

This document contains

THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

1st HEARING OF JONATHAN HILL

COMMISSIONER-DESIGNATE

(Financial Stability, Financial Services and Capital Markets Union)

of

WEDNESDAY, 1 OCTOBER 2014

BRUSSELS

and

2nd HEARING OF JONATHAN HILL

COMMISSIONER-DESIGNATE

(Financial Stability, Financial Services and Capital Markets Union)

of

TUESDAY, 7 OCTOBER 2014

BRUSSELS

WEDNESDAY, 1 OCTOBER 2014

BRUSSELS

THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

HEARING OF JONATHAN HILL

COMMISSIONER-DESIGNATE

(Financial Stability, Financial Services and Capital Markets Union)

3-002

IN THE CHAIR: ROBERTO GUALTIERI
Chair of the Committee on Economic and Monetary Affairs

(The hearing opened at 13.30)

3-003

Chair. > Colleagues, first I would like to welcome our Commission-designate Jonathan Hill to this hearing before the Committee on Economic and Monetary Affairs (ECON). As you know, the purpose of this hearing is to allow Parliament to exercise its Treaty-based right to vote on any new College of Commissioners and, in particular, to help the committee to evaluate whether the Commissioner-designate is qualified both to be member of the College and to carry out the particular duties he has been assigned.

I would like to remind you that, in line with Annex XVI to the Rules of Procedure, Parliament evaluates the Commissioners-designate on the basis of general competence, European commitment and personal independence. It also assesses their knowledge of their portfolio, their communication skills and their political priorities and contribution to the general strategic agenda of the new Commission.

I would remind you, too, that before the hearing the Commissioner-designate replied in writing to a preparatory questionnaire, and the written answers have been distributed to Members in all languages. In line with the applicable procedure the candidates submitted declarations of interests, and the Committee on Legal Affairs has indicated that it has no observation on the Commissioner-designate's declaration of interests.

I shall now explain the structure of the debate today. The Commissioner-designate is invited to make an opening oral statement of no more than 15 minutes' duration. He will also have five minutes at the end of the meeting for a closing statement. After the introduction, there will be time for 45 questions from Members, with a slot of three minutes each – one minute for the question and two minutes for the answer. The first round of questions will be asked by representatives of the political groups and non-attached Members. Members are kindly reminded that in the interest of allowing all Members to ask their questions in good time, the three-minute principle will be strictly applied. I am confident that I will not be forced to withdraw the floor from Members or the Commissioner-designate.

Finally, I would like to draw attention to the fact that interpretation will be provided in 23 languages and all speakers can therefore use their own language. May I also remind speakers that what you say will need to be interpreted and that you should therefore not speak too quickly. I would inform you, too, that this debate will be streamed live on Parliament's Internet site and that it will also be possible to access a video recording of the hearing on the same site.

Before I give the floor to the Commissioner-designate, I would like to remind everybody here today that the tasks he will have to carry out are extremely important. Financial stability, financial integration, market integrity and confidence, and efficiency are the general goals on the agenda of these coming years. Completing financial reform, implementing Banking Union and a single rule book, designing and implementing a capital market union to facilitate companies' access to finance and investment are crucial goals, and we are very interested in hearing the views of the Commissioner-designate on these issues. Commissioner-designate Hill, the floor is yours.

3-004

Jonathan Hill, Commissaire désigné. > Grazie tante! Quand le président élu Jean-Claude Juncker m'a attribué ce portefeuille, il a eu la gentillesse de dire que je parlais la langue de Shakespeare. Je fais de

mon mieux pour être clair dans ma langue maternelle, mais je voudrais avant tout vous remercier, dans la langue de Molière, – ou du moins, dans ma version approximative de la langue de Molière – de m'avoir fait l'honneur de m'inviter aujourd'hui, ainsi que pour le temps que beaucoup d'entre vous m'ont déjà consacré avant l'audition.

3-006

Today, I want to answer three main questions. First, why do I want the job? Second, what experience do I bring to it? And third, how will I approach this task, a task which is so important for jobs and growth and therefore so important for European citizens?

Why do I want the job? Because I want to play my part in responding to the two great challenges we face – the challenge of building confidence in Europe among our citizens, and the challenge of getting jobs and growth back into our economy – and, personally, because I want Britain to be part of a successful European Union. That makes sense for Britain, and I believe it makes sense for the EU.

My parents' generation went to war. My own grew up in a divided Europe, facing the threat of nuclear annihilation. When the Iron Curtain came down, where was it that the new democracies turned? They turned to the European Union, and how right we were to respond to that appeal. So, yes, I want to work for the common European interest and I want my country to remain part of a Union of 500 million people with shared values, who live together, who work together, who trade together and who face global challenges together.

What about me and what will I bring to the job, if I am confirmed in post? I am the son of a small businessman and a school teacher. I have worked half my life in government, half in business. I started out as an adviser to Kenneth Clarke and John Major in the 1980s and 1990s. After that, I set up my own company so I know about the challenges of trying to build a business in a competitive environment. I left more than four years ago when I entered the British Government as a Minister. And, by the way, I have since disposed of any shareholding: I hold no shares. I am not a member of any boards. So I do not believe I have any conflicts of interest.

In 2010, I became an Education Minister and was given the job of delivering the biggest reforms in education in a generation. Then I became a Member of the British Cabinet and led the Coalition Government in the House of Lords. The House of Lords is a Chamber that amends legislation and specialises in detailed scrutiny. It has many experts. No party has a majority – the biggest party has only 28% of the vote – so the only way to make progress is to build consensus and work across party lines. So I have delivered complex reform in a political environment. I have a proven record of building consensus, and I understand jobs and growth from a practical point of view.

How will I approach this vitally important task which Jean-Claude Juncker has entrusted to me? Well, working with Jyrki Katainen, Valdis Dombrovskis, Pierre Moscovici and my other Commission colleagues, I plan to build on what has been done – under the leadership of Michel Barnier and this committee – to make sure we have a well-regulated financial services industry which works in the interests of the many, and not the few. It was an extraordinary achievement to repair our financial system while the crisis was raging, and I want to place my tribute to my predecessor clearly on the record.

The centrepiece of this work is of course the Banking Union, rooted in the single rule book for all 28 Member States. My task now, if I am confirmed in post, is to put the remaining pieces of the jigsaw in place and to make sure that it delivers the stability in our banking system that we all want to see. Yes, I come from a country outside the Banking Union, but the crisis has highlighted how

interdependent the 28 Member States are. A strong Banking Union matters to us all, and I will do everything I can to make it a flagship for the European Union.

We are all agreed there can be no going back to pre-crisis days. No going back to the wild risk-taking, with its terrible toll on the jobs and living standards of so many of our citizens. No going back to our banks having to be rescued on the backs of our taxpayers. But I think we are also agreed that, in the years ahead, we need a new drive on jobs and growth.

While we must certainly continue to be vigilant for new risks emerging in our system, we should not expect to have to pass anything like the same volume of primary legislation in the next five years. After all, good regulation should offer stability as well as rigour. At the same time, if evidence appears that we have not always got the balance exactly right, we should be ready to make adjustments. There may be areas where we identify gaps; there may be areas where we need to fine tune to make investment flows easier. This is indeed the challenge that lies at the heart of the Capital Markets Union: how do we increase investment, particularly into small and medium-sized businesses, while keeping regulation effective?

Within this broad approach, I have set myself five main priorities. The first is to implement what has already been agreed. This alone will be a major task. The outstanding delegated and implementing acts amount to more than 400 separate measures – from the Directive on Markets in Financial Instruments (MiFID 2) to Banking Union, to Solvency 2, to the capital requirements package (CRD IV). In all we do, we will ensure a fair and open process with you and the Council.

Secondly, I want to make sure that we tackle other major sources of risk, by taking forward proposals that are currently under negotiation, such as on money market funds, benchmarks and structural reform. We also need to stay alert to any new emerging risks, such as those that could arise through the lack of an effective resolution regime for non-bank financial institutions.

Thirdly, I will work for the consistent implementation of international standards and principles, and close loopholes that present risks to financial stability. We will work closely with other G20 countries, and in particular, I will seek to deepen regulatory cooperation with the USA.

Fourthly, I will bring forward proposals for developing a Capital Markets Union. This is a project for all 28 Member States and the goal is clear: to help unlock the capital around Europe that is currently frozen and put it to work in support of Europe's businesses, and particularly our SMEs. We need to broaden away from our dependence on bank funding by encouraging the growth of new, alternative sources of finance. I want to start by analysing the problem and identify the barriers to progress, but I think we can already see some likely areas of early priority, such as high quality securitisation, helping to improve information on SME credit status and finding agreement on European long-term investment funds.

Fifthly, I want to explore how we can deliver more of the benefits of the single market directly to citizens. Rightly, over the past five years we have had to concentrate on big structural and institutional reforms. Over the next five years, I hope we can turn the telescope the other way, and think more about how to open up a better market for safe, transparent, affordable retail products. I know that many in this House have taken the lead in championing consumer interests, and you will have my support in the years ahead. We also need to think carefully about the development of digital and electronic payments, which could bring consumers great benefits in terms of cost and ease of use, but which will also need to be secure and well-regulated.

There is one overarching theme, and that is transparency. Transparency is essential in terms of what we require financial institutions to do, because they need to know what risks they are taking, and to explain those risks to their customers. Supervisors need to know too. Most of the rules that you have put in place include tough transparency requirements – and rightly so in terms of helping to restore trust, and with it confidence.

Finally, how will I work with you if I am confirmed in post? Once again, transparency will be essential. I will be open with this committee at all times and I will be open with you about who I am meeting. To do the job, I will need to meet and talk to a wide range of people because I have never believed that you can, or should try to, make policy in a vacuum, but I will certainly follow the practice of my predecessor in disclosing external meetings, and so will my officials. I think that is essential in terms of building the right relationship with you.

When I was in Strasbourg the other day, I had dinner with Michel Barnier to ask for his advice. He had lots of useful tips, but he made one point above all: always remember, he said, the importance of your relationship with the House. That is advice I have taken to heart, and it is advice that I will follow.

I know that President-elect Jean Claude Juncker has given me a great responsibility in asking me to take on this portfolio. If I am confirmed in post, I will be a European Commissioner who defends the general interest, a European Commissioner who will work for all 28 Member States, and a European Commissioner who never forgets that he is accountable to the directly elected Members of this Parliament.

(Applause)

3-008

Burkhard Balz (PPE). – Lord Hill! Ich will ganz kurz zwei Fragen adressieren, die allerdings allgemeine Bedeutung haben. Zum einen unterscheiden sich Finanzinstitute in der Europäischen Union stark nach Größe, Rechtsform und Komplexität. Einheitliche hohe Vorgaben für delegierte Rechtsakte und technische Standards machen es kleinen und mittleren Unternehmen häufig schwer, ihre stabilen und erfolgreichen Geschäftsmodelle fortzuführen. Die Kommission ist zur Verhältnismäßigkeit, zur sogenannten Proportionalität, verpflichtet, doch müssen diese Proportionalitätsklauseln ja auch konkret mit Leben gefüllt werden.

Wie wollen Sie als künftiger Kommissar sicherstellen, dass diese Proportionalität nicht wie eine Ausnahmeregelung behandelt wird, sondern zur Regel wird?

Meine zweite Frage bezieht sich auf eine Auswirkungsstudie. Das Parlament fordert seit vielen Jahren eine Auswirkungsstudie über die akkumulierten Effekte der Finanzmarktregulierung. Kohärenz und Konsistenz unter verschiedenen Richtlinien sind ebenfalls sehr wichtig. Wie wollen Sie als zukünftiger Kommissar eine solche Auswirkungsstudie angehen?

3-009

Jonathan Hill, Commissioner-designate. > You touch on two extremely important points there. How does one get the balance right in terms of regulation, and how also does one make sure that across the piece we are able to have regulation that is proportionate and that we can follow the effect of it in different sectors?

So, in terms of proportionality, my answer to your question would be one that I think that we will return to a number of times this afternoon, which is the importance of balance. We clearly need to have regulations that work, but we should not take the view that every single business is the same size

and therefore that you need to have a one-size-fits-all approach to everything. So I fully take the point about the importance of proportionality.

In terms of trying to calculate the effect of regulations across the piece, I think that is a very important theme, and it is something that, if I am confirmed, I would like to reflect on and develop. In a number of conversations that I have had with members of the Committee on Economic and Monetary Affairs (ECON) before this hearing, a number of members from different groups raised the question with me as to whether it would be sensible to try to have a more cross-cutting, a more cohesive look at the cumulative effect of regulations in different areas. I think, instinctively, that that is a sensible way of looking at things. One of the challenges, I think, in regulation – and for me coming in, trying to get my head round this very complex technical area – is that there has been huge amounts of activity going on in a number of different areas and silos, and trying to work out the effect that action in one area has in another, I think, is terribly important so that is something I would like to do if I am doing this job.

3-010

Elisa Ferreira, *on behalf of the S&D Group*. – Commissioner-designate, in your written answers with Parliament, you said you could not – and I quote – ‘commit unilaterally to proposing any particular initiative’. However, the European Commission, the Institution you wish to join, has been actively engaged in building banking union in constructive cooperation with this Parliament, as you may have noticed.

This banking union is based on three pillars. We have already done the single supervisory mechanism; we have done the single resolution mechanism. The remaining piece, as you call it, is the third pillar. It is the common guarantee of deposits, without which the link between banks and sovereigns still remains. So my question is: will you present a proposal for a single deposit guarantee scheme, which is the remaining piece of a full banking union? Will you do it before the end of 2015 and what will be the structure of such a scheme?

3-011

Jonathan Hill, *Commissioner-designate*. > I am glad to have the chance to talk about the important issue of banking union, which is a central part of the job I will have. Obviously, as you say, almost the first priority is to put the next pieces of the jigsaw in place. That means, first of all, making sure we have got the right measures to have the Single Resolution Fund up and running, and I know that work has been going on on that. There will also be work to do on backstop arrangements.

So far as the deposit guarantee scheme is concerned, I know that is something which has been fiercely debated in recent months within this committee and, I am sure, more generally. The priority for me would be to implement the process as it is currently provided for – to pursue the approach that is on the table – so far as the deposit guarantee is concerned.

In terms, therefore, of your broader question about whether I would bring forward a proposal on the deposit guarantee scheme before the end of the year, I do not think I can give you that undertaking. But, going forward with the approach envisaged, I think we can see how that works with the individual deposit guarantee schemes, and in future years I think it will normally be the approach that this House adopts. We have many opportunities to look at and consider things in future, and that is what my approach would be.

3-012

Kay Swinburne, *on behalf of the ECR Group*. – Commissioner-designate, I actually was going to ask you a series of questions on markets-related issues, but I will reserve those until later, given the fact that in the last two weeks, since your nomination has been made known to this committee, I have been

listening in the corridors and the one matter that comes up time and time again is one about your CV and, in particular, the fact that two companies very well known to people in this parliament, Lowe Bell Communications and Bell Pottinger Communications, appear on your CV. And then, indeed, you founded a company called Quiller Consultants. I think it would be very helpful for us here in the committee to actually address this openly and for you maybe to actually explain your role at these companies and whether or not you have any ongoing relationships.

3-013

Jonathan Hill, Commissioner-designate. > I am glad to have the chance to address this, and I will probably concentrate in particular on Quiller Consultants, which was the business I set up in 1998. The other jobs are the best part of a quarter of a century ago, and my memory is not as good as it was.

In terms of my business, I am very proud to have set that business up. We started it from scratch. I am glad I was able to employ people who paid taxes and provided employment, and that, although I sold it eight years ago and left four-and-a-half years ago, it still continues.

In terms of me and any relationships that I might have with it, when I was asked to join the British Government as an Education Minister, in the nature of the way ministerial appointments work in my own country, I was out within a few hours and that was the end of any link that I had with it. I had some shares, which I was given at the time I sold the business. Those were held when I was a British Minister under the rules that obtained then and were fully disclosed. Upon my nomination – since I did not want anyone to think that there could be a perception of any conflict of interest – I gave instructions within less than a day of being nominated to get rid of all of those shares, which then happened in very quick order. So those have gone.

For the sake of addressing any other doubts, I think that conflicts of interest are an extremely important issue that we should all take seriously. I think the key to the question of a conflict of interest is: would one have any financial interest from any decision one was taking as a Commissioner? I think that comes from having shares or being on the board of a company. I have no shares in any business at all and I am not on the board of any company.

3-014

Sylvie Goulard, on behalf of the ALDE Group. – I am not going to use English to retaliate on behalf of Molière, because I am going to quote you. In your written answers you stated that the double-majority voting arrangements in the European Banking Authority (EBA), which require a majority among the Member States under the Single Supervisory Mechanism (SSM) – mainly the eurozone Member States – and the Member States outside the SSM, are, and I quote, ‘already operational and at this stage seem to be working correctly without impeding the EBA’s effectiveness’. Are you ready to accept the continuation and all the wider application of this system which, in my opinion, creates a gap in, or fragmentation of, the single market and gives a veto right to some Member States?

3-015

Jonathan Hill, Commissioner-designate. > Apologies first of all for what I did to the language of Molière in my opening remarks, so – to all French speakers – I deeply regret what I did. In terms of the substance of your question, the particular arrangements that came about and that were accepted as a part of working through the EBA and dealing with the Banking Union arose from specific circumstances at the time. Those are in place; as far as I am aware from the inquiries that I have made, they appear to be functioning. My answer to your question, which I think can be a short one, as to whether I see that as a model or would I expect that to be extended in other areas is as follows: I think that was something that was developed for the specific circumstances to deal with banking union and the relationship between the ‘ins’ and the ‘outs’.

3-016

Matt Carthy, *on behalf of the GUE/NGL Group*. – Commissioner-designate, in June 2012 the EU Council agreed to break the link between sovereign and banking debt. The Irish Government at the time stated it was a game-changer and would ensure the return of at least a sizeable portion of the monies that were taken off the Irish people in order to save the European banking system. This may appear a parochial question, but you will understand that Ireland, which has less than 1% of the EU population, has paid over 40% of the cost of the banking crisis and, although it will not fall under your direct responsibility, you will be a member of the College of Commissioners and have an important economic portfolio. So what I want to ask is will you, in principle, support an application by an Irish Government and maybe other governments with similar experiences for the retrospective recapitalisation of banks, so that we can see a real economic recovery across the European Union?

3-017

Jonathan Hill, *Commissioner-designate*. > I realise, obviously, how important and sensitive an issue it is for the people of Ireland and the difficulties that they went through at the time.

I know also that it is a question that has been discussed intensively among all the euro area Member States. I am told that legally it is possible, within the framework of the European Stability Mechanism, for retroactive recapitalisation of banks to take place. But it is certainly the case – so I am afraid I am not able to give you the undertaking and encouragement in some ways that you would like – that any decision in this regard clearly has to be handled on a case-by-case basis and also it would be for the euro area Member States to take on a unanimous basis.

But again, as you have implied, it is an area where my colleague, Mr Moscovici, would be in the lead, but if clearly that comes forward at some point, I will be part of the College and the group that would consider that. I am sure that, in the light of the circumstances and the views of all those Member States, a decision would be reached on a case-by-case basis.

