

COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

HEARING OF MAIREAD McGUINNESS

COMMISSIONNER-DESIGNATE

(Financial Stability, Financial Services & Capital Markets Union)

FRIDAY, 2 OCTOBER 2020
BRUSSELS

1-002-0000

IN THE CHAIR**IRENE TINAGLI***Chair of the Committee on Economic and Monetary Affairs**(The hearing opened at 9.05)*

1-003-0000

Chair. – Good morning everyone. I think we could, and should, start our hearing today so I would like to welcome the Commissioner-designate for the portfolio of Financial Services, Financial Stability and the capital markets union, Ms Mairead McGuinness, as well as members of the Economic and Monetary Affairs Committee as the responsible lead committee for this hearing.

I also would like to recall that, in line with the guidelines for the approval of the Commission, Parliament evaluates Commissioners-designate on the basis of their general competence, European commitment and personal independence. It also assesses their knowledge of their prospective portfolio and their communication skills. As you will be aware, the Commissioner-designate had replied before the hearing in writing to a preparatory questionnaire. The written answers have been made available to Members in all languages.

The Committee on Legal Affairs has raised no objection to the holding of the hearing. As you can see, I'm chairing this meeting in person in the meeting room of the European Parliament and the Commissioner-designate is also here in person. Some members of the Committee are also present, while others will join remotely, including some who will ask questions of the Commissioner-designate.

Let me briefly explain the structure of the debate. The Commissioner-designate is invited to make an opening oral statement of no longer than 15 minutes. She will then also have five minutes at the end of the meeting for a closing statement. After the introduction, there will be time for 25 questions from MEPs. The debate will be held in accordance with slots of five minutes each with one minute for the question, two minutes for the answer from the candidate Commissioner and, in the case of follow-up questions, the question should not be longer than one minute, with one minute also for the reply.

The first round of seven questions will be asked by representatives of political groups. The second round of the remaining 18 questions is based on the overall distribution of questions among the political groups. Interpretation will be provided in 24 languages. All speakers can therefore use their own language. Speakers are reminded that what they say will need to be interpreted and that they should therefore not speak too quickly. Those joining remotely should remember to press the speak button before starting to speak.

The debate will be streamed live on the Parliament's internet site and it will also be possible to access a video recording of the hearing on the same site. I would also like to ask Members and the Commissioner-designate to respect the times allotted to them. As a rule, if the length of the first question consistently exceeds one minute, the possibility of a follow-up will not be granted.

So, we can now start. I now give the floor to the Commissioner-designate, Ms McGuinness, for a presentation of 15 minutes.

1-004-0000

Mairead McGuinness, *Commissioner-designate*. – Good Morning everyone, thank you so much, honourable Chair, and, while you're behind me, I am delighted to see you physically present, and I'm delighted to see so many in this room. Before I start my formal speech, can I say that I have been given permission to leave my mask off during the presentation, so that I think everyone is safe. But just in case there were some concerns, I have asked for, and been granted, permission.

So let me start by saying, for many of you and, indeed, for myself, it's very unusual to be in Brussels on Friday. When I'm normally in my constituency on these days, I meet businesses, fishermen, farmers, other groups and schools, and I suppose what I try to do is make our European Union more tangible and accessible. But I always bring their concerns back here to Parliament.

Some of you will know that I've served 16 years in this House, and now, subject to your approval, I look towards a new challenge. Since my nomination, I've engaged with this committee, and I want to thank you for sharing your concerns and your expectations. Our work as Members of this Parliament is never easy as we strive to reach consensus, but mutual respect and listening are key.

In this House I've covered many different policy areas, from unfair trading practices in the food supply chain, to reforming legislation on medical devices, Brexit and, indeed, the future of Europe. But in my very first mandate, one of the big issues I dealt with was a financial one. From 2006 to 2007, I chaired a special parliamentary committee of inquiry into the crisis at the Equitable Life Assurance Society. I can still recall distressed policyholders from many Member States making contact with me.

That experience frames my approach to financial issues – putting people front and centre. My vision for financial services centres on ensuring the sector's strength and stability – for its own sake, but also so it can deliver for society and, indeed, now for sustainability and our environment.

My most recent legislative work is on climate law, which will be voted in plenary next week. If confirmed, I will contribute with a renewed sustainable finance strategy. This will be fundamental for the Union and Member States to achieve ambitious climate targets.

I am honoured to have been put forward by Ireland as Commissioner-designate, and by President von der Leyen to the financial services, financial stability and capital markets portfolio. If confirmed, I will be joining a gender-balanced College of Commissioners, and I look forward to continuing the work of Valdis, working collectively with the college, supporting college positions in the interests of the Union and all European citizens.

So people are at the heart of my vision to fulfil the tasks in my mission letter: a banking union that provides stability for households and SMEs; a capital markets union at the service of all; a financial system that serves society holistically and takes seriously its responsibility to address climate and environmental challenges; a new digital finance strategy that stimulates innovation while being alert to the risks; a fair financial system with zero tolerance for money laundering; a stronger financial sector that supports Europe's place in an ever-uncertain world; and above all else, a financial system that underpins a more inclusive society.

Almost a year ago to the day, at his hearing, Executive Vice-President Dombrovskis set out his agenda for financial services. It will be my responsibility, if you approve my nomination, to continue this agenda.

However, the context has changed fundamentally. One million people have died of COVID-19. Our world has gone from strong growth and employment to severe disruption to our way of life and our economy. Many have lost their jobs, in particular young people.

The crisis we face is challenging, and because we do not know the path of the virus, the road ahead is uncertain. And, as you've heard this morning, the virus doesn't discriminate: it can attack the young and the old, the powerful and the weak. And that's why we need to have a very united stand, both in terms of how we address the health issue, but also in terms of how we deal with the economic consequences.

I think it's important to say that our Member States reacted swiftly to protect public health and support our economy and society through wage subsidies and business support measures. EU leaders reached a landmark political agreement on the Next Generation EU fund of EUR 750 billion, signalling unprecedented EU support for the recovery and a holistic demonstration of solidarity.

As this Committee knows – on the financial services side, central banks and supervisors took big steps to allow the financial sector to stabilise the economy. The Commission proposed a banking package to enable banks to keep lending, which you agreed to in record time. The capital markets recovery package – now on the table – will make it easier for capital markets to support European businesses. But we know that some companies will not recover and that financial institutions will face an increase in non-performing loans, which we must prepare for. This will receive my highest attention, if you choose to confirm me.

But let's be very clear: this is not 2008. Banks were part of the problem then; are now part of the solution, with stronger levels of capital and liquidity. We can see the positive impact of the regulatory framework implemented after the global financial crisis. The work of the EU institutions – not least this committee – was and is key in creating a more stable financial system. To aid our recovery while supporting the green transition and the digital transformation of the EU economy, our financial system must remain strong so that it can be at the heart of rebuilding our society and our economy.

One of my key priorities will be to inject fresh energy into completing banking union. This is vital for financial stability, for the resilience of the euro area, and to strengthen the international role of the euro. Agreement on the common backstop to the Single Resolution Fund (SRF) and a European deposit insurance scheme (EDIS) is essential. I will work with this Committee and Member States to find a way forward. You know very well how difficult it is to make progress on banking union. But allowing this stalemate to continue leaves us vulnerable in times of crisis. In this house, I have never shied away from the most difficult of challenges, and I will not shy away from building consensus on banking union.

The stability of banks depends also on global cooperation. I will continue the implementation of Basel III standards, taking account of EU specificities and proportionality. Your support and co-operation will be essential.

Hand in hand with the banking union, building a capital markets union would strengthen our single market, allowing money to flow more easily across the European Union. It would allow for greater diversity in funding for businesses, in particular SMEs and start-ups, wherever they are located, and provide more opportunities for savers and investors. We do need to reduce barriers to investment and savings and tackle obstacles that discourage cross-border activity to build a capital markets union that serves everyone. I fully endorse the recently-launched capital markets union action plan, which outlines a very clear way forward. Among the 16 actions, some will be easier to

deliver than others. I hope we can make quick progress on the SME IPO fund, but we will also need to tackle some difficult issues. European capital markets are still too fragmented along national lines. To break down barriers, we will also need to look at insolvency proceedings, withholding tax procedures and supervision. The capital markets union is a long-term project that will require continuing commitment and support. I know this Committee is strongly supportive, and I welcome your own initiative report.

The future will be green and digital, and this will require fundamental changes across our societies. This Parliament has called it right – we are in a climate emergency. The COVID-19 crisis cannot be used as an excuse to delay addressing the challenges of climate change, environmental degradation and biodiversity loss. Our goal is for the EU to be climate-neutral by 2050. Public financing will not be enough to reach our target: we need more private investment. Finance and capital must flow towards investments that foster a green recovery, promote a more circular economy and have sustainability at their very core – recognising that sustainability is not only green but social too.

The Taxonomy Regulation is a key step in clarifying for investors and companies what economic activities are green. With the support of this Committee, I will prioritise a new action plan on sustainable finance, accelerate work on an EU green bond standard, eco labels, green, sustainable investments, and improved disclosure of climate and environmental data by companies, helping investors and industry identify sustainable projects. I fully support Commission President von der Leyen's ambition that 30% of the Next Generation EU fund of EUR 750 billion euro will be raised through green bonds. I don't underestimate the challenge, but I am determined to see it through. We don't have any other choice.

Our lives have been very restricted by COVID-19 – we can see it this morning in our room – and now we know, more than ever, the benefits of technology and innovation. There are even more FinTech providers now, and digital financial transactions have increased: more online shopping and contactless payments. The new digital finance package adopted last week is both necessary and timely. The pace of digital innovation is accelerating, and with it come both opportunities and risks. The Commission's retail payments strategy sets out a vision for payments across the European Union, allowing consumers to pay more easily cross-border and beyond the European Union.

Europe has fallen behind, and there is no time to waste. We need to tackle fragmentation in the single market for digital financial services and strive for a European financial data space to promote innovation. The principle of 'same activity, same risk, same regulation' must be at the heart of our regulatory approach, and we need strong safeguards to mitigate against cyber-attacks and other risks.

We are all aware of the emerging market in crypto assets. We need a common EU framework to give legal clarity and address risks whilst exploiting opportunity. In this area, like in the area of capital markets, we need strong supervision.

The Wirecard scandal is a shocking tale of fraud, inadequate audits and failures of supervision. We need to take a long hard look at what went wrong there and learn all the lessons. It took the work of investigative journalism, over many years, to break this story – a saga with a black hole of EUR 1.9 billion. I think it's worth letting that sink in. It is such an enormous issue.

Last week, again, we have relied on investigative journalism to expose weaknesses in our frameworks. Money laundering is part of a criminal chain of activity that wreaks havoc on our

society: human trafficking; child pornography; drugs; counterfeit goods and terrorism. We have to be tougher to secure the integrity of our financial system to stop money laundering, so I welcome the new anti-money laundering action plan adopted in May, and will continue to work towards a legislative package next year, taking into account this Parliament's resolution in July. We need a single EU rulebook, one that's not overseen just by national supervisors but by a very strong, independent EU anti-money-laundering supervisor. And we need enhanced cooperation between financial intelligence units.

If I get your support, I will be joining a geopolitical commission, working to strengthen the EU internally and externally. Never before have the fragilities of the world we took for granted been so exposed as in this time of the pandemic. The need for cooperation has never been stronger. Equally, the need to protect and safeguard our values in a world full of risks has never been clearer. We stand on the side of our fundamental values of democracy, human rights and cooperation.

Protecting and projecting the values on which our Union is founded means standing up to those who seek to undermine them. A credible and responsive sanctions framework is key for an effective foreign policy. In parallel, I will look at ways to defend ourselves from unwarranted extraterritorial effects on our interests of sanctions adopted by others and will work on our ability to impose sanctions.

To be open to the world, we also need to be strong and secure at home. At a time when global institutions are struggling and large powers are turning inwards, the European Union must act firmly to protect our interests and the work towards restoring multilateralism, including in the global financial dimension.

The United Kingdom has left the European Union, and we are coming towards the end of the transition period. I fully support Michel Barnier's work towards a new relationship in the interests of both the European Union and the United Kingdom. We must be ready to deal with the consequences in the financial sector that flow from the UK becoming a third country. Under all circumstances – deal or no deal – the trade in financial services between the United Kingdom and the European Union will be different and less fluid as of 1 January next year. All EU financial firms and stakeholders need to prepare for this. Many already have, and others need to do so urgently.

We have taken decisions in the interests of EU financial stability for the short term, notably on CCPs. We need to avoid being overly dependent on a third country for key financial services. This is not closing ourselves off to the outside world. Indeed, I want to make sure that we have a strong European financial system, and that the services that underpin our financial stability are under our rules and our supervision.

Dear colleagues, we have made significant progress following the crisis in 2008. I want a resilient European financial system that underpins social inclusion and is open for all. Covid-19 has shown that neglecting investment in public health comes at a high price, that freedoms are not always guaranteed, and that wealth creation is not an end in and of itself but rather the key to building more resilient and inclusive societies.

As we chart a new direction that's green, digital and more sustainable and inclusive, the financial sector must play its full part, ensuring capital for the right investments, embracing environmental and social responsibility not as 'nice to have' but as fundamental. We have no time to lose, and I for one have never allowed a moment to be wasted in my 16 years in this house. This Parliament means a great deal to me, and should I meet with your approval, you can count on my full cooperation with you. Thank you, and I look forward to our debate.

