

Jens Weidmann: Farewell reception for Dr Andreas Dombret and Carl-Ludwig Thiele

Speech by Dr Jens Weidmann, President of the Deutsche Bundesbank and Chairman of the Board of Directors of the Bank for International Settlements, at the farewell reception for Dr Andreas Dombret and Carl-Ludwig Thiele, Frankfurt am Main, 4 May 2018.

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1 Welcome

Ladies and gentlemen

Welcome to the Bundesbank. A distinguished group of guests has gathered here today to take their leave of you, Mr Dombret, and you, Mr Thiele, at the end of your periods of office as members of the Executive Board of the Deutsche Bundesbank. And they have certainly not come here today, as you, Mr Dombret, recently speculated, in order to assure themselves that you are in fact really leaving! No, obviously and quite rightly, both you and your work are extremely highly appreciated – including beyond national borders. Otherwise, this event would certainly have not attracted such an illustrious audience.

This leave-taking today is on a bigger scale than that to which we at the Bundesbank, in our modesty, are accustomed. Not all of the guests can be accommodated here inside; some of you are following the speeches outside on the monitors. To you, too, I extend a warm welcome. Perhaps the big screens that have been set up will help to create something of a World Cup atmosphere and compensate at least a little for the physical separation.

Mr Dombret and Mr Herr Thiele, eight years ago – in what was also a World Cup year – you both joined the Executive Board of the Bundesbank: in early May 2010, a time when the European sovereign debt crisis was coming to a head for the first time and the Executive Board of the Bundesbank as well as the institution itself were facing an exceptional challenge. There can hardly have been a more turbulent start. For some euro area countries, the situation on the bond markets was escalating dramatically. The Bundesbank's financial crisis management team was continuously preparing analyses. And just a few days after taking up office, you were both involved in the meetings that took place twice daily.

On 9 May 2010, on a Sunday shortly before midnight, the Executive Board then agreed to implement the previous majority decision of the Governing Council of the ECB and also purchase Greek, Portuguese and Irish government bonds – despite the considerable misgivings about this decision. This meant that the Securities Markets Programme (SMP) could commence at the beginning of the week. As central bankers, both of you therefore had to make a cold start having come to the Bundesbank from the financial industry and the political sphere respectively.

The following years were to be no less eventful and an appreciation of your work therefore necessarily has to throw a spotlight only on those occasions that were of outstanding importance: key stages of crisis management, however, will be brought into focus, illustrating how the Bank has developed and progressed under and thanks to your leadership – and what a crucial contribution you and those departments under your charge have made to the Bundesbank's stability mandate.

2 Dr Andreas Dombret

During your first four years at the Bundesbank, Mr Dombret, you served as the Bank's representative on the international committees. It was a time when the G20 was beginning to

learn the regulatory lessons from the financial crisis and, together with the FSB, emerge as the hub of the efforts to forge a more resilient global financial system. And it was also when the International Monetary Fund was in the process of stretching a safety net around the world, shifting quota shares and voting power to emerging market and developing economies, and tripling its capital resources. So additional bilateral borrowing agreements with central banks needed to be negotiated and designed. These were mammoth tasks, not just politically but institutionally, too.

And being the Bundesbank's G20 and IMFC deputy, you were in the thick of things as a forceful advocate of the Bank's positions. Because your ability to navigate the international arena circumspectly and deftly, and to nurture and foster networks, is a rare talent. Everyone who had the privilege to accompany you on your travels hails your tact, your ability to instinctively read a conversation the right way, and your gift for bringing people together. And you were out and about so often that I am sorely tempted to reword in your honour a witticism originally directed at the former German Foreign Minister Hans-Dietrich Genscher. "Two aeroplanes cross paths over the Atlantic, and Dombret is on both of them." Our travel office tells me that, over eight years, you clocked up almost five million air miles – that's 200 trips around the world. Perhaps that's why the media often dubbed you the Bundesbank's "foreign minister".

And time and again, you faced the same challenge. Is it better to kick the problem down the road by striking a quick compromise, even if it is bound to come back and haunt you, sooner or later? Or is it better to resolve the issue once and for all? You were always passionate about reaching a stability-driven, long-term solution – like during Germany's presidency of the G7 in 2015, when you played a pivotal role in ensuring that credible standards for total loss-absorbing capacity (TLAC) were ultimately in place for systemically important banks.

Your instinctive ability to read a situation and your negotiating skills were a gift that kept on giving for the Bundesbank, including within the Eurosystem. When you were the Board member responsible for the Directorate General Statistics, for example, there was the matter of whether the Bundesbank would play an active role in running the system in which securities in Europe are kept on a security-by-security basis. It was you who convinced the ECB to run the system jointly with the Bundesbank, and that was a good outcome.

You were also the Bundesbank's voice when it came to explaining the particular architecture of the euro area or the Bank's viewpoints to the world. And you did this in your speeches, for example, which you held with remarkable frequency. You're a record-breaker, Mr Dombret, and not just because of all the air miles you have clocked up. Our research has found that there wasn't a single central banker in the euro area or the United States who came close to holding as many speeches as you did over the past four years – you could say that's dedication verging on missionary zeal. But there's more. You also made the most of every single trip abroad to engage in dialogue – with colleagues from central banks, with government representatives, diplomats, executives at commercial banks and sometimes students at colleges as well. And what is more, you always kept the door to your network open for your colleagues from the Bundesbank so that they could also tap your valuable contacts.

For long periods, you managed your Directorates General by BlackBerry – and almost half of our 16 Directorates General passed through your responsibility at one point or another during your term of office. This way of working meant that your units had to be meticulous and focus on what really counts: that said, anyone who could condense an issue into not much more than two BlackBerry pages stood a good chance of getting a quick decision from you.

But you weren't just fast, you were also far-sighted. Just take the establishment of the SSM, when you showed your flair for intuition. To maximise the Bundesbank's contribution to European banking supervision, you made sure that the Bank's supervisors in the joint supervisory teams belonged to Central Office in organisational terms but continued to be deployed out in the field.

That was instrumental in tapping synergies and, at the same time, heeding the personal needs of the supervisors affected.

It was less Mr Dombret's quick reactions and more his stamina as a negotiator that was called for when it came to the topic of Basel III. The finalisation of Basel III at the end of last year was very much to your credit – and with unilateralism raising its head again, getting the United States under President Donald Trump on board for this global financial accord was a major achievement. Not once during the negotiations did you lose sight of what made Europe's banking system special. And yet at the same time, you always negotiated with a view to striking a deal – not just in order to put an end to regulatory uncertainty for the banks, but also so as not to impair the Basel process and the multilateral approach. You didn't negotiate in a vacuum, but always had a keen eye for the ramifications. In the remarkable round of negotiations in Santiago, you sent photos of the latest status of negotiations to your team in the banking supervision unit, so that you could receive simulations and impact studies in return almost in real time. The agreement which the Basel Committee finally reached, eleven years on from the onset of the financial crisis, was another major lesson learned from the crisis.

There's one debate you set in motion, though, which you will have to pass on, unresolved, to your successor, and that is the subject of proportionality. You were one of the first to speak out against placing too much of an administrative burden on the small institutions operating within their domestic markets – but you also said that regulators would not go easy on their capital requirements. And you were also quick to put the profitability of German financial institutions in the face of the persistent low-interest-rate environment on the agenda. The low-interest-rate survey initiated by the Bundesbank and then conducted in partnership with Bafin now sheds light, every two years, on how smaller and medium-sized banks, with their relatively interest-focused business models, are coping with the low interest rates. Amongst other things, you used the findings from this survey to talk at length with the institutions about how they could boost their profitability. The wish you expressed in an interview you gave a few years ago – that there should be a deeper understanding between banks and the Bundesbank when you leave office – is one that you yourself have made come true.