3-018

Sven Giegold, *im Namen der Verts/ALE-Fraktion*. – Lord Hill, *welcome!* Seit der Verhandlung des Vertrags von Maastricht hat sich das Verhältnis zwischen Großbritannien und der EU in vielerlei Hinsicht abgekühlt.

Ich würde Sie gerne in Bezug auf Ihr europäisches Engagement fragen: Was haben Sie in dieser Zeit selbst getan, was haben Sie als öffentliche Person getan, um die Beziehungen zwischen Großbritannien und der europäischen Union zu stärken?

1700 Lobbyisten arbeiten hier rund um Brüssel in etwa 700 Organisationen im Finanzsektor. Die *City of London Corporation* begrüßte mit warmen Worten Ihre Nominierung, und Sie haben selber eine Lobbyfirma namens „Quiller“ mitgegründet. Viele Bürger fragen sich hier, stellen wir hier nicht einen Elefanten in den Porzellanladen der europäischen Finanzmarktgesetzgebung? Sie haben sich sehr auf Transparenz bezogen. Für welche Finanzinstitutionen haben Sie oder Ihre Firmen direkt gearbeitet? Das würde ich gerne wissen.

3-019

Jonathan Hill, *Commissioner-designate*. > First of all, in terms of my commitment to Britain being, and playing an active part in, the European Union, that is the reason why I wanted to take this job and come here and play my part. Going back 25 years – pretty much a quarter of a century – during the Maastricht negotiations I was at 10 Downing Street. Before that, as I said, I worked for Kenneth Clarke, so involvement in European issues and understanding their importance and the political sensitivity of them in the United Kingdom is something that I have lived with for 25 years. I have a

very clear and simple view, as I hoped I set out, which is that I think it is in the interests of the EU for Britain to be in it and it is in the interests of Britain to be in the EU.

So far as your second question is concerned about my business, I started to address that in some way, I hope. Just to underline: I left four and a half years ago, which is three times the length of time that the Commission considers is appropriate for an embargo on people after they have been in positions of influence here as Commissioners before they could even consider going into their sector. I think it is absolutely right that the Commission has that embargo, because I completely understand the anxiety that people have, the concerns that citizens might have, of people coming here and doing jobs and then doing it for their own benefit subsequently.

That is not the reason that I have come here to do this job. I have no thought of what the future will be. I am not here as a representative of the City of London; I am here to come, I hope, to represent the European interest and to make the right decisions in the interests of effective regulation and stability – and, I hope, growth – in the interests of the whole EU, and I will pursue the logic of the arguments and the logic of the regulation to apply that across the board.

3-020

Steven Woolfe, *on behalf of the EFDD Group*. – Good afternoon, Lord Hill: I am so pleased to hear an English voice in a senior position, a rare thing in this building. On your appointment as a Member of the House of Lords, you swore an oath to the Queen that you would be faithful and owe allegiance to Her Majesty. If your appointment is confirmed you will now be required to swear an oath to the EU in the following terms: ‘to be completely independent in carrying out [your] responsibilities in the general interest of the Union, [...] neither to seek nor to take instructions from any government or from any other institution, body, office or entity’. Surely there is a conflict in your two oaths?

In the words of Matthew Chapter 6, verse 24, of the King James Bible, no man can serve two masters. So, what is it, Lord Hill? Which one is your master now – the Queen or the EU?

3-021

Jonathan Hill, *Commissioner-designate*. > I have to say, one of the great honours and privileges of my last job as a Privy Councillor and as Chancellor of the Duchy of Lancaster, was to have the opportunity to meet Her Majesty the Queen. That was one of the greatest privileges in my life. I do not believe for one instant that Her Majesty would consider there to be a conflict between the oath I gave to her and the oath that I hope I will have the opportunity to give if I am confirmed as Commissioner. I see no conflict between the two whatsoever.

3-022

Gerolf Annemans (NI). – I still have this political question, Lord Hill, and my question is why? Why did you not become the Commissioner of Fisheries or something? Why, apart from the fact that the City of London is situated in the United Kingdom, why did Juncker choose, for the job of caring for the financial stability and union of capital markets, the UK candidate? Your answer that the euro is taken care of by Mr Drombrowskis cannot avoid the paradox, I am sorry.

I would like to ask you specifically, is not the economic situation of the eurozone an endless impasse, in which the euro brought the economies of its members the proof that Eurosceptics in your Conservative Party and in the United Kingdom in general are right when they state that unifying things that should not be unified is the wrong thing to do? Is there not for you, personally, an undeniable paradox between wanting a single financial market and on the other hand rightfully wanting to stay out of the union of all financial unions, namely the united currency?

3-023

Jonathan Hill, *Commissioner-designate*. > In terms of the first part of your question, as to why I have been nominated for this portfolio, that was a decision that Mr Juncker took and I was proud to respond to the trust he has placed in me in taking on these very heavy responsibilities, and I will discharge those to the best of my ability in the interests of the European Union.

When I originally accepted the nomination from the British Prime Minister, I obviously did not know what portfolio I had. I might indeed have ended up with fish, but it was financial stability and capital markets union and regulation that he asked me to take on. Again, I think this is a different version, in a way, of the previous question about tensions and how one resolves them. I think it is in the interests of all 28 Members of the European Union for the euro to be a success and to flourish. I think it is in the interests of all 28 Members of the European Union for the banking union to be a great success, and obviously it is also open to any Members of the 28, even if they are not members of the euro, in due course to apply to join the banking union.

I recognise, of course, as I have been talking to people a lot about these issues in recent weeks, that there are tensions on certain issues; of course there are. But I think that the task that we have collectively, if I may say so, is to work to reconcile those tensions and to make sure that, for instance in the banking union, the euro 'outs' feel as comfortable about the implementation of the single rule book and the future of banking union as the euro 'ins'.

3-024

Gunnar Hökmark (PPE). – The United Kingdom is an important part of a strong European Union in the world, and I hope that you will be able to play a vital role underlining that. I have two questions. First one is: how do you see the coordination and the division of responsibilities between you and Commissioner-designate Mr Moscovici and Vice-President-designate Katainen? How are you going to clarify who is responsible for what, and how are you going to secure that you will get efficiency and synergetic effects in your coordinated work?

Second, everyone talks about the capital market union, but very few can describe it. How are you going to do that? Meaning: the European financial markets are fragmented, and therefore we are also under-performing regarding our total capacities, not only regarding financial markets but regarding economy as well. How are you going to secure investments and financing of European business and growth?

3-025

Jonathan Hill, *Commissioner-designate*. > First of all, on the important point about coordination, my view is that the idea of getting groups of Commissioners working together, being coordinated and encouraged by a vice-president, is a good idea. I think it is good to try to break down what people might think of as a silo approach and to try to get people cooperating, because there are obviously a number of interrelated issues to do with monetary union: regulation, for instance, in my area, and how to get growth and jobs – read across to other areas. It seems to me to make a lot of sense to try to find ways of bringing people together in a common endeavour. So I am strongly in favour of the principle.

In terms of how it will work in practice, I know that Jean-Claude Juncker has set out in a letter to Martin Schulz the headline on the approach and the different responsibilities that the vice-presidents will have. My common-sense answer is that a lot will depend on the personal relationships between people. I will enter into this determined to make it work, because I think it is right, with Mr Moscovici, Mr Katainen, Mr Dombrovskis and others of my colleagues. So I am very strongly in favour of that approach.

I think there is a key issue for this House, which is the issue of accountability, and we need to be very clear about who is accountable to the Committee on Economic and Monetary Affairs: who is going to come and explain things to you on various issues. It may be ‘horses for courses’ to a certain extent, but I clearly see that as an absolutely central part of my job.

I am afraid, on the question of capital markets union, that I am about to get cut off, but I hope that someone else may raise the question of capital markets union and I will be able to answer you at the same time.

3-026

Jakob von Weizsäcker (S&D). – Lord Hill, I will not ask you, since no doubt you have been a skilful adviser to the public sector and the private sector in the past, what your best advice to Jean-Claude Juncker would have been on the allocation of portfolios to Commissioners-designate. Instead, I want to ask you a question on banking union and its relation to countries outside the banking union. The crisis has clearly demonstrated that regulatory cooperation is a fair-weather arrangement and that supervisory cooperation is a fair-weather arrangement. In the EU this has, among other things, led to the creation of the banking union. In the US this has led to increasingly stringent extraterritorial requirements on banks operating in multiple jurisdictions. Can we rely on your support to make sure that the banking union imposes similarly stringent requirements on financial operations outside its geographic reach, or would the idea of turning the telescope around – which you mentioned in the introductory speech – really serve to divert attention away from the continued significant exposure of taxpayers to financial institutions?

3-027

Jonathan Hill, Commissioner-designate. > On your first point, I would not presume to give advice to Jean-Claude Juncker, who I think is someone who knows his own mind very clearly.

On the substantive question about banking union – the ‘ins’ and ‘outs’ and all the rest of it – I think first of all it is just always worth a reminder, because I know people are sensitive to the potential tensions: some people are sensitive to the fact that I was born in a country that is not a member of a banking union and so have questions in their mind as to whether I would be able to perform that role, which I very much believe I will, because I will act in the European general interest.

So there is the single rule book, which is what underpins the whole banking union and which all 28 have to follow, and I think it is worth reminding ourselves of that. So far as the question of extraterritoriality and so on is concerned, yes, I think it is the case that sometimes the United States tries to regulate its banks globally, even when they are in Europe. Our view is that, where we can, we should agree with the US and others to recognise each others’ regulations as equivalent and then to defer to each other. I think that is the widespread view that is emerging in the G20, and I would certainly want to work with others and with the European Parliament to achieve that principle and try to mitigate against the problems which you foresee.

3-028

Markus Ferber (PPE). – Ich spreche nicht in der Sprache von Herrn Shakespeare und auch nicht in der Sprache von Molière, sondern in der Sprache von Johann Wolfgang von Goethe.

(Heiterkeit)

Ja, der hat hier noch gefehlt. Ich kann auch ein bisschen Hessisch, wenn es notwendig ist. Aber jetzt ernsthaft, das geht ja nur von meiner Zeit ab.

Zum Thema Transparenz. Sie hatten angekündigt, dass Sie alle Kontakte die Sie außerhalb des Hauses führen, veröffentlichen wollen. Ich wollte Sie fragen, wie Sie zur Idee des sogenannten legislativen Fußabdrucks stehen? Sind Sie bereit, alle Treffen, sei es mit „Oxfam“ oder mit der *City of London* transparent offenzulegen?

Zum Thema Kapitalmarktunion. Da wollen wir ein bisschen Licht reinbringen. Ist es eine Weiterentwicklung der Bankenunion, also auf die Eurozone beschränkt, oder ist es eine Weiterentwicklung des Binnenmarktes? In diesem Zusammenhang sehe ich insbesondere zwei große Probleme: KMU-Finanzierung und langfristige Investitionen. Welchen Beitrag kann da die Kapitalmarktunion leisten?

3-029

Jonathan Hill, Commissioner-designate. > Thank you for those three questions. In terms of transparency, my approach would be to first of all find out exactly the approach that was pursued by my predecessor, who I know had a policy of making sure that people knew the organisations that he was seeing, and I would follow that faithfully. Also I know that there are suggestions/proposals that Jean-Claude Juncker is very supportive of – of having a mandatory lobbying register, which again I think is a good idea and that I would support.

My principle in terms of meetings, as I said before, will be to see people who have a legitimate interest to make in the development of policy. So I think consumer organisations will play an important part in that; citizens – I know that what I hope will be my future services have supported Finance Watch and other ways of trying to make sure that the citizens have a means whereby they can have some kind of equivalence in terms of these very technical subjects. I think those are important, and I think that we should keep that whole area under review.

On capital markets union, I am very clear (but more to the point, Mr Juncker was very clear in his mission letter to me) that this is a project for the 28, and I think, therefore, it is in the best tradition of the single market project for the 28, and my task will be to ensure that it is for the 28 and that all 28 Member States want to take part in it. I will have failed if it does not end up being a project of the 28. In terms of how one encourages long-term investment, I know at the moment there is a proposal on the table to encourage European long-term investment funds: that strikes me as being exactly the kind of initiative that will form part of a capital markets union, and I will want to take that forward as an urgent priority.

3-030

Pervenche Berès (S&D). – Monsieur le Président, Monsieur le Commissaire désigné, au sein de ce Parlement, durant la législature précédente et sous l'autorité de votre compatriote Arlene McCarthy, dont je salue la présence dans cette salle, nous avons combattu le versement de bonus aux banquiers – parce qu'ils avaient été un levier de la crise et parce que nous considérons qu'il s'agissait d'un élément essentiel pour la mise en place d'une véritable régulation des marchés financiers.

De la même manière, nous étions engagés d'une façon très déterminée dans l'élaboration d'une directive sur la prévention de l'utilisation du système financier à des fins de blanchiment des capitaux et de financement du terrorisme. Pour des raisons de conflit d'intérêts, l'unité chargée de ces deux textes, à savoir l'unité "Gouvernance d'entreprise, Responsabilité sociale", ne fera pas partie de votre portefeuille. Le fait que vous ne puissiez pas exercer ces compétences ne vous disqualifie-t-il pas pour exercer vos responsabilités en matière de stabilité financière et d'union des marchés de capitaux?

3-031

Jonathan Hill, *Commissioner-designate*. > First of all, on the specific point: I do not believe it means that, but the decision taken by Mr Juncker was taken in order to bring these issues relating to corporate governance together under one roof, and I can understand the sense of that.

Clearly, in terms of the substance of the issue, these are matters that will be discussed in the whole College, in which I hope to play an active part. So, from that point of view, I will remain involved in the subject. But it is the case, as you rightly say, that V ra Jourová is now in the lead. The position on it is very clear. Legislation has been passed, and the view that I am sure she would take – that I would take, that any Commissioner should take – is that legislation that has been adopted needs to be upheld.

My own view on the substance of the issue – for what it is worth – is that I believe that incentives should be aligned properly with performance. I think that one of the problems that we had was that that alignment broke down and there were people who were not acting in the long-term interests of the organisations or companies for which they were working and were not acting in the long-term interests of shareholders. When that happens, you end up with problems.

Trying to address that issue, the proposals that were in there – as I understand – were to do with things like clawback and proper mixes of cash and paper and trying to make sure people have a long-term incentive, not a short-term one to do the wrong thing. That is absolutely right. But, in terms of what happens next, there is a process underway. I know that my predecessor followed up with the EBAs and asked them to do some further work. We will hear the results of that in due course. I am also sure that Vera Jourová and her colleagues, including me, will consider that in due course.

3-032

Othmar Karas (PPE). – Lord Hill, *welcome!* Ich möchte zuerst einmal auf den Brief von Jean-Claude Juncker an Sie hinweisen, in dem steht:

3-032-500

‘I also want you to look at the social fairness of regulation in this field. We should avoid wrong incentives for managers in these industries.’

3-033

Ich frage Sie: Was verstehen Sie darunter? Wie wollen Sie die soziale Fairness herstellen, und wie wollen Sie falsche Anreize sowohl bei Produkten als auch in Gehaltsmodellen verhindern?

Meine zweite Frage. Die Integration des Binnenmarktes benötigt eine Integration des Finanzmarktes. Wo halten Sie eine stärkere Integration des Finanzmarktes für notwendig im Sinne des Binnenmarktes? Wie erleichtern Sie den Zugang von KMU zu der notwendigen Finanzierung? Welche Initiativen planen Sie bzw. wie implementieren Sie alternative Finanzierungsmöglichkeiten, zum Beispiel Crowdfunding?

3-034

Jonathan Hill, *Commissioner-designate*. > To take the last point first, in terms of how you try and encourage investment in markets, there will be a number of ways we can do that. My starting point in trying to tackle that question on capital markets union would be a careful and thorough analysis of what the current barriers are to the proper, effective flows of capital across the whole EU, and then, having carried out that analysis, work out what the solutions to that problem might be. So, a bottom-up approach: because we know already that in some Member States there will be people who say there is not much of a problem in terms of investment flowing to small and medium-sized businesses, whereas, clearly, in other Member States there is one.

The global question across the EU is the simple point of how we try better to match the potential investment which is currently frozen with businesses that want it and need it to grow. In terms of how you go about that, as I said before, the European long-term investment fund – which seems to be a natural development of the UCITS (Undertakings for Collective Investment in Transferable Securities) regime – is an interesting model whereby money would be funnelled into infrastructure-type projects or small and medium-sized businesses, maybe in areas such as science. I think that would be an example. Another approach might be one that increases the amount of information available. One of the problems with a fragmented market is that potential investors do not know enough about the small and medium-sized businesses that they might invest in, so having common forms of information across an integrated market might be another area to look at.

In terms of your points about incentives and the social dimension, in all that I want to do I want us to think about the benefits we can deliver for the citizens of Europe, and to try and make sure we do not have false incentives that drive the wrong kind of behaviour.

3-035

Anna El bieta Fotyga (ECR). – Commissioner-designate, although you are partially answering my question, I would like you to reiterate some of your statements. Therefore my very simple question: how would you like to reconcile the interests of the eurozone and non-eurozone Member States – how to represent both groups alike?

3-036

Jonathan Hill, Commissioner-designate. > I think, in a way, the challenge I have is the same but a kind of mirror image of the challenge that Michel Barnier faced, about which he has been very open in the sense that anyone carrying out one of these jobs, because of where we are in the development of the Union, is either a member of a euro-in country, or a euro-out country. I know when Michel Barnier was appointed, there were some from some of the euro-out countries, and maybe some in my own country who, I think unreasonably, suspected that he would not be able to reconcile those two interests and I think they have been proved wrong by the way in which he went about the task. So the task for me is exactly the same, but the other way round, and just as Mr Barnier approached the job in the European interest, so will I.

I think a practical way of trying to build trust and deal with the issue to which you refer will be through the capital markets union, but the capital markets union – which must be a union for the 28 – is a way of demonstrating that we are able to build a single market in the interests of the whole of Europe, in which all 28 Member States can take part enthusiastically. So I think it is extremely important with the work we take forward on that that we bear that goal in mind, and I will do everything that I can to make sure that I do reconcile those two interests and bring them together.

3-037

Cora van Nieuwenhuizen (ALDE). – Commissioner-designate, I would like to get back to the subject of the capital markets union. You have mentioned a few things about it, but it is still rather cloudy. What are your concrete plans? What regulations will you be focusing on? What needs to be changed? You have already mentioned long-term investments, but what are your concrete plans and when can we achieve any of them? Are you planning to introduce new regulations? I would very much like to have a bit more enlightenment on this subject, as right now it sounds a lot like a very nice slogan – ‘let us all unite the capital markets’ – but what are you planning, other than the good intentions that we have just heard?

3-038

Jonathan Hill, Commissioner-designate. > As I was saying just now, I think the first step – which sounds very prosaic (but I am a practical, pragmatic person) – is to identify, first of all, what the

obstacles currently are standing in the way of the free flow of capital. I do not want to start with a grandiose vision. It is a little over two weeks since I was nominated, and I think you would collectively think I had taken leave of my senses if, after two weeks, I were to come to you and say 'this is everything we are going to be doing over the next five years'. So I am, I think, clear in my mind that I want to take this step by step, starting with the analysis.

I think, as you have said, there are some areas where we can already see that might well require regulatory change. I think it is likely, when we get down to it, that there will need to be a rule change, either to get rid of obstacles or to facilitate other areas. For instance, in a recurring theme: how can we encourage investment in better-quality, high-quality securitisation? This is something that we are going to need to do, and I hope that we can do it in a way that unlocks investment without taking the risks that I do not think anyone here wants us to see taking again.

So I would have to urge you to be a little patient, because I think to rush and make a mistake would be a mistake. But what I am absolutely clear of, in terms of how we take forward developing the practical implementation of capital markets union – how we overcome these obstacles – is that that is something I would want to work up, discuss fully, have consultation and draw on everyone, particularly in the Committee on Economic and Monetary Affairs, to see what ideas we have got and how we can develop them.

3-039

Olle Ludvigsson (S&D). – I våras antogs en ny EU-lagstiftning om rätten till ett grundläggande bankkonto. Varje konsument har rätt att öppna och att använda ett sådant konto. Ingen ska få nobben av banken. I förhandlingsprocessen protesterar den brittiska regeringen mycket aktivt. Den vill inte omfattas av delar i lagstiftningen och vill inte etablera en solid rättighet för konsumenterna.

Denna lagstiftning ska nu genomföras i medlemsstaterna. Då är frågan: Om någon av regeringarna försöker avstå från att implementera detta direktiv fullt ut, hur kommer du att agera då? Kommer du låta detta ske, eller kommer du beslutsamt att säkerställa att alla regeringar gör vad de ska göra? Kommer du att se till att rätten till ett konto verkligen gäller för alla konsumenter i EU?

3-040

Jonathan Hill, Commissioner-designate. > The short answer to your question is 'yes' – and I could stop there, if everyone would like me to, because that is, obviously, the duty I would have. The law is the law and, once a law is passed, we should uphold it.

My general approach to law-making and regulation is that one should try to have a proportionate approach to law-making and regulation but, when you pass laws, you should enforce them. If I could wave a magic wand, my approach would be to go for fewer laws, but laws that have teeth and laws that are enforced, instead of lots of laws and lots of regulations that some people turn a blind eye to. So certainly, in any area of responsibility I have, a law is a law is a law.

So far as the underlying issue is concerned about access and so on, one of the things that I am generally keen to try to do – and I would look to you and other members of this committee to help me with – is how, over the next five years, we can develop more ways of delivering tangible benefits to the citizens of Europe from our financial services industry.

I think one of the great challenges we have is making the European Union concrete to people. Too many citizens will say that they cannot see what they are getting out of the European Union and they feel remote from it, whereas I think when one can point to concrete things that have happened because of the EU which would not have happened – whether that is things like roaming charges or flight, whatever, or in this case access to banking – I think the better it is.

So I would want there to be a big emphasis— if we can work on that together – to remember the consumer and to think in terms of benefits we can deliver, through better products, to millions of our fellow citizens.

3-041

Sirpa Pietikäinen (PPE). – In my question I would like to look forward when it comes to capital markets, where indeed I think we should be more competitive. I am strongly in favour of a more integrative approach in growth policies for different sectors. That leads me to my question: while we have the great challenge of resource efficiency, and we need to take into account environmental challenges across all our policies, how do you see this being reflected in the preparations in relation to financial regulation?

I do not expect you to comment in detail on the legislation but, as you know, there are a lot of ideas: you could integrate resource efficiency into the International Financial Reporting Standards (IFRS), you could take environmental risk into account in credit ratings, and there are many other avenues under discussion. I would like to hear your view on these discussions. In which direction would you like to lead the debate?

3-042

Jonathan Hill, Commissioner-designate. > Whatever I am likely to say at the moment is bound to be provisional, but one of the ways – I referred just now to the ELTIF, the long-term investment fund – is to use that to channel money into, for instance, infrastructure projects or into particular kinds of SME activity, another category of that kind of activity. As part of the broader approach that we should be taking on climate change generally – which I know we are keen to do across the EU – that could be another area where one could incentivise, or seek to incentivise, certain kinds of behaviour.

So I think there clearly are ways, either by incentivising in terms of availability of money or changing things like capital requirements, that you can direct investment into particular areas, although my priority will be on the less glamorous side of trying to get the plumbing right so that the flows of money can move. If there are discussions within the College about the kind of social and other priorities one wants to apportion to different activities, these are also part of a question that might come out of the EUR 300 billion fund that Mr Juncker is talking about. Part of my job will be to try to get private sector investment flowing into that. That might be the forum in which those important issues can be explored, but I will be very happy to talk to you about them subsequently, in any case.

3-043

Fabio De Masi (GUE/NGL). – I will talk in the language of the Queen but with a German accent. Lord Hill, which representatives of financial institutions have you met since you were nominated by Mr Juncker?

Secondly, you mentioned Finance Watch. There was some conflict here in the House about the continued funding of Finance Watch through the EU budget. Will you commit to continued funding of Finance Watch?

Thirdly, I read your answers to Parliament's questions carefully (and I hope I was reading the right version, unlike in the case of Ms Malmström), and you implied some potential conflict between financial regulation and lending to the real economy. I disagree. I think austerity kills credit demand, and banks have too many toxic assets, but do we have an exact figure on the funding subsidy for too-big-to-fail banks in Europe to inform your decisions? And what are you going to do? How do you want to regulate mis-allocation of resources by excessive trading?

3-044

Jonathan Hill, *Commissioner-designate*. > I might gently remind you that not that long ago the British monarchs indeed had a German accent, and their English was not very good for quite a long time.

In terms of whom I have met, in terms of financial institutions since I have been nominated, the answer is none – with one exception, actually. There was one exception: I was on the train going back to London, quietly reading a book; I was reading some Joseph Conrad for some light relief from the Financial Regulation. (It was not the Heart of Darkness, it was Lord Jim, but Heart of Darkness might have cheered me up as well.) I was sitting there quietly and I was accosted in the train by someone lobbying on behalf of a financial institution. That was quite a vivid example of, obviously, the way that some people behave. I think that is the only example I can think of where I was an unwilling captive on a train. But I gave instructions to my office that (actually this was before I was nominated, as it happens) the people I wanted to see were MEPs, Commissioners, the existing Commissioners and other people involved with Parliament and the Institutions, so I have not seen anybody at all, so far as I am aware.

In terms of the second question – Finance Watch: I do not know, if I am honest, the details of how it is funded and all the rest of it. I know from the questions I have asked the DG that it performs an extremely important role, and I recognise that, although one might think in principle having public funding of a consumer body is slightly odd, I completely recognise and understand that, because of the technical nature of the subject, you cannot expect consumer organisations to be able to compete with the technical complexity that these big companies can throw at it. So my instinct is that it absolutely needs to carry on. I do not know enough about the detail of the funding, but there clearly needs to be an antidote to the lobbying by these big organisations. I am sorry, I have run out of time on the other one.

3-045

Eva Joly (Verts/ALE). – I have two questions. The first is about shadow banking. Shadow banking activities, due to their huge capacity and complexity, could pave the way for the next financial crisis. Yet the country you know best is clearly opposed to some key provisions of the Commission's legislative proposal on money market funds regulation. What is your position regarding the conversion of constant-net-asset-value money market funds to variable-net-asset-value money market funds?

What is your position on the 3% buffer as originally provided for by the Commission in its legislative proposal?

The country you know best is staunchly opposed to the Commission proposal on the regulation and supervision of benchmarks and indexes like Libor, as well as in the fields of commodities and foreign exchange. Are you ready to fight for the Commission's proposal? Yes or no?

And could you envisage the European Securities and Markets Authority (ESMA) being entrusted with the ultimate powers of supervision over systemically important benchmarks and indexes? Yes or no?

3-046

Jonathan Hill, *Commissioner-designate*. > First of all, generally on the area of shadow banking, I think that the stance we need to adopt is to be alert to the emergence of new risks. I think we have to be slightly careful sometimes – well, not careful, but the very word 'shadow banking' obviously implies something shadowy and therefore undesirable and the fact is that shadow banking is a broad term that encompasses numbers of different ways of unlocking money that actually we might want to encourage because, if we do not have investment flowing, we will not get growth, and if we do not

have growth, that threatens stability. So I think in all of these areas – and on this I think I would agree with you, I am sure – is that the balance we have to strike is between effective regulation and not approaching things in such a way that we deny the life-blood of investment into our broader economy; into the real economy.

In terms of the specific questions you answered, I am aware of the fact that there are, obviously, proposals on the table around money market funds and that there are politically-charged issues that underlie it and that have big relevance to a number of different markets. I intend to take those proposals forward and see where we get with them. I understand the case for CNAV, in the sense that there are charities or corporate treasurers who want the security that they can offer, because they want to pay their salaries at the end of every month, but at the same time I had explained to me the danger of the systemic risk that that might pose, hence therefore the proposal around the 3% capital buffer.

Clearly, there is more work that needs to be done on that, and we will take that forward and try to find a way through that – again – reconciles the interests of stability and investment and also effective regulation.

3-047

Steven Woolfe (EFDD). – Lord Hill, having considered your allegiance, which by the sounds of the claps in this Chamber, seems to be very clear, may I now turn to your effective powers. Many in the Conservative Party lauded your appointment as evidence that David Cameron could protect the interests of the UK's important industry employing one and a half million people: our financial services sector. But in your employment contract with Juncker, the so-called mission letter, there is no instruction to remove over-bearing regulation nor to prevent the financial transaction tax, indeed so concerned is the EU with preventing you having any influence, they have removed the enforcement of the cap on bankers' bonuses from your brief and given it to another Commissioner, notwithstanding that good corporate governance and salaries are an essential part of financial stability. You report to your team leaders Katainen and Dombrovskis, leading the Financial Times uncharitably to call you just a junior player in a team. You can be overruled at any moment, not just by those Commissioners, but by more senior people such as President-elect Juncker. Does this not simply show that you have no power or influence to protect the City of London?

3-048

Jonathan Hill, Commissioner-designate. > I think the fact that we are all sitting here today with such a turnout from Committee on Economic and Monetary Affairs shows that the Economic Affairs Committee and this Parliament take very seriously the powers and responsibilities that Commissioners have and quite rightly want to hold them to account. So I think to take as a starting point the notion that Commissioners do not perform an important job and that this Chamber, this committee, does not perform an important job in holding them to account is not where I would start from. Also, I have to say that it is clearly not my task and that is one of the points I have been seeking to emphasise.

I accepted this nomination in good faith, to come here to work in the general interest as a European Commissioner. I did not come here in order to promote the interests of particular groups. My task will be to make sure we have an effective, well-regulated financial system. My belief is that a well-regulated, properly enforced financial system will be in the interests of financial services everywhere. So I do not see a tension between proper regulation and a successful financial services industry. We are clear, I believe, that we need to have a strong, successful financial services industry across the whole of Europe because, without a strong financial services industry, we do not get the investment and the growth and the jobs that we need. You would be wrong if you are trying to caricature me – which I am sure you are, for domestic political purposes – as someone who is not concerned about the financial services industry, a very important part of which is in London.

We need a strong financial services industry. I will work to promote that, but I will do so on the basis that, for it to succeed, it needs to be properly regulated.

3-049

Paul Tang (S&D). – I am still a bit puzzled about what exactly a capital market union is, but my understanding of this is that it requires more study. That is what I have heard.

Let me ask you a related question and bring up a concern. You want to take the initiative and come forward with proposals for the capital market union, but might that go against the current regulatory framework that has been built up over the past years, or might it lead to a shift from a regulated to an unregulated part of the financial sector? In other words, is the capital market union perhaps a way of deregulating, rather than maintaining and improving the existing system of regulation?

3-050

Jonathan Hill, Commissioner-designate. > I do not believe it is that at all. I think that, in order to have a properly functioning single market, we are going to have to have rules within which everyone operates, in the same way we have already put some of the building blocks in place with the single rule books around some of the securities, we will need to build on that.

My answer to your underlying question is a version of the previous answer I gave to Mr Woolfe, that I know sometimes there is a kind of dichotomy. We are presented with a choice between ‘are you in favour of regulation, or are you in favour of growth?’. I think that that is a false dichotomy. We have to resist that dichotomy if we are going to respond to what most of us accept is the biggest challenge we generally face across the EU, which is: how do we get jobs and growth going for our citizens?

I do not see it as being one or the other. I see it as being that sensible regulation should lead to growth. Obviously, over-regulation is not something that we want. I do not think that any of us would want that. We would all want proportionate regulation. I think there are ways, as we were discussing earlier, in terms of how you can differentiate between different kinds of investment, so trying to encourage higher quality securitisation and safer, better-quality securitisation whereby you can encourage investment, but without encouraging people into riskier assets.

3-051

Alain Lamassoure (PPE). – Monsieur le Président, Monsieur le Commissaire désigné, je voudrais poser une question, à laquelle le président Draghi n'a pas voulu répondre. La crise dont la faillite de *Lehman Brothers* a marqué l'éclatement a conduit le G20 à recommander à tous ses membres un renforcement considérable de la réglementation des banques, des marchés, des instruments de crédit, etc.

Nous avons parfois l'impression qu'avec la quarantaine de textes proposés par votre prédécesseur, l'Union européenne a été le bon élève de ces exercices recommandés par le G20, tandis que les réglementations américaines telles que la loi *Dodd Frank*, par exemple, ont été moins rigoureuses soit dans leur texte, soit dans leur application.

Est-ce un sentiment que vous partagez? Si oui, la compétitivité des acteurs financiers européens risque-t-elle d'être compromise! Et si tel était le cas, comment comptez-vous y remédier?

3-052

Jonathan Hill, Commissioner-designate. > I think the honest answer to your question, which is a good question – how do we make sure that regulations that are intended to be global and flow out of global standard-setting bodies are applied equally across the board? – I think the premise of your question is absolutely the right one.

In terms of the detail of how I would go about trying to ensure in international negotiations, particularly in discussions with the United States, but maybe others, that we are getting them properly implemented and, if not, we have equivalence and deferral and all the rest of it – how precisely I will need to go about that – I need to have to further and better briefing on it.

In terms, though, of your underlying point ‘is it important?’: Yes. Should it be a priority? Yes. Should we make sure that high standards that we enter into do not end up disadvantaging us internationally because others drag their feet? Yes. I think that is one reason why, as part of the TTIP negotiations, the suggestion that we try to deal with the question of how we get better financial cooperation between the EU and the US, that is the reason, as I understand it, why those provisions have been placed at the heart of the TTIP negotiations. I think that is the right approach and that we need to make sure that standards agreed in international bodies – whether it is the G20 or whoever – are applied and enforced and that we do not put ourselves at a competitive disadvantage by us enforcing them and then other jurisdictions not doing so.

3-053

Bernard Monot (NI). – Monsieur le Président, Monsieur le Commissaire désigné, désigner un lobbyiste britannique qui a fait sa carrière grâce à des clients privés comme des oligarques russes, à des fonds spéculatifs exotiques ou encore au groupe HSBC, c'est quand même un paradoxe. Il y a mieux pour faire plier la City sur les dossiers de régulation et moraliser les marchés des capitaux.

Les membres de la Commission européenne sont censés offrir toutes les garanties d'indépendance. Vous nous avez déclaré qu'il n'y avait plus aucun conflit d'intérêt. Pourtant votre nom est souvent associé à des intérêts privés, comme l'affaire Tesco par exemple. De plus, ce n'est qu'en juillet que vous vendez vos parts dans un cabinet de lobbying travaillant notamment pour l'industrie bancaire. Comme Monsieur Cañete, vous essayez dans la précipitation d'apparaître déontologiquement acceptable. Mais en réalité, vous devez votre fortune en grande partie au monde de la finance. Le journal *Financial Times* l'a rappelé encore récemment.

Quelle est donc votre éthique, Monsieur Hill? Vous qui faites l'aller-retour entre l'administration et le lobbying depuis vingt-cinq ans, comment pourrez-vous rester à l'abri des pressions des banquiers lorsqu'il s'agira de parler de transparence et de réglementation? Pour ma part, en tant que patriote, j'estime que vous n'apportez aucune garantie supplémentaire. Donc, je ne vous accorde aucun crédit pour moraliser un secteur caractérisé par la cupidité sans fin, au détriment de l'intérêt général des peuples, et qui nous amènera surtout un nouveau choc systémique.

3-054

Jonathan Hill, Commissioner-designate. > Obviously I am sorry that is the view that you take. That view is not borne out by my experience and how I have led my life. The reason that I returned from the private sector into the British Government, a move I was not expecting, was because I believe in public service. The reason that when I was asked by the British Prime Minister to accept this nomination I did so – apart from the fact there is a huge challenge that Europe faces and that my country faces in terms of its relationship with Europe, which is enough reason to do it – was because I believe in public service.

There is no conflict of interest in any way with anything that I have done in my previous life. As I explained before, the business that I had, which I do not recognise from your characterisation of it, I left nearly five years ago, and that was that. During the time I worked there, I was very proud of the clients that I had, I was proud of the work that we did, I was proud in a small way to make a contribution to the economy and to employment. So I am afraid I do not accept the picture that you

paint. You describe yourself as a patriot, I am sure that is right. I too would describe myself as one. I am sure you have high standards, and so do I.

3-055

Costas Mavrides (S&D). – About a year and a half ago, something profound took place with regard to the banking system in Cyprus. I am not just referring to the deposit ‘haircut’, but to the whole package, including the transferring of the emergency liquidity assistance from one failing bank to another bank. Now we have a systemic mess. Since then, there is no trust in the banking system, which still remains very weak. On the other hand, there is a tremendous social cost to saving the banking system.

My questions: firstly, has the Cyprus experiment been successful? What are the lessons that can be drawn from the experience of Cyprus if anything similar happens?

Secondly, you have described yourself as a pragmatic person. Do you really believe – bearing in mind the Cyprus case – that we are going to have a real banking union without a pan-European deposit guarantee scheme?

3-056

Jonathan Hill, Commissioner-designate. > Obviously I am aware of the very difficult situation that there was in Cyprus and the hardship that was caused. I think it is very difficult not to have sympathy with people in that situation.

I think the answer to your question is, has the lesson been learned? I think the answer to that question is that the measures have been put in place to introduce a deposit guarantee scheme, to make sure that in future, were there to be a similar situation, everyone would have EUR 100 000 of their deposit guaranteed. I think that is the answer to the question going forward.

In terms of whether or not we should have a European deposit guarantee scheme, as we discussed earlier, I know there are arguments made in favour of that and arguments made against it. I think that going forward with the scheme we currently have in place is the right thing to do. Whether in due course we look at this again, who knows? But that would be my answer.

3-057

Brian Hayes (PPE). – I would like to welcome Lord Hill to our hearing today.

To begin with this question of capital markets, as other Members have said, it effectively took a financial crisis to arrive at a situation in which we had banking union and, as my colleague said, the third leg of that stool has yet to be put in place. Will it take another crisis before we see a capital markets union? Can I ask you, Lord Hill, to set out what you see as your indicative timeframe for putting the capital markets union in place? And secondly, what kind of target lending should we see? I think a better description of capital union is actually non-bank lending, and we need to encourage non-bank lending across the European system, so you might be able to answer that.

I very much agree with you when you say that you need to explore the benefits of the single market for citizens, and you mention digital currency – we know of bitcoins as one example. Could you set out what proposals you might bring forward for proper regulation on the digital currency side, where there are wonderful opportunities but also many threats?

3-058

Jonathan Hill, Commissioner-designate > I know that there has been work taken forward in the past under the Payment Services Directive and that has brought forward a number of measures to do with

systems of online payment and particularly customer authentication, so you can try to get the benefits without the security risks.

In terms of other virtual currencies – bitcoins – there is this theme that is running through a lot of our conversations about the balance between innovation and risk. I know that the Commission took part in a task force on virtual currencies that was led by the EBA and I believe that that is going to be included during some dialogues on the Anti-Money Laundering Directive. I think that is something we need to keep under close watch.

In terms of the capital markets union, will it take another crisis? No, I very much hope it will not take another crisis and that is not the way in which we should approach it. That is one of the differences in the way in which we rightly had to approach the banking union. We all hope that it will take place against more a clement background in terms of timing. My instinct is, as I said, to do some proper analysis first, in consultation with others.

In terms of the backstop, I have been given very clear instruction as part of my mandate letter that this needs to be up and running by 2019. My feeling is that we will see elements of that coming on-stream far earlier than that, making progress, for example, on encouraging higher quality securitisation. I think may happen quite soon and may be coming as early as the beginning of next year.

3-059

Sampo Terho (ECR). – The Commission emphasises that the increased level of banking legislation creates stability in the EU. However, there is a genuine risk of proposing too much legislation. For example, earlier this year the Commission proposed a regulation for bank structural reform which could prohibit banks from engaging in proprietary trading and make banks separate their market-making functions. The proposed structural restraints would most likely be detrimental for bank customers because banks could not provide tailor-made services or securities-based corporate funding.

Thus do you consider this kind of legislation as the right way to make sure that companies have better access to funding? Moreover, how will you ensure that the capital markets union will remain a project supporting alternative financing sources, especially for SMEs, and thus not end up being a regulatory burden?

3-060

Jonathan Hill, Commissioner-designate. > Your basic point about the proper approach to regulation and ‘how do we get that right?’, ‘how do we not over-regulate but how do we not miss emerging risks or existing risks?’ goes to the heart of the challenge that we all face and I would face in doing this job. It is not easy or sensible to give a simple glib answer as to how you do it. I think the only way you can do it is to make the best judgements that you can, but keep them under review. I think that is the only sensible way to proceed, and if I look back over the astonishing volume of legislation and the achievement over the last five years, common sense says that, when you legislate at such speed under such pressure, you are unlikely to have got everything absolutely spot on. I therefore think that a common sense approach is to look at things in the round and form those views. Some of that is already written into legislation: I think there are a hundred such reviews coming up over the next few years where we would have to review the effect.

We should also think about whether we need to have more cohesive look across the piece at regulations. In terms of the structural reform and building on the Liikanen proposals, the balance that Vice-President Barnier was trying to strike between trying to eliminate risk but not damage, for instance, the universal banking model, looking at proprietary trading and approaching it in a balanced way – I know some people think it goes too far, some people think it does not go far enough, but I

think it is worth us taking those proposals forward and seeing where we get and what the right balance to strike is.

3-061

Petr Ježek (ALDE). – I would like to pick up on the issue of money market funds and especially on the 3% capital buffer for all current net asset values. May one judge from your response that you intend to revisit the proposal sent into the process by your predecessor?

I would also like to pick up on the question of the capital markets union. Could you name some areas where you think there are obstacles in the single market and say whether you would intend to complete the single market through directives or regulations?

3-062

Jonathan Hill, Commissioner-designate. > On the question of money market funds, my intention would be to take forward the proposals that are currently on the table. What I was saying earlier would be my approach. Obviously, as I understand it, the way these things normally work is that the process of discussion and so on will continue, but I am not saying that what has already been done should be taken off the table. We should carry on looking at it, and that, as far as CNAV is concerned, as I said before, we do need to try to find a solution that allows these funds to continue playing their role in the economy. At the same time, we have to ensure financial stability, so that would be my approach on that.

On capital markets union: I understand the desire to have more detail but, given what I was saying before about the approach we need to develop together, which is to analyse problems properly and then proceed, in terms of whether the steps that we might be likely to take at some point are by regulation or directive, I am not able to give any kind of sensible answer to you at this stage. Obviously, it will depend on what we bring forward. But my approach will be – having carried out the analysis and identified the problems – to take whatever steps we think we need to take to overcome them, and to make sure that capital is able to flow and to those who want to have access to it for investment, to grow their businesses and for other purposes.

3-063

Alfred Sant (S&D). – Commissioner-designate, wide divergences have developed within the European single market and within the eurozone, and between Member States and regions. These have led to differing models of competitive advantage, some of which rely on trade in services. A number of territories, not least because of their size and in some cases their peripheral situation, have developed a competence in the provision of financial services. Among these territories one finds Cyprus, Malta, Gibraltar, Ireland, Luxembourg, as well as the UK and the Netherlands. When provided according to regulatory criteria, such as those of the OECD, financial services can help promote market efficiencies in the single market. Also, financial services have been creating jobs and economic activity in areas which would otherwise be liable to endemic stagnation. Subject to the implementation of the transparency and other standards set by the OECD, do you agree that the provision of such services by peripheral regions should be safeguarded and enhanced?

3-064

Jonathan Hill, Commissioner designate. > I think the basic point that we should strive for is to make sure, whatever services are being offered and provided, from wherever they are, that people are operating on a level playing field. We cannot have a situation whereby some people within the European Union are operating under a set of rules which are more onerous than those of other people trying to have access. The principle that one needs to adopt is to make sure that, across the piece, whatever area it is in, European businesses are not having to compete with a hand tied behind their back, and that we have common approaches and rules delivered through international bodies which

we worked on – whether it is on transparency through the OECD or other fora – and that we then apply and uphold them.

3-065

Fulvio Martusciello (PPE). – Commissario, non so se Lei ieri ha letto l'agenzia del presidente dell'Autorità bancaria europea, Enria, il quale preannunciava che ci saranno alcune banche che falliranno i test e che saranno quindi soggette a fallimento. Mi chiedo se queste dichiarazioni siano utili, se non mettano a rischio il sistema finanziario e se Lei, al posto di Enria, avrebbe reso dichiarazioni di questo genere.

Una seconda domanda: ieri, lo Stato italiano ha dichiarato che rimanderà il pareggio di bilancio al 2017, la stessa cosa oggi ha fatto Parigi, mi chiedo e Le chiedo se, a seguito di queste dichiarazioni, ci saranno ripercussioni sulla tenuta del sistema già a breve termine.

3-066

Jonathan Hill, Commissioner-designate. > The particular comments you are referring to I do not think that I have seen. I am sorry, I am not quite sure what your underlying question is. I mean, in terms of the banking union? Sorry, forgive me. What are you interested in knowing?

3-067

Fulvio Martusciello (PPE). – Ieri, Andrea Enria, a Vienna – trova la notizia su tutte le agenzie – ha dichiarato che alcune banche non supereranno gli stress test e sono destinate al fallimento. Mi chiedo se dichiarazioni di questo genere possano destabilizzare il sistema e se Lei, al posto di Enria, avrebbe fatto una dichiarazione di questo genere.

3-068

Jonathan Hill, Commissioner-designate. > I am not able to pre-judge what the results of the asset quality review (AQR) and the stress tests will be. They have been going on at the moment and those results are due soon. I think it is an important part of the process of making sure that we have strong and stable banks in the banking union. I know that, in advance of the tests, banks have been taking steps to increase the amount of capital that they have. So I know that this is a process that is being taken extremely seriously and rigorously. I am sure we can have confidence in the findings when they come out, but I do not think it is sensible, or possible, for me at this stage to comment on what is likely to happen because I do not know what they are going to say.

However, having that piece of infrastructure in place, so that we know sensibly what the basis is on which we are going forward with banking union is the right thing to do. We will know the results soon, and I would hope that the new system that is being put in place, with the resolution board, the resolution fund and all the rest of it, will help to buttress our defences better in the future.

3-069

Ivana Maleti (PPE). – I have two questions. One is about high debt levels and leveraging, which are among the most important issues for the EU which slowed down the recovery process. What will your approach be to business failure and insolvency, and will you try to improve (and how?) country-specific recommendations in that sense within the European semester process?

Another one is about payment regulation. What do you think about payment regulation and the fact that payments in the Member States to the suppliers should be done within 60 or 90 days at most? On the other side, we are facing difficulties with payments from the EU budget to the Member States. Will you be involved (and how) in solving this issue?

3-070

Jonathan Hill, *Commissioner-designate*. > I think a number of those are issues that do not necessarily fall slap bang in the middle of my portfolio but, clearly, I will be part of the College of Commissioners that considers things. Obviously, I am aware of the effect that country-specific recommendations can have in driving the kind of behaviour we need for stability, but again that is a process that I think largely falls to Mr Moscovici, working with his colleagues. In terms of generally on the payment levels, obviously I am aware of steps we have taken around the Payment Directive, which, I think, is a slightly separate point. But if there are specific things after this meeting or subsequently that you and I can explore, and you can explain your concerns to me, then I would be very happy to have that conversation with you.

3-071

Jonás Fernández (S&D). – Señor Presidente, señor Hill, el señor Barnier ha sido extraordinariamente activo en la última legislatura, enviando más de cincuenta propuestas legislativas a esta comisión, muchas de las cuales han acabado muy matizadas en el trámite legislativo. Me gustaría preguntarle si usted va a mantener ese activismo regulatorio del señor Barnier o si, en virtud de su pragmatismo, va a ser, quizá, menos ambicioso en la legislatura que comienza.

En segundo lugar, usted sabe que tenemos sobre la mesa en nuestra comisión el expediente sobre índices financieros. Existen notables presiones para ampliar o incrementar el número de definiciones de supuestos índices. Cada uno de ellos podría tener una regulación, una supervisión, distinta. ¿Cree usted que es mejor tener una regulación sencilla que afecte a todos los índices o abrir la posibilidad de tener distintas regulaciones, supervisiones, para índices, dependiendo de su importancia, dando pie al arbitraje regulatorio?

3-072

Jonathan Hill, *Commissioner-designate*. > I hope that, whatever I do, I will not tilt at windmills under my mandate!

In terms of regulation and how much will there be and all the rest of it, will I follow the example of Mr Barnier?

I think the first and obvious point to make is that, given the great volume of legislation there has been in recent years, I have, as a first priority, something like 400 measures which, together, all of us are going to need to work through and implement. So the first answer is that there is going to be a lot of detailed work there to keep us busy. We also already know that there are a number of other issues where we are likely to need to take forward action, whether on money market funds or on benchmarks or whether it is looking at the structural issues around banks, whether it is other emerging risk, or whether it is legislation that may be necessary on the back of the capital markets union. But my approach – and this is perhaps what underlies your question – will be to try to strike the difficult balance, getting the right amount of regulation to make sure the system is safe but not so safe that you do not have economic activity.

I cannot give you a numerical answer. I do not have a goal to match him or exceed him or to achieve 50%, because I am sure Mr Barnier himself took the view that he would legislate as much as he needed to in order to deal with the problems in front of him, and that would be my approach too. The only other thing I would say is that we ought to have a look at what we have done in the past, to make sure we have got it right in every respect – which is a view I know Mr Barnier would share.

I will have to come back on the different question of benchmarks if I may.

3-073

Marisa Matias (GUE/NGL). – Obrigada, Senhor Presidente, *here*, senhor Hill, vou esperar que ponha os *phones*. Bem, tendo em conta a discussão como ela está, sinto-me mesmo forçada a dizer que vou falar na língua de Camões e de Saramago mas, enfim, já tive oportunidade de falar sobre isto pessoalmente consigo, dizer-lhe que quando eclodiu a crise financeira o que não faltaram foram promessas, dizer que se iria pôr o sistema financeiro em ordem. Já lho disse, pessoalmente, que entendo que o que as instituições europeias andaram a fazer foi a fingir que punham o sistema financeiro em ordem e, nesse sentido, tendo em conta o que foi feito e o que não foi feito, tenho três perguntas muito específicas para lhe colocar.

A primeira tem a ver com o BCE. O BCE anda a inundar o setor financeiro de dinheiro barato que nunca chega à economia e eu pergunto-lhe se não o preocupa este mar de liquidez sem políticas públicas de investimento que façam arrancar a economia, se não o preocupa que este mar de liquidez esteja a servir apenas para avolumar o próximo *crash* financeiro.

A segunda pergunta tem a ver com a promessa mil vezes repetida de reintroduzir a separação institucional na banca. Pergunto-lhe se tem algum modelo preferido, se vai avançar com essa proposta ou não.

E a terceira pergunta, rapidamente, tem a ver com a questão... mas eu tive que esperar vinte segundos para colocar... Se não se importa, a terceira pergunta é se pode responder à questão colocada pelo meu colega sobre o subsídio de financiamento implícito aos *too big to fail banks*.

3-074

Jonathan Hill, Commissioner-designate. > First of all, in terms of whether it is the case that all the work that was done by my predecessor over the last five years has not had any effect or has all been a waste of time, I do not think that would be a view that was widely shared in this committee. People had to respond in an extraordinary situation and were faced with the collapse of the economic and monetary system, the whole banking system and the whole infrastructure of financial services. The fact that we are all here and that it was saved is a tribute to the work that was done to rescue it. I know that there will be those – and I know you are one – who would always want there to be more, but I think that in terms of striking the balance and taking the necessary action and putting stability into the system, both my predecessor and this House have reason to think that they achieved a good result.

In terms of the ECB and public money and all the rest of it, part of the task that I hope to do in the capital markets union is to find ways of unlocking private sector money to go in alongside public sector money. So I think regarding the investment that Mr Juncker is thinking of – the EUR 300 billion – we are going to need to find ways of leveraging private money alongside the public money, and I think that is the right way to try to proceed.

My time is up. Perhaps we will try the other question on another answer.

3-075

Philippe Lamberts (Verts/ALE). – We have met only once before today and you said one thing that struck me. You said there should be no ‘too big to fail’ financial institutions, and you are right. You are doubly right since you said today that we are not certain that everything we did in terms of re-regulating the financial sector has been well done. And you are right because we still have ‘too big to fail’ financial institutions.

Thank you for being twice right on this issue, so my question is very simple. What are the three most important measures that you would like to take in order to make sure that indeed, as you said, we no

longer have any institution that is too big to fail, too complex to manage, too complex to supervise, and all the rest of it?

3-076

Jonathan Hill, Commissioner-designate. > That is an important question. In fact we have met more than once. We met once for a longer time but you and I keep bumping into each other. One or other of us keeps turning up like a bad penny: I am not sure which it is but you may have your own view.

We do need to set ourselves the challenge of dealing with 'too big to fail' and 'too complex to resolve' and all the rest of it. As to the way in which we can go about that, firstly there are issues that one needs to address to try and stop the problem arising in the first place. That is part of the debate that I know we will have about structural reform to try to take risk away at that end.

We also have to pursue generally the theme of knowing where risk lies: the question of transparency, the question of making sure that in a range of different financial institutions – because it is obviously not just in banking, it is in a whole range of areas – we are alert to the risk and we know where it lies, that we have effective supervision and that we can have resolution mechanisms in place where we need them. On banking, we have taken a big step in that regard. I know there are other areas that people would like to look at and, generally, going forward, I will have an open mind as to the kinds of measures we would need to take.

How would I approach it? I would be seeking to strike the underlying balance, which I know I keep returning to, of safe regulation: trying to eliminate risks – so that we do not end up clobbering citizens and taxpayers with businesses that are bigger than the GDP of individual countries – but doing it in a sensible way.

3-077

Werner Langen (PPE). – Lord Hill! Laut Ihrem *Mission Letter* sind Sie auch verantwortlich für die langfristige Finanzierung. Sie haben das eben selbst genannt.

Wie beurteilen Sie in diesem Zusammenhang die Vorschläge, die früher vom Kommissionspräsidenten zu Eurobonds gekommen sind?

Welchen Wert messen Sie dem Hochfrequenzhandel bei der Langfristfinanzierung zu? Oder ist das gerade das Gegenteil?

Welche Bedeutung haben für Sie in Zukunft delegierte Rechtsakte? Wie wollen Sie das Parlament frühzeitig beteiligen? Welche Rolle werden dabei die drei europäischen Institutionen spielen, die europäischen Finanzaufsichtsbehörden bzw. der Baseler Ausschuss, der ja in der Vergangenheit Staatsanleihen immer mit dem Risiko Null bewertet hat, aber öffentlich-private Partnerschaftsprojekte mit einem relativ hohen Risiko etwa von Versicherungen bewertet? Wie wollen Sie dort konkrete Vorschläge im Rahmen dieses Programms in drei Monaten vorstellen?

3-078

Jonathan Hill, Commissioner-designate. > There are a number of questions wrapped up in that. Some of them are of a quite technical nature, so the sensible thing would be for me to meet you with the fonctionnaire from what I hope will be my future services so that we can discuss that in greater detail. In terms of the general approach that I would take to the delegated acts and the implementing acts, I would follow the proper approach – the community method. It is important that we discuss these fully, and that people are aware of the issues and proposals. I would very much want to follow that in every respect that there is.

On the past as regards Eurobonds, I do not have a particularly well-informed view to provide you with on that specific issue at the moment, but that is something that, in due course, I would obviously explore and have a proper view, which I would discuss with you.

3-079

Steven Woolfe (EFDD). – Lord Hill, back in our country, there are many people who wanted to know what you are here for and what the real purpose of your appointment is. It is clear today that you have made some points on that: it is work in the interests of the EU and not of any specific groups or countries. I am sure that is music to the opponents of David Cameron in his negotiations.

You are here to make sure that over 400 regulations are implemented; you are here to make sure that the capital markets union is commenced, notwithstanding those people here who are not sure what it actually means or what it is for. But actually I believe there is another purpose why you are here, and that is hidden on page 5 of your mission letter, from Juncker to you, which states that you should find a way to eliminate EU and national budgetary contributions to the three regulators who manage and control the UK's financial services regulator and they should be wholly financed by the sectors they supervise.

In this committee, a few weeks ago, the conservative parties voted in favour of a report that said exactly that. I said that this is simply taxation through the back door of the City of London. It is clear that one of your roles and duties is to impose taxes on the City of London and in effect your appointment is business as usual for the EU over the UK.

3-080

Jonathan Hill, Commissioner-designate. > I do not think there is probably a lot I can add to our earlier exchanges. I do not see that is the job that I hope to fulfil as part of the College of Commissioners. The job I hope to fulfil is one whereby we have a strong financial services industry which is to the benefit of all people working in the financial services industry wherever they are. If you have a strong single market and a strong capital markets union, that opens opportunities for people in financial services industries, wherever they are, to build their market and to grow their businesses. I would have thought that was something that you would welcome because I know you have a strong background in the city, but apart from that I do not think there is anything I can add because I do not think you are really interested in the answer that I provide.

(Applause)

3-081

Hugues Bayet (S&D). – Monsieur le Président, Monsieur le Commissaire désigné, je ne vous étonnerai pas en disant que pour nous, socialistes, il est essentiel d'aller vers un meilleur équilibre entre la fiscalité sur les revenus du travail et celle touchant le capital, tout en soutenant l'économie réelle et en préservant la petite épargne.

Dans ce cadre, je voudrais savoir quelle est exactement votre opinion sur la taxe sur les transactions financières – un outil qui a été créé par le Parlement afin de maintenir une stabilité financière et de lutter efficacement contre la spéculation. Pensez-vous que c'est un bon instrument?

