



HOUSE OF LORDS

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Financial Affairs Sub-Committee

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COMPLETING EUROPE'S ECONOMIC AND MONETARY UNION

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4.05 pm

Witness: Roberto Gualtieri MEP

Members present

Baroness Falkner of Margravine (Chairman)
Lord Butler of Brockwell
Lord Davies of Stamford
Lord Haskins
Earl of Lindsay
Lord McFall of Alcluith
Lord Shutt of Greetland

Examination of Witness

Roberto Gualtieri MEP, Chair, ECON (IT, S&D)

Q101 The Chairman: Mr Gualtieri, thank you for agreeing to give evidence to us today for our inquiry into completing Europe's economic and monetary union. As you know, this session is on the record and we will take a verbatim transcript of proceedings, which will be published in due course. You will have the opportunity to correct any minor errors or misunderstandings.

We of course met in Luxembourg and I am delighted to see you here again. I wonder if I might kick off by asking you for an overview in your opinion of the Five Presidents' Report and the actions introduced additionally in the short term by the European Commission. In your response, I wonder whether you would give us an overview of the sustainability now, given the architecture and the institutions we have in place, of the euro.

Roberto Gualtieri: Thank you. It is a pleasure and honour for me to be heard by the House of Lords European Union Financial Affairs Sub-Committee for your inquiry into economic and monetary union.

The economic and financial crisis has shown that the existing legal framework of economic and monetary union has a considerably high level of inbuilt flexibility, which allows the EMU to adapt and respond to major crises, as has been the case during the crisis. This inbuilt flexibility could be further explored. I would be prudent in considering EMU sustainable, because it has proved able to address a more major and bigger crisis than we have had in decades.

Having said that, the current framework or construction of the governance of EMU is far from optimal and should be strengthened. In this respect, the Five Presidents' Report is an important document that indicates a number of relevant actions and tracks. Generally, I have a

positive assessment of the Five Presidents' Report. Of course, I notice that there is a big gap between the short-term measures and the long-term measures. The short-term measures are important and necessary but probably not sufficient to significantly improve our governance, and the long-term measures—I will come back to the treasury—are very, very ambitious. Personally, I think, in order to have a concrete and, at the same time, ambitious and realistic road map, we should also think about an intermediate step between the more short-term and less ambitious measures and the more ambitious long-term measures.

The Chairman: Do you see political obstacles to achieving these proposals? Of course, I appreciate that you chair the Economic and Monetary Affairs Committee of the European Parliament, which is a very serious role, but I am also recalling that you are Italian, and the Italian Government have their own issues with some of this occasionally. I wonder whether you could reflect on your experience as well.

Roberto Gualtieri: The main obstacle is the insufficient consensus about a higher level of fiscal transfer and risk sharing. This insufficient consensus produces suboptimal economic policy answers and, paradoxically, is de facto more costly and more intrusive than a reasonable level of higher fiscal transfer and risk-sharing would be. This is a paradox, but it is the case. I will come back to that; I think you will ask more precise questions on it.

We already have risk-sharing and fiscal transfer. It would be wrong just to say, “You have it”, “You do not have it”, “You have it in full” or, “You have none of it”. It is a matter of degrees. A reasonable increase of both things would probably avoid the more costly and more intrusive mechanisms that we have already seen in practice. The reason for this lack of consensus is probably in the contradiction between the European dimension of those policies and the still predominant national dimension of politics, which is an element, of course.

This process is an evolution, because, as the Parliament, for instance, has more of a role and more of a prerogative, citizens will learn that it is important. For instance, what we decide on in ECON now includes banking union. After the next election, the press will probably pay far more attention to who is elected, because those people will not just make resolutions but will have decisive powers over very concrete things. Over time, the process will allow a reduction in the contradiction between politics and policy, but we currently have this issue.

On the intermediate measures, I have some comments, but you are probably going to ask one or two questions about that. I am ready for them.

Q102 Lord Shutt of Greetland: Yes, we note that you are chairing the Economic and Monetary Affairs Committee. You hinted about the whole business of legitimacy,

accountability and so on. Is having a committee like this and you chairing it enough, or should there be more accountability as far as looking out for the EMU is concerned?

Roberto Gualtieri: For instance, if you refer to the accountability of the ECB's monetary policy, it is quite strong. We are very satisfied with the level of accountability of the ECB vis-à-vis the ECON Committee. We have regular monetary dialogue with President Draghi; we also have a very strong level of parliamentary oversight of the ECB as a banking union with the SSM. However, the level of democratic accountability of the European Semester is, in my opinion, still insufficient. It is also very weak at the level of accountability over the macroeconomic adjustment programme and financial assistance, which is the intergovernmental leg of the EMU governance.

We are working to improve in both the semester area and the financial assistance area. We will create a financial assistance working group within ECON—that has been decided by the Conference of Presidents a few days ago—in order to provide full oversight of the macroeconomic adjustment programme for Greece, though not only Greece. We are pushing for an inter-institutional agreement with the Commission for an answer about our role in the semester.

Lord Shutt of Greetland: You have non-EMU members. You have British people on your committee. Is that how it should be? Are you happy with that?

Roberto Gualtieri: This is an important point. I have very strong views on this issue. The innovation of the Lisbon treaty, which makes the Members of the European Parliament representative of the citizens of the Union, is a positive one. This currently would prevent any discrimination on the grounds of nationality within the European Parliament. That is why it is neither possible nor necessary now to have a division of the Parliament on national lines, excluding some Members for certain areas.

So far, we have an asymmetric dimension. For instance, some parts of the two-pack and the six-pack legislation are only for the euro area. The legal basis is Article 136 of the Treaty in conjunction with Article 121.6. Article 136 means that in ECOFIN only the euro area Ministers vote for that. On the Council side, the two-pack, for instance, has been voted on only by euro area members but in the Parliament it has been voted on by everybody, because according to the treaty and our rules we cannot say, “No, you cannot vote for this”.

This imbalance, so far as we are in the area of legislation and general rules, is positive; it is not negative. It is not a democratic shortcoming. All the euro area decisions have an impact on the non-euro area members. The fact that in the Parliament a non-euro area member can

participate in the process of decision-making and debate on some euro issues is not negative. It is positive. It creates a kind of check and balance. Of course, when and if, as I hope, we have fiscal capacity of the euro area and a euro area budget, in co-operation with the ESM within the Treaty, and we have to deliberate on the allocation of this fiscal capacity only for participating euro members, that would be the time to have not a permanent differentiation of the Parliament—I am against a euro area Parliament—but, exactly as it is in ECOFIN, where only euro area Ministers vote on some legislation, the same would apply to the Parliament. However, the time would be only if and when we have a fiscal capacity for the euro area.

As far as our current oversight function is concerned, I am a supporter of the fact that we are the Parliament of the Union and, at the same time, the Parliament for the EMU. Non-euro area members contribute to our activities.

Lord McFall of Alcluith: Perhaps I could pick up a point there. If I remember correctly, the Five Presidents' Report called for a central treasury. Given that it is calling for a central treasury, some non-eurozone members, then, would be excluded. That would result in differentiation for the Parliament. How would you overcome that?

Roberto Gualtieri: This is exactly the point I raise. When we have to make a treaty change in order to have this fiscal capacity and then a treasury, it will then also be time for a specific arrangement whereby those specific actions connected to this function are voted on by participating euro area member countries. However, until we arrive at that point, any legal differentiation—which, by the way, is prevented by the current treaty—would be neither possible nor desirable.

Lord McFall of Alcluith: How has informed opinion in Italy reacted to the Five Presidents' Report?

Roberto Gualtieri: I have not seen a big debate in public opinion about the Five Presidents' Report, to be frank.

Lord McFall of Alcluith: Are you worried about the Five Presidents' Report or about public opinion?

