

# **The European Response to the Financial Crisis**

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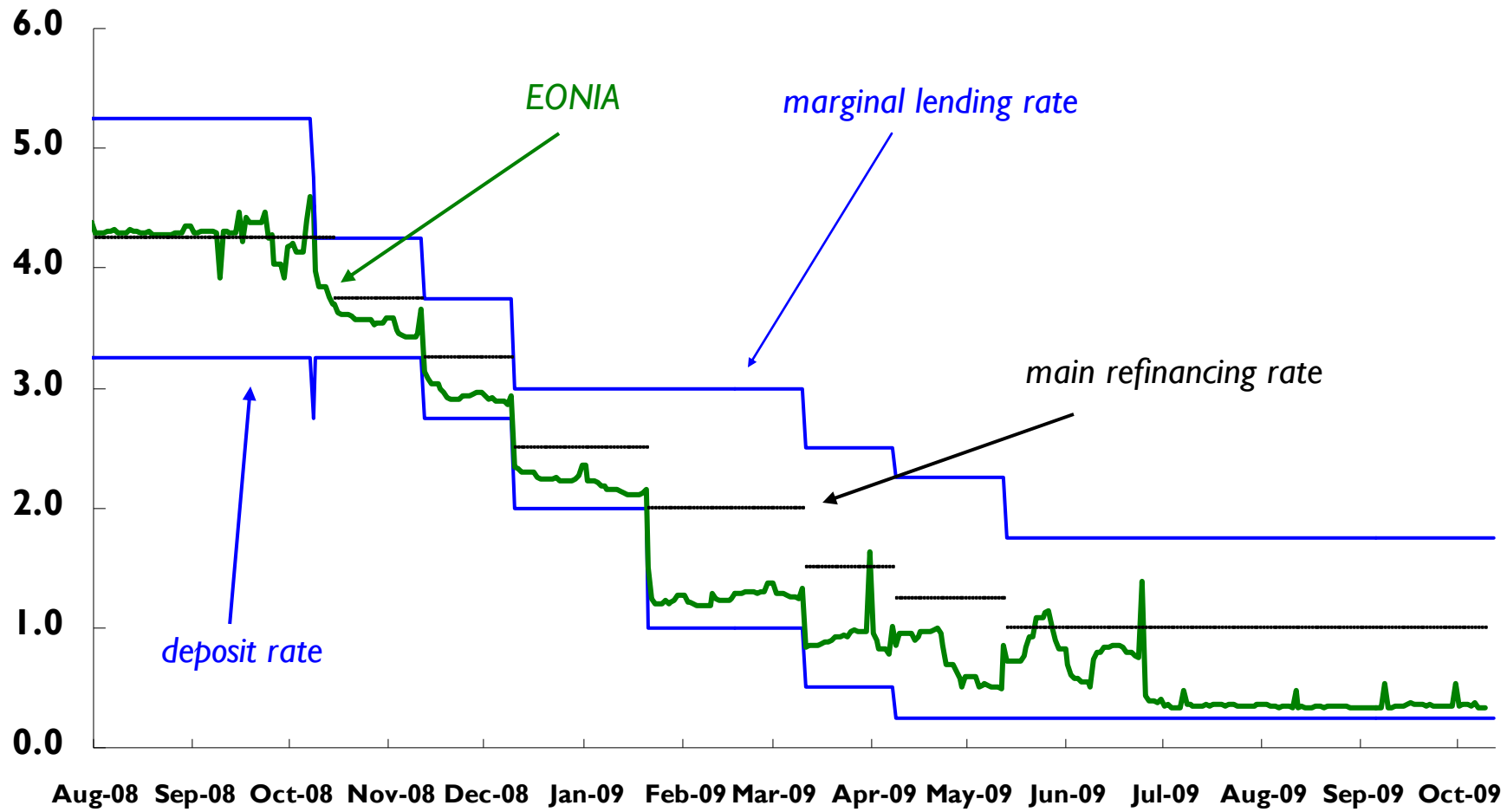
**Bank of New York Mellon**  
**New York, 16 October 2009**

## **The European Response to the Financial Crisis**

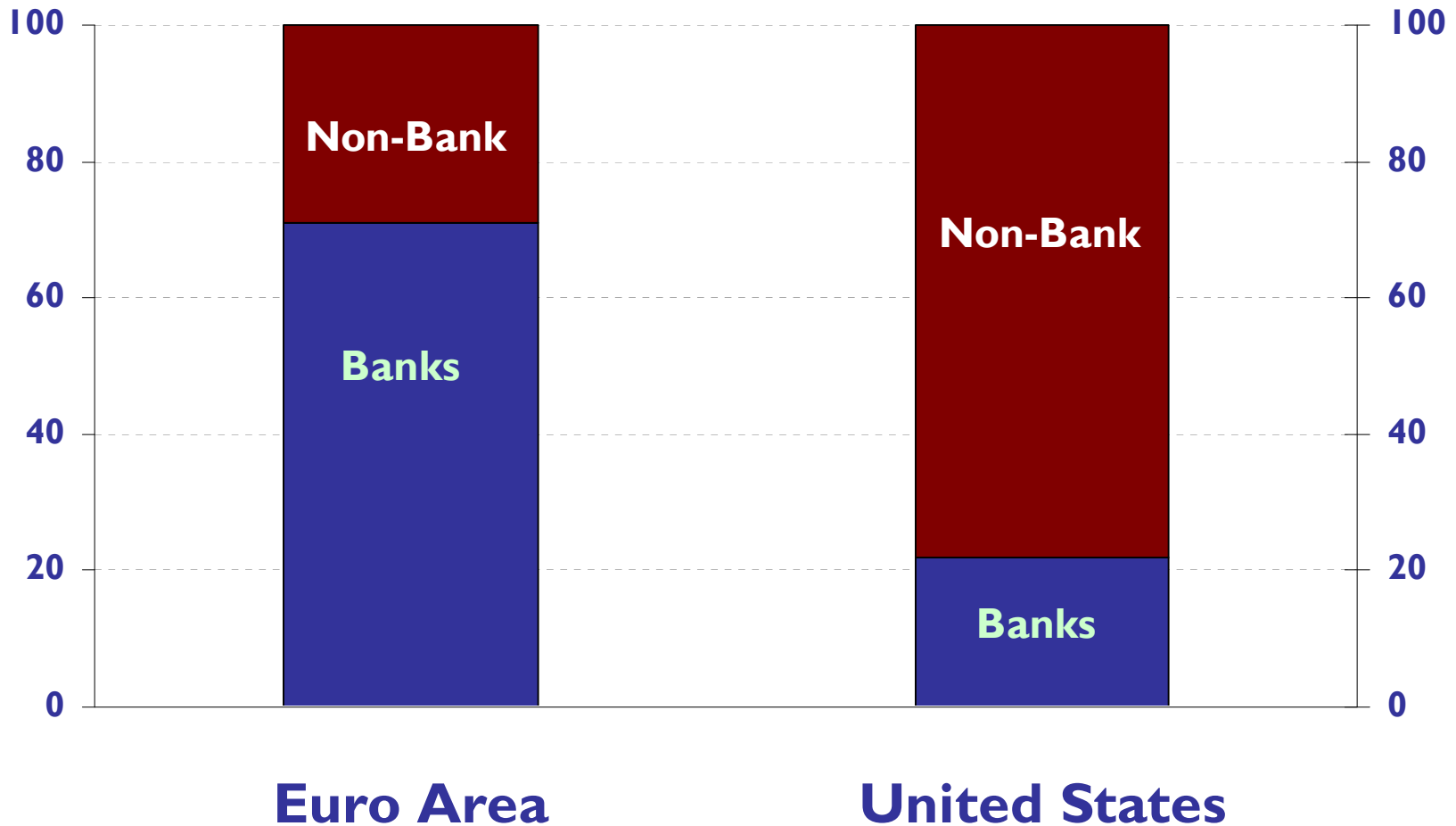
- **European monetary policy**
- **Government policies**
- **Regulatory reform**

# ECB response: strong decline in ECB interest rates

Percentages per annum; daily data



# Role of banks in the funding of corporations & households



Note: Breakdown of the sources of external financing of non-financial corporations, in percent, average 2004 – 2008

Source: ECB Monthly Bulletin, April 2009

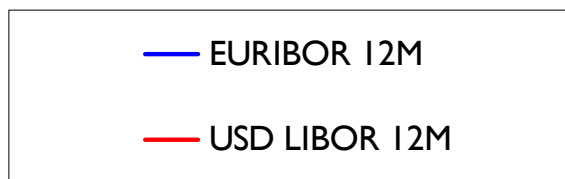
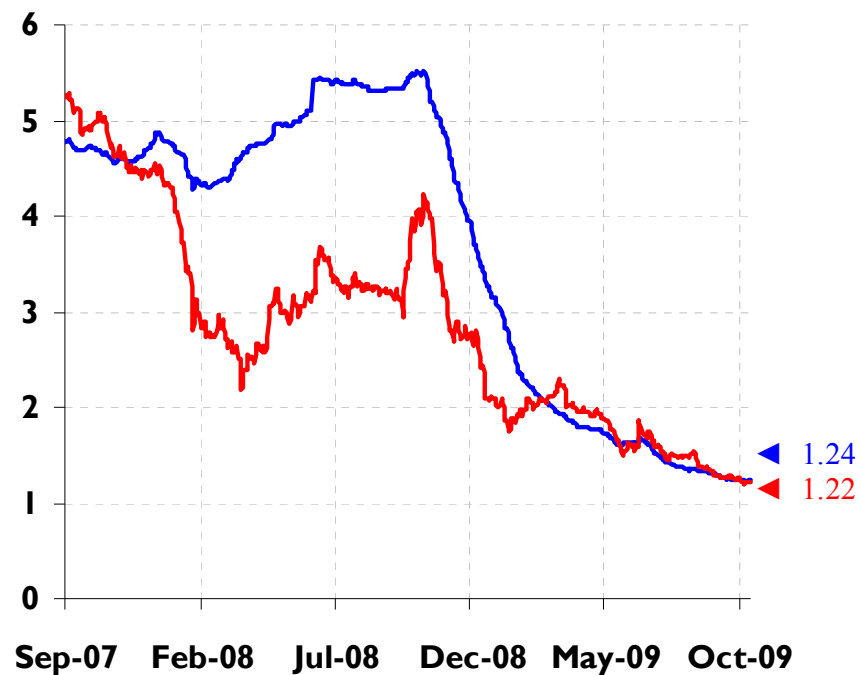
# ECB non-standard measures

## Non-standard measures – ‘enhanced credit support’

- **Full allotment at a fixed rate in refinancing operations**
- **Easing of collateral requirements**
- **Refinancing operations with a maturity of up to 12 months**
- **Provision of liquidity in foreign currency**
- **Purchases of covered bonds**