Deuxièmement, même si cela ne dépend directement pas de vous, vous allez participer de manière transversale et dans une grande mesure au débat sur l'assiette et le taux de cette taxe sur les transactions financières. Pensez-vous aller dans le sens d'un élargissement de l'assiette et d'une augmentation du taux, ou l'inverse?

Et enfin, troisièmement, je vous prie de m'excuser mais je n'ai pas bien compris votre réponse à la question de ma collègue Pervenche Berès concernant la directive sur le blanchiment d'argent. L'unité vous a été retirée, or il me semble que c'est un outil de régulation très important, qui va vous manquer dans le cadre de votre travail.

3-082

Jonathan Hill, Commissioner-designate. > On the FTT, that is an issue – as I am sure you know – that is being led by my colleague, Mr Moscovici. President-elect Juncker obviously stressed that, for him, taxing the financial sector is a question of fairness. I understand that the Commission, in making its original proposal – which I know has moved on – had in mind to prevent the fragmentation of the single market and to ensure that the financial sector made a fair contribution, and to discourage financial transactions which did not contribute to the efficiency of financial markets or the rest of the economy.

As I understand it, following a revised Commission proposal, this is now being taken forward under the enhanced cooperation procedure by 11 Member States. That is something that Mr Moscovici will be on the lead for. Obviously, in due course I am sure there will be wider discussions on it. I think, beyond that, there is not a lot extra that I can sensibly add about the financial transaction tax.

3-083

The specific regulation dealing with money-laundering I am not sure in the last fortnight that I have been fully briefed on, but in terms of what my approach would be, it is clearly the case that, I think, stemming out of international agreements around the importance of dealing with money-laundering and trying to make sure that we have common rules applied and that we deal with this, I would very much want to support measures. But concerning the specifics of it I am not able to add any detailed response.

3-084

Ashley Fox (ECR). – Commissioner-designate, during the last parliamentary term, some of us spent a great deal of time working on Solvency II. The delay in finalising this proposal cost the financial services industry very dearly in both time and money; costs ultimately borne by consumers. I imagine the only people happy at the outcome were lawyers, actuaries and lobbyists. How will you ensure that the revision of IORP, the Pensions Directive, does not become the next Solvency II? And how will you ensure that the directive takes into account the very different nature of pension provision across Member States?

3-085

Jonathan Hill, Commissioner-designate. > I know it is the case that the process of the adoption of Solvency II was a long protracted process, because it had started and then there were the radical changes in the financial markets, which needed then to be taken into account. And I would agree with your basic point that, on these matters, the quicker one is able to resolve them and work through and remove uncertainty and give stability to businesses and companies in order to be able to plan, the better that is.

In terms of the pension funds and your question about IORPs, which I hope is a reassuring point to you, the starting point is a bit different in the sense that the Commission proposal that is currently before Parliament does not contain capital requirements for IORPs, which obviously it did as part of Solvency II for insurance. So that proposal, which is to review the 2003 IORP Directive, is currently limited to governance and transparency rules. So I think that is in line with a report made by Parliament in 2013. So I think for the combination of reasons, I would not expect that process to take nearly as long as the process took for Solvency II, and I would expect it to therefore take a slightly different course.

3-086

Michael Theurer (ALDE). – Lord Hill, you showed impressive rhetorical brilliance but also a lack of substance. Could you please answer the questions of two our ALDE colleagues: firstly, could you tell us three concrete steps you will take as a Commissioner for the introduction of the capital markets union?

Secondly, you are proposed by the government of a Member State that is not part of the eurozone and whose financial markets and banking sector supervision is primarily organised at national level. As Commissioner for financial markets you will in future have an intimate knowledge of business secrets of banks in the eurozone. Do you see a potential conflict of interest arising here, and how would you like to solve it?

3-087

Jonathan Hill, Commissioner-designate. > First of all, I do not see any conflict of interest whatsoever, in the sense that I see my situation, as I said before, as being exactly the same as Mr Barnier's but the other way round. In terms of how would I resolve it, I think the answer is my commitments under the Treaties and the oath that I will hope to take in the Court.

These are not things that one should enter into lightly; there is a legal obligation and a moral obligation, and that is the basis on which I would operate. In terms of capital markets union and specifics, certainly, as I think I have said, some of the possible areas, going alongside President Juncker's proposal for the EUR 300 billion investment plan, the European long-term investment funds, I think, would provide one leg, and we can get investment going with that; having a proper, appropriate prudential framework for securitisation products, i.e. how can we encourage investment in high-quality securitisation? How can we implement the growth of SME growth markets in a way that makes those markets more attractive?

We know that we have got the MiFID 2 implementation measures coming that are going to include the requirements on SME growth markets – I think that is something else on which we can build. I think there is an issue to do with SME credit information, which I touched on earlier, and I think also, potentially, in the area of private placement, there may be developments there. So I am sorry if I have not come forward after a couple of weeks with a fully-fledged plan; I think some of the elements are there, but I come back to my point: I would rather take some time and come up with a sensible, practical way forward than not.

3-088

Esther de Lange (PPE). – Lord Hill, I was happy to hear that you are not particularly a believer in 'one size fits all'. Neither am I, and neither are the Dutch voters. Can you reassure them that the Dutch pension system, which is quite different in terms of its organisation, from other pension systems will not be subject to such far-reaching harmonisation and exactly that 'one size fits all' approach that is often advocated here?

Secondly, a lot of colleagues have asked you about access to alternative sources of credit, especially for small and medium enterprises, and I was happy to hear your remarks about the importance of SMEs in the EU.

I would like to take up the particular case of cooperative credit unions or systems, which are bottom-up approaches through which entrepreneurs borrow and lend from each other, currently actually hampered by making them subject to the same kind of regulation as normal banks are. Can you make sure that these kind of bottom-up approaches are actually exempted from, for example, CRD IV? Otherwise they will not develop and we will not have access to this type of credit, which is important for SMEs and which does exist in the US.

3-089

Jonathan Hill, Commissioner-designate. > I agree very much with the principal and approach that underlines both those examples that you have provided. I think that we do need to avoid catching, for example, smaller organisations, community-based entities of the sort you describe. Those are the kinds of things we ought to be encouraging, and actually that may well be the kind of initiative that this part of the capital markets union one would want to be looking at.

In terms of pensions, going back to the previous question from Mr Fox about IORPs and so on, I think we are taking generally a different approach overall on that, but I am very conscious already, in the work that I have been looking at, how much one has to strive to come up with solutions in all sorts of areas that recognise differences in markets and come with solutions that work as best as possible in the interests of the greatest number of players.

3-090

Molly Scott Cato (Verts/ALE). – Commissioner-designate, you mentioned in your written responses that one of the key features of this parliamentary term will be the renegotiation of the relationship between the UK and the EU. In the past, the UK Government has challenged EU regulation on a range of financial issues and we can presumably expect similar action in future. We have already during this session had several questions on the potential conflict, but I would like to press you on the specifics of the sort of renegotiation that the UK is seeking to achieve.

Given the weight of the financial services sector in the UK, with the City as the largest non-eurozone financial centre, I am sure that you have considered the problem of differences of opinion in areas such as benchmarks, money market funds, trading platforms, derivatives and so on, as well as with detailed secondary legislation covering banks and insurance companies. As a former senior member of the UK Government, can you let me know if you see any role for yourself during the UK's renegotiation and what strategy you would suggest for dealing with potential conflict between UK and EU objectives?

3-091

Jonathan Hill, Commissioner-designate. > I have a pretty simple answer to that, which is that I want to be a European Commissioner and my job will be to carry out the responsibilities within my portfolio to the best of my ability. The nature of any discussions, reform process negotiations between the British Government and other Member States and others within the institutions is a matter for them, and that is very clearly my view. So I do not see that I could therefore have a conflict of interest. That is something that they will be taking forward, and I hope to be doing my work as a European Commissioner.

3-092

Marco Zanni (EFDD). – Signor Hill, quando Juncker ha annunciato la lista dei candidati Commissari, la selezione ci è parsa un esercizio di satira politica dove ad ogni candidato è stato assegnato il portafoglio meno adatto e Lei rappresenta, senza dubbio, la scelta più perversa e controversa.

Assegnare a un conservatore inglese, amico delle lobby finanziarie il portafoglio sulla stabilità ai servizi finanziari è uno schiaffo che questo Parlamento non può accettare. La sua storia evidenzia come Lei sia in enorme conflitto di interessi e il meno adatto per il ruolo assegnatole. Proviene da un paese dominato dal settore finanziario fuori dall'Eurozona, vanta una lunga carriera da lobbista di primo piano, al libro paga di tutti quegli interessi finanziari che adesso sarà chiamato a regolamentare, infine, appartiene ad un partito che da sempre è stato tra i più attivi nel difendere gli interessi degli speculatori.

Le chiediamo se può assicurare i cittadini rispetto all'imparzialità con cui potrà operare in un campo delicato come quello della regolamentazione finanziaria. Pensa che basti vendere i pacchetti azionari per eliminare il conflitto di interessi? Di chi farà mai gli interessi un ex lobbista del mondo della finanza? Ci dia una risposta perché i cittadini europei hanno fortissimi dubbi.

3-093

Jonathan Hill, Commissioner-designate. > First of all, as I have already said, you asked: will I sell my packages of shares? I am not sure what these great packages of shares were, but the shares that I had in one company, which I got when I sold my business, they are indeed sold – they were sold, as I said earlier, within 24 hours of my nomination. I do not accept the characterisation that you offer, either of the way that I will approach the job or of my background, or of my country, as it happens. As I have said before, I have an extremely clear view that, both under the Treaties and as part of a solemn oath, those are not things that one enters into lightly. So I do not accept that there is a conflict, and I will discharge my responsibilities, if I am given the chance to do so, completely in the European interest.

3-094

Catherine Stihler (S&D). – Mr Juncker wants you to ensure that the financial services regulatory framework takes into account the needs and interests of consumers and retail investors in proposing any necessary measures to make financial services work better for our citizens. According to statistics, only 25% of citizens trust banks, which, I think you would agree, is very low. What steps will you take to bring back the trust of EU citizens in the banking sector, as well as the financial services sector, to make them more transparent and truly competitive? How will you concretely ensure that the highest level of consumer protection is safeguarded horizontally in financial services, also in relation to recently-adopted legislation?

3-095

Jonathan Hill, Commissioner-designate. > You raised an extremely important point and, as I indicated in my opening remarks, I think that to have a focus on consumer interests over the next five years is extremely important. It was obviously the case over the last five that the capacity of the system, of the services of this committee, had to be dedicated to saving the financial system. I hope, going forward with that crisis behind us, we can diverge and spend more time on thinking about how we provide more benefits for consumers and for citizens.

If one thinks of it from a practical point of view – if you think of things like insurance products, motor insurance or house insurance, which vary very much from market to market, meaning that consumers are paying far more in some parts of the market than they are in others, and that it takes much longer to get a pay-out on an insurance claim than it does in other parts of the market – if one can think of practical ways of delivering benefits, that would be excellent.

Work has been done in the past on greater transparency, giving customers more information, so the work that has been done to make sure that people know what it is they are signing up for. That is a rich seam and we ought to look and see if there are other ways we can develop that. The whole question of commission charged by financial services is one that is worth looking at. As an instinct, knowing what your charges are and knowing what you are getting is a better way of pricing than being unclear and not knowing the reason why someone is selling you a particular product.

It is a rich area. I would welcome ideas and suggestions from the Committee on the Internal Market and Consumer Protection and from others as to how we could put a real push behind this over the next five years.

3-096

Kay Swinburne (ECR). – Commissioner-designate, I get the chance of a second question, so this time I cannot resist the technicals of what we have been working on for the last five years in the Committee on Economic and Monetary Affairs. In particular, within the legislative pieces of work we have worked on, we have had third-country regimes that have often been contradictory. So I guess I have a question for you as to whether you would consider – in order to make sure that these regimes work in all the different dossiers – whether you would consider something like an omnibus directive to make sure that our third-country regimes are consistent throughout the different dossiers we have worked on. In particular EMIR, MiFID and other market-related ones have all different regimes within them. But in particular, following that international theme, you have stated in your questions that recovery resolution of non-bank financials is important, particularly resolution of CCPs, the clearing houses. How will you ensure that these are compatible on a global scale?

3-097

Jonathan Hill, Commissioner-designate. > In terms of the idea of some kind of omnibus directive, obviously that is not something that I have so far considered in the last couple of weeks, but I think that is something that is worth considering. I think my general approach, as I was saying before, in terms of an approach to regulation would be to try to bring together and make sure we have got consistent activity in a number of different areas. I think – partly because of the technicality but also partly because of the volume of action and that a whole number of things stem from different legislative bases working out across the piece and how different things are interconnected – that it is quite hard. As a general rule, I think the more simple things are, the better. So that is certainly something that I would be happy to explore and see whether there is anything in the idea or not.

In terms more generally of central counterparty clearing and so on, as you rightly say the underlying issue we have got to address here – you know better than many – is the equivalence between our rules. The current situation is not satisfactory and we need to find a lasting solution. We know that there is an imminent challenge that we need to try to resolve. It would be good to be in a situation to grant equivalence to the Americans but, if that is to happen, their rules need to be as good as our rules are, and they need to defer to our rules more. So these are important issues. I know that Vice-President Barnier was working on it and trying to get an agreement to resolve this issue, and I will follow in his footsteps.

3-098

Matt Carthy (GUE/NGL). – Commissioner-designate, I just want to return to the issue of conflict of interest. You will be aware that many commentators and, indeed, members of this committee have alluded to it and have expressed concern that you have vested interests in the City of London where you have obviously built up considerable personal and professional networks. Before today's meeting I listened to some of your supporters on this committee expressing their hopeful view that you would be supporting a reduction in regulation applying to the financial services industry. I have to tell you that I do not subscribe to the view that less regulation is automatically a good thing. So the questions that I would like to put to you are: what regulations relating to financial services do you see are in need of reform in terms of removal or weakening? Are there any areas of regulation that you feel should be strengthened?

My final question is to ask how you intend to build the confidence of the customers of the financial services sector across Europe. How can you build their confidence that you are going to prioritise their interests over an industry which, as I say, you clearly are very closely aligned to?

3-099

Jonathan Hill, Commissioner-designate. > OK, I will have another go. First of all, we have just been talking two questions ago about the importance of trying to make sure we are thinking properly about

customers and citizens and making the financial services industry deliver practical benefits for them. So that is what I would like to do.

Secondly, in terms of the general approach towards regulation, I think you said that you do not take the view that less regulation is automatically a good thing. Shock horror! I agree with that view. My point is that you need to have the appropriate amount of regulation. We saw what happened when there was insufficient regulation. So please do not attribute to me views that I do not have about the importance of regulation and having a proper balance between regulation and a properly functioning economy.

I am not saying, I have not said, and I do not believe that we need to have a huge mindless bonfire of everything. What I do think is that we need to look sensibly and rationally and realistically at the regulations that we have got in place. We have a system already built-in to review regulations as part of our legislative process. We should follow that, but I also think we should just look to make sure we have got the balance right. The reason for that is because, if you look at any area that I can think of, when people have to respond to a crisis at great speed and under great pressure everyone will always do their best, but they will not always get everything spot-on. In terms of the City, I do not know this picture that you paint; it is not one that I recognise. As I have said, I sold my business eight years ago. I left it nearly five years ago and I am not sitting here as a representative of the City of London.

3-100

Philippe De Backer (ALDE). – It is my job to tie up some of the loose ends that are still around. My first question, and I would be looking for a simple yes or no answer on this, is on banking union. We have talked about this already. Will you or will you not introduce the final pillar of the banking union, namely a European deposit guarantee scheme within – let us say – twelve months after you are sworn in – yes or no?

Second question on capital markets that we need to develop on top of the banking finance system that we have for SMEs and mid-cap companies: you have not gone into specifics because I think that indeed the cumulative impact of regulation here plays an important role. So my question is very concrete: what would be your priorities? Would you look at removing some of the barriers to capital markets for pension funds and insurance companies, such as AIFMD, Solvency II, MiFID 2? And what about the implementation of this? What is your priority there? Very concretely, what would you change?

The same goes for IPOs. We have an IPO market that is underdeveloped. What barriers would you remove in order to make companies and give them access on the stock markets, raising capital in that way? These are very concrete questions and I am looking for very concrete answers from your side.

3-101

Jonathan Hill, Commissioner-designate. > First of all, on banking union, I am afraid I am not able to give you a different answer from the answer I have given a couple of times before in terms of the deposit guarantee scheme. This is not ‘yes’ or ‘no’, so I apologise, but I think we should make the system work and then, in due course, as I am sure we always do here, we will look at the effect of it and then draw conclusions as to whether we need to make changes. I would like to be able to help but I am not able to give you a clear timescale of the sort that you would like.

In terms of the capital markets union, I think the kind of examples you give and the barriers that one would want to overcome, those are precisely examples of a number of areas where I think we will need to look. But again, after two weeks, and before I have been able to take up the job (if I am confirmed), I have obviously not got to the level of specificity to be able to say to you ‘we need to get

rid of this regulation' or 'I want to change that regulation' or 'I want to bring in these new regulations'.

I think we need to work through all those possible barriers where we identify them, and that would include some of the ones you have mentioned, and then work out a practical response as to whether things need to be changed, new things need to be introduced, whether the rule book needs to be extended or amended. I would like to say that I would want to work through that with you and others who have ideas. I think we should have an open debate and discussion about it, and then on the back of that come forward against a set timetable in due course setting out plans of action, starting early, I think, with moves on encouraging a high-quality securitisation, and then a step-by-step programme that I will lay out and share with you.

3-102

Chair. > Thank you. I would like to thank Members for their questions and the Commissioner-designate for his answers. Now the Commissioner-designate has time for a brief closing statement of no more than five minutes, which will give an opportunity to come back on any topic where there was not enough time to answer.

3-103

Jonathan Hill, Commissioner-designate. > Thank you, Mr Chairman, and members of the committee. I am grateful to you for conducting this hearing. I hope you feel that you have had the opportunity to ask the questions you wanted to. I was promised a fair hearing and I believe that I have had one. It has been probing, but I hope you have had the opportunity to ask what you have wanted. I have taken note of the thrust of a number of remarks and themes which kept recurring. I will reflect carefully on what has been said and I will follow up in specific areas where I have said I would.

Just in terms of the portfolio, I wanted to go through the principal priorities and just underline what I would hope to do, which I hope chimes with a number of the things that you have said. The first is in the area of implementation, to complete the work started by my predecessor and this committee to restore stability to the financial sector. I will have to devote a great deal of energy, from day one, to making the rules a reality, whether that is in the banking union, in MiFID, in CRD IV, in all areas. I got the sense from this meeting that the majority of you want me to finish that job and you also want the European Parliament to remain involved in that process. It would be my absolute intention to do both.

Then I think there is a point of enforcement, evaluation and review. I think this was a point that was made earlier. I do not think that there is any point in having common rules if they are not enforced, but I also think we should be open to reviewing rules as we proceed. We also have to remain attentive to dealing with potential new sources of risk. Some of that is work already in hand, for instance bank structural reform to try to tackle 'too big to fail', but I think we also need to look at other areas, such as non-bank resolution, where there is a clear G20 mandate.