Roberto Gualtieri: The Italian Parliament and the Italian Government have welcomed the report. They are also presenting proposals to implement it. Today, the Italian Finance Minister presented his proposal for an unemployment benefit scheme to the European Parliament. That proposal is implicitly compatible with the Five Presidents' Report and it develops some parts of it.

In general, opinion among the Italian public and the Government is in favour of deeper euro area integration, but it is also common in my country—and this is my position—that we are strong supporters of the single market and the strong role of the UK and the non-euro area in the Union. In this sense, a differentiated integration tool should be used not to create two camps, but to have two circles, let us say, where the broader Union dimension should be preserved in its constitutional framework and its main achievements, including the single market. Those countries that share the currency and create economic and monetary union should have to provide enhanced governance, but that has to be done within the Union and legal framework. That is my constitutional vision. I produced a report about multi-level governance in the last mandate.

The Chairman: You were a member of the Constitutional Affairs Committee of the Parliament, yes.

Roberto Gualtieri: Yes, I was a co-ordinator. Along with Rafał Trzaskowski, I was the rapporteur for *Constitutional Problems of Multi-Tier Governance in the EU*, where we addressed exactly this issue about how you can, at the same time, avoid discrimination against non-euro area members with full respect for the Union framework and allow differentiated and deeper integration on some elements.

Q103 Lord Haskins: As you are probably aware, we have a little local difficulty in Britain in the next few months in terms of a referendum.

Roberto Gualtieri: I have heard something about it.

Lord Haskins: It coincides with the fact that this Committee is probably going to produce a report, in all likelihood, about three weeks before the referendum. As you know, 90% of the population will have read the Five Presidents' Report from cover to cover and be waiting for the House of Lords report with eager attention to give them guidance on how it will affect the UK. What would you say to the Great British public about the impact of this and, indeed, broader aspects of the euro on the UK economy and the UK way of doing things?

Roberto Gualtieri: A well-functioning, stable and strong euro area is also in the interest of the UK. At the same time, for the UK to be a strong part of the Union is in the interests not only of British citizens but also of all European citizens. I am a strong supporter of avoiding walls, let us say. That is why, for instance, in my parliamentary vision, I am against the idea of national discrimination. It is very important that British MEPs have a say in all the legislation of the Union via the European Parliament, including euro area issues.

As a witness to law-making in financial markets, I have to say that UK representatives in the Parliament and the Council can be very effective and contribute towards ensuring that legislation is in the interests of the Union, including the interests of the UK, which has a very strong financial industry.

To have a strong European Union with a more integrated euro area is a win-win solution. It benefits both, but of course this requires that euro area integration is done in a way that does not negatively affect the single market and the rights of non-euro area members. It also has to be done only in areas where it is necessarily required. For instance, I fully agree that—to quote Osborne or Cameron; I will remember later and we can correct it in the minutes—the area of macroprudential matters, where there are different competencies and the competencies of the Bank of England are fundamental in that area, should be fully safeguarded. In general, in areas that are beyond the remit of EMU, euro area members should not create a kind of cartel that discriminates against others. So far, I do not see this happening.

In general, when it comes to EU legislation about financial markets, I have to say that I have admiration for the capacity of the UK to contribute to the definition of this legislation in a way that safeguards its interests. That is what is happening. That is why I find the case for Brexit, if I might be allowed to enter into this, a little contradictory in respect of this safeguard of British interests. Currently, the UK is one of the most capable countries at safeguarding its interests.

If Britain were to leave and no longer sit at the table where those rules are made, it would be more difficult. Those rules might take into account the interests of a country with which you have an agreement, like Norway or others, but they are no longer sitting at the table where the rules are made.

Lord Haskins: We are getting the feeling that a lot of the proposals in the Five Presidents' Report are not really to do with the euro itself but are to do with the way national economies should be run, whether they are in or outside the euro. I mean things like capital markets union and all that sort of stuff.

Roberto Gualtieri: Capital markets union is a project not for the EMU but for the Union. By the way, it is a project that has been presented by a British commissioner. It is not of minor importance that the Financial Services Commissioner comes from the UK. Clearly, the CMU project is a project that would strongly benefit a country specialised in financial services, but this requires Britain being part of the EU, because there would be no CMU in the way Commissioner Hill is defining it if the UK were no longer a part of that.

CMU should not be confused with EMU. EMU is the specific conduct of fiscal and economic policy with enhanced co-ordination for those countries that share a currency. That requires some specific tools that should, of course, remain valid for countries that are part of economic and monetary union. There are broader dimensions of the single market, freedom of movement of capital, rights and the rule of law, which are at Union level. A member state can happily keep its currency, have stronger sovereignty over monetary policy, as is the case currently, and conduct fiscal policy in a less constrained way than those countries that are part of the EMU.

The Chairman: Professor, given that you have said that, assuming there is no UK exit from the EU, is the UK likely to be helpful in completing EMU, unhelpful or simply detached? What is your prediction?

Roberto Gualtieri: I appreciated the article in the Italian press that was co-signed by the Italian and British Foreign Ministers. While, of course, they have different views on a number of things, they agreed that it could be of mutual benefit to have a stronger, more integrated euro area in the framework of a strong, robust single market in a well-functioning and reformed Union. The two dimensions can mutually reinforce each other. It is a process that goes beyond this specific so-called renegotiation. It is a process that will have to continue in the framework of the Five Presidents' Report's implementation. I am sure that we could create exactly this multi-tier mechanism as a long-term and strong solution for the EMU and the EU.

Q104 Lord Davies of Stamford: I was going to ask you, Mr Gualtieri, what you thought about the European Semester, but you have already answered that you feel it is on the whole a favourable, positive development, and, if there are shortcomings to it, they are being addressed. You also referred to intermediate measures that you thought could be taken between the initial measures taken on the back of the crisis and the long-term vision. My impression was that you had in mind an extension of the European budget in that context, but I am not sure that is what you were referring to. Can you tell us what those intermediate measures are, as specifically as possible?

Roberto Gualtieri: Yes. We are elaborating a number of proposals. Some of them are proposals of the Parliament; some are more proposals that I am stressing. For instance, we suggest the introduction of convergence guidelines for the EMU. We suggest more binding targets for convergence of economic policy and, on the other hand, to have a fiscal capacity

for the euro area in order to provide some incentive to this convergence and perform some function. For instance—

Lord Davies of Stamford: Let me just stop you there for a moment. To what extent would you like to see the fiscal capacity extended? Do you want to go to 2% or 3% of GDP? What kind of range or multiple do you have in mind?

Roberto Gualtieri: I am a supporter of gradualism in policy, because I think only gradual things work. First, we have to build an embryo of fiscal capacity, which would probably be more limited. It should increase and reach a certain dimension, but I cannot to give figures, because we are working on that.

Lord Davies of Stamford: Let me put it this way. Would it reach a dimension that would become relevant in terms of automatic stabilisation of fluctuations in the economy?

Roberto Gualtieri: It is very difficult to give a figure now. You can have a significant function without having an enormously big fiscal capacity. Staying below 1% of GDP, you can already perform some automatic-stabilisation functions. We have the ESM.

Lord Davies of Stamford: We are already at 1%.

Roberto Gualtieri: On top, yes. 1% is the Union budget. The Union budget is now slightly below 1%. I am talking about what we put on top, additionally.

Lord Davies of Stamford: Less than 1% in addition is what you had in mind, yes. I understand. Thank you.

Roberto Gualtieri: Of course, in the medium term, EMU could benefit from an enhanced or higher level, but we can start to perform significant functions staying below that figure.

Lord Davies of Stamford: What would those functions be? What specific programmes did you have in mind?

Roberto Gualtieri: There are two elements in particular: an enhanced investment capacity and, on the other hand, an automatic stabiliser, in particular to address conjunctural, not structural, unemployment. Those two are the most significant functions.

