

WEDNESDAY, 1 OCTOBER 2014

BRUSSELS

THE COMMITTEE ON ECONOMIC AND MONETARY AFFAIRS

HEARING OF JONATHAN HILL

COMMISSIONER-DESIGNATE

(Financial Stability, Financial Services and Capital Markets Union)



3-002

**IN THE CHAIR: ROBERTO GUALTIERI**  
*Chair of the Committee on Economic and Monetary Affairs*

*(The hearing opened at 13.30)*

3-003

**Chair.** > Colleagues, first I would like to welcome our Commission-designate Jonathan Hill to this hearing before the Committee on Economic and Monetary Affairs (ECON). As you know, the purpose of this hearing is to allow Parliament to exercise its Treaty-based right to vote on any new College of Commissioners and, in particular, to help the committee to evaluate whether the Commissioner-designate is qualified both to be member of the College and to carry out the particular duties he has been assigned.

I would like to remind you that, in line with Annex XVI to the Rules of Procedure, Parliament evaluates the Commissioners-designate on the basis of general competence, European commitment and personal independence. It also assesses their knowledge of their portfolio, their communication skills and their political priorities and contribution to the general strategic agenda of the new Commission.

I would remind you, too, that before the hearing the Commissioner-designate replied in writing to a preparatory questionnaire, and the written answers have been distributed to Members in all languages. In line with the applicable procedure the candidates submitted declarations of interests, and the Committee on Legal Affairs has indicated that it has no observation on the Commissioner-designate's declaration of interests.

I shall now explain the structure of the debate today. The Commissioner-designate is invited to make an opening oral statement of no more than 15 minutes' duration. He will also have five minutes at the end of the meeting for a closing statement. After the introduction, there will be time for 45 questions from Members, with a slot of three minutes each – one minute for the question and two minutes for the answer. The first round of questions will be asked by representatives of the political groups and non-attached Members. Members are kindly reminded that in the interest of allowing all Members to ask their questions in good time, the three-minute principle will be strictly applied. I am confident that I will not be forced to withdraw the floor from Members or the Commissioner-designate.

Finally, I would like to draw attention to the fact that interpretation will be provided in 23 languages and all speakers can therefore use their own language. May I also remind speakers that what you say will need to be interpreted and that you should therefore not speak too quickly. I would inform you, too, that this debate will be streamed live on Parliament's Internet site and that it will also be possible to access a video recording of the hearing on the same site.

Before I give the floor to the Commissioner-designate, I would like to remind everybody here today that the tasks he will have to carry out are extremely important. Financial stability, financial integration, market integrity and confidence, and efficiency are the general goals on the agenda of these coming years. Completing financial reform, implementing Banking Union and a single rule book, designing and implementing a capital market union to facilitate companies' access to finance and investment are crucial goals, and we are very interested in hearing the views of the Commissioner-designate on these issues. Commissioner-designate Hill, the floor is yours.

3-004

**Jonathan Hill, Commissaire désigné.** > Grazie tante! Quand le président élu Jean-Claude Juncker m'a attribué ce portefeuille, il a eu la gentillesse de dire que je parlais la langue de Shakespeare. Je fais de

mon mieux pour être clair dans ma langue maternelle, mais je voudrais avant tout vous remercier, dans la langue de Molière, – ou du moins, dans ma version approximative de la langue de Molière – de m'avoir fait l'honneur de m'inviter aujourd'hui, ainsi que pour le temps que beaucoup d'entre vous m'ont déjà consacré avant l'audition.

3-006

Today, I want to answer three main questions. First, why do I want the job? Second, what experience do I bring to it? And third, how will I approach this task, a task which is so important for jobs and growth and therefore so important for European citizens?

Why do I want the job? Because I want to play my part in responding to the two great challenges we face – the challenge of building confidence in Europe among our citizens, and the challenge of getting jobs and growth back into our economy – and, personally, because I want Britain to be part of a successful European Union. That makes sense for Britain, and I believe it makes sense for the EU.

My parents' generation went to war. My own grew up in a divided Europe, facing the threat of nuclear annihilation. When the Iron Curtain came down, where was it that the new democracies turned? They turned to the European Union, and how right we were to respond to that appeal. So, yes, I want to work for the common European interest and I want my country to remain part of a Union of 500 million people with shared values, who live together, who work together, who trade together and who face global challenges together.

What about me and what will I bring to the job, if I am confirmed in post? I am the son of a small businessman and a school teacher. I have worked half my life in government, half in business. I started out as an adviser to Kenneth Clarke and John Major in the 1980s and 1990s. After that, I set up my own company so I know about the challenges of trying to build a business in a competitive environment. I left more than four years ago when I entered the British Government as a Minister. And, by the way, I have since disposed of any shareholding: I hold no shares. I am not a member of any boards. So I do not believe I have any conflicts of interest.

In 2010, I became an Education Minister and was given the job of delivering the biggest reforms in education in a generation. Then I became a Member of the British Cabinet and led the Coalition Government in the House of Lords. The House of Lords is a Chamber that amends legislation and specialises in detailed scrutiny. It has many experts. No party has a majority – the biggest party has only 28% of the vote – so the only way to make progress is to build consensus and work across party lines. So I have delivered complex reform in a political environment. I have a proven record of building consensus, and I understand jobs and growth from a practical point of view.

How will I approach this vitally important task which Jean-Claude Juncker has entrusted to me? Well, working with Jyrki Katainen, Valdis Dombrovskis, Pierre Moscovici and my other Commission colleagues, I plan to build on what has been done – under the leadership of Michel Barnier and this committee – to make sure we have a well-regulated financial services industry which works in the interests of the many, and not the few. It was an extraordinary achievement to repair our financial system while the crisis was raging, and I want to place my tribute to my predecessor clearly on the record.

The centrepiece of this work is of course the Banking Union, rooted in the single rule book for all 28 Member States. My task now, if I am confirmed in post, is to put the remaining pieces of the jigsaw in place and to make sure that it delivers the stability in our banking system that we all want to see. Yes, I come from a country outside the Banking Union, but the crisis has highlighted how

interdependent the 28 Member States are. A strong Banking Union matters to us all, and I will do everything I can to make it a flagship for the European Union.

We are all agreed there can be no going back to pre-crisis days. No going back to the wild risk-taking, with its terrible toll on the jobs and living standards of so many of our citizens. No going back to our banks having to be rescued on the backs of our taxpayers. But I think we are also agreed that, in the years ahead, we need a new drive on jobs and growth.

While we must certainly continue to be vigilant for new risks emerging in our system, we should not expect to have to pass anything like the same volume of primary legislation in the next five years. After all, good regulation should offer stability as well as rigour. At the same time, if evidence appears that we have not always got the balance exactly right, we should be ready to make adjustments. There may be areas where we identify gaps; there may be areas where we need to fine tune to make investment flows easier. This is indeed the challenge that lies at the heart of the Capital Markets Union: how do we increase investment, particularly into small and medium-sized businesses, while keeping regulation effective?

Within this broad approach, I have set myself five main priorities. The first is to implement what has already been agreed. This alone will be a major task. The outstanding delegated and implementing acts amount to more than 400 separate measures – from the Directive on Markets in Financial Instruments (MiFID 2) to Banking Union, to Solvency 2, to the capital requirements package (CRD IV). In all we do, we will ensure a fair and open process with you and the Council.

Secondly, I want to make sure that we tackle other major sources of risk, by taking forward proposals that are currently under negotiation, such as on money market funds, benchmarks and structural reform. We also need to stay alert to any new emerging risks, such as those that could arise through the lack of an effective resolution regime for non-bank financial institutions.

Thirdly, I will work for the consistent implementation of international standards and principles, and close loopholes that present risks to financial stability. We will work closely with other G20 countries, and in particular, I will seek to deepen regulatory cooperation with the USA.

Fourthly, I will bring forward proposals for developing a Capital Markets Union. This is a project for all 28 Member States and the goal is clear: to help unlock the capital around Europe that is currently frozen and put it to work in support of Europe's businesses, and particularly our SMEs. We need to broaden away from our dependence on bank funding by encouraging the growth of new, alternative sources of finance. I want to start by analysing the problem and identify the barriers to progress, but I think we can already see some likely areas of early priority, such as high quality securitisation, helping to improve information on SME credit status and finding agreement on European long-term investment funds.

Fifthly, I want to explore how we can deliver more of the benefits of the single market directly to citizens. Rightly, over the past five years we have had to concentrate on big structural and institutional reforms. Over the next five years, I hope we can turn the telescope the other way, and think more about how to open up a better market for safe, transparent, affordable retail products. I know that many in this House have taken the lead in championing consumer interests, and you will have my support in the years ahead. We also need to think carefully about the development of digital and electronic payments, which could bring consumers great benefits in terms of cost and ease of use, but which will also need to be secure and well-regulated.

There is one overarching theme, and that is transparency. Transparency is essential in terms of what we require financial institutions to do, because they need to know what risks they are taking, and to explain those risks to their customers. Supervisors need to know too. Most of the rules that you have put in place include tough transparency requirements – and rightly so in terms of helping to restore trust, and with it confidence.

Finally, how will I work with you if I am confirmed in post? Once again, transparency will be essential. I will be open with this committee at all times and I will be open with you about who I am meeting. To do the job, I will need to meet and talk to a wide range of people because I have never believed that you can, or should try to, make policy in a vacuum, but I will certainly follow the practice of my predecessor in disclosing external meetings, and so will my officials. I think that is essential in terms of building the right relationship with you.

When I was in Strasbourg the other day, I had dinner with Michel Barnier to ask for his advice. He had lots of useful tips, but he made one point above all: always remember, he said, the importance of your relationship with the House. That is advice I have taken to heart, and it is advice that I will follow.

I know that President-elect Jean Claude Juncker has given me a great responsibility in asking me to take on this portfolio. If I am confirmed in post, I will be a European Commissioner who defends the general interest, a European Commissioner who will work for all 28 Member States, and a European Commissioner who never forgets that he is accountable to the directly elected Members of this Parliament.

*(Applause)*

3-008

**Burkhard Balz (PPE).** – Lord Hill! Ich will ganz kurz zwei Fragen adressieren, die allerdings allgemeine Bedeutung haben. Zum einen unterscheiden sich Finanzinstitute in der Europäischen Union stark nach Größe, Rechtsform und Komplexität. Einheitliche hohe Vorgaben für delegierte Rechtsakte und technische Standards machen es kleinen und mittleren Unternehmen häufig schwer, ihre stabilen und erfolgreichen Geschäftsmodelle fortzuführen. Die Kommission ist zur Verhältnismäßigkeit, zur sogenannten Proportionalität, verpflichtet, doch müssen diese Proportionalitätsklauseln ja auch konkret mit Leben gefüllt werden.

Wie wollen Sie als künftiger Kommissar sicherstellen, dass diese Proportionalität nicht wie eine Ausnahmeregelung behandelt wird, sondern zur Regel wird?

