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## COMMISSION CONFIRMS WORK ON SECURITIZATION OF EU SOVEREIGN BONDS

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European Commission Vice-President Valdis Dombrovskis said today (27 January) that the goal of setting up European Safe Assets is to reduce banks exposure to sovereign debt.

Speaking after the Ecofin Council, Dombrovskis said that work has been going on for some time on the concept of European Safe Assets at the European Systemic Risk Board (ESRB).

As part of the board, the Commission has been involved in the project.

The vice-president explained that the concept is about the securitisation of EU member states sovereign bonds.

We find this concept useful since it helps to address the issue of banks sovereign loops, Dombrovskis told reporters.

By creating European Safe Assets, we provide investment opportunities for banks and for others, and we ensure that, especially banks, are not so concentrated on their own sovereign bonds, he added.

Dombrovskis confirmed reports published by Handelsblatt about this new instrument.

But to avoid any confusion and to be very clear, he emphasised that this ongoing work does not foresee any mutualisation of these bonds.

### EU'S 'FIVE PRESIDENTS' LAY OUT EUROZONE VISION, WITH TIMETABLE

As Greece threatens new shocks for the eurozone, Commission President Jean-Claude Juncker and top EU officials have laid out a vision for the currency involving tighter control from Brussels.

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Citing a European Commission document, Handelsblatt reported that the new borrowing instrument would be scrutinized by the ESRB.

The ESRB was set up in response to the global financial crisis. It responsible for macro-prudential supervision - managing systemic risk - and only has an advisory role.

These safe assets are seen as a tool to reduce the risk of contagion between sovereign debt and banks that fuelled the eurozone crisis in 2011-2012.

However, it is far from more ambitious proposals, such as the issuing of joint bonds by eurozone members.

The idea of a European treasury was included in the Five Presidents Report in 2015. However, the appetite for far-reaching proposals declined in the aftermath of Brexit.

#### EU PUTS EVER CLOSER UNION ON HOLD

As the EU prepares to celebrate its 60th anniversary, the ever closer union principle that underpinned the European project is being put on hold as the bloc struggles to survive its annus horribilis.

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Dombrovskis did not confirm whether the European Safe Assets would be part of the white paper that will outline the vision for the future of Europe on the occasion of the 60th anniversary of the Treaty of Rome in March.

The securitisation of EU sovereign debt was criticised by Germany, a long-standing opponent of any mutualisation of risk between eurozone members.

#### MERKEL ON EURO BONDS: 'NOT IN MY LIFETIME'

German Chancellor Angela Merkel sought to bury once and for all the idea of common eurozone bonds yesterday (26 June), as Italian Prime Minister Mario Monti repeated calls to use the EU's bailout funds to ease pressure on Italian debt.

EurActiv.com

Generally, the negative attitude of the federal government towards eurobonds has not changed, spokeswoman Nadine Kalwey said in a statement.

She added that the ministry had doubts that there would be sufficient demand for such financial instruments, particularly in crisis situations.

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Kaynak/Source: