
EU JUDGES EXAMINE ECB BOND-BUYING SCHEME

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The case was brought to the EU top court by the German Constitutional Court, which last year asked for guidance after a group of plaintiffs, led by eurosceptic MEP Bernd Lucke, took the ECB programme to task.

Under the [QE](#) programme, known as quantitative easing (QE), the ECB has been buying bonds, including corporate bonds, on secondary markets in order to pump money into the real economy in the wake of the financial crisis, and to help interest and inflation rates go up again.

The ECB is currently buying [€1.6 trillion](#) of bonds each month, after peaking at [€2.9 trillion](#) a month from March 2016 to March 2017.

In its decision to refer the case to EU judges, the German Constitutional Court noted that there were "grave reasons" to consider that QE "violates the ban on monetary financing of states and oversteps the mandate" of the ECB.

"The ECB has become a big play-maker in the distortion of competition on the capital markets for sovereign bonds and corporate bonds," a lawyer for the plaintiffs told EU judges in Luxembourg on Tuesday.

He insisted that with QE, the eurozone bank was "suspended the system of undistorted competition which is mandated in the [EU] treaties."

A second lawyer argued that the ECB programme "puts market participants in a position to buy without risk," and that it "removes the incentive of issuing states to pursue a sound fiscal policy."

With the eurozone recording its strongest growth in a decade, the ECB's intervention on markets is generally considered by economists, as well as by EU member states and institutions, as a useful policy.

On Monday, the ECB president Mario Draghi told MEPs that QE had been "very effective".

At the hearing on Tuesday, a lawyer for the bank said the EU insisted that the programme was within its mandate and argued that it was "in the interest of all".

It is the second time the EU Court of Justice examines an ECB programme.

In 2015, it cleared the Outright Monetary Transactions program, under which the ECB bought sovereign bonds on secondary markets.

The case also originated in Germany, where the ECB's monetary policy is regularly criticised for being too interventionist and not respecting the principles of central banks independence.

After Tuesday's hearing, the EU court's legal advisor will issue a non-binding ruling later this year, in October. A final ruling will follow next year.

By that time, the QE programme will be over.

Draghi announced last month that it would end in December 2018, after purchases are reduced from €30bn a month to €15bn in September.

But the ruling will set the rules for ECB action in the future.

Kaynak/Source: