EESC

MONETARY POLICY AND EUROPEAN INDUSTRY

ROLE OF THE EUROPEAN INVESTMENT BANK (EIB)

DRAFT

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0. EXPLORATORY NATURE OF THE STUDY

The main purpose of this study is to analyse the legal, technical and economic feasibility of using different mechanisms of cooperation between the Eurosystem and the European Investment Bank as a potential way of improving the efficiency of expansionary monetary policies in the eurozone.

The objective is not to take sides or to make a specific proposal for action to any of the European institutions. Such proposals or positions should, where appropriate, be the preserve of the institutions in the context of any new initiatives that might arise from the study's findings or developments leading from it.
1. BACKGROUND

On 22 January 2015, the European Central Bank announced a new phase of monetary expansion, basically justified by the fall in inflation rates in the eurozone to below the target set by the ECB itself, namely lower but close to 2% annually. (Minutes of ECB meeting and press release).

In fact, although the official statements of the meeting only refer directly to the objective of price stability, both the minutes of the meeting of the Governing Council and the public statements of the Bank's representatives repeatedly mention both price stability and the impetus provided by bank credit to growth or economic recovery.

It was also anticipated that this programme, which will begin next March at a monthly rate of EUR 60 000 million and will last at least until September 2016, will be implemented through the acquisition of financial assets, with the proportion of private-sector or government bonds still to be decided.

As we will explain throughout this paper, our aim is not to analyse or assess the overall effectiveness or efficiency of such monetary expansion operations, but only to examine the feasibility of specific adjustments being introduced to improve their efficiency.

We believe that this is a key moment for European public- and private-sector stakeholders – in particular European industry, represented by the EESC – in terms of defending the interests of industry and the real economy in the face of this massive reallocation of resources, which will amount to at least 11% of eurozone GDP.

In our opinion, it is essential to ensure that such a big reallocation of resources maximises their efficiency. We believe that in the current environment only channelling these funds towards productive investments – and generally speaking the real economy – would justify this undertaking.

In response to bank credit contraction since the outbreak of the financial crisis, earlier monetary expansion programmes have provided liquidity for European banks; this is an important objective in itself, but there are significant doubts as to how much of this stimulus has reached industry and the real economy.
It is important now to ensure that the new direct or indirect support to the banking sector – through direct financing or acquisition of debt currently held by banks – not only helps the banking sector, but also maximises benefits for industry and productive investment.

In other words, we believe it is important to ensure that this monetary expansion as far as possible is allocated to financing Europe's productive economy.

The basic purpose of this study is to examine the extent to which this objective of financing the productive economy can be realised through collaboration in the implementation of monetary expansion policies between the Eurosystem and entities specialised in lending to the productive sector, which at EU level means above all the European Investment Bank (EIB). This would obviously not encroach on the competence of the European Central Bank with regard to money supply definition.

Theoretically, this involvement of the EIB should further four basic objectives:

a) making monetary policy more efficient in terms of its direct connection with the real economy;

b) establishing a more direct relationship between quantitative easing and boosting demand;

c) establishing a more direct relationship between money supply expansion and increasing productive capacity;

d) providing more resources for policies to promote investment in the eurozone.
2. OPTIONS TO EXPLORE

To explore this issue it would make sense to take advantage of the specialisation and accumulated know-how of the European Investment Bank, and of all the Member States' public credit institutions, with a view to realising the fundamental objectives of maximising the efficiency of monetary expansion in allocating resources in the real economy.

To this end, we first thought of the possibility of involving the EIB in implementing the monetary expansion programmes, with it taking part in the decisions regarding resource allocation.

We can envisage two possible options for the EIB to be involved in this way:

a) by transferring resources to the EIB’s balance sheet, either directly by means of concessionary loans or indirectly through the purchase of debt issued by the EIB;

b) through EIB involvement in the decisions about investment of funds generated through monetary expansion, without these being moved to the EIB’s balance sheet. This could take place, for instance, by setting up a fund held by the ECB, but consisting of investments whose management is entrusted to the EIB.