Lord Haskins: Do you mean something like the steel crisis?

Roberto Gualtieri: Yes. That would be fiscally neutral in the medium to long term, but it could address cyclical unemployment and benefit requirements and help absorb shocks. I am a strong supporter of private shock-absorption capacity. Capital markets union and banking union can and will significantly enhance our shock-absorption capacity. It does not have to be either only or mainly a public function. The private side is very relevant.

But it cannot be only private. Even for those who take the famous US example, they have this, but they also have the other one. I am saying that we have to build our CMU and banking union not only as a tool for having at an EU and EMU level an enhanced shock-absorption capacity, but also, at the same time, we have to enhance our public shock-absorption capacity. By the way, in part we already have done, because we have the Union budget with the cohesion policy, which already makes fiscal transfers. It is just an issue of dimension, not an issue of the thing in itself, which is not new.

Since the crisis, we have created the European financial stabilisation mechanism. It is in the form of loans, in this sense, but it can contribute to absorbing shocks. We already have some tools, but we need to streamline and improve them.

The Chairman: The conversation has gone, to quite a deep extent, into fiscal union. I wonder if I could bring in the Earl of Lindsay to cover that area now. Could I also clarify something? When you were talking about stabilisation capacity, you were emphasising it for shock absorption but not for structural issues. Take the steel example.

Roberto Gualtieri: No, I said both.

Lord Haskins: Steel is very relevant, because the problem exists in Italy, Germany and the UK in particular.

The Chairman: It is structural. It is not cyclical.

Lord Haskins: It is something that needs a European solution, because it is a problem right across the three countries. We are struck by state aid. There is a resistance to state aid. Nobody can do anything, because of state aid rules, without an intervention from the EU.

Roberto Gualtieri: I fully agree.

Q105 Earl of Lindsay: I wanted to pick up on two useful references you have made in your answers about fiscal union. Your first useful reference was to how parliamentary scrutiny might be adapted, as it were, to oversee fiscal union. In a sense, you have given us a more detailed definition of what fiscal union means than appears in the Five Presidents' Report. Are you able to give us an insight into what you think will emerge as the intended formula for fiscal union? Are you able to share with us whether there will be sufficient appetite and consensus to deliver it, or whether you think there will be quite serious pushback? Finally, do you see full transfer union being desirable in order to underpin the long-term stability of EMU?

Roberto Gualtieri: To make a forecast and to have a political programme are two different things. Of course, a political programme has to be realistic. At the same time, a politician cannot do anything based simply on forecasts. I would distinguish the two things.

As I said, there are some political constraints that make it more difficult to make strong, bold moves towards what would be a more rational, in my opinion, and more optimal solution in terms of cost and risk-sharing. At the same time, we are moving forward nonetheless. While I am a realist in terms of knowing that a number of the measures are not very likely to be taken in the short term, I am more confident about the fact that we are not blocked. We are in an interesting evolutionary process. I expect that it will be gradual.

We can distinguish three steps within this. The first step is making use of the current instruments we have. The instruments we have, such as the flexibility within the stability and growth pact, for instance, or the macroeconomic imbalance procedure, and the tools we have, including the ECB, the EIB and so on, could allow us to evolve towards a more consistent fiscal and economic policy at EMU level. Of course, that would not radically transform the normal state fiscal and economic policy, but it could be more consistent than the current one.

This path could then create the conditions for measures in the second step, which are those that could be taken within the current treaties but would require legislative changes. For instance, I spoke about convergence guidelines for the streamlining and simplification of the stability and growth pact, the building of an embryo of fiscal capacity within the Union budget, and the enhancement of our investment capacities, by making use of the tools we have and making a new legislative text.

Then there is the third step, which is treaty change. I do not think we now have consensus for treaty change, but if we are able to deliver better results in terms of recovery and positively address the big challenges—we are not talking about it, but that includes the refugee crisis and migration—we can create the conditions for treaty change and have a more sound, effective and efficient construction of governance for EMU within the Union.

We have these three steps. I expect and hope—and I am working for this—that we will make full use of the tools we have in order to create more consistent conduct of fiscal and economic policy. For instance, now we have this new concept of the aggregate fiscal stance of the euro area. If you look at this in connection with the flexibility of the stability and growth pact and the macroeconomic imbalance procedure, it could create the conditions for more consistent and effective conduct of fiscal and economic policy.

Earl of Lindsay: Do you want to see full transfer union as part of fiscal union?

Roberto Gualtieri: I have some difficulty using the words “full transfer union”, because, as I said, it is just a matter of quantity. We already have a transfer union; we already have some fiscal transfer. There are the conditions for enhancing the level of fiscal transfer and risk-sharing gradually, in parallel with the strengthening of our convergence and budget rules. The two things could arrive in parallel and gradually evolve: first, by making use of the current set of rules; secondly, by having legislative changes within the current treaty framework; and, thirdly, by arriving at treaty change.

The Chairman: Professor, you say “gradually”. What time horizon are you thinking of?

Roberto Gualtieri: I hope the White Paper of the Commission will identify a road map with some legislative measures to be taken within the current legislative term and a road map for treaty change.

The Chairman: When you say “current legislative term”, do you mean by 2019?

Roberto Gualtieri: Yes.

Q106 Lord Davies of Stamford: Mr Gualtieri, on the matter of transfer union, what conclusions do you draw from the Italian experience? My understanding is that since the 1950s you have been subsidising Puglia, Calabria, Sicily and Sardinia at the expense of Piedmont, Lombardy, Friuli-Venezia Giulia and Veneto, et cetera, in the north. Has that been a happy experience or have you created a sense of dependency that has actually produced the evil you were trying to remedy?

The Chairman: You do not have to declare which part of Italy you are from.

Roberto Gualtieri: I am from Rome, so I am in the centre. Whenever you have more than one person, you have some degree of transfer union: in a family, a city, a region or a state. I would avoid being ideological on that. If you ask me not about the concept of fiscal union but about the policy for the south of Italy, you have to look at different historical moments and you will see different results.

Of course, the policies can have different natures. You can have fiscal incentives; you can have more investment; you can have different mechanisms and tools that can work differently according to which stage of history you are at. Cohesion policies are relevant policies that benefit everybody in general.

Of course, they have to be efficient and effective. They have to work. If you look at East and West Germany, they worked. If you look at some cases in the south of Italy, they worked. In other cases they did not work, but the fact that sometimes those policies did not work well is not a good argument not to have them. You have to find the correct policies that work.

Lord Haskins: At the time Italy joined EMU, was there not a suggestion that a lot of these internal problems in Italy would somehow miraculously be solved by the single market? That has not happened.

Roberto Gualtieri: The single market was before.

Lord Haskins: I meant the single currency.

Roberto Gualtieri: You keep asking me about Italy, but I am a representative of the Union here.

The Chairman: Indeed, yes. I stressed that at the beginning.

Roberto Gualtieri: I am also from Italy, so I am happy to answer as an Italian, although I am not talking on behalf of our Government, even if I am of the same party as my Prime Minister and share his views.

I would say that being part of an economic and monetary union has benefits for Italy in general. Of course, sharing a currency does not solve all the problems. There are measures that need to be taken at national level. The current Government are engaged in a very strong set of structural reforms, which are proving to be very effective, by the way. If you look at labour market reform, it is providing jobs—and good jobs. On the other hand, of course, we need the currency to be managed well and to conduct a good economic policy.

Clearly, it has not always been the case. During the crisis there has been a clearly political trade-off, which was driven more by political considerations than economic ones, between allowing financial assistance to member states—EFSM, EFSF and then ESM, the ECB and outright monetary transactions—on the one hand and, on the other hand, an enhancement of the fiscal stability and growth pact framework, which in itself is a good thing but which resulted in pro-cyclical fiscal policies, which proved not to be effective.