1-005-0000

Markus Ferber (PPE). – Good morning everybody, sorry that I took (*inaudible*), as Mairead said in the beginning, and welcome Mairead. We hope after this successful approval to have a good cooperation with you. Against the backdrop of Brexit and the pandemic, having deep and liquid capital markets in the European Union is more important than ever – you mentioned that in your introductory remarks. In the past, very often the progress on the capital markets union was rather incremental: particularly in the area of taxation and insolvency, little progress has been made. How do you intend to give the capital markets union the push it needs?

1-006-0000

Mairead McGuinness, Commissioner-designate – I think Markus your point is right, that it has been incremental progress on the capital markets union (CMU), but I think we knew it wouldn't happen overnight. And indeed, what we need is positive incremental progress, rather than the stop-start action.

But we all know that we need deep and liquid capital markets, and we need it now more than ever, to help our economies and societies recover from the impact of COVID-19, and we need it to ensure that we can fund this transition to a more sustainable greener economy. That is why the recently adopted CMU Action Plan is timely and important, and I know that I will have the support of this committee and this House to really get things moving.

In terms of some of the details that you've raised as regards insolvency for example, we need a level of ambition that is set out in the action plan. I think we can make very important progress towards greater convergence and to make insolvency processes more efficient. Long judicial procedures are in no one's interest, neither the lender or the borrower. But we need to be careful and consider whether we need a new law, or indeed some non-legislative initiatives in this area, either could be the best way forward, and I don't have a fixed mind about which is the best way - we need to look at the details. But we do want to avoid legal processes that just impede progress.

In 2018, the Commission proposed, under the CMU umbrella, rules for the accelerated extrajudicial enforcement of collateral. I think this is an important proposal and I'd be very happy if as co-legislators we could make rapid progress on it.

And again, you're right on taxation, because I've dealt with constituents about this issue. It is another difficult area. Investors in Europe are facing lengthy and sometimes fraud-prone refund procedures for tax. This discourages cross-border investment. I think it's important to address the disadvantages of cross-border investors and find the proposals in the CMU action plan to address these burdensome tax refund procedures, a very good way forward. It won't be very easy to do, but I think it's absolutely essential.

1-007-0000

Markus Ferber (PPE). – Taxation is not the core of your portfolio, but the capital markets union requires progress in the area of tax harmonisation – you mentioned that. In the past you have expressed sceptical views on the matter: for example, in relation to the debate about the Apple case. Can you elaborate how you see your role as Commissioner in the area of taxation?

1-008-0000

Mairead McGuinness, Commissioner-designate. – I'm going to be very, very clear on this. If I am approved by this committee, I will be a European Commissioner, defending the European interests, and that's absolutely essential to stress. Commissioners take an oath to leave their national hats at the door. I don't wear one, but I certainly will leave my national hat at the door when we take office. I think that's really essential for the good functioning of the Commission, which is, after all, the guardian of the Treaties, and also for the very basic good functioning of the European Union as a whole.

As a European Commissioner, I can absolutely confirm that I would take a Community approach to taxation. I know this Parliament is very active on the issue of fair taxation and I think it's also a big issue for our citizens right across the European Union. It's really important that we engage with all the Member States to find areas of cooperation, not just at the European level, but also internationally. Tax should be fair and efficient, and I think that's really important – businesses, citizens, it's important for public finances and it's important for growth.

There's no question that fair tax must play a very central role in Europe's recovery, but taxation, as you know, is a very sensitive issue. Some Member States are fearful of any move to change the voting methods used on tax files, fearing that it will impinge on national sovereignty; others are in favour of a more harmonised approach. But my commitment to you is that I would strongly support the College's efforts to promote fair, simple and sustainable taxation in line with the Commission's package of July.

1-009-0000

Jonás Fernández (S&D). – Señora presidenta, señora candidata a comisaria, yo creo que en este año de legislatura la actual Comisión ha trabajado duro en el desarrollo de la unión de los mercados de capitales, de las finanzas digitales... Yo creo que hay una agenda definida por la Comisión, que entiendo que usted continuará, pero ciertamente no puede haber una unidad de mercados de capitales sin una unión bancaria. No podemos tener un mercado de capitales con mercados de depósitos exclusivamente nacionales. Así no hay capacidad para generar una oferta de financiación que permita mejorar la liquidez también de los mercados de capitales.

Y, en este sentido, como usted sabe, el Reglamento para la creación de la garantía de depósitos lleva años bloqueado: bloqueado en esta Cámara por algún grupo parlamentario y bloqueado también por el Consejo. Y entiendo que la Comisión debería invertir algo más de capital político en desbloquear la negociación de la garantía de depósitos.

¿Qué iniciativas considera que usted puede liderar en los próximos años?

1-010-0000

Mairead McGuinness, Commissioner-designate. – Good morning and thank you very much Mr Fernández for your question. I think you're absolutely right, we need them both, we can't have one without the other. So we need a strong banking union and a strong capital markets union. I take your point that we need political energy injected into this process. I'm very well aware that this is blocked, this file is blocked, both within committee and indeed at Member-State level, but we don't really in my view have much choice, and I think that COVID-19 propels us to take brave steps now, and indeed later in our conversation we may, you know, dig deeper into why that is the case. For financial stability I think it's important that we move ahead. I think for consumers we want to ensure there is stronger protection for depositors and it's also about consumer confidence, and reducing the risk of - which happened in the past - using taxpayers' funds to literally fund bank bailouts and that was a very difficult time in Europe's history. I'll address the issues related to completion of banking union firstly by injecting my political energy into this as a Member of this House, and if you approve, I will be then within the Commission. And I think there is a sense of urgency so we need to work energetically. We need to find the areas where there is broad support and then make progress on those. But all elements of the banking union work stream are linked together, so the crisis management, the EDIS, as you describe the insurance, the home host issues, which are very pertinent, so regulatory treatment of foreign exposures is another complex issue and indeed financial stability itself. The difficulty and the risk is that if we move at the pace of the most difficult we make very little or very slow progress, so I think we have to move ahead where we can make progress. So, particularly in the short term, my focus will be on finalising the ESM reform package, the European Stability Mechanism. It is well advanced and

it's ready for closure and this includes the common backstop on this to the Single Resolution Fund. As for the early introduction of the common backstop, it's important that we avoid shifting the goalposts if we want ...

(Interruption by the Chair on a technical matter)

1-011-0000

Chair. – Ms McGuinness, I apologise for interrupting you, but I've been informed that there is a problem with the interpreting, so maybe we can take a pause, because otherwise many Members may not be able to understand.

I am really sorry that we need to interrupt proceedings for a couple of minutes to make sure that everybody is able to understand.

I ask the Secretariat – I mean the services – to keep us informed. I do apologise for this.

Can we stop the counter?

1-012-0000

Chair. – Dear colleagues, I've been informed that everything should work properly now, so I apologise for the interruption. We needed to make sure that everything was working fine. So, I would now kindly ask Ms McGuinness if she wants to finish – or she was probably already about to finish – the first reply to Jonás Fernández, if there's anything you want to add.

1-013-0000

Mairead McGuinness, Commissioner-designate. – I want to make an announcement. I did not pull the plug! There was speculation that it was me, but I can assure you, it wasn't. Out of respect to Jonás's question, I will try and summarise, because if colleagues didn't hear it, I think it's only fair.

In relation to your main point, which is that without a political effort, banking union will not be complete, I accept that fully, and I think that will be one of my tasks: to bring some political energy into this issue. I mentioned also that we can't wait for the slowest piece of the jigsaw to be put in place. We have to move ahead with all the other streams, and there are four of those, as I mentioned, including the insurance issue and the treatment of sovereign exposures, amongst other things. In the short term, our focus should be on finalising, as I said, the European Stability Mechanism reform package. It's well advanced and it's ready for closure, including the common backstop to the Single Resolution Fund. As for the early introduction of the common backstop, I think it's important that we avoid shifting goalposts if we want to achieve something meaningful and indeed timely, which I think is part of your question. I believe the longer we wait, the lower the added value of the early backstop. So beyond the end of this year, I think we need to focus on areas where we have broad support. In that regard, I think the crisis management is possibly one of those, so as a priority during my tenure, if this committee approves, I think the work of the Commission will focus on bringing forward a review of the crisis management and deposit insurance framework. There are very good ideas even from all sides on this: the Member States, but particularly this committee. I think we do have to intensify our efforts to find agreement on this European deposit insurance scheme. We need an ambitious approach – I think that will be key – because we need the confidence of citizens that their deposits, wherever they are, will be safe and stable.

I mentioned previously that I think there's a particular window of opportunity now. There is a saying that you should never waste a crisis, or indeed a good crisis, although I think 'crisis' and 'good' don't go together. But I do think there's something about the timing today which has

changed a great deal, even in relation to (which is a separate issue) the Member States' view on taxation. But in terms of banking union, I think we should seize the moment now, because if we leave it too long, I would be fearful of consequences. I see the clock, Madame Chair, and I will cease.

1-014-0000

Jonás Fernández (S&D). – Yo creo que nos gustaría escuchar un compromiso claro, firme, del impulso a la garantía de depósitos europea, en línea con lo que ha dicho, pero me gustaría escuchar un compromiso claro. Y, dentro de esos compromisos de desarrollo de la unión bancaria, también está la necesidad de armonizar los impuestos a las entidades bancarias, por cierto, tal y como propone la Presidencia alemana. Me gustaría saber su opinión sobre esto. Y me gustaría saber también su valoración sobre el calendario de implementación de Basilea IV.

1-015-0000

Mairead McGuinness, Commissioner-designate – On the Basel III point, I think that there are some concerns about its impact on our businesses and the financial sector now, but I think we have to implement it faithfully and also take account of the specificities of the European market.

In relation to a clear statement, a commitment, all I can say to you is that in this House, when I take on a job, I finish it. But I do it by bringing people with me and the first thing we have to do is to have a very honest and open conversation with our Member States, and with colleagues in this Parliament, about where the areas of real fear are.

The reality with all of this is that trust between Member States is not what it should be, perhaps because of the past. We need to try and get over that, because if we still keep looking to the past as our guide to the future, I think we will not do the right thing. So I give you my personal and political commitment that working with you – and I know you have a particular interest in this – I will inject fresh energy and a political push into this issue.

On tax in general, I made the observation that what would have been unthinkable a year ago, where Member States were opposed to own resources, for example, are now absolutely committed to own resources and a taxation regime that delivers them. So, again, the world has changed dramatically.

As I mentioned in my speech, when Executive Vice-President Dombrovskis was before this committee, the world was very different. We didn't know that a pandemic would hit. So we're dealing with the health crisis, and all of the financial issues, and in a way, this is the moment where we start delivering on solidarity. It has already been shown with this massive injection through the Rescue Fund for Europe, and therefore Member States' mindsets are different. So I give you my absolute commitment.

In terms of a timetable: look, I like to get things done. I came into this House in 2004. I watched how things happened and I found ways of getting things done. I'm from a small Member State. There are very few of us in Parliament, but I believe that regardless of size you can be very effective. So I think if you were to trust in me, and I think trust is really important, I can – with you, not without you – deliver on banking union and indeed make progress on the CMU as well.

1-016-0000

Luis Garicano (Renew). – I am encouraged by your statements on banking union, but not really fully reassured. I think fresh energy is not enough.

You are right that there are several elements together that need to fit, and deposit insurance is only one of the elements. A package that involves all these elements might be the solution, something

that involves both sovereign exposures, as you said, deposit insurance, and resolution, which is also not working.

I want to emphasise that this is really an extremely important issue at this point. If we want to preserve financial stability and ensure the survival of the euro, we need to really act. I think nobody forgets – and I don't want to remind you maybe too much, because it was also crucial in your own country – the 2012 situation where the euro's survival was actually threatened, where we had a destabilising feedback loop between countries' financial systems and their sovereign debt. We really haven't done enough to break that loop. Resolution is not working, sovereign exposure issues are not solved, and deposit insurance is not actually even started, as my colleague just mentioned.

I want to go back to where my colleague left it and insist that we really need a commitment to move forward this dossier – not just fresh energy, not just trying to work together, but the Commission really needs to take the lead here, both in terms of common deposit insurance and in terms of putting together a package that can help us unlock this puzzle.

1-017-0000

Mairead McGuinness, *Commissioner-designate*. – Thank you very much. I'm glad you're encouraged – the reassurance I'll try and deliver now.

I want to thank you, Mr Garicano, because we had a good conversation about this really important issue. I think you're right that the ears and the ideas of others can feed into, if you like, a change where we could make progress. Let me just say in more detail that I do believe that the insurance issue is indeed more needed now. You've referenced the past, and you and I know the past was not a very pretty place for our Member States, and none of us want to go back there again. So everything I will do and everything you will do is towards avoiding returning to – or avoiding not learning the lessons of – the past. The question is how we do it.

I think what the Commission has been working on is to develop a compromise, if you like, between the various ideas on this European scheme that we both want. We can take what the Commission is working on, but also take into account what this committee has to say, and indeed your own expertise. I think one of the models, if we have a situation where the domestic deposit guarantee scheme is depleted, is that it could then receive liquidity support from central funds or mandatory loans from other deposit schemes.

Again, you talked about trust and I talked about trust, and I think this is the fundamental of politics generally, but particularly in this financial area. If you look at what happened to people at the time of the crash, they were hurt and burned and they've lost trust in many – indeed in the financial sector sometimes. Equally, Member States are concerned about the implications for them as countries, rather than looking at the overall architecture which would strengthen them as countries rather than weaken them.