To summarise, we posit three potential operational options:

- loans from the Eurosystem to the EIB
- acquisition by the Eurosystem of securities issued by the EIB
- establishment of a fund held by the Eurosystem/ECB, but managed by the EIB
3. LEGAL FRAMEWORK

A. COMPATIBILITY BETWEEN THE PURPOSES OF THE EUROSYSTEM AND THE EIB

The aims of the European System of Central Banks (ESCB) include the "definition and implementation of monetary policy" (Article 127(2) of the Treaty on the Functioning of the European Union) within the overarching objective of maintaining "price stability". However: "Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union [...] as laid down in Article 3 of the Treaty on European Union". (Article 127(1) of the Treaty on the Functioning of the European Union)

These general economic policies are defined in Article 3 of the Treaty on European Union thus:

"The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.

It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child.

It shall promote economic, social and territorial cohesion and solidarity among Member States."

The objectives of the European Investment Bank are established in Article 309 of the Treaty on the Functioning of the European Union thus:

"Article 309

The task of the European Investment Bank shall be to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the internal market in the interest of the Union. For this purpose the Bank shall, operating on a non-profit-making basis, grant loans and give guarantees which facilitate the financing of the following projects in all sectors of the economy:

(a) projects for developing less-developed regions;

(b) projects for modernising or converting undertakings or for developing fresh activities called for by the establishment or functioning of the internal market, where these projects are
of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States;

(c) projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.

In carrying out its task, the Bank shall facilitate the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial Instruments.”

In summary, there does not appear to be any incompatibility between the objectives of the two entities.

B. GEOGRAPHICAL SCOPE

Obviously, since the geographical scope of the ECB is the eurozone, EIB involvement in implementing monetary policy should also concern the eurozone.

If the mechanisms of cooperation were sufficiently established, the EIB could decide to set up a subsidiary specifically for this purpose, whose duties would be limited to the eurozone. (Article 28 of the Statute of the EIB)

D. EIB REMIT

- EIB INTERNAL RULES

The EIB can use its own resources as well as the capital markets.

- ACCOUNT OPENING

As a public entity, the EIB is able to open accounts with the ECB and with national central banks. (Article 17 of the Statute of the ESCB and of the ECB)

- CREDIT OPERATIONS
As a credit institution, the EIB is able to conduct credit operations with other credit institutions and market participants, with lending being based on adequate collateral. (Article 18.1 of the Statute of the ESCB and of the ECB)

- OPEN MARKET OPERATIONS

Securities issued by the EIB can be acquired by the ECB like those of any other entity. (Article 18.1 of the Statute of the ESCB and of the ECB)

- OPERATIONS WITH PUBLIC ENTITIES

As a publicly owned credit institution, the EIB is not subject to the restrictions that apply to other entities with regard to credit operations or direct purchase of debt by the ECB. (Article 123(2) of the Treaty on the Functioning of the European Union and Article 21.3 of the Statute of the ESCB and of the ECB)

E. IMPLEMENTATION OF MONETARY POLICY

Implementation of monetary policy is the responsibility of the European System of Central Banks (ESCB) (Article 127(2) of the Treaty on the Functioning of the European Union), which is governed by "the decision-making bodies of the European Central Bank which shall be the Governing Council and the Executive Board" (Article 129(1) of the Treaty on the Functioning of the European Union).

The Governing Council "shall adopt the guidelines and take the decisions necessary to ensure the performance of the tasks entrusted to the ESCB under this Treaty and this Statute. The Governing Council shall formulate the monetary policy of the Community including, as appropriate, decisions relating to intermediate monetary objectives, key interest rates and the supply of reserves in the ESCB, and shall establish the necessary guidelines for their implementation". (Article 12.1 of ECB and ESCB statutes)
The Executive Board “shall implement monetary policy in accordance with the guidelines and decisions laid down by the Governing Council. In doing so the Executive Board shall give the necessary instructions to national central banks. In addition the Executive Board may have certain powers delegated to it where the Governing Council so decides. To the extent deemed possible and appropriate and without prejudice to the provisions of this Article, the ECB shall have recourse to the national central banks to carry out operations which form part of the tasks of the ESCB”. (Article 12.1 of ECB and ESCB statutes).

F. POSSIBLE NEED FOR MODIFICATIONS

It is possible that appropriate participation of the EIB in the implementation of ECB monetary policy could require certain changes, major or minor, in the operation of the Eurosystem. It is important to note that the criteria defined in the Treaty in relation to the monetary policy of the Eurosystem could be adapted or amended by the ECB¹.

G. PRELIMINARY CONCLUSIONS

Legally, there is no problem with:

- the EIB receiving ECB loans;
- the Eurosystem acquiring securities issued by the EIB, either directly or in secondary markets.

The establishment by the Eurosystem of an Investment Fund managed by the EIB would probably require delegation of powers. It is necessary to clarify if a decision to delegate is sufficient or whether a mechanism involving specific or joint operations of the ECB Executive Board is necessary.

¹ Section 1.6 of the Guideline of the ECB on monetary policy instruments and procedures of the Eurosystem (2011/817/EU):

"MODIFICATIONS TO THE MONETARY POLICY FRAMEWORK
The Governing Council of the ECB may, at any time, change the instruments, conditions, criteria and procedures for the execution of Eurosystem monetary policy operations".
4. QUANTITATIVE EASING (QE): EFFECTIVENESS AND EFFICIENCY

The economic debate about monetary expansion operations has so far focused mainly on the effectiveness of those strategies. Various data have been provided on the results achieved by QE regarding credit, growth, unemployment, etc. While supporters of QE defend the effectiveness of the operations, using the United States as an example, critics question those results.

However, for the purposes of this study we are not interested in the efficiency of the QE, but in its effectiveness, in other words the relationship between the results obtained and the resources used.

This issue is relevant because of the indirect nature of QE strategies, where central banks do not finance the real economy directly, but through the financial sector, either through loans to financial institutions or through liquidity provided by acquiring financial assets held by them.

By providing liquidity to the financial sector, it is hoped that banks will redirect that liquidity into the real economy, boosting credit, investment and aggregate demand.

There are differing opinions about the extent to which the banking sector will redirect the resources obtained through QE operations into local economic activity. However, it is generally accepted that this redirection is only partial. It seems that a significant proportion of the resources generated through monetary expansion remain stuck on bank balance sheets, are invested outside the territory or are channelled into speculative bubbles.

To this extent, there is a consensus between supporters and opponents of QE strategies as to the limited effectiveness of those strategies.

This study is not intended to question the effectiveness or the efficiency of QE strategies, either in general or subject to the programme terms recently approved by the ECB.

Our intention is rather to focus the analysis on how these policies could be made more efficient by using systems of cooperation between the ECB and the EIB.
5. SECURITIES ACQUISITION AND RISK-SHARING SCHEME

Whereas the monetary expansion launched by the European Central Bank in 2011/2012 took the form of loans to the banking sector, the programme now approved by the ECB is based on acquisition of:

- asset-backed securities;
- covered bonds;
- securities issued by governments and agencies of the eurozone and supranational institutions.

It is important to clarify that monetary expansion takes place through the purchase of assets and not through loans to financial institutions. This does not alter the fundamental concerns about the extent to which monetary expansion reaches the real economy.

Even though it should be easier for public and private entities to place new issues while the programme lasts and they are beneficiaries of it, the main and fundamental effect of the programme is to provide liquidity to the financial institutions from which the securities are purchased. Thus the problem is similar to the one described above: namely to what extent this liquidity provided to financial institutions is either transferred to the productive economy, or remains stuck in financial institutions or is reinvested in speculative activities outside the eurozone.

The aim of supporting the productive economy through monetary expansion is therefore the same under this programme as in the framework of long-term refinancing operations (LTRO) in 2011-2012.

Public Debt

On the other hand, the European Central Bank has insisted that the aim of new acquisitions of public debt is not to provide debt financing for the Member States but rather to inject financial resources into the European economy through general expansionary monetary policies.

This being the case, the resources managed by the EIB should not be subject to requirements regarding whether they ultimately reach public or private entities. If it is necessary to channel a specific proportion to each type, this could be agreed with and applied by the EIB.
On the other hand, where intermediaries are concerned it might be appropriate for "public credit institutions" of the Member States also to take part alongside the EIB. This would be an option to explore that would include criteria for allocating resources between those institutions, as well as implementation and monitoring of the management of the operations.

**Risk-sharing scheme**

The programme recently approved by the European Central Bank is based on a system of loss sharing on 20% of additional asset purchases. This includes sharing possible losses on purchases of bonds of supranational institutions by the National Central Banks (12%), and of possible losses of 8% on additional asset purchases of the ECB.