Meine zweite Frage bezieht sich auf eine Auswirkungsstudie. Das Parlament fordert seit vielen Jahren eine Auswirkungsstudie über die akkumulierten Effekte der Finanzmarktregulierung. Kohärenz und Konsistenz unter verschiedenen Richtlinien sind ebenfalls sehr wichtig. Wie wollen Sie als zukünftiger Kommissar eine solche Auswirkungsstudie angehen?

3-009

**Jonathan Hill, Commissioner-designate.** > You touch on two extremely important points there. How does one get the balance right in terms of regulation, and how also does one make sure that across the piece we are able to have regulation that is proportionate and that we can follow the effect of it in different sectors?

So, in terms of proportionality, my answer to your question would be one that I think that we will return to a number of times this afternoon, which is the importance of balance. We clearly need to have regulations that work, but we should not take the view that every single business is the same size

and therefore that you need to have a one-size-fits-all approach to everything. So I fully take the point about the importance of proportionality.

In terms of trying to calculate the effect of regulations across the piece, I think that is a very important theme, and it is something that, if I am confirmed, I would like to reflect on and develop. In a number of conversations that I have had with members of the Committee on Economic and Monetary Affairs (ECON) before this hearing, a number of members from different groups raised the question with me as to whether it would be sensible to try to have a more cross-cutting, a more cohesive look at the cumulative effect of regulations in different areas. I think, instinctively, that that is a sensible way of looking at things. One of the challenges, I think, in regulation – and for me coming in, trying to get my head round this very complex technical area – is that there has been huge amounts of activity going on in a number of different areas and silos, and trying to work out the effect that action in one area has in another, I think, is terribly important so that is something I would like to do if I am doing this job.

3-010

**Elisa Ferreira**, *on behalf of the S&D Group*. – Commissioner-designate, in your written answers with Parliament, you said you could not – and I quote – ‘commit unilaterally to proposing any particular initiative’. However, the European Commission, the Institution you wish to join, has been actively engaged in building banking union in constructive cooperation with this Parliament, as you may have noticed.

This banking union is based on three pillars. We have already done the single supervisory mechanism; we have done the single resolution mechanism. The remaining piece, as you call it, is the third pillar. It is the common guarantee of deposits, without which the link between banks and sovereigns still remains. So my question is: will you present a proposal for a single deposit guarantee scheme, which is the remaining piece of a full banking union? Will you do it before the end of 2015 and what will be the structure of such a scheme?

3-011

**Jonathan Hill**, *Commissioner-designate*. > I am glad to have the chance to talk about the important issue of banking union, which is a central part of the job I will have. Obviously, as you say, almost the first priority is to put the next pieces of the jigsaw in place. That means, first of all, making sure we have got the right measures to have the Single Resolution Fund up and running, and I know that work has been going on on that. There will also be work to do on backstop arrangements.

So far as the deposit guarantee scheme is concerned, I know that is something which has been fiercely debated in recent months within this committee and, I am sure, more generally. The priority for me would be to implement the process as it is currently provided for – to pursue the approach that is on the table – so far as the deposit guarantee is concerned.

In terms, therefore, of your broader question about whether I would bring forward a proposal on the deposit guarantee scheme before the end of the year, I do not think I can give you that undertaking. But, going forward with the approach envisaged, I think we can see how that works with the individual deposit guarantee schemes, and in future years I think it will normally be the approach that this House adopts. We have many opportunities to look at and consider things in future, and that is what my approach would be.

3-012

**Kay Swinburne**, *on behalf of the ECR Group*. – Commissioner-designate, I actually was going to ask you a series of questions on markets-related issues, but I will reserve those until later, given the fact that in the last two weeks, since your nomination has been made known to this committee, I have been

listening in the corridors and the one matter that comes up time and time again is one about your CV and, in particular, the fact that two companies very well known to people in this parliament, Lowe Bell Communications and Bell Pottinger Communications, appear on your CV. And then, indeed, you founded a company called Quiller Consultants. I think it would be very helpful for us here in the committee to actually address this openly and for you maybe to actually explain your role at these companies and whether or not you have any ongoing relationships.

3-013

**Jonathan Hill**, *Commissioner-designate*. > I am glad to have the chance to address this, and I will probably concentrate in particular on Quiller Consultants, which was the business I set up in 1998. The other jobs are the best part of a quarter of a century ago, and my memory is not as good as it was.

In terms of my business, I am very proud to have set that business up. We started it from scratch. I am glad I was able to employ people who paid taxes and provided employment, and that, although I sold it eight years ago and left four-and-a-half years ago, it still continues.

In terms of me and any relationships that I might have with it, when I was asked to join the British Government as an Education Minister, in the nature of the way ministerial appointments work in my own country, I was out within a few hours and that was the end of any link that I had with it. I had some shares, which I was given at the time I sold the business. Those were held when I was a British Minister under the rules that obtained then and were fully disclosed. Upon my nomination – since I did not want anyone to think that there could be a perception of any conflict of interest – I gave instructions within less than a day of being nominated to get rid of all of those shares, which then happened in very quick order. So those have gone.

For the sake of addressing any other doubts, I think that conflicts of interest are an extremely important issue that we should all take seriously. I think the key to the question of a conflict of interest is: would one have any financial interest from any decision one was taking as a Commissioner? I think that comes from having shares or being on the board of a company. I have no shares in any business at all and I am not on the board of any company.

3-014

**Sylvie Goulard**, *on behalf of the ALDE Group*. – I am not going to use English to retaliate on behalf of Molière, because I am going to quote you. In your written answers you stated that the double-majority voting arrangements in the European Banking Authority (EBA), which require a majority among the Member States under the Single Supervisory Mechanism (SSM) – mainly the eurozone Member States – and the Member States outside the SSM, are, and I quote, ‘already operational and at this stage seem to be working correctly without impeding the EBA’s effectiveness’. Are you ready to accept the continuation and all the wider application of this system which, in my opinion, creates a gap in, or fragmentation of, the single market and gives a veto right to some Member States?

