBs), with the competent NCB carrying any associated costs and risks arising from this provision. The ECB's role as regards the provision of ELA, on the basis of Article 14.4 of the Statute of the European System of Central Banks and of the European Central Bank (hereafter referred to as "the ESCB Statute"), is thus limited to ensuring that ELA provision does not interfere with the ESCB's tasks and objectives. As indicated in past appearances before the European Parliament by the ECB President, shifting responsibility for the provision of ELA from NCBs to the ECB is still very much open to discussion and there are a number of legal as well as other obstacles to be overcome in that respect.[17]

## 2 Economic and financial stability outlook

Paragraphs 9, 13 and 14 of the resolution discuss structural reforms and their role in achieving sustainable growth. Paragraphs 19, 20 and 21 focus on property prices and macroprudential policy.

**The ECB agrees with the resolution's call for appropriate fiscal and economic policies to avoid excessive macroeconomic imbalances, also with a view to reducing the burden on monetary policy and the side effects it may generate.** More broadly, other policy areas must contribute more decisively to raising the longer-term growth potential and reducing vulnerabilities. The implementation of structural reforms in euro area countries needs to be substantially stepped up to increase resilience, reduce structural unemployment and boost productivity and

15 For further information on the mechanisms underlying TARGET balances, see "The Eurosystem's asset purchase programme and TARGET balances", *Occasional Paper Series*, No 196, ECB, September 2017.

16 See the Agreement on emergency liquidity assistance, ECB, 17 May 2017.

17 See the press conference following the Governing Council meeting on 8 March 2018 and the ECON hearing on 26 February 2018.

growth potential. Regarding fiscal policies, high debt levels constitute a vulnerability, and particularly so in countries that suffer from low potential output growth and face growing demographic challenges. Countries where government debt is high need to continue rebuilding fiscal buffers and all countries should continue to increase efforts to achieve a more growth-friendly composition of public finances.

**The resolution's concerns about rapidly rising property prices in certain member countries are in line with the ECB's assessment.**[18] Price growth of commercial real estate seems to be deviating from fundamentals, which could indicate overvaluation, especially in the prime segment. Moreover, several member countries are currently assessed as having vulnerabilities in the residential real estate sector that can be addressed with macroprudential policy. In particular, containing the risk of excessive and strengthening credit and house price spirals and rising household indebtedness is identified as a policy priority in the majority of the vulnerable countries. While macroprudential policies appear adequate in most of the vulnerable countries, in some of them the macroprudential policy stance may need to be adjusted and further policy actions should be considered by national authorities.

**The ECB welcomes the resolution's reference to the call by the European Systemic Risk Board (ESRB) for policymakers to investigate whether new macroprudential instruments should be introduced for non-banks.** For instance, the ESRB has identified the development of macroprudential instruments that address liquidity mismatches in investment funds and the operationalisation of macroprudential leverage limits as key priorities.[19] The ECB is actively engaged in initiatives to assess the role of macroprudential instruments for non-banks.

## 3 Issues related to the banking union and the capital markets union

While the resolution was not intended to primarily discuss matters related to the ECB's supervisory tasks, paragraphs 16, 38, 39 and 40 touch upon several matters related to the banking union and the capital markets union (CMU).

**The resolution's call for a well-functioning, diversified and integrated capital market is broadly in line with the ECB's stance.** The ECB has been a strong supporter of the CMU project since its inception and has called for progress on completing the CMU agenda.[20]

**The resolution's recognition that a European deposit insurance scheme (EDIS) will help to further enhance and safeguard financial stability and that risk sharing and risk reduction should go hand in hand is fully in line with the ECB's stance.** The ECB is strongly in favour of completing the banking union. Establishing a common backstop to the Single Resolution Fund for both solvency

---

18 See Financial Stability Review, ECB, November 2018.

19 See the Recommendation of the European Systemic Risk Board of 7 December 2017 on liquidity and leverage risks in investment funds (ESRB/2017/6) and "Macroprudential liquidity tools for investment funds – A preliminary discussion", *Macroprudential Bulletin*, October 2018.

20 See "ECB contribution to the European Commission's consultation on Capital Markets Union mid-term review 2017", ECB, May 2017, and "Building a Capital Markets Union – Eurosystem contribution to the European Commission's Green Paper", Eurosystem, May 2015.

and liquidity support and an EDIS will facilitate deeper financial integration and increase the credibility of the banking union. The ECB considers that sufficient risk reduction has already taken place to unlock political negotiations on EDIS. A fully fledged EDIS should remain the ultimate goal.