It is worth considering whether the risk-sharing scheme should come into play in cooperation procedures between the EIB and ECB in relation to managing the monetary expansion programme.

It could be argued that, where appropriate, risk should be shared based on similar criteria in respect of operations which public credit institutions of the Member States decide to undertake in order to fund investments of supranational institutions in addition to operations approved directly by the EIB.
6. ROLE OF THE EIB

The European Investment Bank is probably the key institutional locus of know-how about policy on investment in the productive economy for the purposes of the European Union.

REGULATORY ISSUES

We have already mentioned the mission of the European Investment Bank set out in Article 309 of the Treaty on the Functioning of the European Union.

We have also mentioned the need for the EIB to restrict its activity to the eurozone when cooperating with the ECB.

There may be some doubt regarding interest rates as defined in Article 17 of the Statute of the EIB.

"Article 17

1. Interest rates on loans to be granted by the Bank and commission and other charges shall be adjusted to conditions prevailing on the capital market and shall be calculated in such a way that the income therefrom shall enable the Bank to meet its obligations, to cover its expenses and risks and to build up a reserve fund as provided for in Article 22.

2. The Bank shall not grant any reduction in interest rates. Where a reduction in the interest rate appears desirable in view of the nature of the investment to be financed, the Member State concerned or some other agency may grant aid towards the payment of interest to the extent that this is compatible with Article 107 of the Treaty on the Functioning of the European Union."

However, monetary policy operations feed into the economy at clearly preferential rates. We need to consider whether or not the requirement to use market interest rates is likely to hinder the redirection of resources generated by monetary expansion operations. Of course, this would not affect resources that are not included in the EIB’s balance sheet.

STRATEGIC ISSUES
Aside from regulatory considerations, the European Investment Bank would seem to be an ideal repository of the know-how required to redirect resources generated by monetary expansion to the real economy. Its objectives, as defined in Article 309 of the Treaty on the Functioning of the European Union, ensure the general interest of its activity. Its activities are clearly focused on innovation, training, industrial investment, access to funds for small and medium-sized enterprises, and investing in energy and infrastructure. This is exactly what Europe needs, and more urgently than ever.

If we look at the usual beneficiaries of European Investment Bank (EIB) operations during the period 2009-2013, it is clear that industry, energy and transport are the main priorities of EIB activity:

![Graph showing the distribution of resources](image)

Source: EIB

Let us also take a look at the distribution of resources during this period broken down by relative weight of the sectors benefiting:
We can see that the destinations are related directly (industrial sectors) or indirectly (energy, transport, telecommunications, etc.) to industrial activity. For the "industrial sectors" category, financing provided during the reference period is further broken down as follows:
EUROPEAN INVESTMENT BANK

INDUSTRIAL SECTOR

FINANCING PROVIDED WITHIN THE EU 2009-20

(EUR milli)

Source: EIB
The EIB’s experience with redirecting financial resources to the real economy is self-evident. By the same token, EIB involvement in managing the resources generated by monetary expansion could also be an appropriate tool for ensuring that those resources are channelled to industry, infrastructure, technological investment, SMEs and to the real and productive economy in general, thus ensuring that the eurozone serves the general interest, which is an objective of both the Eurosystem and the EIB.
7. MATURITIES AND RISK

Many Eurosystem operations are short-term. Under the new programme the maximum maturity is 30 years. The 2011-2012 LTRO was based on three-year maturities.

However, EIB operations are usually longer term.

Looking at the portfolio of funding maturing on 31.12.2013, it is clear that a large proportion of EIB loans mature in over five years.

Source: Annual Accounts 2013. EIB.

On the other hand, if EIB activity is limited to "managing" funding owned by the ECB or the Eurosystem, the risk is borne by the Eurosystem itself, even if the decisions are taken by the EIB.

In particular, it would be advisable to check if the EIB could follow the criteria established by the ECB rules for defining asset quality (Guideline of the European Central Bank of 20 September 2011 on monetary policy instruments and procedures of the Eurosystem (recast) (ECB/2011/14)).
A detailed technical analysis would have to be carried out to compare maturity and risk management policies.

