

# Benoît Cœuré: Independence and accountability in a changing world

Introductory remarks by Mr Benoît Cœuré, Member of the Executive Board of the European Central Bank, at the Transparency International EU Event "Two sides of the same coin? Independence and accountability of the European Central Bank", Brussels, 28 March 2017.

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## General considerations

Thank you for your invitation to today's event. I am looking forward to a discussion with a panel representing such a wide range of stakeholders and views.

The ECB fully shares the values that underpin Transparency International's work, such as integrity and accountability. At a time when many people are expressing doubts about public institutions, it is clear that these principles are vital for their legitimacy.<sup>1</sup> And we are convinced that greater responsibility and integration at euro area level, which are much needed to strengthen our Economic and Monetary Union, should go hand in hand with greater democratic accountability.<sup>2</sup>

So Transparency International's work regarding the EU's economic governance is certainly useful. This is why the ECB has facilitated this project by inviting the researchers to a series of meetings with senior staff. We were offered the opportunity to comment on the draft of the report. But as the study and its recommendations are entirely owned by Transparency International, we exclusively provided factual observations and abstained from commenting on the substance.

Before offering some observations on the four chapters of the report – independence, transparency, accountability and integrity – I would like to make two preliminary, more general remarks:

- ♦ First, and to answer the question raised in the title of the report: yes, for the ECB independence and accountability are two sides of the same coin. The ECB was given a democratic mandate. **Independence** ensures that the ECB *can* act in line with its mandate. **Accountability**, on the other hand, ensures that the ECB *does* act in line with its mandate. This can be measured ex post against outcomes – the ECB did indeed take decisive action to preserve price stability during the crisis<sup>3</sup> – and it relies ex ante on having a strong accountability framework.
- ♦ Second, the ECB is quite unique in the EU institutional context. I understand that Transparency International has published similar reports on the European Investment Bank and the European Stability Mechanism. There are important differences between the three bodies – not only as regards their mandate and purpose, but also in terms of their institutional setup, governance structures, funding and, in this context more importantly, accountability. Of course, we are an EU institution (like the European Parliament or the European Commission). But we are also a central bank and, as of 2014, a banking supervisor. These specific tasks require a dedicated governance framework considered so crucial by the EU legislators that it was laid down in the EU Treaty and, as regards banking supervision, in the regulation establishing the Single Supervisory Mechanism (SSM).

In my remarks I will cover each aspect of the report briefly.

## Independence

In the European Union, the principle of central bank independence has a quasi-constitutional basis. Article 108 of the Treaty establishing the European Community states that: “*neither the*

*ECB, nor a national central bank ... shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body”.*

Looking at the debate around independence, which is also taking place outside the EU, it becomes clear that safeguarding our independence requires more than a series of legal provisions.

It requires an explanation of why independence is important for a central bank. As guardians of price stability in the euro area, the ECB creates the foundation for a healthy and stable European economy. Independence is essential in that respect, as it protects the ECB from any temptation by governments to seek changes in monetary policy to favour short-term economic gains over price stability, or to pander to private interest groups.

It is equally important to correct misperceptions, and all stakeholders do have a responsibility in this respect. The ECB communicates clear conditions for accepting credit institutions as counterparts, for quality of collateral, for emergency liquidity assistance extended by national central banks so as not to interfere with monetary policy, for accepting securities under its asset purchase programme, etc. These conditions are transparent and equal for all counterparties in the euro area. Therefore, the ECB does not aim for political buy in, it merely clarifies the conditions which govern its monetary policy *for all euro area countries*, and this is needed to ensure that it stays within its mandate and, thus, to safeguard its independence.

As for the ECB’s current role in the macroeconomic adjustment programmes, this is enshrined in a legal framework<sup>4</sup> that is not for the ECB to alter. We believe that financial issues are where the ECB’s advice is of particular relevance. If there were political willingness to change the framework, we would be happy to engage and, based on our experience, help clarify how best to support the other institutions while safeguarding our independence.<sup>5</sup>

## **Accountability**

Independence does not mean arbitrariness. The ECB was given a democratic mandate. It is held accountable for acting in line with this mandate, both democratically and legally.