On the international side, which we have touched on a few times, I think there is a clear view in the Economic and Monetary Affairs Committee that we should ensure that rules are applicable seamlessly in fast-moving international markets, so I take from it that we need to have agreed common international standards, enact our domestic rules, check for equivalence and, if we have got that, agree to defer to each other's rules. Let us step up a gear with the United States and include financial services as a central part of TTIP.

As far as consumers are concerned, there have been a number of points raised about the importance of consumers and users of financial services, in the sense that we ought to have a greater emphasis on consumers and those who use financial services. I agree with that. One way we might be able to start

is to bring consumer organisations together to discuss how we can try to make the single market work better – maybe in insurance, as we were discussing, also in banking – and if that idea finds favour I would want to involve the committee in that work.

One of the other themes was the importance of jobs and growth. The biggest threat to stability – and I know how important stability is to many people here – that I see is low growth and high unemployment. So we cannot think of regulation completely separately from thinking about growth, but I think that, through a range of initiatives under the umbrella of the capital markets union, we can bring the power of properly regulated financial services to bear on the whole economy across the 28 Member States. I want to emphasise that I see this as a project for the 28 and I would want to work on that with you and develop our thinking together.

In the shorter term, as we have touched on, my focus in that area will be on helping Jean-Claude Juncker bring forward his EUR 30 billion investment plan and try to see how as part of that we can make sure the financial system is playing its part.

Finally, I just wanted to touch on another theme that has come up, both in terms of financial services but also in terms of me, which is this issue of transparency. As a concept, I think transparency is central to the proper functioning of financial markets, but it is also central to the proper functioning of the relationship that I hope to have with you. We may from time to time disagree on substance, but I hope we never disagree because I have not delivered what you have the right to expect in terms of transparency, mutual trust and respect.

As I think has become clear in the course of this hearing, I would describe myself as a pragmatic, consensual European politician. I am a doer. I am not a great talker about things – except for this afternoon which has gone on for nearly three hours. Everything that I have managed to achieve in politics has been because I have worked with others, whether it has been my civil servants, my colleagues or people from a range of political parties. If I am confirmed, I would want to work in the same vein with all of you.

In conclusion, I think that all of us have a very heavy responsibility at this crucial moment in the history of our continent. European citizens want things to change for the better and together in this area we can play a part in that process. I look forward and hope I will have the chance to work with you to fulfil that responsibility together and to play our part in making sure we have a financial services industry that is properly regulated, works in the interests of all and is providing the lifeblood to a growing economy which then helps us tackle our core challenge of getting jobs into the economy and helping our citizens back into work. That in turn will, I believe, build their confidence in us and the European institutions and cement the European Union in their affections.

(Applause)

3-104

Chair. > Let me say thank you again to Jonathan Hill and to everyone who attended. A meeting of coordinators will be held in camera to evaluate the hearing.

3-105

(The hearing closed at 16.20)

TUESDAY, 7 OCTOBER 2014

BRUSSELS

THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

HEARING OF JONATHAN HILL

COMMISSIONER-DESIGNATE

(Financial Stability, Financial Services and Capital Markets Union)

2-002

IN THE CHAIR: ROBERTO GUALTIERI
Chair of the Committee on Economic and Monetary Affairs

(The hearing opened at 13.20)

2-003

Chair. – Colleagues, as you know, the Committee on Economic and Monetary Affairs required further information from Commissioner-designate Hill in order to conclude and complete its evaluation. The Commissioner-designate has replied to some additional written questions and in today's meeting we are going to have an exchange of views and an additional hearing on those issues where we have requested clarification in written form. We will have only one-and-a-half hours for our meeting today so I would ask all colleagues to stick to the principle of three minute slots. I would also remind colleagues that the purpose of this meeting is to have an exchange of views on the issues which have been raised in written form, so on the clarification, not on the new additional issues.

I will give the floor first to Commissioner-designate Hill for an introductory statement of 10 minutes. We will then have 24 questions of three minutes with one minute for the question and two minutes for the answer. The Commissioner-designate will then have three minutes for a closing statement. The meeting is web-streamed and I now give the floor to Lord Hill for his introductory statement.

2-004

Jonathan Hill, Commissioner-designate. – Mr Chair, honourable Members, I said last week that I was looking forward to seeing you again, and there is an old saying in English about being careful what you wish for, but here I am. I am glad to be back and I am thinking of this as a down-payment, an early instalment, in what I hope is going to be a long and fruitful relationship, working together.

I hope that you have seen my detailed replies to the 23 further questions but, to start with, I would like to step back a little and ask you to imagine for a moment that it is 2019. We are in the run-up to the next European elections. We are coming towards the end of the Juncker Commission, or perhaps I should say we are coming to the end of the first Juncker Commission.

(Laughter)

What is the message that we are going to be giving to voters? What have we achieved working together on the finance portfolio? The big picture for 2019: Europe has returned to growth, unemployment is falling, particularly for the young. The major social and economic dislocation suffered by a number of countries, particularly in the south-east and south-west of Europe, has come to an end. They are returning to health. The European Union is stronger and more cohesive and more responsive to the economic and political concerns of our citizens.

And our Union, by the way, remains a family of 28 Member States, including the United Kingdom. We have renewed financial stability and a strong banking union, which in turn have played a big part in the stronger and better-managed eurozone and the growing prominence of the euro as a global currency. Supported by the Commission, more Member States have chosen to join the banking union. Trust and confidence characterise relations between the 'ins' and the 'outs' on the basis of a well-established single rule book.

No bank is too big to fail. We have safeguarded the diversity of the EU banking system. Banks have stronger balance sheets and are lending to the rest of the economy again, because together we got the balance of structural reform right. Citizens trust the banks, as they are confident that their deposits are

safe. The European Central Bank is recognised as a world class supervisor. The European Banking Authority stress tests are trusted health tests, giving an accurate analysis respected by all.

Consumers are increasingly taking advantage of a wider choice of safe, new products at lower costs, such as pensions and insurance policies. And 60 years after the Treaty of Rome, we are finally seeing the emergence of a single market in capital – the capital markets union. We have a single rule book that gives consumers and investors protection and confidence, the right framework for an integrated, well-regulated, transparent and liquid capital market in all 28 Member States. Overall, Europe is proud of its system of financial services regulation which prevents the irresponsible risk-taking and short-termism of the recent past, but which allows companies to innovate and invest wisely for the long term. We are also proud of our role in shaping and implementing a strong set of international standards to regulate the world's financial sector, which are recognised and applied widely, including in the fast-emerging economies.

Perhaps above all, in 2019, we are proud of our role in the growth of small and medium-sized enterprises (SMEs). They are now getting access to finance based on their merits, not based on the country in which they operate, because it is SMEs which create most jobs, take on the big guys and, by challenging the status quo, make both our economy and our society more secure. It is, of course, the citizens employed by these businesses who stand most to benefit from better access to finance and growth in the SME sector.

Back to 2014. I do not for one moment pretend that there will not be bumps in the road ahead. I know there are strong views, strongly held, but I believe we can be optimistic about the future because many of the building blocks we need are already in place. If we work together and hold our course, I believe we can build a more resilient, stable and globally competitive financial services industry that finances long-term growth and delivers more effectively for EU citizens and businesses. If we do so – because financial stability is a precondition for macroeconomic stability and growth – we will make a serious contribution to the economic health of the eurozone and, indeed, the European economy as a whole.

So, yes, it will involve a huge amount of joint work, but I know that this committee, above all, is used to that. I want to continue the work of Michel Barnier to develop trust and cooperation between the Commission and Parliament and, of course, with the Member States too. From 1 November 2014, if I am confirmed in post, my pledge to you is a simple one: I will be a European Commissioner for all 28 and I will work with you as hard as I know how to make this vision a reality.

(Applause)

2-005

Pablo Zalba Bidegain (PPE). – Commissioner-designate, I have two questions. First of all, regarding your target to guarantee better access to finance for SMEs, obviously I fully agree with this objective. I think one of the priorities to achieve this is precisely the capital market union. Could you be more concrete about this regarding objectives and regarding the timeline, etc.? My second question regards the Transatlantic Trade and Investment Partnership (TTIP). I firmly believe that it is important to guarantee that financial services come under the negotiations. I understand that this is not within your competence, but financial services obviously are. I would like to know whether you have any plan to guarantee that financial services are going to be on-board.

2-006

Jonathan Hill, Commissioner-designate. – It is hard to do justice to both those very big questions in a short time so I will keep the answers short. On TTIP, yes, I think it is important that the nature of the cooperation between us and the United States is entrenched within TTIP so that we can have more muscle and a framework behind it.

On the capital markets union I think this is one of the most exciting opportunities we face and that we have had for a very long time, I think particularly for small and medium-sized businesses. I think that our overall aims are that investors can have a degree of confidence and protection when they are making their investment. We want to attract investment from all over the world and we want to encourage, of course, the free flow of capital.

To do that I think we need to create a single market for European financial instruments to help foster funding for SMEs in particular and other long-term projects. I think we need to deepen the single rule book, where necessary, and that might be around company securities and solvency laws, and also make use of the current supervisory framework.

On SMEs in particular, I can think of three ways that we can take some immediate action. First of all we need to adopt rapidly the ELTIF proposal, which is a way of bringing long-term investment into small and medium-sized businesses. I think we could have a look at the Prospectus Directive and review the impact that that might have on SMEs. The creation of SME growth markets under MiFID 2 provides us with another opportunity immediately to start making some concrete steps.

What I want to do, as I tried to explain last time and I underline in my written answer, is to start off with a thorough analysis of the problems. I have identified a few examples. We can see where some of the barriers already are. But let us work through those, analyse the problems, knock those barriers down and work up a long-term plan.

2-007

Elisa Ferreira (S&D). – Commissioner-designate, you admitted in your written letter that, and I quote: ‘the Commission has clearly signalled that the single deposit guarantee scheme within the banking union would be desirable’. This is short for what is written in the Commission statement. But you also stated that the political conditions do not appear to have been met for such a change, and I quote again, ‘that you would be willing to consider alternatives to the present system after July 2019’.

The role of the Commission, as foreseen in the Treaties, is not to wait for the Council of Ministers to be ready to accept proposals but to drive the European agenda forward in the best interests of Europe and its citizens. Does your answer mean that you will not be ready to fulfil your institutional role and honour the position and promises of the Commission by putting forward a proposal for a common guarantee of deposits before 2019?

2-008

Jonathan Hill, Commissioner-designate. – I know how strongly you feel about the subject. To take as the starting point the fact that it was only a few months ago that the co-legislators decided not to create a single DGS, a deposit guarantee scheme, at this stage, so we have a fairly recent decision that was reached.

In terms of the principle of it I can see, and I was hoping to convey that sense in my answer, that a single deposit guarantee scheme is a logical part, leg, pillar of banking union, and if we had been starting with a clean sheet of paper that might indeed, I guess, have been the logical route to go down.

We were not starting with a clean sheet of paper; there was an existing framework in place and so my predecessor took the view that he would go down the route of harmonisation first and I think that was a sensible route in the circumstances, given the political conditions.

My answer to your question about would I feel I have to wait until 2019, which as you know is the date written in legislation, would be that once effective DGSs (plural) are in place alongside the SSM and the SRM, I think it is possible that political conditions could become more favourable.

With the national deposit guarantee schemes that have been put in place, it is good that the rules under which they have to operate have been tightened, I think as a result of the contribution made by many people on this committee. I will monitor how the DGS Directive is working on the ground with the EBA and in the light of that I would be ready to consider alternatives before July 2019 but I would do so in the light of circumstances at the time.

But I certainly undertake to keep that under review and to be open to discussing it with members of this committee in advance of that date.

2-009

Kay Swinburne (ECR). – Welcome back, Lord Hill. The ECR did not think you had to come back. We thought you did a very good job the first time. So my questions are in order to try and assist in terms of your timekeeping. I understand that in two minutes it is very difficult to get detailed answers out, so I would like to ask you to expand, maybe, on the SME growth market category. Many of us in the room spent many hours on MiFID and the MiFID review to try and establish that. If you could actually try and give us an idea as to how you are going to make the SME growth market accessible for both investors and consumers, that would be helpful.

2-010

Jonathan Hill, Commissioner-designate – Thank you for the opportunity to try to expand a bit. As I said before, actually I am glad to be here and I am glad to see you as well.

In terms of what we can do, specifically in terms of the SME growth market and the growth label concept, I think first of all we are all agreed that taking a range of measures to encourage small and medium-sized businesses is the right thing to do for a variety of reasons. That is going to be an absolutely key priority for me right across the piece. In terms of where the money comes from, I do not mind whether it is coming from bank funding or other alternative fundings, but under the Capital Markets Union we need to increase the diversity of that funding.

As you know better than anyone, since I know you worked very closely on MiFID 2, it does introduce the concept of the SME growth market, which is a multilateral trading facility where at least half of the issuers are SMEs and in that situation a lighter regime would be applicable in order to encourage flows of investment. The detail of it is going to have to be decided in the delegated act. In terms of how we flesh out that detail, my answer to you would be I very much welcome working with you and with others who have expertise in this area as to how we can populate that act. I do think that if we can get the balance right we will be able to deliver a big benefit for the economy. I think, as I touched on before, we have to make sure that, in the case of SMEs who are taking that first step of trying to raise capital, the administrative burdens on them are proportionate and appropriate and they have fewer obligations in terms of complying with things like audited accounts.

I think there are a range of things, and I think at the heart of it the SME growth markets idea has a lot of potential.

2-011

Sylvie Goulard (ALDE). – Monsieur le Président, Monsieur le Commissaire désigné, je vous remercie pour vos réponses détaillées. Vous avez pris l'exercice au sérieux et je tenais à vous dire que nous l'apprécions.

J'aurais une question sur votre réponse 12 et votre réponse 11. Personnellement, j'attache énormément d'importance à la force de l'Union européenne dans le monde. Or, vous avez donné, dans vos réponses 11 et 12, deux visions très légèrement différentes à ce sujet. Je voudrais vérifier que nous sommes d'accord sur la 12. Pourquoi?

Parce qu'il est évident que l'on a besoin d'harmoniser les règles avec d'autres parties du monde – les Américains, les Chinois, etc., et notamment à l'intérieur du G20 – mais vous dites bien – et c'est cela que, dans un esprit constructif, je veux retenir – que vous êtes prêts à défendre les intérêts de l'Union européenne puisqu'objectivement, nous ne sommes pas dans la même situation que les autres pays. Par conséquent, il ne faut pas qu'il y ait de différences dans les règles alors même qu'on les applique à des situations très différentes, notamment en ce qui concerne les banques, me semble un peu dangereux.

Êtes- vous bien d'accord pour dire que l'on va coopérer avec les autres, que l'on en discutera d'ailleurs aussi souvent que possible entre nous, mais que vous aurez bien à cœur de défendre l'existence des spécificités européennes et d'affirmer qu'il faut moins harmoniser les règles qu'arriver à trouver, avec les autres, des solutions justes? J'espère avoir été claire, même en français.

2-012

Jonathan Hill, Commissioner-designate. – Apologies for listening on the wrong channel, but it was a bit of practice for my schoolboy French.

Your point about specificities is well made and I think we need to take that into account. We need not always feel that we have got to work for complete equality of rules, but I think we do need to be working for equivalence in that way and also for deference where we are, because from experience that appears to be the quickest way to make progress, so that we are not in a situation where we are trying to impose exactly the same rules everywhere, which can slow up progress.

So I think equivalence is the right way. Those decisions must be outcomes-based: we should care that the prudential objectives are made, and not necessarily that the other jurisdiction has exactly the same elements as in Europe, because our legal and financial systems are not the same all around the world.

I do think, though, that decisions need to be underpinned by rigorous technical assessment of the foreign rules. That is what allows us to trust a third country and to defer to its rules and supervision. So that is my top-line answer to your question, namely that the best way to ensure effective regulation and supervision in an international context is equivalence. It cannot be a one-way street, and other jurisdictions must have in place effective mechanisms themselves to recognise the validity of our rules.

So I think that would be the way that I would attempt to proceed with the job when I am in these international fora, which I hope you would agree is a practical and, I hope, outcomes-based way forward.

2-013

Marisa Matias (GUE/NGL). – Senhor Hill, respondeu às perguntas que lhe enviámos mas, mais uma vez, recusou-se a responder à lista sobre os clientes anteriores enquanto fazia *lobby*. Eu sei que o senhor se defende dizendo que já não está lá e dizendo que o prazo da porta giratória já passou, mas o senhor já atravessou tantas vezes a porta giratória que surpreendente é mesmo se não sofrer já de tonturas crónicas.

Portanto, a minha pergunta é a seguinte: espera que o Parlamento acredite que no seu futuro não está um regresso ao setor que aclamou a sua nomeação? Essa é a primeira pergunta.

E a segunda pergunta tem a ver com as questões da transparência porque o senhor sabe que um Comissário com as suas responsabilidades tem de valorizar, acima de tudo, a transparência com este Parlamento e com os cidadãos. E eu pergunto-lhe, então, como é que espera que este Parlamento nomeie um Comissário que recusa, frontalmente, responder a perguntas do Parlamento sobre o seu trabalho passado na indústria do *lobby*.

2-014

Jonathan Hill, Commissioner-designate. – First of all on your point about transparency, and how I need to work with Parliament and with a whole range of other people, I hope that I have been at pains in previous discussions in the Committee on Economic and Monetary Affairs to show how seriously I take that.

I think there are a number of ways of doing it – in terms of publishing meetings, in terms of making sure that bodies not associated, through Finance Watch, with big business are able to challenge the case that is being developed for the mandatory register that President-elect Juncker has talked about. So I think there are a number of ways that we can deal with that concern.

In relation to myself, to address your first question, I suppose I should say a couple of things. With regard to lobbying and so on, when I was Leader of the House of Lords I tightened up the rules on lobbying. The reason I am not able to provide answers to certain questions – and it is not meant to be disrespectful in any way, it is a mere statement of fact – is that these companies, some of which go back 25 years, have since changed hands. I do not know what information they would still have available, and all the rest of it.

My basic point about the whole question of who I have worked for in the past, which is a fair question, is that nearly five years ago – four-and-a-half years ago – I ceased entirely to work for any companies. I have no involvement with them: I have not had any professional involvement with any of the companies that I have previously worked for, or with, over the past five years. I have done no lobbying in the European institutions of any sort. In response to the question, therefore, of whether I have an incentive or desire to act in an improper way, I do not. I take the oath that I will give very seriously. I take my legal responsibilities very seriously and I take my personal responsibilities very seriously as well.

2-015

Sven Giegold (Verts/ALE). – I listened with care to the fairy tale which you told us about 2019, and you have an admirable voice for telling this tale in a way that begins to trigger creativity. That is great. I think for children to listen to that is probably very nice.

Beyond that, I have to say that, from my perspective, what you do not understand is that there is a question of trust. The question is whether you understand that, with your background, with the way your candidature was applauded, questions of trust are triggered. By not giving even a single example of the companies you worked for, you strengthen this feeling of distrust.

Therefore, once again, are you ready at least to give some examples of names of companies for which you lobbied? This would give a signal that you want to break with all that and genuinely to approach the job in a different way.

2-016

Jonathan Hill, Commissioner-designate. – I am sorry that you feel like that about the question of trust. You and I have had a number of conversations about this and I have explained the facts as clearly as I can.