3 Carl-Ludwig Thiele

Mr Thiele, you shared this task of making the Bank more transparent, cultivating the exchange of ideas and opening up the Bundesbank to the outside world, with Mr Dombret and rigorously implemented it, especially with regard to gold. Trust is the most valuable asset that a central bank has. This is why the Bundesbank's Executive Board provided the general public in Germany with comprehensive information about the storage of Germany's gold. You personally made the gold reserves your primary concern and successfully managed to discredit any bizarre and absurd conspiracy theories. You made it clear that here at the Bundesbank, all that glitters is gold and that we have unrestricted access to all the gold that is on our books.

I can still clearly remember the press conference that we held at the beginning of our transparency campaign in January 2013, when the guest house was almost as crowded as it is today – the only difference being that much better specimens were on show for the audience to photograph with their mobile phones. At that press conference, you presented twenty gold bars from the Bundesbank's stocks and described the methods and equipment used by the Bank to verify the authenticity of the gold bars. You reported on how you had personally inspected Germany's gold in storage in the vaults of the other central banks. And you explained the Bundesbank's new storage concept, which envisaged relocating gold from Paris and New York to Frankfurt with the long-term objective of having half of all Germany's gold reserves in storage in Germany in the future. Even the most critical of journalists seemed delighted when they had the opportunity to hold one of the gold bars in their hands and send a photo to their colleagues.

The level of transparency that we managed to achieve became particularly apparent with the publication of the gold bar list, which contains each individual German gold bar with its specific data, including its storage location. By adopting this approach, we made the Bundesbank a pioneer among central banks in terms of gold transparency. Yet transparency alone was not enough. No less than 674 tonnes of gold with a current value of €23.5 billion had to be physically transported from New York and Paris to Frankfurt. Not only did you and your team manage to carry out these shipments without any hiccups, you also managed to do so ahead of schedule. That said, a few weeks ago, I still momentarily had beads of sweat on my forehead when I saw on the news that the loading hatch of a cargo plane had come open during take-off and that three tonnes of gold had come tumbling to the ground. I quickly remembered that our shipments had long since been completed, and that something like this would not have happened to you anyway.

Part of your commitment to gold in recent years also involved providing details about how Germany's gold reserves came about. On our website there is a meticulous list of all inventory changes since 1951, back when the Bank Deutscher Länder recorded the first gold bar on its books. Furthermore, the recently published book *Das Gold der Deutschen* tells this story, accompanied by glossy photos, in a comprehensible and enthralling way. By providing transparent facts and presenting the individual bars in an appealing manner on various occasions, you have helped to fundamentally strengthen the general public's confidence in the Bundesbank as the custodian of Germany's foreign reserves and gold.

Mr Thiele, your keen sense of what is important to the public and what Bundesbank-relevant issues could come up at any time, led you to address the topics of digital money, blockchain and distributed ledger technology at the beginning of 2014. You warned of the highly speculative nature of Bitcoins, a warning that is equally as relevant today. And you made it clear that these digital creations do not share the qualities of real money.

And so it is only logical that a few weeks ago at a G20 meeting in Buenos Aires, which both Finance Minister Scholz and I attended, crypto tokens were on the agenda. The inclusion of this topic was at the request of the German and French finance ministers and central bank governors. The Financial Stability Board has been tasked with presenting a report on crypto tokens this summer, taking all aspects into account – from financial stability to crime prevention and consumer protection. The finance ministers and central bank governors were in agreement that crypto tokens should be regarded as a speculative niche phenomenon and not as a currency.

You, Mr Thiele, recently made reference to another aspect which should not be neglected: the environmental footprint of Bitcoins. You showed that in view of the increasingly complicated computational tasks involved in mining new Bitcoins, a Bitcoin transaction consumes – and I quote – as much as 460,000 times more electricity than a standard credit transfer.

I, in any case, do not consider crypto tokens to be a viable alternative to legal tender. We do not need crypto tokens to ensure a stable and efficient monetary and financial system, but rather central banks committed to price stability, effective banking regulation, a reliable cash supply and well-functioning payment systems. We have all of these in the euro area. In addition, with instant payments, it is now also possible to conduct cashless, final and fail-safe payments using our high-performance euro payment systems 365 days a year in just a matter of seconds, that is the concurrent settlement of transactions without the use of cash.