This was more a political trade-off than the conduct of sound economic policy. Of course, this did not benefit Italy, because it did not benefit Europe in general. That is something that can and must be correct, but this does affect the fact that having a single currency has improved the strength and resilience of all participating members, including Italy.

Q107 Lord McFall of Alcluith: As a Scottish MP for 25 years and someone living in Scotland, I am very much aware of the economic and political grievance agenda, so I would say to you that we have things in common. The message I have for you, as you probably know, is that it will never go away. That is the issue. But I would like to get your guesstimate on the EMU. 2025 is the nominal date for the completion of EMU.

Roberto Gualtieri: What do you mean by 2025?

The Chairman: The Five Presidents' Report sees the road map going up to 2025.

Roberto Gualtieri: 2025 is the year, yes. I am sorry. I understand, yes.

Lord McFall of Alcluith: Looking to that date, how much fiscal union do you envisage by then?

Roberto Gualtieri: By 2025, I envisage more than we have now.

The Chairman: That is a very political answer.

Lord Davies of Stamford: The Union budget will be what proportion of Union GDP by that stage, in your estimate?

Roberto Gualtieri: Maybe the Union budget, to the happiness of a strong UK in a reformed Union, would not be much higher; but maybe we would also have, on top of that, a higher euro area fiscal capacity.

Lord McFall of Alcluith: Could I refer you to the European deposit insurance scheme? We have asked other witnesses about the position of Germany, which seems to have the most reservations. Do you consider that building blocks are required in order to get to the end point there? For example, that could mean increased measures of financial risk being a necessary precondition for risk-sharing. At the end of the day, do you envisage this being adopted? If it is, how would we prevent moral hazard in the euro area?

Roberto Gualtieri: First, the current Commission proposal on EDIS is very gradual. Even when we arrive, at the end of 2024, at mutualisation, we are talking about only a very limited percentage. It is not open-ended; it is 0.8%. On top of that, the current rule for the bail-in of shareholders and debt holders is for juniors, seniors and depositors above €100,000. I fail to see how this is an incentive to moral hazard. That would mean that a bank would be giving loans not in a sound way because they would say, "Okay, we will have to be bailed in. We will lose everything, but we will save deposits for 0.8% below €100,000, so we will be happy".

To be serious, the current recovery and resolution provisions are a very, very strong ingredient against moral hazard. I do not see that ensuring the same level of protection of deposit across the banking union would enhance this moral hazard. Having said that, of course risk reduction should be done in parallel with risk sharing. First, we should be reminded that we have the single supervision and single resolution, which are also strong elements of risk reduction. Of course, we need full implementation of BRRD; we need implementation of the current provisions. It is obvious that we cannot do something more if we do not do what we are doing.

Then there is the specific issue, which is implicit in this debate, of calibration of exposures to sovereign debt by banks. As is written in the Basel report, concentration limits can be considered, but that has to be in the framework of international discussion and decision in the Basel Committee. I would strongly discourage the frontloading of measures at the EMU level, because that would create imbalance.

This is a sensitive thing. To consider this a precondition is clearly something that is not acceptable and will not happen. I agree that we have to start this discussion and be part of the Basel discussion in this remit. This does not prevent that. The ECB is also coming forward with proposals. If we have to start with discussion, I say yes. If we have to change the order of things—this is not just me—it simply will not happen, because it is not reasonable.

Having said that, I am confident that we can work on EDIS. We have ordinary legislative procedures, so the Council and Parliament can amend the proposal. I am confident that we can address and solve problems. I am relatively confident that we can conclude this legislation in a reasonable timeframe.

The Chairman: Thank you, Professor. I understand that you have other pressing appointments, so may I thank you so much on behalf of the whole Committee? It has been a very useful session. We have been hugely enriched by your agreeing to meet us today. Thank you. This now concludes the public part of the meeting.

Roberto Gualtieri: Thank you.