From a democratic perspective, the ECB is accountable for its policies to the representation of EU citizens. As described in the Report, the ECB’s President participates in quarterly hearings of the Committee on Economic and Monetary Affairs of the European Parliament. As MEP Tremosa i Balcells knows very well, these are not “*dialogues de sourds*”. The MEPs do not shy away from asking critical questions. As the President emphasised at his September 2016 hearing, the ECB takes these exchanges very seriously.

In addition to the regular quarterly hearings, my Executive Board colleagues and I also participate in hearings of this Committee to explain the ECB’s reasoning and decisions on specific topics. Just last year, I visited the European Parliament twice to discuss the proposal for a euro area budgetary capacity and the ECB’s involvement in Greece.

In about ten days’ time the ECB, as it does every year, will publish its Annual Report and the Vice-President will present it before the European Parliament. Later in the year, the President will also attend the plenary debate on it, which precedes the Parliament adopting its official position on our activities.

This European Parliament Resolution is an important contribution for our work, as it summarises the views of the representatives of the European people on our actions and policies, also in the fields of independence, transparency, accountability and integrity. We take the European Parliament’s comments and suggestions very seriously.<sup>6</sup>

I could continue with other examples showing the health of the relationship between the

European Parliament and the ECB: from the Governing Council decision to adopt principles that increase transparency in developing ECB regulations on European statistics, to the ECB's readiness to discuss questions on the work it is engaged in in the Basel Committee, of course within the confines imposed by confidentiality requirements. And I could mention the separate accountability channels foreseen with the establishment of ECB Banking Supervision, based on the Interinstitutional Agreement (2013/694/EU) between the European Parliament and the ECB. Last week, the Chair of the ECB Supervisory Board was at the European Parliament to present the ECB Annual Report on supervisory activities 2016.

Of course, I leave it to MEP Tremosa i Balcells to express the Parliament's judgement on the robustness of our accountability framework towards the Parliament. From the ECB's perspective, our accountability framework as defined in the Treaty is working well, and has been adapted to the challenges we have faced in recent years by expanding our interactions where and when necessary.

## Transparency

Transparency is crucial to the ECB's work and it attaches great importance to communicating effectively with the public. Transparency helps people understand the ECB's monetary policy, and better public understanding, in turn, makes the ECB's monetary policy more credible and effective.

Against this background, communication with financial market participants deserves particular attention. I see it as a double-edged sword. Clear communication with financial markets enhances the implementation and transmission of monetary policy, but on the other hand it may risk central banks being captured by private interests, or worse, disclosing privileged information. And even the perception of such risks would be harmful.

Please allow me to present some examples.

The European Central Bank has made significant progress on matters of transparency and good governance. This was noted by the European Ombudsman, who commended the ECB for adopting the "Guiding principles for external communication by members of the Executive Board" and "*encourage[d] it to lead the field on all aspects of good governance*". The Ombudsman more generally acknowledged, when presenting her Annual Report for 2015 to the European Parliament, that the ECB has "*boosted its transparency*".<sup>7</sup>

The Guiding Principles provide a more concrete and very practical expression of the rules that are already binding on Executive Board members. They enshrine the ECB's approach to ensuring that financial market-sensitive information is not disclosed to select groups and avoiding giving the impression that an event organiser has a "prestige advantage" allowing it to benefit financially from the perception of exclusive contacts with the members of the Executive Board. The Guiding Principles also advise the Executive Board members to include, as a matter of principle, an ECB staff member in bilateral meetings. These principles have also been subscribed to by the Chair of the ECB's Supervisory Board and the other ECB Representatives to the Supervisory Board.

In addition, the members of the Governing Council (including the Executive Board members) observe a "quiet period" before monetary policy meetings. This means they avoid making comments or attending meetings that could influence expectations about monetary policy decisions in the seven days before a scheduled meeting on this issue. This also covers meetings with the media, market participants or any other outside parties with interests in monetary policy matters.