You're right, I think technically we can do this. I think there are ways, and you have demonstrated very clearly how we can do that, but I think it is about politics. I think this is about trying to persuade people who have very fixed views – and I've met them in this House and elsewhere – to try, if you like, to soften their cough as I would say, so to literally work with all of those who are absolutely diametrically opposed – and there are – and to try and find a compromise by saying very simply that doing nothing is going backwards. That's my fear. I think it would be a case that – you know, you have to say what's true – if we don't act then we retreat to the past.

So with your support, and indeed working with others, I think that we can actually make a difference with both the technical, which is the easy part, but particularly the political.

1-018-0000

Luis Garicano (Renew). – I would like to have a very, very quick follow-up on something that is really very important to many of us, which is the money laundering problem. We've witnessed multiple cases of money laundering scandals, and Vice-President Dombrovskis, when he was here, committed to make a proposal for the establishment of a single financial intelligence mechanism, with EU-wide jurisdiction, to combat money laundering and financial crime. In your written response, you hint that this will be something you will follow up on. Will you put this proposal within your first 100 days in office?

1-019-0000

Mairead McGuinness, Commissioner-designate. – This is a hugely important issue: I mentioned it in my speech. People are appalled at what's happening, that dirty money is being laundered in our banking system. What I will commit to you is a strong architecture with overall European-level supervision. We will have the national, but we will also have the European. And I'll speak to you afterwards, because I think the Chair will get cross if I don't stop.

1-020-0000

Marco Zanni (ID). – My first question is on non-performing loans (NPLs). As you know, this Parliament, this committee, recommends strongly to reduce the burden of NPLs in the banking system, in the financial system, but at the same time, especially with the incoming calendar for provisioning, there is some evidence that the effort in terms of freeing up capital, and the risks from NPLs in the banking system balance sheet, will raise more problems in terms of capital absorption. So how do you intend to avoid any spillover effects in developing the calendar for the provisioning of NPLs?

The second part of the question relates to the discussions taking place to create, again regarding the problems of NPLs, a European Bad Bank. Do you think that a European Bad Bank for NPLs could help avoid those problems or spillover effects regarding the disposal of NPLs?

1-021-0000

Mairead McGuinness, Commissioner-designate – Basically, the reason why we're having this conversation is because an unprecedented event occurred. A pandemic has struck the world, and we are asking our banks, which were indeed part of the problem in the past to be part of the solution. We have made flexibilities to allow banks to release capital, release money into the real economy and to households. And the question then is, are all of them lending as they should be? And I think the evidence would say it is happening.

The follow-on is the economic consequences that will occur in our Member States, because some sectors have been particularly badly hit. I mentioned youth unemployment. There will be businesses that will fail because of the pandemic. Nothing to do with their business idea, but because we're in a very different situation, and the idea is to try and get ahead of non-performing loans. It's a balancing act. You know that if a bank has too much weight of non-performing loans, then it cannot lend to the real economy.

The next question is how do we deal with these loans? In the past, there have been mechanisms to allow the banks to sell off their non-performing loans to others, who then worked through those loans. One of the issues that I would be concerned about here is that the interests of consumers have to be taken into account; we need to learn from the past.

When you ask about the capital issue. The progress of this pandemic is uncertain. What we are trying to do is keep our economy stable and our households in some level of security in a very uncertain world. We know that you cannot continue to lend with the burden of non-performing loans, and I suppose that there are two issues. One is that I think those who are in difficulty should speak to their financial advisers - because we know that in relation to households, for example, there has been a moratorium, but that will now end.

So, I have concerns about that going forward, because we need to be aware that the consequences of this pandemic on our economy are very severe. The trick if you like, or the hook, is to make sure we work ahead of the problem on non-performing loans. That we don't wait until it's too late and the problem becomes too severe.

1-022-0000

Marco Zanni (ID). – Thank you very much. I have another follow-up question regarding risk rising in the so-called shadow banking system. As you know we worked strongly in the past years to regulate the banking system, but sometimes we have not been able to stop some risk, but that those risks present in the financial system just shifted to other parts of the financial system that are less regulated and there is evidence that risks in this part of the banking system are rising, so how do you intend to take on the problem of risk rising in the shadow banking system.

1-023-0000

Mairead McGuinness, Commissioner-designate. – Thank you for that question, and I think there are lots of risks but the one that you point to is a real one. Our financial system is subject to a series of risks because of this pandemic, which we had not thought would happen. They were in a much better state going into this crisis than before. I think when it comes to shadow banking, we just have to be really mindful of these risks, as you say that might shift from banks to non-banking sector and, if you like, review our regulations, our control mechanisms to make sure that they are fit for purpose, and I suppose all of our agencies, certainly in the financial area but across Europe in other sectors as well, are on alert at the moment to be open and careful about new risks, deeper risks and I think the one you point to is part of that package, if you like. Thank you.

1-024-0000

Sven Giegold (Verts/ALE). – Welcome. Europe has been shaken up by major money laundering scandals during the last years. Citizens rightfully are highly concerned that there are some actors which are too big to respect the law – that they feel they stand above the law. Europe has strong EU anti-money-laundering rules, but so far they are little respected. So therefore, Commissioner-designate, would you prioritise infringement procedures against all those Member States which are not consistently implementing EU law?

Secondly, while we try to prioritise the fight against financial crime in the existing financial sector, we see the build-up of new currencies which may well be a space for new forms of financial criminality and are already used on a large scale for criminal payments. Will you take action against the misuse of bitcoin and other forms of digital currencies for financial crime?

1-025-0000

Mairead McGuinness, Commissioner-designate. – I think you summarised the situation very clearly because I think citizens are frustrated, and shocked in many cases, when they read about the issues that you mentioned. So, what do we do about poor implementation? As a Member of this House, when we do legislation I've often wondered what happens to it afterwards, and I think that may be something that we need to look at. But it's not part of this conversation. We then have, in Member States, transposition, but that's not enough either. I think your question is very pertinent because it's about what effect it is having. Are Member States implementing? I think that we could do better. I think there are many cases for Member States – some haven't transposed, some are not implementing. So if you're asking for a commitment on this issue, I think it's really important that

the Commission does work much tougher on this. We tend to use perhaps more gentle persuasion or efforts in the beginning. It is how Europe works so that we don't just come in immediately with a very heavy tool to get Member States to move.

I would have thought, though, that public effort and engagement with national politicians should be very important because we, as European politicians, sometimes don't communicate the impact of what we're legislating and how it will work at Member State level. I am committed in this area. I think that most of us in this House want something done and want it to be effective. So I will look at where there are infringement proceedings, I will look at where I think there should be and I can give you that commitment because it is really, really, an area of huge concern which links to your second part on cryptocurrencies.

I think with digital, which is part of our strategy for the future, during this pandemic, people are indeed using more digital technologies. We have lots of new companies starting up. Cryptocurrencies could and probably are being used in ways that are not appropriate. They can hide financial fraud. I think in this area, if you look at last week's proposals from the Commission, these entities have to be subject to financial supervision. Sometimes, of course, they are regarded as tech companies, not as financial companies, and I think we know that's a grey area in a particular issue that has arisen with Wirecard, for example, and I know you've worked very hard on that. Again, investigative journalism discovered that it is not the actual supervisors, so I think that's something we need to look at.

1-026-0000

Sven Giegold (Verts/ALE). – I would of course like to hear your commitment and beyond that my follow up would be when it comes to the sharing of suspicious transaction reports, you have pleaded, in your opening statement, for cooperation between national financial intelligence units (FIUs). The European Parliament is in favour of a European FIU. Will you support Parliament in its endeavour?

1-027-0000

Mairead McGuinness, Commissioner-designate. – First, let me deal with the national FIUs. I think there's a difference in regulation and supervision for collecting data and using the data. I think we need to look at that. So it may very well be that we're collecting a lot of information but we're not translating it into action.

I'm more convinced that, if we have a European supervisor that brings the Member States' financial units together, - so, in other words, use the existing architecture but make it work more effectively - I think that can work. I think it can answer your concerns that you raise, and I mentioned one particular issue. Very often there is information in the regulatory framework of Member States, in the supervisor's office if you like, but it doesn't get to the next level. We can talk about whether that is doable. My own instinct is that the Member States would not support a centralised unit. I think we can use a European level supervisor, working with the Member States, to deliver the same results.

1-028-0000

Johan Van Overtveldt (ECR). – Thank you Commissioner-designate for your introduction, which was certainly encouraging. We found out during the financial crisis, and certainly during the euro crisis, that risk absorption capacity for the euro area is extremely important and certainly lacking in substance. An often neglected part of that problem is the home bias in banks' sovereign exposure. As long as banks can still be persuaded by national governments to extend credit on preferential terms, it will be impossible to reach a political consensus on further risk-sharing initiatives. What is your view on this and do you plan to take an initiative on this specific item?

1-029-0000

Mairead McGuinness, *Commissioner-designate*. – On sovereign exposures and their specific potential treatment which you raise, there are many different views. I think it is a very complex issue, a very politicised issue, so I wouldn't rush now to give you concrete answers to the particular question, but I am aware of it. I think we need evidence, we need to look at what impact this has on the financial markets, and we have to work with the supervisors we have, the European Banking Authority and the European Central Bank, to see if there is any merit in changing from the existing regime. So when we reflect on the regulatory treatment of these exposures, we have to look at it as part of a wider package, which is part of banking union that we've just been talking about, and see if we can make progress on banking union which might assist in the issue that you have raised. Again, this is a topic which this committee, the Member States and the wider parliament will have to engage in. It's very sensitive, as you know, and there are different views. I see faces in this House who would have opposing views.

1-030-0000

Johan Van Overtveldt (ECR). – It was already mentioned by former speakers, also with respect to the financial crisis: we found out that we have a too-big-to-fail issue with respect to our banks, and certainly Europe. We all agreed that we should do something about that. What's the situation today – that our banks are even bigger; our big banks are even bigger than they were before the financial crisis. So that problem is getting worse instead of better. Do you agree with that statement, and if you do agree, what are you planning to do about it?

1-031-0000

Mairead McGuinness, *Commissioner-designate*. – I think obviously the danger with 'too big to fail' is that somebody has to come in – like the taxpayer – and prop up an ailing bank. We saw that happen in some Member States.

I think that when it comes to the consolidation of banks, there perhaps hasn't been an awful lot of it. There's still quite a national view around banking. Indeed, in some Member States they like to support their champion, if you like, their national champion. I think it's an issue we need to talk about in more detail, about what you do around scale.

One of the difficulties, and it may arise in further questions, is that when people want to borrow in one Member State they can't go and get money in another Member State. So that there isn't, if you like, this capital flow, or indeed a banking union. I think that the issue is then should we have stronger European banks? I know again there are divides in this House on this, because we have at the moment big, medium and a lot of small banks as well, and I know for some colleagues this is really important.

So I would be concerned about 'too big to fail', but I would also be concerned that we stick with the status quo and that there isn't, if you like, some change to the infrastructure within and across the European Union. We've learned a lot from the last economic crisis, and I think the regulatory framework and the supervision will be mindful of checking that there isn't a crisis with 'too big to fail' by making sure we see warning signs. So I firmly believe that we are in a better place to deal with that now than we were in the past.

1-032-0000

Chris MacManus (GUE/NGL). – We're living through a recession caused by a pandemic, and there's not a week goes by that the Parliament does not ask to loosen up the rules for banks or other financial institutions. The objective is that such institutions are given the leeway needed to get us through this crisis, indeed ample leeway, as your predecessor referred to it.

The question arises as to how do we protect the worker, the family and the small business?

Will you withdraw the proposed directive on non-performing loans, which will make it easier for banks to sell on family mortgages in distress to so-called vulture funds, until at the very least we are through this crisis?

How will you make sure that the leeway given to the banks is best used to protect family homes and keep small businesses viable? Will you prevent these banks from re-possessing homes and closing down SMEs in distress because of COVID debt?

1-033-0000

Mairead McGuinness, *Commissioner-designate* – I think you summarised very well what is happening in Member States. This is an unprecedented crisis. Nobody is to blame. The virus is still alive. So the consequences and impacts are severe.

I think one of the concerns we would have is that rather than seeing an end in sight, we are seeing a stop-start, with lockdowns of various dimensions across our Member States. The impact economically is very severe. There have been efforts to make the banks lend more, which I think have worked if you look at the evidence. What we're fearful of though is, if this continues for any sustained amount of time.

I already talked about these non-performing loans. We have a dilemma here. There's a balancing-act between leaving loans on the banks' books, which restricts their capacity to lend, or finding a mechanism to get those loans off the balance sheet and put into other vehicles that can deal with them.

But I want to be very, very, very clear, because you and I come from the same Member State. We know what happened in Ireland. Families were devastated. It is completely wrong in my view, that if you take out a mortgage with Bank A and they sell a package off to Bank B, that your connection is broken. You should have the same legal capacity, the same contact with that second bank.

You will find in me strong support for protecting homes and families from the impact of this pandemic - that's absolutely clear.

But I also need to be clear that if we do nothing, if we turn a blind eye to the problems of non-performing loans, we then have problems in banks that might, if decisions were taken by sovereigns to prop-up banks, lead to this 'doom loop' that we talk about. There is no magical solution, but my final comment is this, people and their homes should be protected. And I would urge people where there are problems to talk to their bank. You and I, as elected representatives do that with constituents. So we know very well the pain that is suffered by families. I think you'll have a champion in me on that issue.