It would be useful therefore to consider:

- whether the maturities and usual interest rates of EIB and ECB operations are compatible;
- whether risk management criteria are equally compatible;
- if appropriate, what new maturity and risk criteria could be used by the EIB for the purposes of managing resources generated by the Eurosystem monetary expansion?
8. STUDY PREMISES

A. One of the major barriers to increasing the efficiency of monetary expansion policies is the indirect nature of their transfer to the real economy, which is achieved by injecting liquidity into the banking system, either through loans to financial institutions or acquisition of assets owned by those institutions. It is hoped that financial institutions will move this liquidity into the real economy, but this happens only partially.

B. The hypothesis of this study is that the EIB is the European institution that has the know-how and the tools that are specifically designed to boost the real economy (infrastructure, SMEs, etc.)

C. We believe that collaboration between the European Central Bank and the European Investment Bank – or other public credit entities – could be an excellent tool for significantly improving the efficiency of monetary expansion operations in the Eurosystem, maximising efficiency at their final destination, the real economy.

C. In theory, this collaboration could be achieved:

- through loans to the EIB;
- through acquisition by the Eurosystem of securities issued by the EIB;
- by setting up a fund managed by the EIB but owned by the ECB.

F. This involvement of the EIB should be compatible with the objectives of monetary expansion, namely:

- to increase the monetary base;
- to support economic recovery, demand and price stability.
9. KEY ISSUES

A. GEOGRAPHICAL SCOPE

The geographical scope of the European Investment Bank is the European Union, not just the eurozone. The EIB’s involvement in monetary expansion should be compatible with restricting the use of the resources generated to countries inside the eurozone.

If this approach is consolidated, the EIB could set up a specific section or a subsidiary, whose monitoring and control would remain in the hands of a Committee consisting of representatives of the eurozone members.

B. DELEGATION CAPACITY

Management by the EIB of a fund based on monetary expansion and owned by the ECB, would require either that operations be approved by the ECB or that the EIB be given delegated powers, as appropriate.

TO DO: Check the feasibility of delegating powers.

C. MATURITIES

Credit operations based on monetary expansion by the ECB generally have a shorter maturity than EIB operations.

TO DO: Check the compatibility of maturities in the light of monetary policy criteria and the know-how of the EIB.

D. INTEREST RATES

Similarly, interest rates for monetary expansion operations tend to be lower than those of the European Investment Bank.

TO DO: Check compatibility between the interest rate policies of monetary expansion programmes and of the EIB.

E. RISK POLICY

TO DO: Check:

a) the feasibility of keeping the risk of operations managed by EIB within the Eurosystem;
b) the compatibility between the risk of ECB monetary expansion policies and the know-how of the EIB.

F. FORMALISATION

TO DO: Consider the option of a "Cooperation Agreement" between the ECB and the EIB as a formal tool for implementing the study.²

² See: "EUROPEAN COMMISSION - EUROPEAN INVESTMENT BANK, Cooperation Agreement on the implementation of Commission Decision C(2010) 7499"
Appendix I

THE EUROPEAN CENTRAL BANK IN THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION

MONETARY POLICY

Article 127

1. The primary objective of the European System of Central Banks (hereinafter referred to as ‘the ESCB’) shall be to maintain price stability. Without prejudice to the objective of price stability, the ESCB shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119.

2. The basic tasks to be carried out through the ESCB shall be:

— to define and implement the monetary policy of the Union,
— to conduct foreign-exchange operations consistent with the provisions of Article 219,
— to hold and manage the official foreign reserves of the Member States,
— to promote the smooth operation of payment systems.

3. The third indent of paragraph 2 shall be without prejudice to the holding and management by the governments of Member States of foreign-exchange working balances.
4. The European Central Bank shall be consulted:

— on any proposed Union act in its fields of competence,

— by national authorities regarding any draft legislative provision in its fields of competence, but within the limits and under the conditions set out by the Council in accordance with the procedure laid down in Article 129(4). The European Central Bank may submit opinions to the appropriate Union institutions, bodies, offices or agencies or to national authorities on matters in its fields of competence. C 326/102 EN Official Journal of the European Union 26.10.2012

5. The ESCB shall contribute to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system.

6. The Council, acting by means of regulations in accordance with a special legislative procedure, may unanimously, and after consulting the European Parliament and the European Central Bank, confer specific tasks upon the European Central Bank concerning policies relating to the prudential supervision of credit institutions and other financial institutions with the exception of insurance undertakings.

Article 128

1. The European Central Bank shall have the exclusive right to authorise the issue of euro banknotes within the Union. The European Central Bank and the national central banks may issue such notes. The banknotes issued by the European Central Bank and the national central banks shall be the only such notes to have the status of legal tender within the Union.

2. Member States may issue euro coins subject to approval by the European Central Bank of the volume of the issue. The Council, on a proposal from the Commission and after consulting the European Parliament and the European Central Bank, may adopt
measures to harmonise the denominations and technical specifications of all coins intended for circulation to the extent necessary to permit their smooth circulation within the Union.

Article 129

1. The ESCB shall be governed by the decision-making bodies of the European Central Bank which shall be the Governing Council and the Executive Board.

2. The Statute of the European System of Central Banks and of the European Central Bank (hereinafter referred to as ‘the Statute of the ESCB and of the ECB’) is laid down in a Protocol annexed to the Treaties.

3. Articles 5.1, 5.2, 5.3, 17, 18, 19.1, 22, 23, 24, 26, 32.2, 32.3, 32.4, 32.6, 33.1(a) and 36 of the Statute of the ESCB and of the ECB may be amended by the European Parliament and the Council, acting in accordance with the ordinary legislative procedure. They shall act either on a recommendation from the European Central Bank and after consulting the Commission or on a proposal from the Commission and after consulting the European Central Bank.

Article 130

When exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB and of the ECB, neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Union institutions, bodies, offices or agencies, from any government of a Member State or from any other body. The Union institutions, bodies, offices or agencies and the governments of the Member States undertake to respect this principle and not to seek to influence the members of the decision-making bodies of the European Central Bank or of the national central banks in the performance of their tasks.

Article 131

Each Member State shall ensure that its national legislation including the statutes of its national central bank is compatible with the Treaties and the Statute of the ESCB and of the ECB.

Article 132

1. In order to carry out the tasks entrusted to the ESCB, the European Central Bank shall, in accordance with the provisions of the Treaties and under the conditions laid down in the Statute of the ESCB and of the ECB:

— make regulations to the extent necessary to implement the tasks defined in Article 3.1, first indent, Articles 19.1, 22 and 25.2 of the Statute of the ESCB and of the ECB in cases which shall be laid down in the acts of the Council referred to in Article 129(4),

— take decisions necessary for carrying out the tasks entrusted to the ESCB under the
Treaties and the Statute of the ESCB and of the ECB,
— make recommendations and deliver opinions.

2. The European Central Bank may decide to publish its decisions, recommendations and opinions.

3. Within the limits and under the conditions adopted by the Council under the procedure laid down in Article 129(4), the European Central Bank shall be entitled to impose fines or periodic penalty payments on undertakings for failure to comply with obligations under its regulations and decisions. C 326/104 EN Official Journal of the European Union 26.10.2012

Article 133

Without prejudice to the powers of the European Central Bank, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall lay down the measures necessary for the use of the euro as the single currency. Such measures shall be adopted after consultation of the European Central Bank.
Appendix II

THE EUROPEAN INVESTMENT BANK IN THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION

THE EUROPEAN INVESTMENT BANK

Article 308

The European Investment Bank shall have legal personality. The members of the European Investment Bank shall be the Member States. The Statute of the European Investment Bank is laid down in a Protocol annexed to the Treaties. The Council acting unanimously in accordance with a special legislative procedure, at the request of the European Investment Bank and after consulting the European Parliament and the Commission, or on a proposal from the Commission and after consulting the European Parliament and the European Investment Bank, may amend the Statute of the Bank.

Article 309

The task of the European Investment Bank shall be to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the internal market in the interest of the Union. For this purpose the Bank shall, operating on a non-profitmaking basis, grant loans and give guarantees which facilitate the financing of the following projects in all sectors of the economy:

(a) projects for developing less-developed regions;

(b) projects for modernising or converting undertakings or for developing fresh activities called for by the establishment or functioning of the internal market, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States;
(c) projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.

In carrying out its task, the Bank shall facilitate the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial Instruments.

EUROPEAN INVESTMENT BANK STATUTE