As you probably know, the Executive Board Members – including myself – as well as the Chair of the Supervisory Board have been publishing their diaries since November 2015. I find that the

diaries provide a very comprehensive overview of our interactions with external parties; they cover *all* our professional meetings with the private and public sectors (at national and international level). No other EU institution – including via the Transparency Register – or central bank provides such extensive information in terms of transparency.

The ECB has also established high-level fora such as the Institutional Investor Dialogue and the Banking Industry Dialogue to collect relevant market intelligence from stakeholders in a transparent way. These fora are underpinned by a published charter that sets out the participation rules; the agendas and meeting summaries are also published. This makes the ECB's interactions in terms of gathering information from stakeholders highly transparent for the public.

Since January 2015 the ECB has also been publishing regular accounts of the Governing Council's monetary policy discussions. They contain an overview of financial market, economic and monetary developments, followed by a summary of the discussion, in an unattributed form, on the economic and monetary analyses and on the monetary policy stance. In doing so, we aim to provide the rationale behind monetary policy decisions and enable anyone who is interested to read the Governing Council's assessment of the economy within a short period of time after the discussion takes place.

## **Integrity**

However, independence, accountability and transparency are not enough if they are not flanked by a robust integrity system. Or as Mario Draghi put it in an address to staff: *a stronger business culture has to be complemented by a stronger ethical culture.*

An enhanced ECB Ethics Framework applicable to all staff members became effective in January 2015, and a dedicated Compliance and Governance Office was established to implement this new framework, among other tasks. Mandatory ethics training for all staff members should further enhance our strong ethical culture. Moreover, a high-level Ethics Committee has been established to advise Governing Council, Executive Board and Supervisory Board members on conduct matters.

In my view the ECB's Ethics Framework is probably the strictest of any EU institution or central bank. All our staff members – including Executive Board members – need to provide a list of their bank accounts and powers of attorney conferred on them by third parties, to facilitate regular compliance checks of their private financial transactions by our external auditor.

While we are convinced of the robustness of our Ethics Framework, such frameworks must, of course, be regularly reviewed against international best practice. The review of our whistleblowing regime is just one example in that regard.

## **Concluding remarks**

Let me conclude. While we certainly have to strive constantly for improvements, I believe one has to admit that the ECB has made tremendous efforts and indeed made significant progress in strengthening its accountability, boosting its transparency and further enhancing its integrity mechanisms and good governance.

The ECB is, and has always been, open to a balanced dialogue with stakeholders, including the general public, and strives to keep up to date with fast-evolving communication practices, such as Q&A sessions on Twitter.

This study, containing interviews of ECB senior managers and the report by Transparency International, is indeed a good example of how the ECB engages in a balanced dialogue with diverse representatives.

As mentioned earlier, we are convinced that independence requires accountability, and that accountability requires transparency. Integrity is a foundation of any good administration.

We are confident about what we have achieved, but as central bankers we are always “vigilant” and never complacent.

Thank you for listening, and I look forward to hearing your views.

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<sup>1</sup> See [The future of the euro area](#)

<sup>2</sup> See “The Five Presidents’ Report: Completing Europe’s Economic and Monetary Union”, 22 June 2015.

<sup>3</sup> A more detailed discussion of the measures taken during the crisis can be found in B. Coeuré, “[Consolidating the euro area’s economic recovery](#)”, Introductory remarks prior to an informal exchange of views with the European Affairs Committee and the Finance Committee of the National Assembly, Paris, 13 May 2015; and “[Outlook for monetary policy in the euro area](#)”, Speech at Association d’Économie Financière, Paris, 2 February 2017

<sup>4</sup> Namely, the “two-pack” regulation (Regulation (EU) 472/2013) and the Treaty Establishing the European Stability Mechanism.

<sup>5</sup> See B. Coeuré, “[Strengthening the Greek financial system](#)”, Introductory remarks at a public hearing at the European Parliament, Brussels, 12 October 2016

<sup>6</sup> This is also why in ten days’ time, alongside the publication of the Annual Report and as requested by the European Parliament, we will publish our feedback on the European Parliament Resolution, which last year was prepared by MEP Tremosa i Balcells.

<sup>7</sup> See [Address to European Parliament on Annual Report 2015 European Ombudsman, Ms. Emily O’Reilly](#)