Mr Thiele, compared with instant payments, the launch of SEPA less than four years ago seems like a project from another era. And yet it was a decisive step on the road towards achieving integrated euro payments: payment transactions became faster and more efficient with SEPA, and competition between credit institutions has intensified. To ensure that the launch of SEPA ran smoothly, you, Mr Thiele, managed to set up a SEPA Council in Germany in which all the

parties involved, including the end users, get to sit down at the same table. And the reservations associated with "IBAN the Terrible", as it was referred to back then, were dispelled with the introduction of the 22-digit IBAN, which was split into four-digit blocks. During the introduction of SEPA, you also demonstrated your keen instinct by showing how important dialogue and an understanding for the views of the general public are.

As a member of the Executive Board, you were responsible not only for cashless payment transactions but also for cash management – another topic which affects the day-to-day lives of the general public. "Cash is minted freedom": this is the phrase you like to quote as a convinced liberal. In keeping with this motto, you consequently advocated the freedom of choice with regard to payment instruments. After all, each and every citizen should be allowed to choose whichever available means of payment he wishes to use. You consistently represented the Bundesbank's neutral position, whilst at the same time taking a differentiated approach to the issue of cash.

The Eurosystem and the Bundesbank are clearly committed to cash and the Bundesbank supplies the entire country with high-quality banknotes and coins. After all, this is the form of money in which citizens experience the single currency most directly and which they also use the most frequently when making payments at the point-of-sale. Under your aegis, Mr Thiele, the new branch in Dortmund is set to become an innovative cash processing centre that is in a league of its own. After all, you literally visited each and every Bundesbank branch, sought direct contact with the staff members, listened to their concerns and explained why certain decisions had to be made. In doing so, you were an early role model in the Bank for the open and direct communication culture that is so important to me.

4 Conclusion

Dear Mr Thiele, dear Mr Dombret, despite having had a fulfilling professional life before joining the Bundesbank, you both became central bankers with heart and soul. You have made a lasting difference in your respective areas of responsibility and promoted the interests of the Bundesbank. I would like to thank you most sincerely for your outstanding contribution to the Bank's achievements – in the name of the entire Executive Board, but also quite personally.

I expect that you, Mr Thiele, who are seen as a true family man within the Bank, are probably looking forward to spending more time with your large family. And all I'll say to you, Mr Dombret, with your US passport, is: "See you around!" – I am quite sure we'll run into one another at the odd art exhibition or elsewhere.

Mrs Thiele and Mrs Dombret, while your husbands will have more freedom, the opposite is true for you. You will have new obligations planning your families' schedules. You see here, in line with our traditions, two bouquets of flowers for you. However, I have been told that you, Mrs Thiele, would throw a bouquet of flowers back in my face if they were presented to you as thanks for "keeping your husband free for work" for many years. I don't want to risk that. I would therefore like to hand you both the flowers not for keeping your husbands free for work but in acknowledgement of the downsides that the level of professional commitment your husbands have shown involve for their partners.

And you, dear Colleagues, I will hand the certificates of appreciation signed by the German President, the Chancellor and the Finance Minister.

Ladies and gentlemen

As we say farewell to two worthy members of our Executive Board, we are in the fortunate position of already being able to welcome one successor. The second Board member has yet to be nominated, Mr Scholz. You, Mr Balz, will join our Executive Board in September once you

have finished off some tasks for the European Parliament.

At the beginning of my speech, I pointed out that Mr Dombret and Mr Thiele joined the Bundesbank just as the government debt crisis started. It would be a typical mistake, mixing up correlation and causality, to declare the crisis to be over now that Mr Dombret and Mr Thiele are leaving the board. So rest assured, Mr Balz: while I would not go as far as to say that "the next crisis is inevitable", it is safe to say that enough remains to be done. I am sure you will experience exciting and varied activities on the Bundesbank's board. In any case, we are looking forward to working together and wish you the best of luck in all you do at the Bundesbank.

And with that, I would like to hand over to the Federal Finance Minister, but not before expressing my heartfelt thanks to you, Mr Scholz, for being here today. I understand your presence not least as a mark of respect for the Bundesbank as an institution, its staff and all it does for Germany and Europe.