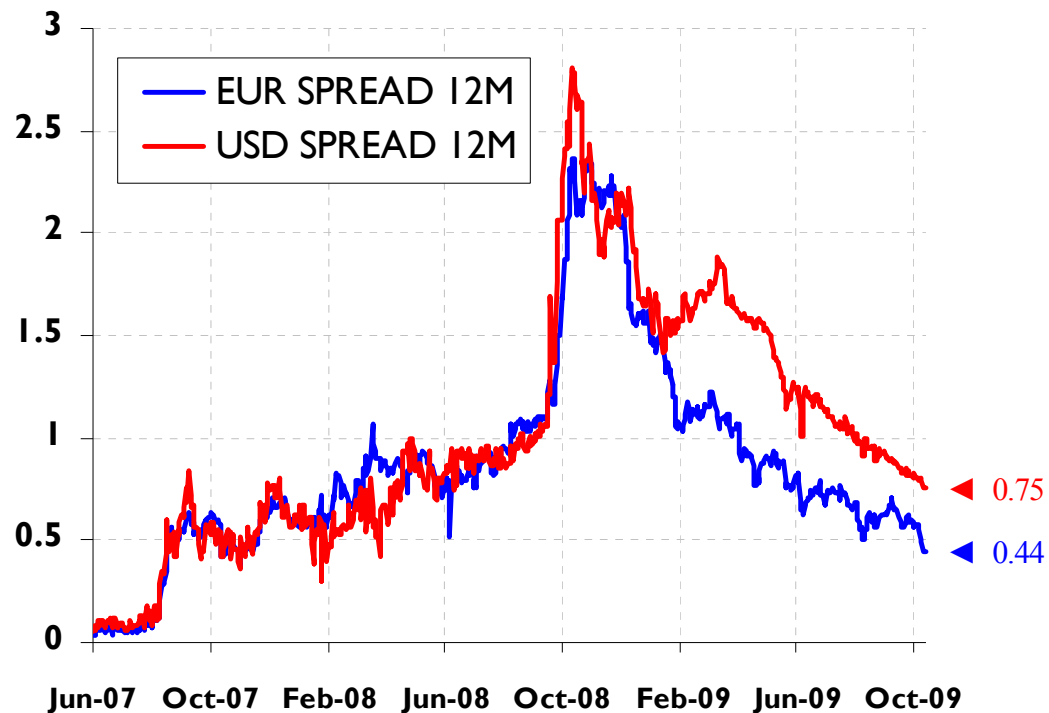
# Short-term money market rates

## 12-Month EURIBOR/LIBOR (percent p.a.)



# Stress in money market rates decreases

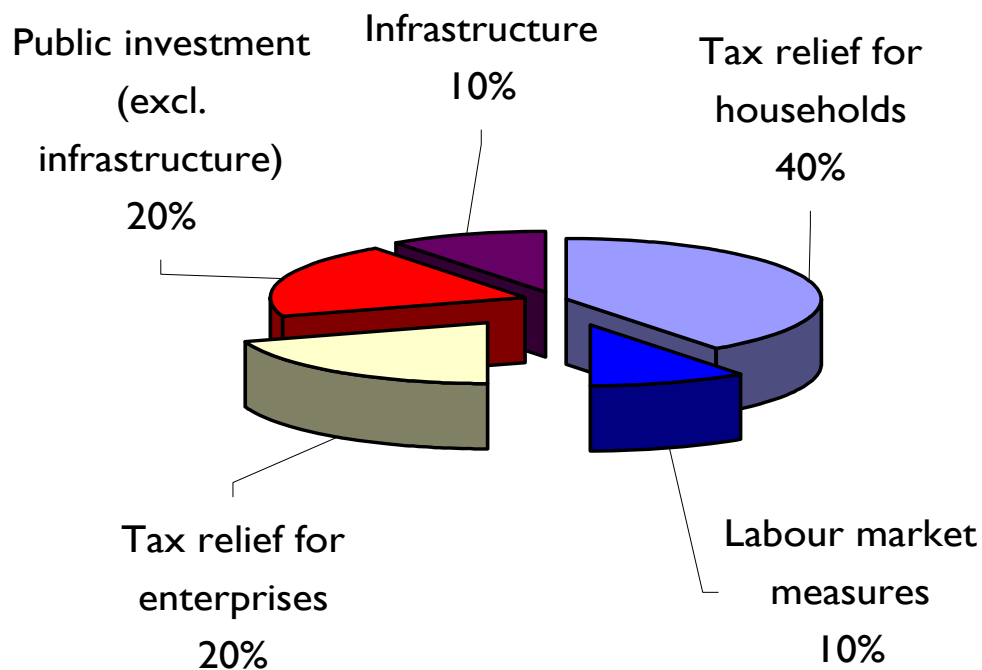
**Spread between 12-Month  
EURIBOR/LIBOR and EONIA/OIS\***  
(percent p.a.)



