



**Re-Define Press Release – ECB Governing Council
8th December 16:00 CET**

Please find below **Re-Define's** Comments on the outcomes of the Governing Council meeting. All comments are attributable to **Sony Kapoor**, Managing Director of Re-Define an Economic Think Tank.

General comments

"At this rate, the future of the euro area may fall through the cracks between institutional rigidities of the ECB on the one hand and petty EU politics on the other."

"No matter how much the ECB supports the Euro area banks, confidence in the banking system will not be restored as long as Spanish and Italian refinancing costs are not brought down to sustainable level."

"The ECB's readiness to lend unlimited amounts against Spanish and Italian sovereign bonds to banks at 1% while refusing to provide additional support to Spain and Italy even at 5% looks increasingly odd."

"The ECB provided unexpectedly strong support to the banking sector but Draghi's tone undermined the hopes of those expecting more support for sovereigns."

"The divisions within the ECB board even on the relatively minor issue of a quarter point rate cut does not augur well for future support for more substantial actions, particularly on sovereign support."

"Today, at the ECB press conference Mr Draghi sounded even more hawkish than Jurgen Stark. We can only hope that it was mere posturing."

On the non standard measures for the banking sector

"The ECB has started really pushing the envelope on supporting the Euro area banking system."

"The decision to accept SME loan backed collateral was an important one that is likely to have some positive impact on the real economy."

"Slowly but surely, the Euro area banking system is getting addicted to the life support on offer from the ECB."

"One begins to wonder, how will this all end if the ECB decides one day to discontinue or even shrink the more or less open-ended support being provided to Euro area banks."

"The substantial Emergency Liquidity Assistance being offered by the central banks of Ireland and other troubled economies can now be provided by all member central banks."

"The fact remains that even with all these additional non-standard measures to support banks, it will be well nigh impossible for anyone in the real economy in Italy and Spain to be able to borrow anywhere close to the ECB policy rate." "Monetary policy transmission is broken and cannot be restored till confidence is restored in the sovereigns."

"The unprecedented and multifaceted approach unveiled by the ECB to support banks highlight how very bad the funding situation of the Euro area banks is."

On possible additional ECB support for troubled sovereigns

"Draghi's repeated insistence on respecting the spirit of the treaty not allowing monetary financing poured cold water on the idea of a banking licence for the ESM and some of the more exotic mechanisms being discussed for the ECB and Euro area central banks to support Euro sovereigns."

"It remains uncertain how soon and how much the ECB will move to support troubled sovereigns and as long as this uncertainty remains full confidence will not be restored in the Euro zone, no matter what EU leaders sign up to this weekend."

Please email Media@re-define.org for further Comments and Analysis or call [+32 489128094](tel:+32489128094)

Media Adviser, **Re-Define**

Follow us on [Twitter](#)

Follow us on [Facebook](#)