In my reply I referred to the companies for which Quiller, my previous business, worked that were in the public domain at the time at which I left. Those are readily available and are there online for everyone to see. As far as those are concerned – again to be clear about this, which I have explained to you before – the financial services side of our business was not a side which I was particularly involved in. The side that you would call lobbying, the public affairs side, was a small proportion of the business. The business was basically a public relations business.

So this impression that has been created of my having been close to and in the pocket of large financial services industries – in and out of the revolving door was a phrase that was just used – is not true. I left nearly five years ago in order to take up public service. That period in my life – of which I am proud because I founded a successful business and employed people and behaved properly throughout the whole time – is behind me. I have no intention or desire to go back to it. I have gone down the route of wanting to become a Minister and to serve and to try to do things in the field of education and now in Europe. So I think, in all honesty, this is a red herring. I have no interests; I will not do anything that brings the high dignity and honour of this office, this Commission, and the European Union into dishonour. I would not do that and I will behave properly with all the integrity that I have at my disposal.

2-017

Steven Woolfe (EFDD). – Lord Hill, in your opening statement, as Sven mentioned, you predicted a gloriously rosy picture for Europe. As well as being a Commissioner-designate and a Lord, you have now become the Nostradamus of the EU. You have predicted the economies of Europe will be in good shape. Last week you predicted what the Queen would say to you about your oath to the EU. You have said in your opening statement that you are now predicting that the Union remains a family of 28 will include the UK. Therefore, you are predicting that there will not be a referendum in the UK, or if there is a referendum, you are predicting that the people of the UK will actually vote to stay in the European Union. You no doubt predicted that you would be sat in this chair again today. I suggest your crystal ball is faulty.

Therefore can you tell us whether you predict that this committee will vote for you to stay as the Commissioner?

2-018

Jonathan Hill, Commissioner-designate. – Well, with your support, Mr Woolfe, I am sure that the committee will reach a rational decision about what they intend to do with me.

(Applause)

I said what I said about the 28 in 2019 because it is my hope, and indeed my belief, first of all that there will be a referendum – which is probably something that you want although, of course, back home in your own politics you are trying to make it less likely that there will be a referendum – and that on the back of that, following discussions about reform and the rest of it, the British people will have a clear choice put to them. And it is my view, as it has been for a long time, that given the choice of membership of a strong, reformed EU close to its citizens, the British people will choose to remain in the European Union.

So that is why I said I believe that will be the situation in 2019, because I think, while we are talking about it, that when we come to that referendum the British people will see that the alternative to European Union membership, some of these ideas being batted around – that in some way you could have access to some single market on Britain's own terms – are merely dreams and fairy tales. This idea is not, for me, a likely outcome.

So I think that when the argument is joined, with the people here, the people in Britain, the businesses, large and small whose livelihoods and therefore their jobs depend on being part of a strong Europe in a single market, they will want to stay in.

(Applause)

2-019

Bernard Monot (NI). – Monsieur le Président, Monsieur Hill, votre fiction d'une Union européenne heureuse en 2019 ne restera malheureusement qu'un rêve, car vous sous-estimez totalement les risques systémiques et le prochain choc exogène.

Dans le cadre de sa politique monétaire, la BCE propose un programme de rachat de crédits titrisés auprès des banques, ou *asset-backed securities*. Dans votre feuille de route, il est également précisé que vous devez, dans les trois premiers de votre mandat, proposer des mesures pour relancer le marché de la titrisation.

La dernière fois qu'un tel marché a existé – je pense aux *subprimes* et autres CDS –, cela s'est terminé en 2008 par une dramatique crise bancaire mondiale. C'est l'argent public des États qui a encore été chargé de renflouer le système bancaire privé: comme vous l'avez dit vous-même, 13 % du PNB des États membres y a été consacré entre 2008 et 2011 au niveau des aides directes et des garanties financières.

Du coup, quel dispositif concret allez-vous mettre en place pour contrôler la spéculation des opérateurs privés et, en conséquence, quelles sanctions comptez-vous prévoir au niveau de la Commission européenne en cas de transgression de ces dispositifs de contrôle?

2-020

Jonathan Hill, Commissioner-designate. – I am sorry that you also feel that setting out a positive vision of where we might collectively be able to be is only a fairy tale. I think we have to work in that direction, and then I think all kinds of things can become possible.

In terms of securitisation, as we have discussed here before, the task is to define ways of differentiating between high-quality securitisation and riskier securitisation. I would agree to the extent that no one wants to go back to the kind of risk and the problems we had before, but I think there is a growing consensus that it is possible to derive benefits from safer securitisation instruments, and I know that this Parliament itself, back in February, called for the development of an overall regulatory framework and the definition of high quality securitisation.

I think that that is something we can take forward. It would need to be simple and transparent, where interests are aligned, but there are ways: I know that in the delegated acts on Solvency II and on liquidity, a differentiated approach to high quality securitisation is being looked at. I think those are measures we should pursue and we should be optimistic. We should not take risks, but we should not take the view that it is not possible to find ways of bringing investment back into the economy.

2-021

Fulvio Martusciello (PPE). – Signor Commissario, se Lei è qui, è per una ragione molto chiara: l'altra volta non ha convinto la commissione. La scorsa settimana Le ho chiesto cosa pensava degli *stress test* sulle banche da parte dell'Autorità bancaria europea, delle tempistiche della pubblicazione dei risultati e soprattutto dell'anticipazione degli stessi. Era noto che il Presidente Enria aveva anticipato che alcune banche non avrebbero superato gli *stress test* e sarebbero state destinate al fallimento.

Volevo sapere la Sua opinione, visto che l'altra volta non l'ha data, su queste anticipazioni e se ritiene che sia corretto mettere in fibrillazione il mercato con notizie di questo genere.

Un'altra domanda: Lei è stato definito dalla stampa inglese "moderatamente euroscettico". In questa commissione sta parlando da europeista convinto. Quanto ha inciso la possibilità della Sua nomina in questo suo cambiamento?

2-022

Jonathan Hill, Commissioner-designate. – First of all, the second part of your question first. I have learnt over the years that the way people are described in the press everywhere – particularly in the British press, which is very robust and full-blooded – does not always have any bearing on the reality. So I am here because I am very keen to do this job and to play the part in it that I can.

So far as your extremely important question about the stress tests and so on is concerned, it is deliberately a tough test. The methodology has been strengthened after the previous tests, which people felt were not sufficiently rigorous. The market perception in terms of the rigour of those tests, I understand, has been very positive, and institutional investors in very large numbers are expressing their confidence in the exercise. It would be wrong and irresponsible for me to speculate about the results of those tests (which are not due until the second half of October), so I will refrain from making comments about them, and my advice to others would be to do the same and let them speak for themselves when we know what the results are.

But we know already in advance of them that banks have been increasing their highest-quality capital – it is up by more than half a trillion euros since 2007. Just since last July, banks have built up capital amounting to more than EUR 140 billion in anticipation of this exercise. So they are clearly taking it seriously as well. There is no room for complacency at all, but I will make sure, depending on what happens, that I will work with my colleague, Margrethe Vestager, to make sure that all measures that are taken by the supervisory and resolution authorities respect EU law, including, of course, state aid rules, in case any public money is needed. But they are good, strong tests. We should not speculate now.

2-023

Pervenche Berès (S&D). – Monsieur le Président, Monsieur le Commissaire désigné, si j'avais un doute sur votre nationalité en écoutant votre sens de l'humour, je n'en ai plus désormais.

Dans vos réponses aux questions écrites, vous avez – s'agissant de la titrisation – indiqué que *"the door should remain closed to complex, opaque and risky instruments"*. Cela signifie que vous pensez que l'on peut séparer le bon grain de l'ivraie et qu'il y a un moyen de recommencer ou de relancer la titrisation en prévenant les risques qui ont conduit à cette crise, dont nous ne sommes toujours pas sorti et qui a résulté en une financiarisation excessive de l'économie et en des mécanismes de spéculation et de bulle.

Quelle est votre règle d'or pour distinguer le bon grain de l'ivraie, la bonne titrisation de la mauvaise?

2-024

Jonathan Hill, Commissioner-designate. – I think the first thing to say is that I could not claim to have a golden rule, because it is a complex area. I think we will have to make a series of judgements, and we will have to make them together when we are looking, for instance, at the delegated acts under Solvency II and also under the liquidity rules as well. We will have to work through and make those decisions. I think the principle (which is different from a gold rule, I recognise) is that the key to a safe securitisation market is simplicity and transparency and alignment of interest, and by that I mean simple, so that people can understand what assets are included and how they are packaged, so you do not get the complexity of the past; transparency, so that investors can have access to publicly-disclosed information and can carry out proper credit assessments; and alignment of interest, meaning that issuers should have themselves a significant exposure to the products they put on the market so that they are incentivised to keep the products safe. So I think those are some principles that perhaps can help guide us.

I think we would need – clearly, as I say – to reflect on it with colleagues in the Commission and with you. I think there is a case for a regulatory framework for high-quality securitisation based on those

three principles that I have set out, and one of my first priorities, if I am confirmed, would be to set in hand, to launch, some preparatory work to assess the impact of what such an initiative might be.

2-025

Danuta Maria Hübner (PPE). – Lord Hill, you happen to be in charge of an industry which is extremely dynamic. We all know that, in the financial sector, novel instruments arise at a speed which often outpaces the EU's capacity to deliver a new regulation. We are often behind the curve. One way to circumvent this is, of course, to fully exploit the potential of delegated acts, which you mentioned so often in your presentation, instead of spending two more years on amending the regulation. But for this to succeed we need good cooperation based on trust and confidence between the Commission and Parliament.

We have noticed that the Commission is sometimes reluctant to take on board the concerns of the Parliament when working on the delegated act – and the BRRD and SRM delegated act is a recent, not so good, example of that.

So my question to you is whether you have you given any thought to how you can cope with this challenge and ensure that Parliament's legitimate concerns are taken on board by the Commission and that we have the right and adequate solutions in place on time without unnecessary delays?

2-026

Jonathan Hill, Commissioner-designate. – First of all on the principle of your question, the point behind it, I agree with you very strongly indeed. We are clearly dealing with an industry which is very dynamic and we need to stay abreast of developments exactly as you say.

The delegated acts, I think, are the way to try to deal with that because it does allow us to move more quickly with Level 1 legislation and then also gives us a more flexible regulatory environment subsequently that we can adapt because we can change those more quickly than we could directives or regulations.

I agree with you, obviously, that Parliament has a crucial role to play here, partly because it is the Level 1 legislation that determines the empowerment of the Commission for Level 2. That sets the framework and, obviously, the role of Parliament in that as the co-legislator is crucial, but also indeed it has the right to oppose the Level 2 acts.

For it to work properly, which is your question, Parliament clearly needs to be involved and my commitment to you would be to work in the spirit of cooperation which I am told and I believe Mr Barnier developed, and I would want to do my best to match that. So that is the commitment that I would give you. But generally in this fast moving area we need to stay alert to new developments, we need to have regular dialogue, open channels of communication, and that is the spirit in which I certainly would want to approach this job.

2-027

Renato Soru (S&D). – Quando descriveva i risultati del lavoro nei prossimi cinque anni e il 2019, Lei ha parlato di un mercato unico dei capitali rispondenti alle necessità dell'economia reale e alle aspettative dei cittadini. Diceva, anche, un mercato unico dei capitali che potesse prevenire un eccesso di assunzione di rischi. Interessante. Nelle prossime settimane il Parlamento dovrà occuparsi di un provvedimento in cui si parla della security of financial transactions, dove ci si focalizza soprattutto sulla trasparenza, perché si vuole capire quanto è grande questo mercato europeo: secondo le stime avrebbe un valore di circa 55 trilioni di euro, quindi più grande del mercato americano, circa sette volte quello cinese.

Secondo Lei, è solamente un tema di trasparenza o bisogna anche mettere un limite al livello della leva finanziaria, per rendere questo mercato meno rischioso, per fare in modo che in futuro la

prossima crisi finanziaria non possa nascere da un mercato finanziario troppo grande e troppo rischioso?

2-028

Jonathan Hill, Commissioner-designate. – I very much agree with the key question that you ask about the importance of transparency. I think one needs to have transparency in all the different aspects of how we approach financial regulation. We need it so that customers and citizens, if they are buying products, can understand what they are buying, whether it is a mortgage or an insurance policy, and that they know that, for instance, there are no hidden charges or, if there are charges, they know what they are. You need transparency in terms of investments, so investors know what they are investing in – which is the point about securitisation and the earlier question from Ms Berès – and you need to have transparency if, for instance, you want to develop a market for small and medium-sized businesses to invest in, which I think we all do. Investors need to have information on those businesses, which currently they do not, because there is not easy access to that information and the market is fragmented.

So I think the underlying point you make about transparency is exactly right and that should be one of the guiding principles we pursue in all the steps we take, whether it is to do with supervision, regulation, investment, consumer goods and all the rest of it.

2-029

Othmar Karas (PPE). – Herr Hill, *welcome back*. Ich möchte noch einmal auf Ihr Eingangsstatement zurückkommen. Ich habe angesichts der Fülle an Bildern, die Sie gezeichnet haben, eine klare Frage: Was sind Ihre drei wichtigsten prioritären Projekte, um dieses Bild Wirklichkeit werden zu lassen? Was ist von diesen drei konkreten Prioritäten Ihre erste gezielte Maßnahme? Warum setzen Sie sie? Wo sind die Schwächen in der Gegenwart?

2-030

Jonathan Hill, Commissioner-designate. – It is always hard to pick three, and I think in my opening remarks I carefully picked about five, actually. The three I think which we need to have now – both in terms of the inherent stability of the system and also in terms of the work that needs to be done – are completion of the work that needs to be done to underpin the banking union, and we know that there is work immediately that we have to do on that coming down the track now, and that there is work already underhand on that.

The second would be, for me, the capital markets union. In terms of the first measures on that I have talked about some of the things that we can make immediate progress with, for instance on ELTIF, on SME growth markets and looking at work to do with how to encourage private placement – and there is some Commission work under way on that. So that, I think, would be my second area.

The third area is more of a cross-cutting measure to do with small and medium-sized businesses, because I think if we can take a range of measures – some of these I have already mentioned, but there will be others around the Prospectus Directive and others – and if we can concentrate and focus our efforts, which perhaps is the thought that lies behind your question, the importance of focus, I think this is vital. I think in any organisation or business or government I have ever worked in there are huge numbers of things one can do. You are most successful when you focus most closely, and so I think the third area for me would be what we can do for small and medium-sized businesses.

2-031

Sampo Terho (ECR). – Welcome back to our committee, Lord Hill. Last time, one of the ECR questions that you already answered quite well concerned third country equivalence in the context of US relations. Do you see different challenges when looking at other regions globally?

2-032

Jonathan Hill, Commissioner-designate. – I think the point that perhaps underlies your question – that sometimes it might sound as if we are concentrating or focusing exclusively on the EU-US

relationship – is well made. You are right to remind us that there are vital interests for the EU to pursue in other countries as well. I very much agree with that and we need constantly to be thinking about our relationship with the fastest growing parts of the world economy; financial centres in Hong Kong, Singapore and Asia. I think when we look at the global challenge we face, we should be working hard to make sure that we are properly engaged with those parts of the world economy that are coming up fast and are going to be developing these big sectors.

To do that I think that, as we have already discussed with Ms Goulard, we have to have strong third-country rules where we can safeguard the stability of the EU financial system and the interests of consumers, but also deliver coordinated regulatory reform. When we do that, we should not take an extra-territorial approach, but take care to ensure that the broad outcome of others' regulation is equivalent to ours and then we can defer to them. I think that is the best way to encourage well-functioning global markets.

We have got to make sure that global regulatory reform effort generally does not lose momentum. We have got to try to avoid inconsistent or patchy implementation of reforms that might then lead to some kind of regulatory arbitrage and we do need, as you really underlined, to make sure that we are fostering our links with these growing and emerging markets.

From my point of view, I will prioritise engagement by the Commission and the EU in the G20 and in the FSB. I will get up to speed as fast as I can on the various equivalence processes that are currently underway. I will share and explain progress to this committee and I will seek its views. I am grateful for the question. It is a very important area.

2-033

Cora van Nieuwenhuizen (ALDE). – Commissioner-designate Lord Hill, thank you very much for the original answers on our questions about capital market union. They provided us with a lot more details. For example, in your written answers you state that some barriers to an integral capital market are already known. I would like to get into that a little bit further because you also state that among your priorities for early action will be to tackle those barriers where the problem is clear and well defined and the solution is readily apparent, for example. Then you introduce three distinct subjects: developing standards for high quality securitisation; ensuring common and reliable standards for cross-border credit information on small and medium-sized enterprises; and facilitating the development of a European market for private placements.

That all sounds quite promising, so my main question to you is: what is your definition of early action? In other words, when can we expect proposals on these concrete issues?

2-034

Jonathan Hill, Commissioner-designate. – In my old job in British politics – I do not know whether it is the same in other countries – if something was coming, you would say it was coming 'in the spring', or 'by the summer', or 'by the autumn', and then spring, summer and autumn would suddenly become winter. That will not happen in this case for a number of reasons. Firstly, because it is hugely important that we get under way as soon as possible. One of the challenges we have to overcome is how to build momentum and how, as it were, we put the challenge to all 28 Member States that, if they want to be part of this, we want to get a move on. I am very keen to make fast progress.

The point I was trying to make last week, when I know some people may have thought I was being a bit diffident or too slow, is that it makes sense to carry out proper economic analysis of what the issues are, what the barriers are, and how we can overcome them. That work needs to be done, and I would want to start it straight away. I would commission that on day one if I am confirmed in post. After a report-back, I would then come back in the New Year with ideas and proposals; we would have a consultation and discuss them; we would work up a detailed action plan; and then we would get on with it.

The point I was making in my answers was that, in addition, some things are already in train, whether it is the long-term expenditure framework (LTEF) or the small and medium-sized enterprise growth markets, or the report I referred to just now on private placement and how we can encourage that. These things are already happening, so we should press on and, as it were, bank what has been done and start making the swiftest possible progress immediately. I have a strong sense of urgency and I hope that everyone would share that sense of urgency because the clock will start ticking quite soon.

2-035

Peter Simon (S&D). – Herr designierter Kommissar Hill! In Ihren bisherigen Antworten stellen Sie die besondere Bedeutung von langfristiger Unternehmensfinanzierung für nachhaltiges Wachstum heraus. Eine Mitteilung der Kommission zu diesem Thema liegt ja bereits vor. Auf einen Aspekt der Mitteilung sind Sie in Ihren bisherigen Ausführungen aber nicht eingegangen – die Idee der Schaffung eines EU-Sparbuchs. Befürworter stellen gute Zinskonditionen und Sicherheit für Sparer sowie die verbesserte Allokation von Einlagen in den Vordergrund. Gegner befürchten, dass durch den Abzug von Einlagen das traditionelle Bankgeschäft und somit die Kreditvergabe vor Ort an kleine und mittlere Unternehmen gefährdet wäre. Wie stehen Sie zur Idee eines EU-Sparbuchs? Werden Sie diesen Ansatz Ihres Vorgängers Michael Barnier aufgreifen?