# Government response: fiscal stimulus

## Composition of stimulus measures (2009)

Euro area, Procent

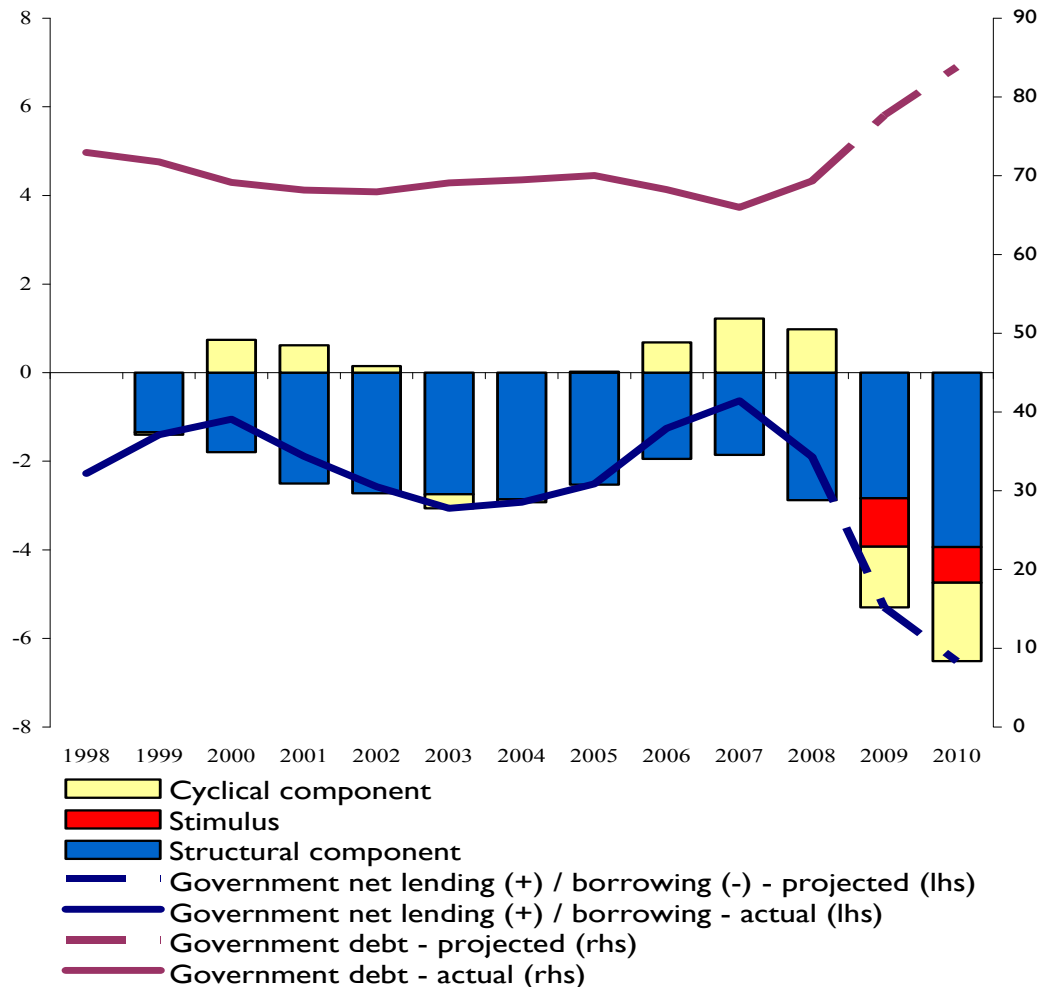


Source: European Commission



# Government response: fiscal challenge

**Government net lending (+) / borrowing (-) and gross debt**  
Euro area, percent of GDP

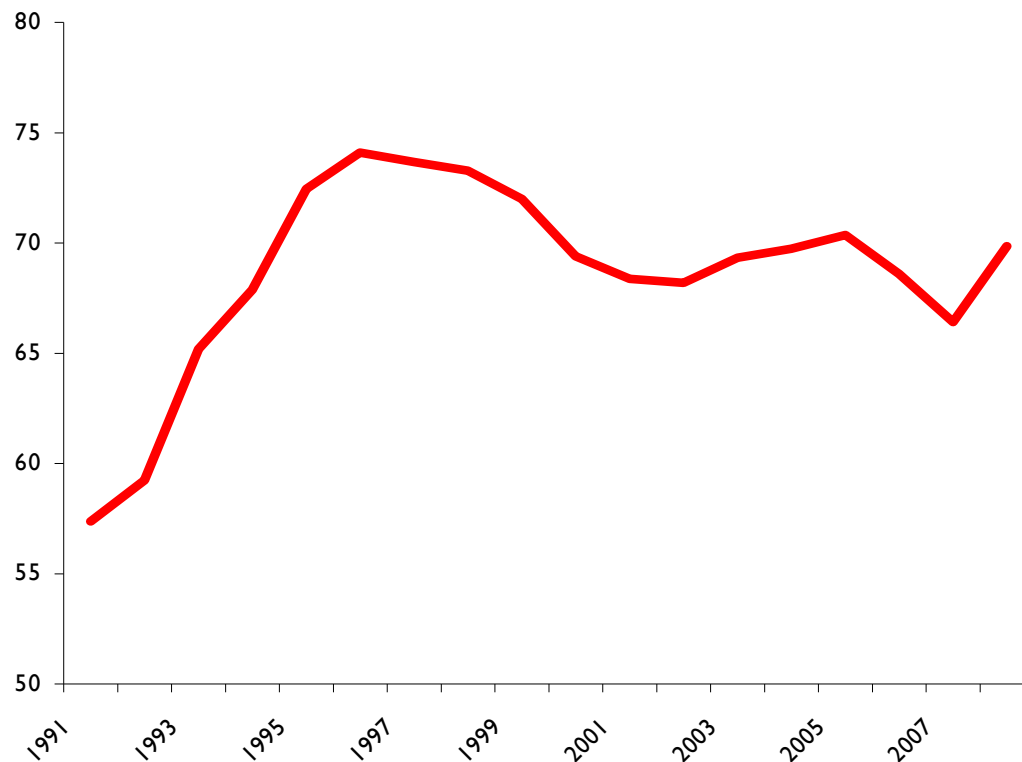


Source: European Commission

# Government response: government debt

## Government debt

Euro area (Euro-12), Per cent of GDP



Source: European Commission (AMECO)

# Regulatory reform: key topics

- **Further strengthening of the prudential framework for banks**
- **Extending the scope of regulation to all systemically important institutions, markets and instruments**
- **Strengthen oversight of systemically important financial institutions**