
EUROPEAN BANKING UNION DOES NOT VIOLATE GERMAN CONSTITUTION, COURT RULES

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The European Central Bank's supervision of large banks and structural fund for failing institutions is meant to protect the eurozone from future financial crises. Germany's top court has now given its blessing.

Germany's highest court on Tuesday rejected a legal challenge to the European Central Bank's (ECB) supervision of large banks and structural fund for failing institutions.

The Federal Constitutional Court concluded an extensive review after plaintiffs claimed the ECB's regulatory authority was not covered by EU treaties.

What the court said:

Presiding judge Andreas Vosskuhle said:

The fact that the supervision of eurozone financial institutions is not exclusively carried out by the ECB was "pivotal."

National regulators still retain "broad authority."

What was the case about?

A group of plaintiffs led by Markus Kerber, a Berlin-based financial expert, said Germany's constitution does not permit the government to put billions of euros of taxpayer money into a common ECB fund to save failing eurozone banks.

They said the German government has little say over how the funds are spent and makes itself liable for saving weak banks in other eurozone countries.

Why does this matter?

The eurozone started the banking union in 2014 to protect the banking sector against future crises. As the biggest member of the eurozone, Germany's participation is vital for it to work.

What is the European Central Bank? It's a politically independent organization that controls

monetary policy in the eurozone □ the 19 European Union members that use the euro as their official currency. The ECB was established alongside the euro in 1998.

What is the ECB's banking union? It refers to the ECB's power to check whether the biggest banks in the eurozone are following banking rules and help any of them that are failing to overcome their financial difficulties.

What is the Federal Constitutional Court? It's the highest court in Germany. Sixteen judges are tasked with interpreting the constitution, also known as the Basic Law.

Kaynak/Source: