Procedure file

Basic information

RSP - Resolutions on topical subjects	2011/2959(RSP)	Procedure completed
Resolution on the feasibility of introducing stability bonds Subject 5.10.01 Convergence of economic policies, public deficit, interest rates 5.20.01 Coordination of monetary policies, European Monetary Institute (EMI), Economic and Monetary Union (EMU) 5.20.02 Single currency, euro, euro area		

Key players

European Parliament		
European Commission	Commission DG	Commissioner
	Economic and Financial Affairs	REHN Olli

Key events

14/02/2012	Debate in Parliament		
15/02/2012	Results of vote in Parliament		
15/02/2012	Decision by Parliament	T7-0046/2012	Summary
15/02/2012	End of procedure in Parliament		

Technical information

Procedure reference	2011/2959(RSP)
Procedure type	RSP - Resolutions on topical subjects
Procedure subtype	Debate or resolution on oral question/interpellation
Legal basis	Rules of Procedure EP 136-p5
Stage reached in procedure	Procedure completed

Documentation gateway

Oral question/interpellation by Parliament		B7-0022/2012	12/01/2012	EP	
Motion for a resolution		B7-0016/2012	25/01/2012	EP	
Text adopted by Parliament, single reading		T7-0046/2012	15/02/2012	EP	Summary
Commission response to text adopted in plenary		SP(2012)322	05/06/2012	EC	

Resolution on the feasibility of introducing stability bonds

The European Parliament adopted by 515 votes to 125 with 52 abstentions a resolution tabled by the Committee on Economic and Monetary Affairs on the feasibility of introducing stability bonds, as a preliminary response to the Commissions Green Paper on the subject, which will be followed by a more comprehensive resolution in the form of an own-initiative report.

Parliament is deeply concerned at the continuous strains on the euro area sovereign bond markets reflected in widening spreads, high volatility and vulnerability to speculative attacks over the last two years. It draws attention to the fact that the eurozone is in a unique situation, with the eurozone Member States sharing a single currency without a common fiscal policy and a single bond market. At the same time, Members believe that the euro area, as the issuer of the world's second international currency, is co-responsible for the stability of the international monetary system, and that that the euro area and its Member States are responsible for ensuring the long-term stability of the currency used by more than 330 million people and many companies and investors, which indirectly affects the rest of the world.

Parliament points out that it could be in the interests of the eurozone to develop a common liquid and diversified bond market, and that a stability bond market would offer a viable alternative to the US dollar bond market and establish the euro as a global safe haven. It notes that the US Treasury market and the total euro area sovereign bond market are comparable in size but not in terms of liquidity, diversity, and pricing.

It welcomes the presentation of the Green Paper, which meets a longstanding request of the European Parliament, and considers it a useful starting point for further reflection. It is open and eager actively to discuss all issues both strengths and weaknesses relating to the feasibility of introducing stability bonds under different options. It encourages the Commission to deepen further its analysis after a broad public debate, to which the European Parliament and the national parliaments should contribute, as well as the ECB, if it deems it appropriate. However, Members do not consider any of the three options presented by the Commission to be a response per se to the current sovereign debt crisis.

Parliament reiterates its position that, for a common issuance of bonds, a sustainable fiscal framework needs to be in place, aimed at both enhanced economic governance and economic growth in the euro area, and that sequencing is a key issue, involving a binding roadmap similar to the Maastricht criteria for introducing the single currency, and drawing on all the lessons thereof. Stability bonds could be an additional means of incentivising compliance with the stability and growth pact, provided that they address the moral hazard and joint liability issues.

Members note that further work needs to be undertaken as regards the options presented in the Green Paper on issues such as: (i) effective market incentives to reduce debt levels; (ii) entry and exit criteria, conditionality agreements, maturity agreements, redistribution of funding benefits for the present AAA countries; (iii) a system of differentiation of interest rates among Member States with divergent ratings; (iv) budgetary discipline and an increase in competitiveness; (v) sufficient attractiveness for market investors, while containing or avoiding over-collateralisation and redistribution of risks across countries; (vi) the seniority of stability bonds over national bonds in the event of a Member State defaulting on its debt; (vii) the criteria for allocation of the loans to Member States and the capacity to service the debt; (viii) appropriate legal requirements, including treaty and constitutional changes.

Whilst the prospect of stability bonds can foster stability in the euro area in the medium term, Parliament wants the Commission to come forward rapidly with proposals to address decisively the current sovereign debt crisis, such as the European redemption pact proposed by the German Council of Economic Experts and/or the finalisation and ratification of an ESM treaty and/or eurobills, as well as joint management of sovereign debt issuance.