Meine zweite Frage betrifft die administrative Belastung durch die europäische Finanzmarktgesetzgebung. Sie betonten, die Reduzierung der administrativen Belastung von kleinen Finanzmarktakteuren sei Ihnen besonders wichtig. In der letzten Legislaturperiode mussten wir die Kommission jedoch an einigen Stellen daran erinnern, dass es teilweise doch wesentliche Unterschiede gibt zwischen großen und kleinen Banken, ob nun bei der direkten Aufsicht durch die EZB oder beim gemeinsamen Abwicklungsmechanismus. Die Verhältnismäßigkeit war nicht immer eine Selbstverständlichkeit. Wird es mit Ihnen diesbezüglich ein neues Selbstverständnis geben?

2-036

Jonathan Hill, Commissioner-designate. – First of all, in terms of treating different-sized banks or different-sized institutions of all sorts in different ways, I think it is important that one is able to have sensible differentiation. So, whether we are talking about encouraging securitisation by trying to go for high-quality securitisation, whether we are talking about the regulatory burden on small business – not having a one-size-fits-all approach – or whether we are talking about the measures that need to be put in place to make our banking safe, I think that we should indeed take into account the different circumstances and sizes of different institutions.

Having said that, it is also the case that, in terms of contributions that different banks might make to a resolution fund or in other areas, this is of benefit to all banks and all, for instance, should expect to make a contribution. But the basic point you made, Mr Simon, of differentiation, I think, is one that one should intelligently apply in all kinds of areas. That does not mean being careless or wilful about regulatory risk and what has been done in the past; it does mean, I think, we should have the self-confidence to be intelligent about different levels of risk.

So far as your first question is concerned, I think my answer would be that, in terms of the kind of options that there are within the capital markets union at the moment, my approach will be to consider a range of options with an open mind. I would say to you this is an idea, obviously, of which you are a champion. I would welcome the chance to discuss it with you, and we can see what the potential or difficulties with it might be.

2-037

Brian Hayes (PPE). – Lord Hill, you are welcome back to our committee. Some of my colleagues seem to have a difficulty when you looked into your magic ball and saw that Britain was still a fully committed member of the European Union by 2019.

Can I say it is refreshing to hear, in such clear and unequivocal terms, a senior politician in Britain say that; because the great majority of the people in the European Union want Britain to remain as an integrated and clear member of the European Union. So it is very important that we would hear that in this committee. Can I ask, in light of that, do you recognise that there is a concern, amongst some eurozone countries especially, that as a British Commissioner from a non-eurozone country who has responsibility for further integration within the eurozone, that this may be an issue? And could you set out how you would deal with that issue, how you would deal with that specific issue and foster better integration of the eurozone countries while balancing your requirements as a non-eurozone member?

2-038

Jonathan Hill, Commissioner-designate. – Well, I think a couple of points. I think first of all that question of working to resolve differences or build understanding between the ‘euro ins’ and the ‘euro outs’ is an important part of the task that I would need to undertake, particularly in the context of banking union – in the same way, actually, from the other end of the telescope that Michel Barnier had to approach it when he took on this job as a ‘euro in’ and there were some misgivings from ‘euro outs’, and I believe that his record over those five years shows that it is possible to do that.

So far as the euro zone and my views on that, I think that very clearly, the last five years highlighted that the pre-crisis degree of integration was not enough and the eurozone project was not complete, and I think that quite extraordinary progress was made in very little time on better governance of the eurozone – I think that was right with the six-pack, the two-pack rules as well, of course, with the banking union, for which I would have responsibility. We need to focus on making those rules work and see whether they need to be improved in certain cases or complemented, and it may well be that the long-term stabilisation or strengthening of the eurozone requires further integration.

My answer, then, I suppose, to your question would be that if evidence appears that some further integration in areas under my responsibility is necessary, then I would make a proposal in the light of that. I think it is right to say that had I – instead of looking into a crystal ball into the future, was looking into one in the past – been here in 2012, I hope that I would have proposed banking union (well, I would have needed a lot of help, I am sure, from people here), and I fully support the action that the Commission has subsequently taken.

2-039

Miguel Viegas (GUE/NGL). – Eu tenho três questões. A primeira tem a ver com o Tratado de Livre Comércio com os Estados Unidos e com o Canadá e pergunto se não acha que o acesso dos fundos de investimento ao mecanismo de resolução de litígio pode comprometer eventuais processos de reestruturação de dívida soberana que, certamente, não deixarão de acontecer no seio da União Europeia.

Segunda pergunta era se está disposto a levar mais longe a Diretiva 17/2014 impedindo os bancos de reclamar mais créditos depois da execução da hipoteca. Avançou-se neste sentido nos Estados Unidos. Existem sentenças proferidas em tribunais no seio da União Europeia que consideram o empréstimo liquidado na totalidade após a execução da garantia.

E, finalmente, sobre a separação bancária, pergunto se está mais perto da proposta de Liikanen, que defende uma separação completa entre a atividade especulativa e as operações de crédito normal à economia, ou se está mais perto da contraproposta do ex-Comissário Barnier que defende uma solução intermédia que, na prática, deixa tudo na mesma.

2-040

Jonathan Hill, Commissioner-designate. – I am afraid I did not get the last point. I guess I am probably going to have to press on, but perhaps we can discuss that more subsequently, if the Chair will allow you to.

2-041

Miguel Viegas (GUE/NGL). – A última questão é, no quadro da separação bancária, se defende uma separação completa entre a atividade especulativa das operações normais de crédito à economia, ou se defende uma solução intermédia como aquela que foi proposta, onde se poderiam apenas banir alguns bancos dessa atividade e permitir à maioria dos bancos circunscrever essa atividade no seio do próprio banco.

2-042

Jonathan Hill, Commissioner-designate. – On your last point, I have had the chance to have a look in outline at the current proposal, following up on the Liikanen proposals on bank separation or the approach to bank separation. How do you tackle the question of ‘too-big-to-fail’? We do need to do more work on that: the steps that have been taken around supervision and around resolution are important but, for a small number of very big and complicated banks, we need to go further. From what I have seen so far, I support the balanced proposal that Mr Barnier brought forward.

We will obviously need to discuss it. I know there will be some of you who perhaps think it does not go far enough, and there will be others who think it goes way too far. We will need to discuss that and arrive at a resolution. I think we should certainly press on with our work to tackle the question of ‘too-big-to-fail’ in banks and maybe in other institutions as well – and we need to keep our eyes open and be alert both in the EU and at international level. There is a lot of work going on there.

On your first point about the Transatlantic Trade and Investment Partnership (TTIP) agreement and investor-state dispute settlement (ISDS), as you said it is my colleague Cecilia Malmström who is in the lead on this, but I know she said in her hearing that it is too early to say whether ISDS will be included in TTIP. There will obviously be a long debate on that on all sides. My point, which relates to your question, is that if we are to have ISDS then it is important that we should have the prudential carve-out that was secured as part of the EU-Canada negotiations.

On your little point in the middle, I am afraid I have run out of time but I would be very happy to follow that up and discuss it with you.

2-043

Molly Scott Cato (Verts/ALE). – Following our last session, I must say that I still do have some lingering doubts about your stance with regard to the EU, but my major reservations are around the question of your independence. Even some supportive commentators who think that Mr Juncker was rather wise to nominate you for the Financial Services portfolio see it as a way of muting the UK, and clearly anticipate significant conflict between the government you have been a senior member of and the broader interests of the Union. That is why I asked you previously whether you cannot anticipate, at least generally, some of these potential issues of conflict and handle them in a less extreme way than having your responsibility on the matters removed entirely from your brief, as is the case now for bankers’ bonuses. So can you help us a little bit with that and, as a related point, can you tell me how many times you have met David Cameron or George Osborne formally or informally in the past six months? I am interested in meetings of the ‘country supper in Chipping Norton’ variety as well as minuted meetings attended by civil servants.

2-044

Jonathan Hill, Commissioner-designate. – I am sorry to disappoint you, but I am not part of the – whatever it is – ‘Chipping Norton Set’ and never have been. I live quietly down in Salisbury and do not hang out with these sophisticated, well-connected types. In terms of the number of times I have seen them over the last six months, oddly enough I do not keep a sort of diary or a tally. I can say to you that as Leader of the House of Lords I tended to see the Prime Minister a couple of times a day, because that was the nature of my job. Obviously, the Cabinet met once a week and there were lots of other meetings as well. So, clearly I have seen a lot of them over the last 18 months, or however long it was, when I was Leader of the House of Lords.

In terms of your underlying question about how one deals with the question of independence, which is extremely important, I can only give you the answer I have given before, and maybe I gave to you last time, which is that both in terms of my legal obligation under the Treaties and my moral obligation by swearing an oath and my personal approach to life, which is to always try to behave in a proper way and do what I say I will do and not promise what I cannot do, but then deliver what I have said I will do, that is the way I will, if I am confirmed, approach this job at all times. I have a completely compelling obligation to behave in the common European interest, as every other Commissioner has done, and you should expect me to behave in that way and hold me to it. I think you will find that I will not be wanting.

2-045

Patrick O'Flynn (EFDD). – Lord Hill, it was reported this week that the UK Prime Minister's adviser, Lynton Crosby, had forbidden any appointment to the European Commission that would necessitate a parliamentary by-election. Do you think this is a sound basis for your nomination as a conveniently un-elected member of the House of Lords? There is another issue that has come up a couple of times, which is, as commentator suggested today, that you are back here because you may be falling victim to Europe's emerging West Lothian question: i.e. why should a person from a country which is not in the Banking Union be in charge of the Banking Union? Other than continually professing your affiliation to the European ideals of integration and ever-closer union, do you have another way of answering that question?

2-046

Jonathan Hill, Commissioner-designate. – I was not quite sure of the point you were driving at, so forgive me. Your first question, effectively why am I doing the job, or why was I offered the job?

Why was I offered the job? You will have to ask the Prime Minister as to why he made that nomination. I am sure he would be very keen to see you, perhaps in Clacton.

(Laughter)

Sorry, that is a local reference to by-elections for the British representatives. I apologise.

He, I think, took the view that my mix of experience in government as a reforming minister who took big educational reforms through, as the Leader of the House of Lords, our second chamber, delivering the government's legislative programme, as well as the work I had done at an earlier stage as a policy adviser and political adviser and in business, gave me a mix of skills that could be put to good work here.

The reason I said yes was because I felt that I could make a contribution, I hope, in some small way, to making the argument as to why Britain should remain in the EU, and I know that is somewhere where you and I differ. But that is why I said yes to him.

In terms of my approach to the job, and all the rest of it, you may want to try to make political capital out of the idea that I want to work in a serious-minded way for this Union at a crucial point in European and world history. I do. That is my motivation and that really is all that I can say.

2-047

Neena Gill (S&D). – Lord Hill, if I can touch upon two points which have already been raised. Firstly, on 'too big to fail' banks, despite all the banking legislation that has been adopted, the size and complexity of some of the big banks in the EU remains a huge problem. Last year, it was reported that Britain's biggest banks benefited from a subsidy from the taxpayer of 38 billion. Would you agree that no bank, whatever its size, should be allowed to enjoy any implicit tax subsidy? If so, how do you want to implement this and in what timeframe. The second point is on securitisation. Colleagues have already touched upon this, but I think you need to clarify how many times an asset can be repackaged. Do you agree that an asset cannot be transformed in the credit channel process?

2-048

Jonathan Hill, Commissioner-designate. – Well first of all, on ‘too big to fail’, I agree with you that, as I have said already, it is an extremely important issue and we have to keep on the case in trying to make further progress with it.

I think the steps that Mr Barnier has already taken on banking union have made a big difference in making the whole banking system much safer but we know that there are a relatively small number of very large banks – some of them with assets greater than the GDP of a country – where we need to carry on. And in that context the work being done, the proposals we have already discussed on further bank structural reform coming out of the Liikanen proposals, we should take forward as a priority.

There is also work being taken forward in the financial stability board on the total loss absorption capacity requirement which again would be making sure these banks had more and more capital. So we should certainly do that and keep alert as well, whether there are any other areas where there are institutions that are too large, that we need to take more such steps.

On securitisation, as I have already said, I think there can be ways of trying to encourage safe securitisation. I think you are right that the challenge is to stop this complexity to which you referred. So those three principles that I alluded to of simplicity, transparency and alignment of interest can, I hope, provide a framework within which we can look at this in more detail.

2-049

Burkhard Balz (PPE). – Lord Hill, *I speak in German.* Ich freue mich, dass wir uns heute noch einmal wiedersehen, um das eine oder andere noch einmal zu vertiefen. Ich habe zwei kurze Fragen an Sie:

Erstens: Sie bekräftigen in Ihren schriftlichen Antworten Ihr klares Bekenntnis zur Proportionalität. So bezeichnen Sie die Proportionalität als fundamentales Prinzip jedes Kommissionsvorschlags. Können Sie uns heute versichern, dass auch in den delegierten Rechtakten die Proportionalität zur Regel wird? Und werden Sie als zukünftiger Kommissar auch bei den europäischen Aufsichtsbehörden – EIOPA, ESMA und EBA – auf mehr Proportionalität hinwirken?

Zweitens: Welche Ideen haben Sie zum Thema private Altersvorsorge? Im aktuellen Niedrigzinsumfeld finden Bürgerinnen und Bürger kaum mehr Anlagemöglichkeiten. Aktien und Immobilien sind auch nicht überall eine Alternative zur Anlage. Wie möchten Sie hier als Kommissar konstruktiv tätig werden?

2-050

Jonathan Hill, Commissioner-designate. – On pensions, that is obviously an extremely important area. We need to look at the proposals that have already been taken forward in that area and to make sure we do not do anything to discourage the pension market. It would be good if across Europe we could encourage more investment into pensions and the development of pensions.

One of the things that I would like to do, both as part of capital markets union but also from a consumerist point of view, is to look and see how one can develop more products that can be available across national borders to help people to prepare for old age, because we have this great challenge of an ageing population that we need to tackle in as many ways as we can.

On proportionality: in essence I am extremely keen that we should pursue that principle. I did say that. We have to make sure that some of the smaller financial actors are not penalised by excessively heavy burdens. Sometimes some of those pieces of regulation can obviously help someone like an SME because they are able to operate and access a capital market to reach investors in a way that they would not always be able to, but I think we need to look at that.

I think we should look at the Prospectus Directive to see whether we have got disclosure as proportionate as it can be. I think that, in designing bank contributions to the resolution fund, we should ensure that the relative contributions between big and large banks are properly balanced.

I think there are a whole range of other areas where we can make proportionality more of an important principle that we pursue at all times and I would want to work on that with you and others to see across the piece how many areas there are where we could pursue that.

2-051

Kay Swinburne (ECR). – A moment ago, responding to Neena Gill’s question, you touched on ‘too-big-to-fail’ banks. I would like to highlight a piece of legislation we worked on in the last parliamentary term, namely the European Markets Infrastructure Regulation (EMIR), where we followed the G20 obligation to set up compulsory clearing through central clearing houses. I would suggest we have now actually created a new category of ‘too-big-to-fail’ central counterparty clearing houses (CCPs).

Is this an area on which you will commit to bringing forward legislation, and will you commit to ensuring that any recovery and resolution framework you develop protects client assets?

2-052

Jonathan Hill, Commissioner-designate. – As I was saying in response to an earlier question to Neena Gill, I think the whole ‘too big to fail’ question can indeed extend beyond banks, and the example that you have given us of the CCPs is exactly such an example, that we do need to look at.

The measures that were taken under EMIR were taken to try to make sure that derivatives trading was done in a more stable way, but as you rightly said, the effect of that is to concentrate risk in a smaller number of players. In essence, there are a number of steps we can take, but the short answer to your question, which is probably the best one, is that I intend, as early as the new year, to come forward with a proposal for the resolution of non-banks including CCPs. That is a priority in the light of the known risks that we have, and in doing that it will be important to clearly safeguard financial stability and protect our taxpayers.

On the question you asked about protecting the interests of asset managers, at the moment I cannot give a clear answer on that, it is too early to say how we would need to proceed. We need to have some impact assessments to look at that, but the preparatory work that I referred to is under way, it needs to be taken forward and then I will come forward with a proposal.

2-053

Petr Ježek (ALDE). – Having the privilege of closing the round of questions I should probably be less technical and more general. I gathered, Commissioner-designate, although you did not disclose it in your written declaration, that you are a keen gardener, and if you were to treat your portfolio as a garden I would like to know which seeds do you see as key to make it flourish, and which ones do you intend to plant first in order to ensure an even, overall blossom during the next five years?

To put it simply, what are the top messages you are taking out from your hearings? What is your overall understanding of this committee’s concerns about your role as a Commissioner in the suggested area? How would you address these if you take office?

2-054

Jonathan Hill, Commissioner-designate. – I suppose the first point, speaking as a not-very-good gardener, is that now is not necessarily the best time to be planting seeds. Now is the time for pruning and for digging and for cutting back. I think there are, as it happens, some areas – not to extend the analogy too far – in which we are looking at regulation and we are looking at the discussion we have just had about proportionality, in the interests of getting investment to flow and of good quality securitisation and in other areas, and where there may be a case for some very light pruning.

But in terms of the blossom and the planting and planning for the future, the most important area for me is the capital markets union. Here, I think, one needs to get the plants into the ground early with lots of manure in order to get them growing as fast as we can.

Small and medium-sized businesses (SMEs) I feel very strongly about, partly because I think they are the engine for growth and also, if I am honest, because I bring some experience here and I know some of the problems that SMEs face when, for instance, governments or big institutions, or indeed sometimes regulators, behave as though all businesses were the same size. They burden SMEs with requirements that are easy for large businesses to comply with but not small ones. And large businesses sometimes use regulation as a way of stopping new entrants to the market: one has to be alert to that.

The third main area which I would like to see bear fruit is the banking union.

In terms of me and the lessons I have taken, in my remaining five seconds, I think the most important thing to members of this committee is independence. They want to know I will be independent. That has been a recurring theme in the conversations I have had with many members of this committee, going back six or seven weeks. I can do no more than state what my intention is. I very much hope to realise the conversation that I envisaged at the beginning, with my remark about us all sitting here together in five years' time looking back at what we have achieved. I hope you will all feel, if you confirm me in post, that I have worked independently and with integrity in the interests of this committee and in the interests of Europe as a whole.

(Applause)

2-055

Chair. – Thank you, Lord Hill, and thank you, all Members. Thank you, Lord Hill, for your readiness at very short notice to answer our written questions and for coming here for this additional exchange of views. If you like, you may now make a short closing remark of a couple of minutes; it is up to you if you want to address us with a final statement.

2-056

Jonathan Hill, Commissioner-designate. – Do you know what? I think you have all been sitting here for a very long time. You had Mr Katainen before me. I think the last question I had enabled me to say the main thing that I wanted to say.

In terms of the personal qualities, what I had hoped to convey is that I would bring energy, enthusiasm and commitment to this job, as well as independence, a questioning mind and integrity. I think the only other thing that struck me in recent weeks – and if I am honest over the last six days – is resilience. That is a quality I have had to demonstrate in recent weeks. I have had to overcome some suspicions about being a Brit, and in particular about being a Brit on this portfolio. I have worked hard to try to do that. I hope I have allayed those concerns.

Despite our peculiar courtship I hope that I will have the opportunity to turn it from a short relationship into something longer and more rewarding and that we can work on these issues together over the next five years. Thank you very much.

(Applause)

2-057

Chair. – Lord Hill, thank you for your resilience – and for your style.

(The hearing closed at 14.55)