3-015

**Jonathan Hill**, *Commissioner-designate*. > Apologies first of all for what I did to the language of Molière in my opening remarks, so – to all French speakers – I deeply regret what I did. In terms of the substance of your question, the particular arrangements that came about and that were accepted as a part of working through the EBA and dealing with the Banking Union arose from specific circumstances at the time. Those are in place; as far as I am aware from the inquiries that I have made, they appear to be functioning. My answer to your question, which I think can be a short one, as to whether I see that as a model or would I expect that to be extended in other areas is as follows: I think that was something that was developed for the specific circumstances to deal with banking union and the relationship between the ‘ins’ and the ‘outs’.



3-016

**Matt Carthy**, *on behalf of the GUE/NGL Group*. – Commissioner-designate, in June 2012 the EU Council agreed to break the link between sovereign and banking debt. The Irish Government at the time stated it was a game-changer and would ensure the return of at least a sizeable portion of the monies that were taken off the Irish people in order to save the European banking system. This may appear a parochial question, but you will understand that Ireland, which has less than 1% of the EU population, has paid over 40% of the cost of the banking crisis and, although it will not fall under your direct responsibility, you will be a member of the College of Commissioners and have an important economic portfolio. So what I want to ask is will you, in principle, support an application by an Irish Government and maybe other governments with similar experiences for the retrospective recapitalisation of banks, so that we can see a real economic recovery across the European Union?

3-017

**Jonathan Hill**, *Commissioner-designate*. > I realise, obviously, how important and sensitive an issue it is for the people of Ireland and the difficulties that they went through at the time.

I know also that it is a question that has been discussed intensively among all the euro area Member States. I am told that legally it is possible, within the framework of the European Stability Mechanism, for retroactive recapitalisation of banks to take place. But it is certainly the case – so I am afraid I am not able to give you the undertaking and encouragement in some ways that you would like – that any decision in this regard clearly has to be handled on a case-by-case basis and also it would be for the euro area Member States to take on a unanimous basis.

But again, as you have implied, it is an area where my colleague, Mr Moscovici, would be in the lead, but if clearly that comes forward at some point, I will be part of the College and the group that would consider that. I am sure that, in the light of the circumstances and the views of all those Member States, a decision would be reached on a case-by-case basis.

3-018

**Sven Giegold**, *im Namen der Verts/ALE-Fraktion*. – Lord Hill, *welcome!* Seit der Verhandlung des Vertrags von Maastricht hat sich das Verhältnis zwischen Großbritannien und der EU in vielerlei Hinsicht abgekühlt.

Ich würde Sie gerne in Bezug auf Ihr europäisches Engagement fragen: Was haben Sie in dieser Zeit selbst getan, was haben Sie als öffentliche Person getan, um die Beziehungen zwischen Großbritannien und der europäischen Union zu stärken?

1700 Lobbyisten arbeiten hier rund um Brüssel in etwa 700 Organisationen im Finanzsektor. Die *City of London Corporation* begrüßte mit warmen Worten Ihre Nominierung, und Sie haben selber eine Lobbyfirma namens „Quiller“ mitgegründet. Viele Bürger fragen sich hier, stellen wir hier nicht einen Elefanten in den Porzellanladen der europäischen Finanzmarktgesetzgebung? Sie haben sich sehr auf Transparenz bezogen. Für welche Finanzinstitutionen haben Sie oder Ihre Firmen direkt gearbeitet? Das würde ich gerne wissen.

3-019

**Jonathan Hill**, *Commissioner-designate*. > First of all, in terms of my commitment to Britain being, and playing an active part in, the European Union, that is the reason why I wanted to take this job and come here and play my part. Going back 25 years – pretty much a quarter of a century – during the Maastricht negotiations I was at 10 Downing Street. Before that, as I said, I worked for Kenneth Clarke, so involvement in European issues and understanding their importance and the political sensitivity of them in the United Kingdom is something that I have lived with for 25 years. I have a

very clear and simple view, as I hoped I set out, which is that I think it is in the interests of the EU for Britain to be in it and it is in the interests of Britain to be in the EU.

So far as your second question is concerned about my business, I started to address that in some way, I hope. Just to underline: I left four and a half years ago, which is three times the length of time that the Commission considers is appropriate for an embargo on people after they have been in positions of influence here as Commissioners before they could even consider going into their sector. I think it is absolutely right that the Commission has that embargo, because I completely understand the anxiety that people have, the concerns that citizens might have, of people coming here and doing jobs and then doing it for their own benefit subsequently.

That is not the reason that I have come here to do this job. I have no thought of what the future will be. I am not here as a representative of the City of London; I am here to come, I hope, to represent the European interest and to make the right decisions in the interests of effective regulation and stability – and, I hope, growth – in the interests of the whole EU, and I will pursue the logic of the arguments and the logic of the regulation to apply that across the board.

3-020

**Steven Woolfe**, *on behalf of the EFDD Group*. – Good afternoon, Lord Hill: I am so pleased to hear an English voice in a senior position, a rare thing in this building. On your appointment as a Member of the House of Lords, you swore an oath to the Queen that you would be faithful and owe allegiance to Her Majesty. If your appointment is confirmed you will now be required to swear an oath to the EU in the following terms: ‘to be completely independent in carrying out [your] responsibilities in the general interest of the Union, [...] neither to seek nor to take instructions from any government or from any other institution, body, office or entity’. Surely there is a conflict in your two oaths?

In the words of Matthew Chapter 6, verse 24, of the King James Bible, no man can serve two masters. So, what is it, Lord Hill? Which one is your master now – the Queen or the EU?

3-021

**Jonathan Hill**, *Commissioner-designate*. > I have to say, one of the great honours and privileges of my last job as a Privy Councillor and as Chancellor of the Duchy of Lancaster, was to have the opportunity to meet Her Majesty the Queen. That was one of the greatest privileges in my life. I do not believe for one instant that Her Majesty would consider there to be a conflict between the oath I gave to her and the oath that I hope I will have the opportunity to give if I am confirmed as Commissioner. I see no conflict between the two whatsoever.

3-022

**Gerolf Annemans (NI)**. – I still have this political question, Lord Hill, and my question is why? Why did you not become the Commissioner of Fisheries or something? Why, apart from the fact that the City of London is situated in the United Kingdom, why did Juncker choose, for the job of caring for the financial stability and union of capital markets, the UK candidate? Your answer that the euro is taken care of by Mr Drombrowskis cannot avoid the paradox, I am sorry.

I would like to ask you specifically, is not the economic situation of the eurozone an endless impasse, in which the euro brought the economies of its members the proof that Eurosceptics in your Conservative Party and in the United Kingdom in general are right when they state that unifying things that should not be unified is the wrong thing to do? Is there not for you, personally, an undeniable paradox between wanting a single financial market and on the other hand rightfully wanting to stay out of the union of all financial unions, namely the united currency?

3-023

**Jonathan Hill, Commissioner-designate.** > In terms of the first part of your question, as to why I have been nominated for this portfolio, that was a decision that Mr Juncker took and I was proud to respond to the trust he has placed in me in taking on these very heavy responsibilities, and I will discharge those to the best of my ability in the interests of the European Union.

When I originally accepted the nomination from the British Prime Minister, I obviously did not know what portfolio I had. I might indeed have ended up with fish, but it was financial stability and capital markets union and regulation that he asked me to take on. Again, I think this is a different version, in a way, of the previous question about tensions and how one resolves them. I think it is in the interests of all 28 Members of the European Union for the euro to be a success and to flourish. I think it is in the interests of all 28 Members of the European Union for the banking union to be a great success, and obviously it is also open to any Members of the 28, even if they are not members of the euro, in due course to apply to join the banking union.

I recognise, of course, as I have been talking to people a lot about these issues in recent weeks, that there are tensions on certain issues; of course there are. But I think that the task that we have collectively, if I may say so, is to work to reconcile those tensions and to make sure that, for instance in the banking union, the euro 'outs' feel as comfortable about the implementation of the single rule book and the future of banking union as the euro 'ins'.

3-024

**Gunnar Hökmark (PPE).** – The United Kingdom is an important part of a strong European Union in the world, and I hope that you will be able to play a vital role underlining that. I have two questions. First one is: how do you see the coordination and the division of responsibilities between you and Commissioner-designate Mr Moscovici and Vice-President-designate Katainen? How are you going to clarify who is responsible for what, and how are you going to secure that you will get efficiency and synergetic effects in your coordinated work?

Second, everyone talks about the capital market union, but very few can describe it. How are you going to do that? Meaning: the European financial markets are fragmented, and therefore we are also under-performing regarding our total capacities, not only regarding financial markets but regarding economy as well. How are you going to secure investments and financing of European business and growth?

3-025

**Jonathan Hill, Commissioner-designate.** > First of all, on the important point about coordination, my view is that the idea of getting groups of Commissioners working together, being coordinated and encouraged by a vice-president, is a good idea. I think it is good to try to break down what people might think of as a silo approach and to try to get people cooperating, because there are obviously a number of interrelated issues to do with monetary union: regulation, for instance, in my area, and how to get growth and jobs – read across to other areas. It seems to me to make a lot of sense to try to find ways of bringing people together in a common endeavour. So I am strongly in favour of the principle.

In terms of how it will work in practice, I know that Jean-Claude Juncker has set out in a letter to Martin Schulz the headline on the approach and the different responsibilities that the vice-presidents will have. My common-sense answer is that a lot will depend on the personal relationships between people. I will enter into this determined to make it work, because I think it is right, with Mr Moscovici, Mr Katainen, Mr Dombrovskis and others of my colleagues. So I am very strongly in favour of that approach.

I think there is a key issue for this House, which is the issue of accountability, and we need to be very clear about who is accountable to the Committee on Economic and Monetary Affairs: who is going to come and explain things to you on various issues. It may be ‘horses for courses’ to a certain extent, but I clearly see that as an absolutely central part of my job.

I am afraid, on the question of capital markets union, that I am about to get cut off, but I hope that someone else may raise the question of capital markets union and I will be able to answer you at the same time.

3-026

**Jakob von Weizsäcker (S&D).** – Lord Hill, I will not ask you, since no doubt you have been a skilful adviser to the public sector and the private sector in the past, what your best advice to Jean-Claude Juncker would have been on the allocation of portfolios to Commissioners-designate. Instead, I want to ask you a question on banking union and its relation to countries outside the banking union. The crisis has clearly demonstrated that regulatory cooperation is a fair-weather arrangement and that supervisory cooperation is a fair-weather arrangement. In the EU this has, among other things, led to the creation of the banking union. In the US this has led to increasingly stringent extraterritorial requirements on banks operating in multiple jurisdictions. Can we rely on your support to make sure that the banking union imposes similarly stringent requirements on financial operations outside its geographic reach, or would the idea of turning the telescope around – which you mentioned in the introductory speech – really serve to divert attention away from the continued significant exposure of taxpayers to financial institutions?