**The resolution's call for the ECB to continue its efforts to ensure that banks are well prepared for Brexit is in line with the ECB's stance.** The ECB has consistently stressed that banks are expected to prepare for all possible contingencies, including a no-deal scenario leading to a hard Brexit with no transition. Banks are responsible for ensuring that all authorisations required for them to carry out their activities as envisaged are in place in a timely manner.[21]

**As regards the call for the ECB to undertake all necessary preparations to ensure the stability of EU financial markets, including in the case of a no-deal Brexit, the ECB has been continuously monitoring relevant developments and preparing for all possible outcomes.** Throughout the Brexit process, the ECB has been assessing risks to the euro area economy and financial system, including under a no-deal scenario. The ECB has also worked with the Bank of England to assess risks in the area of financial services in the period around 30 March 2019 under the auspices of a technical working group chaired by the ECB President and the Governor of the Bank of England.[22] The ECB has welcomed the adoption by the European Commission and the European Securities and Markets Authority of temporary and conditional equivalence and recognition for central counterparties (CCPs), which ensures the mitigation of cliff-edge risks with respect to cross-border clearing services. These measures are in line with the ECB's analysis of possible areas of vulnerability in the event of a no-deal Brexit. In other areas, such as uncleared over-the-counter derivatives transactions, cross-border insurance contracts and the transfer of personal data, the ECB's analysis has found that there are means available to the private sector to mitigate financial stability risks. This is why the ECB has maintained that the primary responsibility to prepare for Brexit should remain with market participants and has consistently encouraged financial institutions to prepare for all possible contingencies, including a no-deal Brexit.[23]

**The resolution's recognition of the need for euro area countries to pursue a joint regulatory strategy for the financial sector in the wake of Brexit is in line with the ECB's stance.** Whatever form the new relationship with the United Kingdom will take, it is essential that the European Union does not go back on the progress made during the crisis in strengthening the regulatory and supervisory framework, and that the level playing field and the integrity of the Single Market are preserved. Brexit must not lead to a race to the bottom in regulatory and supervisory standards. It is, in fact, essential to further strengthen the regulatory and supervisory

[21] See, for example, speeches by the Chair and Vice-Chair of the Supervisory Board of the ECB, as well as articles in various issues of the Supervision Newsletter, over the last few years.

[22] See "Statement: ECB and BoE convene joint technical working group on Brexit-related risks", press release, ECB, 27 April 2018, and the remarks by Mario Draghi, President of the ECB, at the press conference on 24 January 2019.

[23] For an assessment of the risks to the euro area financial sector from a disruptive hard Brexit, see Financial Stability Review, ECB, November 2018.

framework, ensure the homogeneity of the rules and their enforcement, and develop the Single Market in the area of financial services.[24]

## 4 Issues related to market infrastructures and payments

Paragraphs 36, 44 and 45 of the resolution touch upon several aspects of payments and digital currencies. Paragraph 49 draws attention to the international role of the euro.

**Concerning the resolution's calls on the ECB to increase its monitoring of the development of distributed ledger technology (DLT) and the increased cyber risks of financial technology, the ECB is actively monitoring technological developments and their potential impact on central bank functions and market participants.** On the one hand, ongoing analysis covers the implications of the eventual adoption of new technologies by financial intermediaries and market infrastructures. The ECB is also reflecting on the best practices to be followed by services testing the cyber resilience of IT systems using new financial technologies. DLT experimentation is furthermore being conducted with EU central banks and also with the Bank of Japan in Project Stella. The findings of Project Stella were published in September 2017 and March 2018 and further exploration is being conducted.[25] On the other hand, the ECB is investigating the distinct but related issue of a new type of assets, crypto-assets, which may use DLT as a way to avoid the responsibilities that accountable issuers and bookkeepers typically bear when offering and transferring digital representations of value.

**The ECB agrees that it is important to study the nature of central bank digital currencies and potential reasons for central banks to issue them, as requested by the resolution.** The Eurosystem is analysing what consequences the provision of a digital form of central bank money to euro area citizens, intended as a complement to cash, could have for the transmission of monetary policy, the payment system and cash cycle, financial stability, and the economy more broadly. The ECB is closely following activities by other central banks and, as a member of standard-setting bodies such as the Committee on Payments and Market Infrastructures, is working together with other central banks towards a common understanding of the implications and risks involved.