1-034-0000

Chris MacManus (GUE/NGL). – As I said, my initial question was about how we are going to make sure workers and ordinary families are shielded from the worst of this crisis.

In your reply to the committee's written questions, you stated in page 9 that the non-performing loan strategy will need to focus on developing secondary markets for distressed assets. So I re-emphasize my point again. My concern is that we are giving a green light for banks to sell on non-performing loans, as they wish.

So maybe a more basic question is, do you implicitly trust the banks or other financial institutions to do the right and moral thing in this regard? And if you don't, how will you make them do it? I've given two examples: Firstly to withdraw the vulture directive and secondly, that we make the

backing for banks conditional on there being no repossessions linked to the COVID crisis. So I am asking, can you commit to either of those?

1-035-0000

Mairead McGuinness, *Commissioner-designate* – The problem with your argument is that, if we do nothing, we will have a worse problem. So you have to face up to a problem of non-performing loans. What works, if it's done correctly and which should help the workers and families that you refer to, is that the secondary markets operate and are regulated, so that we know what's going on.

So my commitment – and I said it in the first answer – is that I would be very mindful of how these secondary markets operate. I think family homes should be protected, but I think the biggest issue for me (because I've dealt this summer with cases involving these secondary market operators) is where they disconnect from the borrower, and I think that is not appropriate. So we will keep a very close eye on this.

My last remark is that there's a fine line between making sure that the banks' balance sheets allow them to lend, because you and I, you want workers and families to be protected. Therefore we need banks to lend. If we leave a build-up of NPLs, they can't do that. So we have to find a solution, but one that protects the family home and those in it.

1-036-0000

Frances Fitzgerald (PPE). – Good morning. As an Irish colleague of yours for many years, Mairead, I want to particularly welcome you to this committee this morning. I note that your appointment would lead to a gender-balanced Commission and you would be the first woman ever to occupy this post since the first Commissioner in 1958.

I want to ask you about retail financial services. The unfortunate truth is that, when it comes to financial services, we have created a well-developed market for businesses, but we have not done the same for consumers. Only 7% of EU consumers have purchased at least one financial product in another EU country and we have virtually no cross-border market for loans and mortgages. It's difficult for me to explain to my voters why Irish mortgage rates are, on average, more than double those being charged in other EU countries, and yet they cannot access cheaper mortgages there. How will you work to ensure that EU citizens can easily avail of retail financial service products?

1-037-0000

Mairead McGuinness, *Commissioner-designate*. – It is an issue that arises in conversations in my Member State and, possibly, there are two other Member States that have this huge disparity in relation to mortgages in particular. The fact is that there are barriers. We are meant to have a single market, but there are actually barriers. Sometimes it's language, sometimes it's the legal system and sometimes it's not the bank that is the issue, but that the borrower doesn't seek a loan elsewhere. But there is no single market when it comes to mortgages, and I think that is something that we need to address. We are making some progress and I think the issue of interest rates is quite complex. There are perhaps some historical reasons why rates are different in different Member States. Competition can also be an issue, particularly in smaller Member States where providers think it's not worth them doing business. So I think there's a complex set of reasons why things are as they are, but that's not acceptable.

So, to your question, Frances, I think we need to look very closely at where the blockages are when it comes to people borrowing across borders. First of all, we have to make sure that the infrastructure is there to allow that to happen. There are legal issues as well, of course. If there is a problem with a loan, how do you get the collateral? Sometimes the legal system doesn't work very well.

But I can give you a commitment to look carefully at this issue and that, if you approve of my nomination as Commissioner, I will certainly look at it because I think we need to be able to explain to our citizens why things are, but also to give them hope that it will change. I think, from the Member State that you are in this morning, one of the concerns I would have – I heard that there may be one bank closing its branch – is that we will end up with no competition. I think that's where consumers really, really are put on the very wrong side. So I'm aware of it, and I hope I can engage with you on it at some stage in the future.

1-038-0000

Frances Fitzgerald (PPE). – Thank you for that reply. We've all seen the extraordinary devastation that has been caused to our economies, our societies and our businesses by COVID-19. To ensure stability in the financial system, Commissioner Dombrovskis proposed a banking quick fix and a capital markets recovery package to help EU citizens and businesses.

My question is, what would you be prepared to do with part of your brief to ensure financial stability in the case of a second wave - as indeed we are seeing - of COVID-19, or in the case of new lockdown measures, particularly in the banking sector and capital markets sector? Are there further measures that can, and should, be taken to protect financial stability and indeed ease the burden on our citizens and our businesses?

1-039-0000

Mairead McGuinness, Commissioner-designate. – I think you raise a concern that we all have, namely that what we're living through now may persist for some time and therefore the economic consequences, but also the societal and community consequences, are awful because people are living in fear and in uncertainty.

So, when you speak of new measures, what's happening is - and the ECB are involved in this and all our supervisory architecture - that we are carefully looking at what's happening to our stability. Everything we will do now, and we have done, is about financial stability and that will include work that we will do on Brexit, and I dare say some colleagues will raise this. So we have to try and plan a recovery, but also a recovery that may not go in one direction completely, but that could be a stop-start. The mechanisms now are to try and keep people in employment and to keep businesses functioning so that they will be ready to recover - we hope - when a vaccine may come along or a treatment that will remove the fear of our communities.

But I think all of us in this room and those online know that today we are seeing more outbreaks and a real concern that, while it's not quite a second wave, we will deal onwards from now with the stop-start approach. So rest assured that all of the Commission services and the regulatory structure are watching carefully around this issue of financial stability. I think, thus far, we have made the right calls and we have managed, in very difficult times, to contain financial stability, which is so important for citizens and our business community.

1-040-0000

Pedro Silva Pereira (S&D). – Madam Chair, Commissioner-designate, dear colleagues, I must say that, as second Vice-President of the European Parliament, it has been a great privilege for me to work with you in the EP Bureau in your capacity as first Vice-President, so you are very much welcome here. My question is about Brexit. For sure, a lot of things are going to change immediately after the end of the transition period regarding financial services. Financial institutions based in the UK will lose their passporting rights, and from now on their access to the European market will depend on equivalence decisions made unilaterally by the EU. So how do you assess the risks for financial stability arising from this major shift and what can be done in this short period of time to reduce even more those risks?

1-041-0000

Mairead McGuinness, *Commissioner-designate*. – Thank you Pedro. Thank you for your kind comments about our work together on the Bureau. I have enjoyed that immensely. But to your point around Brexit. Yes, we know that Brexit has happened but what we're dealing with now is a move towards the end of the transition. What the Commission has done from the very start of the Brexit process, which dates to 2016, was to alert companies across all sectors, including the financial sector, that there would be change. We know that discussions are ongoing in a difficult atmosphere, I would have to say, about a future trade agreement, but that doesn't deal with financial services. So in a practical way, and in a very concrete way, the Commission has looked at where there might be worries around financial stability. We identified the CCPs, these clearing houses, so we needed immediately to act, and this has been done.

The Commission has decided to grant equivalence for UK-based CCPs for a time period of 18 months, but that won't be the end of it because, as you rightly said and as I put it I think in my speech, deal or no deal, there will be big changes. These are changes that arise from Brexit, which was not our decision. We respect that the UK has made that call to leave the European Union, but we have to deal with some of the consequences. So for the future we need to try and understand how the United Kingdom plans to continue. Will they diverge significantly when it comes to financial regulation? In what direction? And we have submitted questions and there has been some feedback with answers. It is very difficult to comprehend that what we have in the union of 28 worked for everybody and the City of London was an important part of Europe's financial infrastructure. We now move to a situation where the City of London will be in a third country and we are using many of the services. I think the question for all of us is, is it right? Is it, if you like, financially prudent for us to rely on a third country for the location of vital services? In my view we need to take a precautionary approach, I think we need to build up our own infrastructure because, as I've mentioned, we do not know what the intention of the United Kingdom is, particularly on financial services, but we do know they plan to diverge. The Commission, in the work that I've seen, have worked hard on all of the various streams to make sure that whatever the sector is that we will not take risks and we certainly will not take risks with financial stability. I think it's also fair to say that we want a cooperative relationship with the United Kingdom, and I think that would be good for all of us, but at the end of the day what I need to do, and the Commission collectively, is to make sure that we look after the interests of the European Union.

1-042-0000

Pedro Silva Pereira (S&D). – A real follow-up, still on Brexit. Regulatory divergence with the UK is to be expected, probably a movement towards deregulation from the part of the UK. In your written question you say that the assessment of equivalence now taking place should be done on a forward-looking basis. So my question would be, how important should be the risk of future regulatory divergence from the EU framework in the assessment of equivalence of UK-based institutions?

1-043-0000

Mairead McGuinness, *Commissioner-designate*. – Thank you for that question, and I suppose in many ways this is like getting out a crystal ball and trying to see what will happen in the future, and unless and until we get clear answers from the United Kingdom about their intentions, whether they intend to deregulate or just to, if you like, to diverge slightly or significantly, then we have to be open as to how we respond. So it would be extremely difficult to grant equivalence without knowledge and what we're trying to do at the moment, we've worked in one area that I've mentioned, but in other areas trying to get from the authorities in the United Kingdom some idea of their vision for their financial services sector, so that if we need to do more equivalence or if we so decide, we do it with knowledge of what they plan to do. I have to say at the moment we don't have that information.

1-044-0000

Stéphanie Yon-Courtin (Renew). – Madame la Présidente, chère Mairead, je me réjouis d'auditionner aujourd'hui une femme dont la compétence, l'expérience et la relation de confiance avec le Parlement ne peuvent pas être mises en doute. Je vous fais confiance, Mairead, pour donner un nouveau souffle politique à la DG FISMA, notamment sur l'union des marchés de capitaux et sur la finance durable.

Je vous demande trois engagements clairs sur les trois points suivants: d'abord, comment allez-vous assurer que les consommateurs européens reçoivent une information juste et non faussée afin d'investir dans tout produit financier? Ensuite, comment allez-vous assurer que les autorités européennes, les ESAs, jouent pleinement leur rôle de gendarme et posent des questions sans concession aux autorités nationales après le scandale Wirecard? Enfin, allez-vous rejoindre le groupe Renew et adresser un message clair aux *boards* d'ESMA et d'EIOPA, à savoir qu'en l'absence de *short list* paritaire hommes-femmes pour les nominations du printemps 2021, tous les candidats seront rejetés?

1-045-0000

Mairead McGuinness, Commissioner-designate. – I hope I got all of the questions and that I try and respond to them. In the first question about financial information, I think that one of the problems and reasons we don't have a strong capital market or people who look to invest is because of the uncertainty and the fear that they will not get the right information and make poor investments. I think we're looking very closely at this so that we try and ensure that those agents who are giving the guidance do so in a way where it answers the needs of the customer. I think we need to look at the impact of inducements because this can have an impact, and we need to get more evidence, and we are looking at that in detail to see how that works. If we don't have the trust of citizens that when they invest they're doing so with full information, then we can't make progress at all. I think it's a high priority for the Commission, and it certainly would be a high priority for me.

You mentioned supervision and Wirecard. I think that that issue about what happened, how it happened, how long it was flagged and why there was no action, needs absolute, full investigation because there were auditors, there was a German supervisor, there were many other layers that should, in my view, have caught hold of what was happening and indeed there should have been, if you are reading newspapers, an awareness that something was wrong. I always talk in my work about effective regulation, effective supervision. I think that's not passive. It has to be a very active supervision. We will look carefully at what comes out of all of the investigations around Wirecard and act accordingly. I mention this not just to the supervisors but also to auditors and other streams involved.

On gender, I think that this is a priority for Parliament and indeed this committee. Until Frances Fitzgerald, my colleague in Dublin, took the floor, I didn't know that I am the first woman since 1958 (lucky I was born in 1959 – yes, I am that old!) in terms of gender. On a personal note, can I say that when I was 17, I vaguely remember those days, where I thought that women and our function in society, at all levels, would change for the better. I'm sadly the age I am today, and I see change happening too slowly. I also think we need to work with colleges and financial institutions and networks effectively to make sure that women and men – but in terms of the balance in the financial sector we need to look at more women – are pointed in the direction, that they have the skill set. I think sometimes women perhaps don't think they know enough. I suffer from that myself occasionally, but I do think it's important in the financial sector. I think you have demonstrated that you've taken tough decisions by turning down names and I think we would all be the better for gender balance. My last comment is that the President of the Commission has led

by example, and I think that she's made quite a profound impact by a gender balanced Commission that I, if I get through your hearing today, would really be proud to serve in.

1-046-0000

Stéphanie Yon-Courtin (Renew). – Madame la Présidente, je serai rapide. Sur la finance durable: d'abord, pouvez-vous confirmer que la Commission sera ambitieuse en développant les futures règles pour les obligations vertes?

Ensuite, allez-vous créer un nouveau cadre pour intégrer la biodiversité dans les obligations de transparence et de gouvernance des entreprises?

Enfin, comment allez-vous intégrer les risques climatiques dans les règles prudentielles pour les banques et les assureurs et dans la régulation des agences de notation?

1-047-0000

Mairead McGuinness, Commissioner-designate. –Very plainly, we know the world has changed. As I said, a few years ago, we wouldn't be talking about environmental sustainability or biodiversity. We wouldn't even look to our banking sector that they need to take account of the risks or investors need to take account of what are they spending money on, investing in. We started really well and the work of this committee around the taxonomy. I think it's global and it's world class. We have a lot of work to follow up in on the green-bonds standard and I think environment is biodiversity, so I think you can count on me, because I've been on the Environment Committee, to work hard in that direction.

1-048-0000

Lídia Pereira (PPE). – The portfolio of financial services, financial stability and the capital markets union will be of a major relevance in the years to come, and I wish you the best in your work in case you are confirmed, and I hope that you can address, in the short term, the completion of European monetary union.

On the one hand on completing the Banking Union with a European deposit insurance scheme and with a common backstop in the Single Resolution Fund. On the other, on setting the conditions for true capital markets where the free movement is a pillar of cross-border investments that will help the economic recovery.

But my question is about anti-money laundering. The FinCEN files are a topical matter, but some months ago, and just before the pandemic we had a hot topic in the Parliament; Luanda Leaks. For some years, we were collecting cycles of news, judicial diligence, political debates and no major decisions.

So in your mission letter, it is clear; focus better enforcement of legislation, better supervision, adapting to risks linked to new technologies and a stronger role in setting international standards. To that end, I ask you about your next steps to deliver on the May AML commission action plan and, concretely, if you see the proposal of a regulation on the matter to be more effective than one of a directive?

1-049-0000

Mairead McGuinness, Commissioner-designate – Anti-money laundering is a very hot topic in this Parliament, but I think in many, many Parliaments. We want to root it out - but we are not doing it. We are not using, in my view, all of our capacities in the Member States. We are not linked up together.

In terms of the instruments to use. I am very open on that. Sometimes if we want absolute clarity we go for a regulation, but we haven't come to a final decision on it, even though, as I explained, regulations are clearer, but directives can also work.

For me, and this is key, we need a very strong supervision at EU level, because if we don't have that, we then have 27 different financial investigative units, maybe some of them speak to each other, but probably not all. We would have a lot of information, but it would not make a difference in terms of money laundering.

The central regulator, supervisor role, would also in my view take control of very risky areas of banking that need central supervision. But I think that the Commission, even before my arrival here as Commissioner-designate, is determined to make our anti-money laundering rules work and make a difference.

I think that for a Union that talks about our values, I think if we don't tackle money laundering it's very difficult to talk about our values. I think that it is not only in the financial area, but we need to broaden out the role of the legal system, lawyers and others in relation to money laundering because, to clean up dirty money, it has to go through channels, banks, legal systems, and I think that a central control is vital with linked financial units across our Members States.

1-050-0000

Lídia Pereira (PPE). – I would like to take the opportunity to ask more about the recovery. You've talked about European Green Bond standards, based on the EU taxonomy, being needed.

I ask you to be more concrete and specify which legislative proposals are you thinking of; again directives, or regulations? And what must be the three priorities on this topic from your point of view?

1-051-0000

Mairead McGuinness, Commissioner-designate – In relation to the Green Bond Standard, I mentioned as you have already, the EU taxonomy. So based on our analysis of the consultation on the Green Bond Standard, the Commission is going to make a decision on which is the best way forward. So that is still open for discussion.

When it comes to the legislative approach, we would consider a regulation. You know my view on that - to establish green bonds at the EU level. But there are three priorities then: we need it strongly to follow and link with taxonomy, because taxonomy is the basis for everything, and it's very solid work in relation to this gold standard; we would want to be market leaders in this, and I believe that the European Union is; and we would also want to make sure that if you claim to be a Green Bond, that there is verification. How do you actually prove that what you say is actually being done? So I think those are the areas where our work on establishing a Green Bond Standard need to focus on.

But in my view, we have really prepared well with the taxonomy and I complement those who were involved in very detailed technical negotiations.

1-052-0000

Evelyn Regner (S&D). – With your nomination I can say, of course, being also the Chair of the Committee on Women's Rights and Gender Equality, the Commission will be gender-balanced, and this is something we have to welcome and work on. Also, when it's going with gender balance in the ECB, in EIOPA, in ESMA, all those institution where we can dream and have to work hard on, you will have an ally with the European Parliament.

My question is on public country-by-country reporting. Transparency is a big issue for the European Parliament. In 2016, the Commission launched a move towards greater corporate and tax transparency by introducing public country-by-country reporting, a proposal that would be under your supervision and would ensure that investors and citizens know how much profit, how many employees and how much tax they pay. Such a proposal would also help to meet the urgent need to boost citizens' confidence in the European Institutions and the Union.

Do you commit to support this proposal made by your predecessor, endorsed by the College and supported by this House – really by a large majority? If so, exactly what would you do to ensure progress is made, as we know it's stuck in the Council?

1-053-0000

Mairead McGuinness, *Commissioner-designate*. – Thank you for your question, and I take on board your comments around gender.

I voted in favour of a country-by-country reporting when this Parliament endorsed that, so that is my conviction, very clear and no equivocation. I believe very strongly in it for the very reasons that you reference – that citizens want information, that it needs to be transparent and open. We need to move in that direction.

You know that there are very difficult politics around the Council, but from the Commission side there is no equivocation whatsoever. We want this to proceed. How we will do it and whether we can convince our colleagues in the Council to move, we have to try very hard.

I think the argument about being open with citizens – and also a concern that they have that big corporations which can move wherever, and many of them in the digital area, need to be seen to pay their fair share of tax – and so that transparency, in my view, is key.

This country-by-country reporting issue is, as I understand it, locked between legal advisers who think very differently, but from my side, I'm on Parliament's side on this. It's a good initiative. It needs to be done. I hope we can unlock it.

1-054-0000

Evelyn Regner (S&D). – My follow-up is on anti-money laundering. A couple of questions have already been asked, but I would like to have a bit more insight on the sanction issue. Will you, as Commissioner, carry out a thorough review of the current sanction regime and propose an effective and fully harmonised sanctions regime with financial penalties amounting to a percentage to turn over?

1-055-0000

Mairead McGuinness, *Commissioner-designate*. – As you said, we've dealt with this already. When it comes to sanctions, as a general point, where people are actively engaged in and encouraging this behaviour, there should be sanctions. I can't go into any detail about the specifics of those sanctions, but it must be a crime that you are held to account for, and that can be done at Member State level. The fact that anti-money laundering persists and that we fear not only that it, as I mentioned in my speech, impacts on communities and society but also the terrorism financing that comes with this and that the new digital era facilitates this type of criminality, means that we do need to have sanctions. I will look at this in more detail. I can't give you an absolute clarity as to what I think would be the appropriate sanction, and indeed Member States act differently in this regard, but the punishment needs to fit the crime.

1-056-0000

Claude Gruffat (Verts/ALE). – Madame la Présidente, Madame McGuinness, ma première question concerne le soutien aux PME qui vous a été demandé dans le cadre de votre mission. Il n'y aura pas de plan de relance européen juste si on ne vise pas ce type d'entreprise. Je le dis d'autant plus que le COVID-19 a particulièrement affecté ce secteur et qu'on est en droit de se questionner sur la volonté des États d'aider les petites entreprises. Il est dommage que le Conseil ait sorti du plan de relance un outil comme l'instrument de soutien à la solvabilité, qui aurait permis de soutenir les PME touchées par la crise. Pourriez-vous nous expliquer les actions concrètes que vous voulez mettre en œuvre à ce sujet? D'autant plus que vous avez, par ailleurs, déclaré vouloir inclure les institutions financières du secteur public, comme les banques nationales et les banques de développement ou la BEI, dans la reprise.

Je soutiens cette approche, que je défends depuis longtemps: les banques publiques peuvent être un instrument formidable de soutien aux PME en dehors de tout jeu de financiarisation. Avec quels instruments comptez-vous assurer que les banques publiques sont bien actives dans cette reprise et quels nouveaux instruments comptez-vous développer?

1-057-0000

Mairead McGuinness, Commissioner-designate. – Thank you for your question and your commitment to SMEs. I think this committee works very hard around trying to support and strengthen SMEs, because they are the backbone of the European economy.

One of the initiatives, and it's certainly in my letter from the President of the Commission, is to develop the SME IPO fund, and I think we need to do that. We could then crowd in some funding from the private sector to make it happen. I often think when I deal with SMEs that they have to be managers, accountants, workers, that they do many skills and they perhaps don't have the time to work around looking to capital markets for funding. I think we could help with that. I think Member States could do more.

I take your point about public banks and that too can help, but essentially what SMEs need, particularly now with this COVID-19 crisis, is enough liquidity to allow them to continue so that they don't, if you like, suffer catastrophically from the economic situation we are in, and then liquidity and capital to recover when the economy recovers.

But because of the commitment of this committee, and indeed Europe generally to SMEs, we should use everything, all efforts, towards giving support to SMEs, whether that is finance, but also advice, guidance and other measures that would help them access capital and markets. I go back to the point that very often when you're setting up a business and you are a small or medium enterprise, your time is precious and limited.

I do take on board your comments and I certainly will look into it further if this committee puts me through this process and I get to work at Commission level.

1-058-0000

Claude Gruffat (Verts/ALE). – Je sais que ma deuxième question ne relève pas de votre portefeuille, mais elle est importante pour moi.

Le chef économiste de la BCE, le président de l'Eurogroupe et vous-même êtes de la même nationalité irlandaise. Avoir trois postes majeurs détenus par la même nationalité est une situation pour le moins inhabituelle. J'espère que vous vous mettrez au service des Européens et que vous voudrez bien retirer votre casquette irlandaise dans vos fonctions, mais j'ai des raisons légitimes de m'interroger: lors du vote du rapport final de la Commission sur l'évasion fiscale, par exemple,

vous n'avez pas voté comme votre groupe politique lorsqu'il s'est agi de voter en faveur de la taxation unitaire des multinationales pour lutter contre les pratiques fiscales déloyales. Assumez-vous ce vote aujourd'hui?

1-059-0000

Mairead McGuinness, *Commissioner-designate*. – On the first point about being Irish, I can't do anything about that. I am Irish, and I think we're all very proud of our own nationalities. I want to assure you – and I mean this in a very serious way, because it has been raised with me – that there was no conspiracy, there was no plot that there would be three Irish in these positions, but I am proud that we are there.

I would also say very, very strongly, that my role as an MEP representing my constituents in Ireland is very different than my role as Commissioner-designate or as Commissioner, where you work with the College and you're working at the European level. So I want to reassure you that this is the case if you put me through to the next level and I go to plenary.

I am very committed, as I said in my speech, to the European Union. I don't think you should fear the Irish. We have, you know, ways of working which I think can help sometimes. We crack a joke occasionally when it's really very difficult and stressful, and I hope I can use all our skills as Irish people to work with everybody from all Member States, because we all bring different attributes to our work.

I would be a little concerned, though, that you see that as a problem. I hope I can reassure you that we are not all on the phone to each other, every moment of the day. I would see my role as Commissioner as being there to serve the European interest. As regards the other positions held by other colleagues who are Irish, they have their own remit to follow. So I hope you're reassured.

On your question, I cannot answer because I don't have the details, but I'm quite happy to send you a note afterwards in relation to your follow-up question.

1-060-0000

Danuta Maria Hübner (PPE). – *inaudible*. I would like immediately to say that I will not have a follow up question because Francis Fitzgerald actually presented my concern about consumer security and protection, and I am very satisfied with how the Commissioner-designate responded.

I would like to follow on Brexit was my main question because we all know and that was already mentioned by Pedro Silva Pereira, that there will be consequences for the financial services market. The UK will no longer be bound by EU law; passporting will not be continued.

They will also be a third country regarding all financial products on the single market, and will also lose the rights of being a home country regarding control. What is important to remember, is that the supervisory authorities of UK will no longer participate in decisions which will be made by EU supervisors.

But in general I would say that the impact of Brexit on different sectors will be strongly differentiated, depending actually on the sector, and I hope that the Commissioner-designate will agree with me that it will take some time for legal certainty to become a reality. But what we clearly know is that there will be specific risks and general risk coming from Brexit.

So as Brexit actually means more limited relations, my questions to you are, first of all, as we talked mostly about the risks and costs, I would like to ask you, whether you also see any opportunities that will emerge for the EU from Brexit, and specifically to the EU financial and capital markets? Also my question to you is, what is your judgment, your assessment of the

preparedness of European financial sector for Brexit, and the issue which I think you also mentioned was that you don't want to see Europe closed-off from the world. I would like to ask you, how do you see the future relationships between EU and UK with regard to the balance between cooperation and competition?

1-061-0000

Mairead McGuinness, Commissioner-designate – Clearly, we've already referenced Brexit, but on your very specific points, there will be costs. I think it is foolish to say otherwise, because what is happening is a disintegration of a cooperation that has lasted for decades between the European Union and the United Kingdom, at the behest of the United Kingdom.

So as I said earlier, change is coming whether there's a deal on trade or not, and it is coming particularly to the financial sector. So it's the short term we have to look at, and also the medium and long-term consequences of Brexit.

In the short term, I've referenced that the Commission has done its analysis, so have the ECB and the supervisory authorities, and the UK has also done so. But the area where we had a real concern, around instability and risk, was in the EU Central Counterparties (CCP) infrastructure, and therefore we have already agreed equivalence on this, in order to keep financial stability and there is an 18 month period for that to work through.

But that gives time for operators to change their structures. It gives an opportunity for the European Union to strengthen our own financial infrastructure, and maybe rather than the regret which I think many of us feel about Brexit, is that we should now accept it is a reality, and that we have to use this as a moment to look to where we might be weak and strengthen it.

We have a huge single market. We have many, many citizens, we have investors, we have businesses. We can have, if you like, financial centres, not just one as is in the case of London, but around the European Union. And given that digital is the way forward, location or place is not always vital. So I think that there are opportunities. We have to manage the risks.

In terms of your question about preparedness. The Commission has been very clear with all sectors of our economy, and particularly with the financial area, to guide people to give information, to warn early that change is coming and that they need to prepare for it. The information I have is that many operators have made changes, and changes will happen in others. Those who haven't, really have very little time left. But they have some time to prepare.

I suppose on a personal level, apart just from the financial services area, I'm a bit concerned that because of COVID, which has hit the UK and the European Union, and indeed globally, there has been an interruption in our work around Brexit because economies and governments have been coping with the pandemic. So I think that perhaps now is an opportune moment to say - this is October - and that at the end of this year, which is very close to us the United Kingdom becomes a third country. It has particular consequences for the financial services area, as you have outlined.

Lastly on our open strategic autonomy. I think Europe needs to have a strong place globally, to defend the values we have, to show leadership around sustainability issues, and to help those who are weaker.

1-062-0000

Eugen Jurzyca (ECR). – A general expectation is that we will soon see a spike in non-performing loans. For example, in Slovakia, it is expected that 12% of households will not be able to repay

their debts next year. How do you personally assess the situation? How big is the potential overall risk of non-performing loans for the financial system in the European Union?

1-063-0000

Mairead McGuinness, *Commissioner-designate*. – On non-performing loans (NPL), it's very clear that when you have an economic crisis at the level we're experiencing due to the health crisis, that there will be an impact on loans, that there will be some businesses, and indeed my biggest concern is that some sectors will take a long time to recover and therefore be unable to repay loans. I suppose we can look at restructuring. I think banks will do that with clients where they feel that time can help, and that they can come back when the recovery takes hold. But we are aware of this, that the regulators are looking carefully at the level of NPLs, at the capital requirements. I go back to the original point I made that we have a choice to make and it's a very difficult choice. We've asked our banks to step-up with more lending. We've given flexibility around that and that is happening. But if we allow at the same time this increase, and you've referenced that 12% of loans may not be repayable and therefore be non-performing, if we leave those on the books of our financial institutions and our banks, then the lending is choked-off and we do need to find a mechanism, learning from the lessons of the past, to unburden banks with non-performing loans, with sufficient consumer protection when we do that, but it is, of course, a risk. I think this is a risk globally. We are reacting in an unprecedented way at government level, at ECB level, to a situation which nobody had predicted. We might be better prepared the next time and I do think it's something that we need to look at very carefully, that pandemics may not just be a one-off and that the one we're dealing with now, even if we recover from it, we need to learn lessons to make sure that when and if we face another pandemic that we are better prepared than we were going into this particular one. But the issue is very real on non-performing loans, I absolutely accept that.

1-064-0000

Eugen Jurzyca (ECR). – In the light of the COVID-19 uncertainty, stock markets have been remarkably resilient, isn't it that the stock markets follow the policies of central banks more than the real value and expected profitability of companies?

1-065-0000

Mairead McGuinness, *Commissioner-designate*. – I am aware of that, because if you watch the stock markets, they are stronger and it may well be for the reasons that you have outlined. I think that, for the European Union, when it comes to financial stability, when it comes to banking union and capital markets union, what we are trying to do is leverage our strengths in a collective way so that when we face crises we are better prepared. We know that we were not good going into the last crisis, that the banks were not in a good shape and therefore they had to take measures which were difficult, but also very difficult for some of those that they had lent money to. I think there is an issue that you raise there which I will be mindful of and watch very carefully, but I think that it's so important, and I mentioned in earlier questions, that we unblock our potential. Perhaps we don't realise the potential that we have, but if we do the right thing with banking union and capital markets union, support our SMEs, then I think we will have a much stronger European Union. That is why, at every level and at a global level, the European Union is determined to be a global player, but in particular, make sure that we invest for the future and not the past.

1-066-0000

Billy Kelleher (Renew). – I would just say that I am delighted to ask a few questions of an Irish Commissioner-designate and a woman that will bring balance to the Commission as well, and also ability and integrity. Beyond that, I just have two questions. I'll roll them into one, so could you give me a bit of latitude, Chair?

We talk about non-performing loans, we talk about systemic risk in the banking system, and of course we talk about a banking union as you have more risk in the banking situation. Therefore,

it's going to be more difficult to bring about a banking union from the political perspective because Member States will be very conscious of the mutualisation of debt and risk. But, with that in mind, can you give us assurances around the issue of interest rates? In particular in some Member States - for example, in Ireland, in Greece and Latvia and other countries as well - there seems to be a systemic problem around interest rates. In Ireland, they are double the eurozone average and in Greece and Latvia they are even higher. So, from that perspective, if we can't move rapidly on a banking union, can you give us assurances that every effort will be made to address this particular issue, bearing in mind that Mr Draghi previously and Christine Lagarde now have said that some countries are operating almost in a duopoly or a monopoly situation in terms of banking. If we don't have transnational banking without a banking union, it would put some Member States at a huge disadvantage.

Following on from that, because I won't have a follow-up question, we talk about capital markets and the requirement for funding for the small and medium-sized sector, and, of course, we will have the largest capital markets in Europe leaving the European Union at the end of this year. If we have impaired banks because of non-performing loans across the eurozone and, if we have the largest capital market leaving, what measures will you put in place to ensure that we have sufficient credit available to flow into the real economy to fund small and medium-sized sectors, and that we won't have a spike in interest rates and a lack of credit?

1-067-0000

Mairead McGuinness, *Commissioner-designate*. – Thank you, Mr Kelleher, for your questions. I know you have done a lot of work on this interest rate issue and it is raised by constituents, certainly in the Member State we know best.

I won't be setting interest rates, but I think we need to look at the market conditions that prevail in those Member States you referenced to see if there is sufficient competition. It goes back to us asking the question: what sort of banking system and banking union do we want? Do we want one that has all levels of bank? Do we want a bank that can be European, or a number that can be European, to provide that competition? As you know, there was a newspaper report that one of the banks in Ireland might even be closed rather than sold off.

So there are issues in each of those markets you reference which play into the higher rates that consumers are paying, and which can be very difficult to justify when we talk about the European Union and its single market. But the truth is that we don't have a single market in banking. We don't have this banking union that we're all striving for. But I take on board your and also your questions in relation to what is happening in those markets. It may be an issue for Executive Vice-President Vestager to look at if there are concerns around competition in these markets.

On your next question about the United Kingdom leaving the European Union - and clearly this is a reality - and that the City of London will remain in the United Kingdom and the consequences for us of all those changes, remember that, while we will be different, every single country, every part of the world has been affected by COVID. So, to some extent, the problems we face are multiplied around the globe. The financial systems, the banking systems, and the whole financial area has to deal with an unprecedented challenge.

What we're doing at the moment - and I think it's been the right thing to do - is to keep money flowing into both households and our businesses and our SMEs. When it comes to households, there were mortgage breaks, which helped many who then could get back into the workforce and pick up payment again. When it comes to businesses, what we need is that they will survive this awful period of closure. I worry too about the emotional impact of this pandemic on society, on

confidence. I worry for children because you now see little children who are concerned about what's happening. I think this is the most fundamental shock to our mindsets as human beings, the reality that, while we live in a very civilized and cultivated society, we are vulnerable to nature and what it can do to us. I hope we use that wake-up call in the right direction and invest in public health and invest in research into solutions to this problem.

So, on the particular question of making funds available, the European Central Bank has done that, governments are doing it, and I think there will be reviews at every step along the way. But we cannot pull back at a cliff edge. I think there's a warning - and I think the ECB's Christine Lagarde said this in committee this week - that we have to do it in a very carefully managed way to keep our businesses and to keep our households surviving through these unprecedented times.

1-068-0000

Marek Belka (S&D). – I'd like to ask two questions and give up on the follow-up question. So, first is about financial transaction tax. Well, clearly taxation is not in your portfolio, but taxation of financial transactions certainly is. It is not only a part of the Socialists' agenda, it's much more than that. It's maybe one of the few instruments that we have at our disposal to slow down the financial sector. As a matter of fact, if we are so much afraid – and rightly so – of the too-big-to-fail institutions, this is probably the main instrument that we can use to make some limit to their exorbitant growth. What is your opinion on this? So this is question number one.

Number two: capital markets union is, in my opinion, in a stalemate – or, if you want to be diplomatic, it is going very slowly. What would be your priorities as to where we should move first and most forcefully in this respect during your mandate?

1-069-0000

Mairead McGuinness, Commissioner-designate. – Let me start with the taxation issue. I've mentioned already that there has been a fundamental change in many Member States who had been very opposed to using any instruments to gather own resources for the European Union, and I think that's hugely significant. On the financial transaction tax, the Commission – which I support – are working with now with ten Member States to try and find the right mechanism and to make it effective, and I take your comment that this might be a way of pulling back exuberance within the financial system, although this crisis may have dampened that enthusiasm or exuberance already. So yes, I would support the work on the financial transaction tax. I've already said that I support the work, and I voted for, the country-by-country reporting. We are faced in this Parliament with making very big decisions as co-legislators on the MFF and the rescue fund. We know that these things have to be put in place rapidly; we know that this money will have to be repaid and therefore we need to collect money at an EU level and include, for example, the carbon border adjustment tax. Others are on the table. So I think that – if you like – paradigm shift has happened already in many Member States, and I think it will happen. One area that I perhaps haven't mentioned enough at all in my questions and answers today is around the digital sector and how big players are moving into banking, moving into payments systems and services, and these big players already have a data bank of customers that they can pull on. We need to be very careful about their impact on stability; we need to manage the risk that is inherent and the opportunities they present as well, and one of those ways is to look at making sure that these large companies pay their fair share of tax. So in summary, we work and will continue to work on the FTT, see if we can do it in a way that brings in the revenue and also that works not against the financial interests of the European Union in terms of the global financial situation.

My priority's on CMU – and I've had the opportunity to talk to you and indeed many other colleagues on this. I think that we can find a way, but not in an immediate, if you like, quantum leap. I think what we will do – and I think Mr Ferber referenced this at the beginning – we'll make step-by-step changes. Perhaps Brexit and other things that are happening will force us to do more,

more rapidly, because we know that SMEs and businesses rely too heavily on banks for their capital. We want that to change. We also know that savers have money on account and are perhaps earning negative interest rates, so this could be better used. So you know, my priority is that banking union and capital markets union go hand-in-hand in my view, and I will literally work with and take up the baton that Vice-President Dombrovskis had put in place and do my best to advance these areas in a structured way, working with this committee.

1-070-0000

José Manuel García-Margallo y Marfil (PPE). – As you know, the Basel Committee decided to delay implementation of the Basel III rules by a year, giving banks and supervisors some space to respond to the coronavirus crisis. However, by the final Basel III standard, European banks will face significant additional capital requirements while large US and global bank peers will only see a small increase or even a fall in capital requirements. Do you think one year for the delay of implementation of Basel III will be enough? How are you going to avoid that the European banks are penalised in relation to US banks with the introduction of Basel rules? And my third question is how much importance do you give to the principle of proportionality in banking regulation and supervision?

1-071-0000

Mairead McGuinness, Commissioner-designate. – Thank you for your question and the very specific details of Basel III. Yes, there is a one-year delay – rightly so, because of countries dealing with COVID-19 – and the concerns you raised have been mentioned to me by several colleagues in this committee. I think we have to be very clear that global standards are important and we should implement them in a very faithful way rather than move back from it. But we have to do it in a way, as you say, that is proportionate to the situation that prevails in our banking system, and I would be very mindful of that. I can give you assurances that there will also be an impact assessment, and it will take into account the impact of COVID-19 on banks' financial situation. So while we might like more time, I think there will not be more time, and the one year, in my view, while it is still tight, I think we can deal with these changes within that space.

When you mentioned the issue of competition and concerns about US banks, again, at a general level, we need that banks can lend to the economy. That's a given, and therefore, I repeat that we do need to implement Basel III. If you look at the prudential reforms that were adopted by the Basel Committee after the global crisis previously, those instruments have strengthened our situation for today's crisis. So in a sense, the work of the Basel Committee has helped all countries cope with the crisis that we face today, and indeed it's why I would feel that it's important that we would also implement Basel III. But I want to really reassure you that this will be done with a very clear focus on what is proportionate for the banking situation in the European Union, mindful of the impact assessment and of the concerns that are raised individually and collectively by this committee.

As I reflect on where the world is at the moment, more and more global standards, organisations, institutions are under attack, and I think the European Union has always stood for multilateralism. I think that is the best way for us to go into the future, and I think that implementing Basel III in the way that I've mentioned respects our commitments to the process. We will also be very conscious of respecting the fact that the European banking system has a very different structure. So it will be done in a very appropriate way.

1-072-0000

José Manuel García-Margallo y Marfil (PPE). – SMEs should play a very significant role in overcoming the coronavirus crisis. In order to do so, it is very, very important that they take advantage of all the synergies that can be developed between the capital markets union action plan and the Next Generation European Union. How will you, as Commissioner, promote these

synergies? And my second question is how do you see the role of the capital markets union in channelling funds to SMEs?

1-073-0000

Mairead McGuinness, *Commissioner-designate*. – I think we're going to face a really busy time, not only as a legislator, but at Member State level in implementing the Recovery Fund, and I think there are synergies. We know that at national level and what we've done in terms of banking flexibilities allowed for more capital to flow into SMEs. The future, though, should not be based on the trends of the past, and the one area where we need to be very mindful of when it comes to the Recovery Fund is that we want to future-proof our investments, so that's around sustainability, climate and – as colleagues mentioned – biodiversity, for example. These issues are now in the public mind and they need to be addressed. So in terms of synergies, they exist. How we will make them work together, I think we will need to work at both European but particularly Member State level. I do hope that all our Member States are preparing their plans as to how they spend this money because this is a big test for us. It may not directly relate to your question, but I think it's a big test for the European Union. It is the first time that the European Union will borrow money from the marketplace to fund a recovery from an unprecedented crisis. It is temporary, as many Member States insist, and that is the case. But in my view, if it is effective, it can give us some ideas as to how the future might be, and I think that, therefore, the synergies that you reference between SMEs and this Recovery Fund are there and they have to be developed further.

1-074-0000

Mick Wallace (GUE/NGL). – You said that we need to learn the lessons from the Wirecard scandal. In Ireland, it was discovered that a vulture fund called Cerberus paid a fixers' fee of 15 million sterling to acquire a loan portfolio from Ireland's bad bank NAMA (National Asset Management Agency).

Britain's National Crime Agency investigation is still ongoing. What lessons were learned from it? In Ireland, I'm afraid, none. NAMA were allowed to carry on regardless, contributing immensely to the housing crisis.

You say we need to reduce barriers to investors. Does that include investment funds that behave as vulture funds, who have left a trail of destruction behind them in Ireland?

You said that the interest of consumers have to be taken into account; people and their homes should be protected. How do you propose to stop banks selling off bundles of distressed home loans to merciless vulture funds?

1-075-0000

Mairead McGuinness, *Commissioner-designate* – You reference the Irish situation, and you have many details around it that I won't go into, but there are lessons that we can learn from, and I think one of the big lessons - I referenced this earlier - is that we cannot allow the bundling of people's homes to be sold in a very inappropriate way. That the connection between the borrower and the lender should not be broken when, and if, loans are sold on.

I would not see - in fact I would be absolutely opposed to - the bundling of mortgages that have got into trouble, not because of any recklessness on behalf of a household, but because rather the pandemic has either closed a business or kept us all under lock and key.

So we have learned lessons and we need to keep learning them so that we don't repeat the past. And if Ireland's history and records can help the European Union to do better, then we should do that and you might share extra information with us.

When I talk about consumer protection, I don't mean it at all in a light way because I have dealt with constituents that had terrible difficulties in dealing with financial institutions, particularly where they were disconnected from the bank that they borrowed from.

And my last remark is this; none of us know where this is going. We have no idea of the path of this pandemic. So we have no idea of the extent to which our financial system will be asked to carry non-performing loans. So with the experience of the past, we can do better. But again I repeat, and I hope you take this point, that we have to make a choice about whether we keep banks lending. If we don't, and they keep their non-performing loans on their balance sheet, it chokes off lending to the real economy, but we should be able to do that in a way which does not disrespect the rights of consumers, particularly mortgage holders.

1-076-0000

Mick Wallace (GUE/NGL). – Just to remind you, Commissioner-designate, you did say we need to reduce barriers to investors, and I'm just wondering – I ask you again – does that include the investment funds like vulture funds?

You said that we need a financial system that serves the people holistically. Your Fine Gael party colleague in Ireland, Michael D'Arcy, was the junior minister responsible for the funds industry. Now he's leaving politics to become the CEO of an entity who represent investment managers in Ireland.

If we are to have a financial system that serves the people holistically, don't you think that we need to address the problem of revolving doors?

And my last point: in relation to the common consolidated corporate tax across Europe, are you in favour of it, given that Ireland has opposed it for a long time?

1-077-0000

Mairead McGuinness, Commissioner-designate – So on revolving doors: colleagues will have heard of this case where a senator has now left politics to go to an investment company.

I disagree completely with that. We have an office, an agency in Ireland, the Standards in Public Office. I think they should look into this. I think revolving doors are extremely dangerous for stability. I think we need to be mindful that there are rules in our House, but also in the Commission, around what is appropriate or not for Commissioners to do, because it sends out the wrong signal.

I know in the financial services area you have to work with the industry, but we also have to counter that with working with consumer groups. I think at the moment there isn't a balance, because consumers find it harder to come together.

What I would say is that any consumer issue that I have raised in the last year or so with Executive Vice-President Dombrovskis, he has dealt with really effectively. From IBAN discrimination to an insurance issue in one Member State which impacted on citizens in my Member State, I found his replies absolutely crystal clear. So I think on that issue we can do better by bringing these particular issues to the fore, and I'm sure that you will continue to do that in your work here as an MEP.

On tax generally, as you know, this is a contentious issue, but work is going on at OECD level. I think that the Commission – and I would support it – would like that we do this globally, so that

there is a move around taxation of large companies – taxation of companies in a way that they pay their fair share of tax – and it is transparent.

If it doesn't deliver, if the OECD process becomes bogged down in politics, then the European Commission will come forward with taxation proposals, and I support that.

1-078-0000

Fabio Massimo Castaldo (NI). – Madam Chair, thank you very much and thanks to the coordinators of ECON, dear Commissioner-designate McGuinness, first of all let me say that it has been an honour and a pleasure to work closely together with you during these three years inside the Bureau of the European Parliament.

Although recent estimates suggest that the increase of non-performing loans will be smaller than many had assumed, I am afraid that their growth as a result of the COVID-19 economic crisis will be inevitable, as many colleagues said before me. Faced with this risk and aside from the need to reconsider calendar provisioning, which already imposes strict time limits to account for non-performing loans, one issue that should be considered is a potential mechanism for offering public guarantees for the securitisation of non-performing loans, which in Italy has really helped facilitate their disposal. Today, since it is a public guarantee, this mechanism is subject to the Commission's DG Competition evaluation on a case-by-case basis. In order to shorten the time needed for these authorisations, which often require lengthy negotiations, I believe it would be useful to create a European framework to clarify in a consistent way the conditions under which a Member State may grant the public guarantee on these securitisation operations. In the light of this, do you agree with me that it would be appropriate to introduce this rule, as already in the NPL strategy recently announced by Vice-President Dombrovskis, so as to ensure equal treatment, legal certainty and speedy approval?

1-079-0000

Mairead McGuinness, Commissioner-designate. – Well, thank you very much, Fabio, and well done on getting speaking time, you have a way of even catching my eye when I am in the chair chairing the debate. So thank you for being here and indeed for your question.

As you rightly referenced, this area is not under my jurisdiction – it falls under Executive Vice-President Vestager – but addressing NPLs and ensuring that we have the appropriate risk assessment is essential, as I've already said for recovery. So I take on board your concerns about the future evolution of these non-performing loans. I've said already we have to learn from the past – the mistakes but also what worked – and make sure that we're ready for what might come in the future.

I'll repeat my point about banks. We need our banks to be able to continue lending, particularly to micro-firms and SMEs and households. I know that is a big concern for you and I think we've done the right thing with the priority we've given to flexibilities and buffers in relation to that. I think it's really important, although I know one or two in the room who will not agree, that we need to conclude the negotiations on the Commission's proposals in relation to credit services and credit purchases. I think this needs to be in place. So, for the medium term, we need to ensure that we prevent this accumulation of NPLs on banks' balance sheets and therefore we need a way of dealing with them. So you have put forward one possibility, but we are working on an action plan on NPLs, which will be coming later in the year. It is being worked on to provide a collective response to what is happening in all our different Member States. While we know there will be some issues around NPLs, there is a time lag because of the measures that the Member States and indeed at EU level we put in place. So, and I think Mr Wallace used the term vulture funds, we don't want them to behave in that way; we would hope that you develop a secondary market for

distressed assets, so you provide banks with the facility to allow them to continue their work, but also in a very structured way allow the NPLs to be dealt with.

We also need to look at reforming our insolvency regimes, collateral enforcement, legal systems, as I've mentioned already. So if this committee approves my hearing today I certainly will bring your comments and concerns to the attention of the Executive Vice-President.

1-080-0000

Esther de Lange (PPE). – Since we are slowly coming to an end, and most questions on mostly difficult and sensitive issues within the Committee on Economic and Monetary Affairs (ECON) have already been asked, may I take a step back.

I noticed that the Commissioner-designate started her exposé by saying that she worked on the issue of unfair trading practices. I think, Mairead, that we both started in farming and I think you showed that your command of a lot of issues is very, very broad, so compliments for that, but in these unfair trading practices you have taken the side of the most vulnerable within this food production chain, and I think that if I listen to the colleagues here we want a capital markets union, we want a banking union, we want banks to be able to operate across borders, but we are worried about the side effects that this might have on consumers.

Following on from what I know is your drive to stand with the most vulnerable, when I look, for example – and I won't need a follow-up question, so that's why I take a bit more time here – when I look for example at the cryptocurrencies – you mentioned them – I see the recent proposal of the Eurosystem task force thinking about scenarios for creating a digital euro. I think most of us agree that that is necessary, but can you tell us how you would also work with us to protect consumers in these new developments?

1-081-0000

Mairead McGuinness, Commissioner-delegate. – Thank you very much for bringing me back to the farm. The one thing if you come from an Irish farm, which I did, is you start working at about the age of four and you continue right through to this age. I come from a very humble background. My parents were market gardeners. My mother was a very strong woman who believed in gender equality and lived it, and my father fully supported that, but they were hard-working, decent people and in my politics I want to make sure that hardworking, decent people, who don't lobby very often, that their voices are heard. So my work on unfair trading practices in the food supply chain, in my view, must be a game changer around sustainability issues because we are pushing too hard on the producer level. So thank you for bringing me back home. I haven't been home in a couple of weeks and I'm now missing the green fields.

In relation to the overall ethos of my proposition to you here today it is to put a heart into financial systems and services because they're vital anyway. We know that, but they're not vital just on their own. They're vital because they provide the lifeblood, the energy, the oxygen to our economies, to our households, and they have to work for students, they have to work for SMEs, they have to work for people.

Which brings me then to your bigger point, which perhaps we didn't deal with enough today because I think the future we know is going to be very different than the past. We know that we are doing many things today on our phones that we didn't do in the past. My first mobile phone sat in the back of the car and was like a brick. So we've moved on. Technology has done wonderful things but sometimes the rate of change leaves me breathless as to how we manage and regulate the risks.

I think on this we need to be really quick and really careful because there are huge risks. If you have instant movement of monies, whether it's through digital or otherwise, you can and we've referenced, there can be frauds, there can be criminality. Individuals can lose out. We will, I think, see some quite dramatic changes in the structure of our financial system. We need to manage that, not allow it, if you like, to go on its own path without understanding the consequences and that's why my appeal to you as Parliamentarians, is that where you see issues and individual cases, no individual case is too small for us to know about in the Commission.

I mentioned in my opening remarks that I like, when I'm in the constituency, to bring the issue back to the floor of Parliament so it makes Europe relevant. It also means that we do something with those issues that are raised, so on that particular point around cryptocurrencies, we really need to work collectively – Commission, Parliament and Council – to do the right thing for a future which will, we've yet to see what the developments will bring, but we know that there are both opportunities but there are obviously risks as well.

1-082-0000

Paul Tang (S&D). – Good morning everyone. I have two questions. The first question won't surprise you, since I am also Chair of the Subcommittee on Tax Matters (FISC). Olaf Scholz tried to unlock the situation around the banking union in an op-ed in the *Financial Times* in November last year. There, he very much links the banking union to tax competition. He writes that progress with the banking union must not lead to competition distortion and tax erosion. This is why Germany, together with France, is calling for the adoption of a common corporate tax base and a minimum effective tax.

Do you support Olaf Scholz, or do you take the side of the countries that oppose these two measures? I'd very much like to hear that.

The second question is very important for the Socialists and Democrats. It's on sustainable finance and taxonomy. The technical expert group states that a fully realised taxonomy should incorporate social objectives, and the adopted Taxonomy Regulation already calls for a report describing the provisions required for extending the scope of the taxonomy. Can you confirm, and can we count on you to bring forward a regulation on social taxonomy?

1-083-0000

Mairead McGuinness, Commissioner-designate. – Thank you for your questions and on the last point around the social dimension, I referenced that in my speech, that sustainability isn't just environment or green, that we have to see inclusive society, which is about social sustainability. I won't give you a guarantee now because I'm not in a position to do that, but I am aware that this is a priority for your group, but also for other groups as well, because if you pull back from where we are today that many Member States were ill-prepared in terms of their public health systems for the pandemic and perhaps had we been more aware of social issues, we would have invested more in public health. We didn't and now we are perhaps paying a much higher price so I support the idea of it, but also those colleagues who worked on the taxonomy know that when it comes to environmental issues, it is quite a complex and technical process to put these into a taxonomy, it will equally be complex rather when it comes to social issues, but it's not impossible, but just don't tie my hands with an absolute commitment, but I know the reason for it and I support the concept behind a more socially inclusive Europe and that requires a more socially inclusive financial system.

On the first point, I've spoken about taxation probably at length and I would support whatever the Commission is doing around taxation. I fully support that, in particular around fair and sustainable tax systems. I think other colleagues have raised this issue because citizens are concerned about a feeling that they pay taxes and individual, but that is not the case when it comes to others that are in a bigger place or perhaps indeed where we came to cross with your

point Ms De Lange around cryptocurrencies and those big digital companies that can move literally across borders or indeed don't recognise any borders. So the Commission would have my full support for the programme around taxation, and my last remark again is to reference how different it is today than one year ago. We are in a very difficult situation. We know that the policies of the past will not be the ones of the future and we know that for the European Union there are now very significant developments taking place, which if we do it well and to do it together, I think will leave our Union much, much stronger and much more confident for the future than may be the case today.

1-084-0000

Paul Tang (S&D). – I'm glad to hear that the Commissioner will also go to Dublin and there support the common corporate tax base. My follow-up question is: Commissioner Dombrovskis has done a lot on a sustainable finance and he states that the sustainable finance taxonomy should also apply to the public sector, will you follow up this with legislation?

1-085-0000

Mairead McGuinness, Commissioner-designate. – In relation to Dublin, my duties, if I am approved by this committee, is to the European Union and not to Dublin, not to my home town of Ardee – although I'm very fond of it – or any other town or city in the European Union. The mandate, if you give it to me, is a European one and I hope I've proven in this House that the way I operate is on a European basis. I tried to be a bridge builder; sometimes the bridge doesn't stretch far enough, but by gosh I try. That would be my absolute focus if this committee approves me as Commissioner.

The second point is in relation to the commitment which the Executive Vice-President has given. I'll give you a commitment that in my first meeting with him – I've already had one, so in my second meeting with him – I will raise this issue directly and that perhaps we can have a coffee and I can convey to you what I will do then, because I would be better armed with the information and on his commitments. But of course the idea that you would have a sustainability criteria only in one sector of our economy and not another is not in the long term a credible place to be.

When we look at the enormity of what we're trying to do – and I think those who have worked hard on these files know this – we are trying to keep things afloat while not so much turning the ship around but building the ship, and to keep it afloat at the same time. We don't have a choice, because we know that around climate, environment, biodiversity and social issues we need to change and we need to change for the better. I give you my absolute commitment on that.

1-086-0000

Bas Eickhout (Verts/ALE). – I have a question on the taxonomy and sustainable finance as well. I do want to welcome and thank you for your warm words until now on the sustainable finance strategy and how important it is, but also in your written answers you are making a very clear statement that fully integrating climate and environmental risks into the financial system is a must. If you say that, then of course we need to translate that also into that we need a definition of environmentally harmful activities, and on that matter you have not been very precise yet. I would like to hear how you are going to make sure that we will be able to fully integrate climate and environmental risk into the financial system, as the ECB is also asking for?

1-087-0000

Mairead McGuinness, Commissioner-designate. – I bow to your expertise in this entire area of the green taxonomy and complement your work on the whole sustainability question. We've gone the first step, and that's really important. We have this taxonomy. We know we're trying to develop the green bonds standard and other colleagues have mentioned public and private issues around that. The big question is: do we have a brown list?

I think that what we need to be very careful of is that when we are very clear around what's green, there are other areas of our economy which will need to transition towards green. To not mix up my colours, the slight concern I would have with the brown list: I support the concept of it but I would be fearful of the impact of it, that it becomes a blacklist, that you have one area that you can finance and another area that's a no-go, even though we know that in some industries, by putting in place more efficiencies or renewable energies, they can move towards this greener position on the spectrum.

The reason why I'm not very precise is that I want more information and I'd be happy to talk to you in more detail, and thank you for the meeting that we had before this hearing. I think that would be the position also in the Commission, that we are dealing with a step-by-step approach on this. I don't rule out that over time there will be that list, but there will probably be areas of great controversy, as indeed there were around the green list but they were resolved in fruitful negotiations.

But you are right to point out that the ECB wants this approach, because ultimately, if there is investment in an asset or an activity that is doing harm to the environment, and remember we have this 'do no significant harm' criteria, but where we have an activity that's doing harm it will harm their balance sheet, and companies react to bad balance sheets.

So, in a way, I'm going towards you on this. I want more information. I want to be able to make a very informed decision, discuss it with other colleagues, Executive Vice-President Timmermans, all of the colleagues around the Commission table. So I am not ruling out this but I will hopefully, working with colleagues, work and get more information as to how it would actually work in practice.

1-088-0000

Bas Eickhout (Verts/ALE). – I am happy to work on that. I would say you're not ruling out but I hope you mean that you see the point of having it and then making sure that we are doing it in the right way. The follow-up has also been discussed, it's the on the Green Bond Standards. You've been more specific there on your three priorities but we also need urgency, especially because Ursula von der Leyen has announced a 30% in her State of the Union only a couple of weeks ago, so we have to make sure that these Green Bond Standards really matter. Are you making sure that there will be accreditation and supervision of future verifiers of Green Bond Standards?

1-089-0000

Mairead McGuinness, Commissioner-designate. – In relation to verifying standards, I made this point that we no longer can have a situation where a company or a country makes a claim about how wonderful, how green or whatever and they have a nice picture but behind it there is no verification, because I think citizens want to know that there is truth behind your claim. The issue around urgency is absolutely true, because we have a very strong commitment from the President of the Commission that 30% of the bonds will be green in this recovery package. We have a taxonomy. We have a draft around the standard, this green bond standard. I think we're going to have to work quickly but cautiously as well because sometimes if you rush something it doesn't happen. But we are all committed and fully supporting the commitments made in the State of the Union speech by Commission President von der Leyen. I am fully committed to do that and I think if we all put our energies and our different expertise into delivering on this, we can do it.

But also, I don't think the market will resist because the truth is that there are already companies and institutions and individual investors who are looking to invest in sustainable investments, who want to make sure that where they put their money does not harm the environment. They want to know about deforestation and forests and all of these kinds of issues which ten years ago were not as prominent on our agenda as they are today. I'm quite good at working urgently, but I

do so with information and with others who can come on board. But we have no time to waste. I said that in my opening address, and I think it's truer now than perhaps when I offered those words earlier, with apologies to the Chair.

1-090-0000

Ondřej Kovařík (Renew). – Let me come back to an issue that I think was discussed here, but I think it's critical and will be critical during the mandate and this is SME financing.

It was recently reported that the founder of Spotify, which is one of the most successful European startups, will invest EUR 1 billion of his own wealth in promising European startups. And he cited as his motivation, the lack of investment in European start-ups by European investors, and the eventual need for firms to seek funding outside of Europe, in order to grow to levels they desire.

What proposals could you put on the table, which would help European investors to invest in small firms, including moonshot startups or scale ups, particularly in the digital sector? And how can you through possible new or revised initiatives under CNU lay the groundwork for European savers to become investors in promising European firms?

1-091-0000

Mairead McGuinness, Commissioner-designate – I did mention that a lot of people are saving now, because during lockdown they couldn't spend money. So there is quite a significant volume of savings in deposit accounts in banks. But the interest rate is very low or indeed non-existent.

So there should be an incentive for citizens, if they were aware of and felt comfortable with investing in SMEs, there should be the capacity to do that. I think we just haven't matched one with the other, but there is a real focus I know in this committee, because you have a subcommittee on SMEs, and certainly at Commission level, to make sure that the SME sector is properly funded, and that we use the developments in the capital market union to do that.

I often think it's just that the individual is too busy trying to get the product made, to look beyond how he or she can fund developments for the future. I've also mentioned the SME IPO fund. I think that's hugely important as well, and I think this will give the right stimulus.

I think together with the Commission, what we're doing in relation to the CMU action plan will help deliver what you have suggested in your opening remarks, and indeed your question to me, because ultimately we know that there is too high a reliance on banks from the SME sector and that that has to change.

Given the conversations I've had with all of you over the last while, I think we can make a difference. I think that each of us, those of you who work at Member State level in constituencies, also link in with our national parliaments to spread the word, because I think information is power.

When I mention information for SMEs, sometimes the research function for the investor can be difficult. So I don't think it's too difficult to do what you are proposing and I think that a lot of the actions in the CMU action plan go in that direction.

1-092-0000

Ondřej Kovařík (Renew). – I would like to follow up on what the Commissioner-designate has just mentioned – the reliance of SMEs on bank funding – because according to the latest ECB survey, the amount for loans, particularly from SMEs, reached the highest net balance since the service was launched, and many companies, particularly small firms, are not able to access sufficient credit through bank loans.

Indeed, owing to a lower risk tolerance, banks reported a net tightening of credit standards for loans to SMEs. So I would therefore be interested to know if you would consider proposing measures to help finance, through capital markets, the SMEs currently unable to access bank loans, for example through schemes where banks would refer rejected applications to potential investors in equity markets, including venture capital for start-up companies.

Could this help to achieve the goal of redressing the debt-equity bias in Europe, while helping to reduce SME reliance on bank funding, as you mentioned?

1-093-0000

Mairead McGuinness, *Commissioner-designate* – I can say very clearly, yes, it would help.

I think it's absolutely clear that if banks cannot fund an SME, but they might redirect the particular enterprise towards the capital markets and to funds there, I think this would work. I think it's not working because perhaps there isn't a willingness to do that, but we should look at this, because what we want to do is to move from a greater reliance on banking finance towards a more balanced situation, so I'm fully in line with you on that and I will do whatever I can to make sure it becomes a reality.

1-094-0000

Chair. – We have finished our list of speakers now, so Ms McGuinness I will give you the floor for five minutes' concluding remarks.

1-095-0000

Mairead McGuinness, *Commissioner-designate.* – Thank you very much, honourable Chair, and thank you colleagues for sticking with me, because there are still a good number of colleagues in the room and I know many are online.

Thank you for some really good exchanges on issues that are important to all of us. My sincere thanks in that regard, and also to those that were able to speak to me before this hearing. It really did help focus my mind on the substantive issues.

I've mentioned financial stability, SMEs, and we have talked about the need for banking union. On all of these, I want to say to you very clearly that I am committed to working fully with you. This building, this Parliament both in Brussels and Strasbourg, has been my home away from home for the past 16 years.

My constituency in Northern Ireland, which I want to mention now because I have many faithful followers and good friends, of Midlands-North-West, is on that invisible border with Northern Ireland. My memories of growing up in County Louth are of the Troubles, and I want to thank colleagues in this room who walked with Ireland through this very difficult path on Brexit and the Withdrawal Agreement.

The late John Hume MEP, who passed away this summer, was among the key architects of the peace process, culminating in the Good Friday Agreement. My children – and we have four – know nothing of the past other than through their history books, whereas I lived through and saw some of the horrors, as indeed other Irish colleagues, Mr Wallace and others will say also.

I want to say that we owe so much to John Hume for his relentless pursuit of peace. It really inspired many in this building, and indeed Europe and this Parliament provided a very neutral space for talks to happen that couldn't happen on Irish soil. John, like myself – although I will never, ever work quite in the way that he did because he was such an inspiration – loved the European project because he saw it as a way to build peace, and for him, fundamentally, it was

about peace, about bringing people together by respecting differences. That's a value that I absolutely share.

What's really lovely about John Hume was that at the start of his career he was a founder of the credit union in his home city of Derry, and at the age of 27, in 1964, he became President of the Irish League of Credit Unions because he recognised the importance of finance for social inclusion. His community, nationalists in Northern Ireland, were generally poorer and faced discrimination when it came to accessing banks and other services, so he set up an alternative. His work led to his involvement in politics. It was central to his beliefs and he wanted to combat social and economic injustice as a basis for peaceful and prosperous coexistence.

In my opening remarks, I spoke about a financial system that underpins a more inclusive society, and this will remain my core priority if you choose to approve me. I really believe that the work we can do together will be so important for us to recover from the current crisis. The underlying strength of our financial services will be one of the key tools to making sure we can rebuild our society and our economy.

You know my vision for the banking union, capital markets union, sustainable finance, the digital finance strategy. At the heart of all of this we have to have our European values and we need to instil them into the financial system. Where they are weak we need to strengthen them. Fairness, inclusivity, innovation and the strongest possible focus on consumer needs and protection. Our citizens will look to us to provide leadership and make the right choices in the coming weeks and months, and they will not be easy weeks and months. We have the historic Next Generation EU recovery plan – a road map for a new Europe. It is an exciting, if not challenging time. I want a Europe that leads the world in climate and digital transitions, a Europe that works with our partners to drive positive change at the global level. The financial sector must play its full part. If you approve me today, I commit to working tirelessly to deliver the agenda that I have outlined. But I will not do it on my own. I can only do it with your very close cooperation.

My final remark is this: it's very hard, in my mind, to leave Parliament or to leave it behind. So I would say very openly, and with some emotion, that the thought of leaving this Parliament where I have lived and worked with so many colleagues across political groups is a source of sadness. But also, I believe from Parliament's perspective that to have a parliamentarian in the European Commission who is mindful of your role in all of these issues should be a bonus. If you look at me as that bonus and approve my candidature, it would be a huge honour. You might be seeing more of me than you want to, but I certainly will not lose touch. Thank you so much. It's been an absolute privilege and an honour to be with you for these three hours. Time does fly when you're enjoying yourself!

1-096-0000

Chair. – Thank you very, very much. It was indeed an interesting three hours, and we even managed to finish five minutes in advance, so we were also good with timing.

Thank you so much to all the MEPs that participated in the hearings, both the ones that were here and they ones that were connected. Thank you. The session is closed.

(The hearing closed at 11.55)