3-027

**Jonathan Hill, Commissioner-designate.** > On your first point, I would not presume to give advice to Jean-Claude Juncker, who I think is someone who knows his own mind very clearly.

On the substantive question about banking union – the ‘ins’ and ‘outs’ and all the rest of it – I think first of all it is just always worth a reminder, because I know people are sensitive to the potential tensions: some people are sensitive to the fact that I was born in a country that is not a member of a banking union and so have questions in their mind as to whether I would be able to perform that role, which I very much believe I will, because I will act in the European general interest.

So there is the single rule book, which is what underpins the whole banking union and which all 28 have to follow, and I think it is worth reminding ourselves of that. So far as the question of extraterritoriality and so on is concerned, yes, I think it is the case that sometimes the United States tries to regulate its banks globally, even when they are in Europe. Our view is that, where we can, we should agree with the US and others to recognise each others’ regulations as equivalent and then to defer to each other. I think that is the widespread view that is emerging in the G20, and I would certainly want to work with others and with the European Parliament to achieve that principle and try to mitigate against the problems which you foresee.

3-028

**Markus Ferber (PPE).** – Ich spreche nicht in der Sprache von Herrn Shakespeare und auch nicht in der Sprache von Molière, sondern in der Sprache von Johann Wolfgang von Goethe.

*(Heiterkeit)*

Ja, der hat hier noch gefehlt. Ich kann auch ein bisschen Hessisch, wenn es notwendig ist. Aber jetzt ernsthaft, das geht ja nur von meiner Zeit ab.

Zum Thema Transparenz. Sie hatten angekündigt, dass Sie alle Kontakte die Sie außerhalb des Hauses führen, veröffentlichen wollen. Ich wollte Sie fragen, wie Sie zur Idee des sogenannten legislativen Fußabdrucks stehen? Sind Sie bereit, alle Treffen, sei es mit „Oxfam“ oder mit der *City of London* transparent offenzulegen?

Zum Thema Kapitalmarktunion. Da wollen wir ein bisschen Licht reinbringen. Ist es eine Weiterentwicklung der Bankenunion, also auf die Eurozone beschränkt, oder ist es eine Weiterentwicklung des Binnenmarktes? In diesem Zusammenhang sehe ich insbesondere zwei große Probleme: KMU-Finanzierung und langfristige Investitionen. Welchen Beitrag kann da die Kapitalmarktunion leisten?

3-029

**Jonathan Hill, Commissioner-designate.** > Thank you for those three questions. In terms of transparency, my approach would be to first of all find out exactly the approach that was pursued by my predecessor, who I know had a policy of making sure that people knew the organisations that he was seeing, and I would follow that faithfully. Also I know that there are suggestions/proposals that Jean-Claude Juncker is very supportive of – of having a mandatory lobbying register, which again I think is a good idea and that I would support.

My principle in terms of meetings, as I said before, will be to see people who have a legitimate interest to make in the development of policy. So I think consumer organisations will play an important part in that; citizens – I know that what I hope will be my future services have supported Finance Watch and other ways of trying to make sure that the citizens have a means whereby they can have some kind of equivalence in terms of these very technical subjects. I think those are important, and I think that we should keep that whole area under review.

On capital markets union, I am very clear (but more to the point, Mr Juncker was very clear in his mission letter to me) that this is a project for the 28, and I think, therefore, it is in the best tradition of the single market project for the 28, and my task will be to ensure that it is for the 28 and that all 28 Member States want to take part in it. I will have failed if it does not end up being a project of the 28. In terms of how one encourages long-term investment, I know at the moment there is a proposal on the table to encourage European long-term investment funds: that strikes me as being exactly the kind of initiative that will form part of a capital markets union, and I will want to take that forward as an urgent priority.

3-030

**Pervenche Berès (S&D).** – Monsieur le Président, Monsieur le Commissaire désigné, au sein de ce Parlement, durant la législature précédente et sous l'autorité de votre compatriote Arlene McCarthy, dont je salue la présence dans cette salle, nous avons combattu le versement de bonus aux banquiers – parce qu'ils avaient été un levier de la crise et parce que nous considérons qu'il s'agissait d'un élément essentiel pour la mise en place d'une véritable régulation des marchés financiers.

De la même manière, nous étions engagés d'une façon très déterminée dans l'élaboration d'une directive sur la prévention de l'utilisation du système financier à des fins de blanchiment des capitaux et de financement du terrorisme. Pour des raisons de conflit d'intérêts, l'unité chargée de ces deux textes, à savoir l'unité "Gouvernance d'entreprise, Responsabilité sociale", ne fera pas partie de votre portefeuille. Le fait que vous ne puissiez pas exercer ces compétences ne vous disqualifie-t-il pas pour exercer vos responsabilités en matière de stabilité financière et d'union des marchés de capitaux?

3-031

**Jonathan Hill**, *Commissioner-designate*. > First of all, on the specific point: I do not believe it means that, but the decision taken by Mr Juncker was taken in order to bring these issues relating to corporate governance together under one roof, and I can understand the sense of that.

Clearly, in terms of the substance of the issue, these are matters that will be discussed in the whole College, in which I hope to play an active part. So, from that point of view, I will remain involved in the subject. But it is the case, as you rightly say, that V ra Jourová is now in the lead. The position on it is very clear. Legislation has been passed, and the view that I am sure she would take – that I would take, that any Commissioner should take – is that legislation that has been adopted needs to be upheld.

My own view on the substance of the issue – for what it is worth – is that I believe that incentives should be aligned properly with performance. I think that one of the problems that we had was that that alignment broke down and there were people who were not acting in the long-term interests of the organisations or companies for which they were working and were not acting in the long-term interests of shareholders. When that happens, you end up with problems.

Trying to address that issue, the proposals that were in there – as I understand – were to do with things like clawback and proper mixes of cash and paper and trying to make sure people have a long-term incentive, not a short-term one to do the wrong thing. That is absolutely right. But, in terms of what happens next, there is a process underway. I know that my predecessor followed up with the EBAs and asked them to do some further work. We will hear the results of that in due course. I am also sure that Vera Jourová and her colleagues, including me, will consider that in due course.

3-032

**Othmar Karas (PPE)**. – Lord Hill, *welcome!* Ich möchte zuerst einmal auf den Brief von Jean-Claude Juncker an Sie hinweisen, in dem steht:

3-032-500

‘I also want you to look at the social fairness of regulation in this field. We should avoid wrong incentives for managers in these industries.’

3-033

Ich frage Sie: Was verstehen Sie darunter? Wie wollen Sie die soziale Fairness herstellen, und wie wollen Sie falsche Anreize sowohl bei Produkten als auch in Gehaltsmodellen verhindern?

Meine zweite Frage. Die Integration des Binnenmarktes benötigt eine Integration des Finanzmarktes. Wo halten Sie eine stärkere Integration des Finanzmarktes für notwendig im Sinne des Binnenmarktes? Wie erleichtern Sie den Zugang von KMU zu der notwendigen Finanzierung? Welche Initiativen planen Sie bzw. wie implementieren Sie alternative Finanzierungsmöglichkeiten, zum Beispiel Crowdfunding?

3-034

**Jonathan Hill**, *Commissioner-designate*. > To take the last point first, in terms of how you try and encourage investment in markets, there will be a number of ways we can do that. My starting point in trying to tackle that question on capital markets union would be a careful and thorough analysis of what the current barriers are to the proper, effective flows of capital across the whole EU, and then, having carried out that analysis, work out what the solutions to that problem might be. So, a bottom-up approach: because we know already that in some Member States there will be people who say there is not much of a problem in terms of investment flowing to small and medium-sized businesses, whereas, clearly, in other Member States there is one.

The global question across the EU is the simple point of how we try better to match the potential investment which is currently frozen with businesses that want it and need it to grow. In terms of how you go about that, as I said before, the European long-term investment fund – which seems to be a natural development of the UCITS (Undertakings for Collective Investment in Transferable Securities) regime – is an interesting model whereby money would be funnelled into infrastructure-type projects or small and medium-sized businesses, maybe in areas such as science. I think that would be an example. Another approach might be one that increases the amount of information available. One of the problems with a fragmented market is that potential investors do not know enough about the small and medium-sized businesses that they might invest in, so having common forms of information across an integrated market might be another area to look at.

In terms of your points about incentives and the social dimension, in all that I want to do I want us to think about the benefits we can deliver for the citizens of Europe, and to try and make sure we do not have false incentives that drive the wrong kind of behaviour.

3-035

**Anna El bieta Fotyga (ECR).** – Commissioner-designate, although you are partially answering my question, I would like you to reiterate some of your statements. Therefore my very simple question: how would you like to reconcile the interests of the eurozone and non-eurozone Member States – how to represent both groups alike?

3-036

**Jonathan Hill, Commissioner-designate.** > I think, in a way, the challenge I have is the same but a kind of mirror image of the challenge that Michel Barnier faced, about which he has been very open in the sense that anyone carrying out one of these jobs, because of where we are in the development of the Union, is either a member of a euro-in country, or a euro-out country. I know when Michel Barnier was appointed, there were some from some of the euro-out countries, and maybe some in my own country who, I think unreasonably, suspected that he would not be able to reconcile those two interests and I think they have been proved wrong by the way in which he went about the task. So the task for me is exactly the same, but the other way round, and just as Mr Barnier approached the job in the European interest, so will I.

I think a practical way of trying to build trust and deal with the issue to which you refer will be through the capital markets union, but the capital markets union – which must be a union for the 28 – is a way of demonstrating that we are able to build a single market in the interests of the whole of Europe, in which all 28 Member States can take part enthusiastically. So I think it is extremely important with the work we take forward on that that we bear that goal in mind, and I will do everything that I can to make sure that I do reconcile those two interests and bring them together.

3-037

**Cora van Nieuwenhuizen (ALDE).** – Commissioner-designate, I would like to get back to the subject of the capital markets union. You have mentioned a few things about it, but it is still rather cloudy. What are your concrete plans? What regulations will you be focusing on? What needs to be changed? You have already mentioned long-term investments, but what are your concrete plans and when can we achieve any of them? Are you planning to introduce new regulations? I would very much like to have a bit more enlightenment on this subject, as right now it sounds a lot like a very nice slogan – ‘let us all unite the capital markets’ – but what are you planning, other than the good intentions that we have just heard?

3-038

**Jonathan Hill, Commissioner-designate.** > As I was saying just now, I think the first step – which sounds very prosaic (but I am a practical, pragmatic person) – is to identify, first of all, what the

obstacles currently are standing in the way of the free flow of capital. I do not want to start with a grandiose vision. It is a little over two weeks since I was nominated, and I think you would collectively think I had taken leave of my senses if, after two weeks, I were to come to you and say 'this is everything we are going to be doing over the next five years'. So I am, I think, clear in my mind that I want to take this step by step, starting with the analysis.