**The ECB welcomes the resolution's support on the importance of physical money and, within its area of competence, will continue to protect the legal tender status of euro banknotes, as safeguarded by Article 128 of the Treaty on the Functioning of the European Union (TFEU).** The strong increase in the circulation of euro banknotes, which has risen steadily at rates in excess of GDP

[24] See the introductory statement of Mario Draghi, President of the ECB, at the ECON hearing on 28 November 2016. See also the Opinion of the European Central Bank of 22 August 2018 on the review of prudential treatment of investment firms (CON/2018/36).

[25] See "Securities settlement systems: delivery-versus-payment in a distributed ledger environment", Project Stella report, ECB/Bank of Japan, March 2018, and "Payment systems: liquidity saving mechanisms in a distributed ledger environment", Project Stella report, ECB/Bank of Japan, September 2017.

growth since they were introduced, underlines that physical money continues to be important for the euro area.

**On the matter of the international role of the euro raised in the resolution, the ECB agrees that completing the architecture of Economic and Monetary Union will make the euro area more resilient and will thus create an environment that is beneficial for the use of the euro.** The completion of the banking union, as well as deeper and better-connected European capital markets as a result of moving towards an EU capital markets union, will indirectly support the international use of the euro as an international investment, financing and settlement currency.

**The Governing Council of the ECB decided to withdraw its recommendation to amend Article 22 of the ESCB and ECB Statute[26] on 20 March 2019.[27]** The ECB considers that the draft amendment to Article 22 that resulted from the discussions between the Council, the European Parliament and the European Commission no longer meets the objectives that informed the ECB's recommendation. The ECB stands ready to revisit this issue in the future, in full cooperation with the other institutions, if a way forward can be found that does not raise such concerns. The ECB does not expect the withdrawal of its recommendation to prevent the adoption of the amended European Market Infrastructure Regulation (EMIR), the purpose of which is to enhance the regulatory framework for CCPs, in particular non-EU CCPs. The ECB welcomes the objective of the regulation to improve the process of recognising and supervising third-country CCPs and to make it more rigorous for those CCPs that are of key systemic importance for the EU.[28] Within its mandate, the ECB stands ready to contribute to its implementation.

## 5 ECB institutional issues

Paragraphs 7, 35 and 51-54 of the resolution discuss several aspects of the ECB's institutional set-up and functioning.

**The ECB welcomes the resolution's recognition of the improvements in its accountability and transparency.** While the Treaty provisions on accountability have remained unchanged, a new accountability framework has been created in order to cater for the new supervisory tasks entrusted to the ECB. Moreover, within the existing framework, the ECB and the European Parliament have over the past years increased the frequency of their interactions, innovated on format and increased the focus of exchanges in response to the demand for greater scrutiny of the ECB's actions. On the one hand, this has resulted in an enhanced use by the

---

26 See the Recommendation for a Decision of the European Parliament and of the Council amending Article 22 of the Statute of the European System of Central Banks and of the European Central Bank (ECB/2017/18).

27 See the letter from President Draghi to the President of the European Parliament on the withdrawal of the ECB recommendation on Article 22 of the Statute of the European System of Central Banks and of the European Central Bank.

28 See the Opinion of the European Central Bank on a proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 1095/2010 and Regulation (EU) No 648/2012 (CON/2017/39).

European Parliament of the accountability instruments at its disposal. On the other hand, the ECB also has an interest in strengthening its accountability practices vis-à-vis the European Parliament as part of an effort to explain its policies in a more complex environment.[29]

**On the resolution's call for the ECB to improve gender balance among its staff, the ECB has introduced a series of dedicated measures to support a diverse and inclusive work environment.** As at 1 January 2019, women accounted for 22% of the ECB's senior management population and 29% of its entire management population. In recent years the ECB has introduced a series of additional measures to foster a more inclusive working environment. In 2018 the Executive Board approved additional measures to ensure that the ECB has at least one woman in each business area's senior management team and that at least one-third of each business area's management team are women, as well as guidelines to improve the recruitment process.[30]

**Answering the resolution's call on the ECB to disclose the full amounts of profits made by the Eurosystem through the Securities Markets Programme (SMP), the data are hereby reported.** Total Eurosystem SMP holdings by issuer country and the related earned and expected income are thus reported in the table below. As requested in the resolution, the table reports the full amounts of profits made by the Eurosystem through the SMP from 2010 up to its full expiration, with a specific breakdown by country for those countries that were subject to SMP purchases (Ireland, Greece, Spain, Italy and Portugal). It is important to recall that the SMP was designed to ensure depth and liquidity in malfunctioning segments of the debt securities markets and to restore an appropriate functioning of the monetary policy transmission mechanism. Purchases were thus made in those market segments that were seen as dysfunctional. The APP, by contrast, is intended to provide additional monetary stimulus to the economy at a time when interest rates are close to their lower bound. This difference in objectives is also reflected by the fact that the SMP is designed to be neutral with respect to the provision of central bank liquidity, via liquidity-absorbing operations.[31] Finally, it should be recalled that following the ECB Governing Council's decision on Outright Monetary Transactions (OMTs) on 6 September 2012, the SMP was terminated and that the Eurosystem's OMTs in secondary sovereign bond markets were designed to safeguard an appropriate monetary policy transmission and the singleness of the monetary policy.[32] Regarding the request to publish the net interest income arising from bond holdings in the ANFA (Agreement on Net Financial Assets) portfolios, the ECB has already noted that this is a matter of national competence and falls outside the remit

29 See "The evolution of the ECB's accountability practices during the crisis", *Economic Bulletin*, Issue 5, ECB, 2018.

30 See "ECB releases progress on gender targets", press release, ECB, 8 March 2018.

31 With a view to leaving liquidity conditions unaffected by the programme, the Eurosystem reabsorbed the liquidity provided through the SMP by means of weekly liquidity-absorbing operations until June 2014. On 5 June 2014 the ECB suspended the weekly fine-tuning operations sterilising the liquidity injected by the programme and the last operation was allotted on 10 June 2014.

32 See "Technical features of Outright Monetary Transactions", ECB, 6 September 2012.

of the ECB and that the individual NCBs should be contacted for further information on this topic.[33]

### Total Eurosystem SMP holdings by issuer country, and related earned and expected income

(EUR billions)

| Issuer country | Nominal amount as at 31 December 2018 | Book value as at 31 December 2018 | Income earned from 2010 to 2017 | Expected income from 2018 until expiration |
|---|---|---|---|---|
| Ireland | 5.8 | 5.7 | 4.6 | 1.0 |
| Greece | 8.3 | 7.8 | 15.7 | 2.1 |
| Spain | 14.2 | 14.2 | 9.4 | 2.1 |
| Italy | 40.7 | 40.2 | 24.4 | 5.5 |
| Portugal | 5.3 | 5.3 | 7.1 | 0.8 |
| **Total** | **74.3** | **73.1** | **61.1** | **11.5** |

**With regard to the recommendations issued by Transparency International raised in the resolution, the ECB welcomes dialogue with stakeholders, such as Transparency International, which helps to protect and strengthen independence, transparency, accountability and integrity.** Several recommendations issued by Transparency International in its report “Two Sides of the Same Coin?” have been implemented. The mandate of the ECB’s Audit Committee has been revised to allow for further diversification of its members, while the single Code of Conduct for ECB high-level officials, in force since January 2019, has strengthened the post-employment rules, including cooling-off periods, and introduced the obligation to publish declarations of interests.[34] For some recommendations, such as the adoption of a public whistle-blowing policy, work is currently ongoing. Regarding the role of the ECB in financial assistance programmes for euro area countries, the ECB has participated in them in line with the legal framework. In particular, the European Commission is allocated the tasks, in liaison with the ECB, to assess requests for stability support, to negotiate a memorandum of understanding detailing the conditionality attached to the financial assistance granted, and to monitor compliance with the conditionality attached to the financial assistance. Over time, the ECB has decided to refocus its role on work on financial and macro-critical issues, including issues relating to financial sector reforms, macroeconomic projections, headline fiscal targets and sustainability and financing needs.[35]

33 See the reply by Mario Draghi to a question from MEP Chountis, 27 November 2018.
34 See the ECB’s website.
35 See the Opinion of the European Central Bank of 11 April 2018 on a proposal for a regulation on the establishment of the European Monetary Fund (CON/2018/20). See also the ECON hearing on 24 September 2018.