I think, as you have said, there are some areas where we can already see that might well require regulatory change. I think it is likely, when we get down to it, that there will need to be a rule change, either to get rid of obstacles or to facilitate other areas. For instance, in a recurring theme: how can we encourage investment in better-quality, high-quality securitisation? This is something that we are going to need to do, and I hope that we can do it in a way that unlocks investment without taking the risks that I do not think anyone here wants us to see taking again.

So I would have to urge you to be a little patient, because I think to rush and make a mistake would be a mistake. But what I am absolutely clear of, in terms of how we take forward developing the practical implementation of capital markets union – how we overcome these obstacles – is that that is something I would want to work up, discuss fully, have consultation and draw on everyone, particularly in the Committee on Economic and Monetary Affairs, to see what ideas we have got and how we can develop them.

3-039

**Olle Ludvigsson (S&D).** – I våras antogs en ny EU-lagstiftning om rätten till ett grundläggande bankkonto. Varje konsument har rätt att öppna och att använda ett sådant konto. Ingen ska få nobben av banken. I förhandlingsprocessen protesterar den brittiska regeringen mycket aktivt. Den vill inte omfattas av delar i lagstiftningen och vill inte etablera en solid rättighet för konsumenterna.

Denna lagstiftning ska nu genomföras i medlemsstaterna. Då är frågan: Om någon av regeringarna försöker avstå från att implementera detta direktiv fullt ut, hur kommer du att agera då? Kommer du låta detta ske, eller kommer du beslutsamt att säkerställa att alla regeringar gör vad de ska göra? Kommer du att se till att rätten till ett konto verkligen gäller för alla konsumenter i EU?

3-040

**Jonathan Hill, Commissioner-designate.** > The short answer to your question is 'yes' – and I could stop there, if everyone would like me to, because that is, obviously, the duty I would have. The law is the law and, once a law is passed, we should uphold it.

My general approach to law-making and regulation is that one should try to have a proportionate approach to law-making and regulation but, when you pass laws, you should enforce them. If I could wave a magic wand, my approach would be to go for fewer laws, but laws that have teeth and laws that are enforced, instead of lots of laws and lots of regulations that some people turn a blind eye to. So certainly, in any area of responsibility I have, a law is a law is a law.

So far as the underlying issue is concerned about access and so on, one of the things that I am generally keen to try to do – and I would look to you and other members of this committee to help me with – is how, over the next five years, we can develop more ways of delivering tangible benefits to the citizens of Europe from our financial services industry.

I think one of the great challenges we have is making the European Union concrete to people. Too many citizens will say that they cannot see what they are getting out of the European Union and they feel remote from it, whereas I think when one can point to concrete things that have happened because of the EU which would not have happened – whether that is things like roaming charges or flight, whatever, or in this case access to banking – I think the better it is.



So I would want there to be a big emphasis— if we can work on that together – to remember the consumer and to think in terms of benefits we can deliver, through better products, to millions of our fellow citizens.

3-041

**Sirpa Pietikäinen (PPE).** – In my question I would like to look forward when it comes to capital markets, where indeed I think we should be more competitive. I am strongly in favour of a more integrative approach in growth policies for different sectors. That leads me to my question: while we have the great challenge of resource efficiency, and we need to take into account environmental challenges across all our policies, how do you see this being reflected in the preparations in relation to financial regulation?

I do not expect you to comment in detail on the legislation but, as you know, there are a lot of ideas: you could integrate resource efficiency into the International Financial Reporting Standards (IFRS), you could take environmental risk into account in credit ratings, and there are many other avenues under discussion. I would like to hear your view on these discussions. In which direction would you like to lead the debate?

3-042

**Jonathan Hill, Commissioner-designate.** > Whatever I am likely to say at the moment is bound to be provisional, but one of the ways – I referred just now to the ELTIF, the long-term investment fund – is to use that to channel money into, for instance, infrastructure projects or into particular kinds of SME activity, another category of that kind of activity. As part of the broader approach that we should be taking on climate change generally – which I know we are keen to do across the EU – that could be another area where one could incentivise, or seek to incentivise, certain kinds of behaviour.

So I think there clearly are ways, either by incentivising in terms of availability of money or changing things like capital requirements, that you can direct investment into particular areas, although my priority will be on the less glamorous side of trying to get the plumbing right so that the flows of money can move. If there are discussions within the College about the kind of social and other priorities one wants to apportion to different activities, these are also part of a question that might come out of the EUR 300 billion fund that Mr Juncker is talking about. Part of my job will be to try to get private sector investment flowing into that. That might be the forum in which those important issues can be explored, but I will be very happy to talk to you about them subsequently, in any case.

3-043

**Fabio De Masi (GUE/NGL).** – I will talk in the language of the Queen but with a German accent. Lord Hill, which representatives of financial institutions have you met since you were nominated by Mr Juncker?

Secondly, you mentioned Finance Watch. There was some conflict here in the House about the continued funding of Finance Watch through the EU budget. Will you commit to continued funding of Finance Watch?

Thirdly, I read your answers to Parliament's questions carefully (and I hope I was reading the right version, unlike in the case of Ms Malmström), and you implied some potential conflict between financial regulation and lending to the real economy. I disagree. I think austerity kills credit demand, and banks have too many toxic assets, but do we have an exact figure on the funding subsidy for too-big-to-fail banks in Europe to inform your decisions? And what are you going to do? How do you want to regulate mis-allocation of resources by excessive trading?

3-044

**Jonathan Hill**, *Commissioner-designate*. > I might gently remind you that not that long ago the British monarchs indeed had a German accent, and their English was not very good for quite a long time.

In terms of whom I have met, in terms of financial institutions since I have been nominated, the answer is none – with one exception, actually. There was one exception: I was on the train going back to London, quietly reading a book; I was reading some Joseph Conrad for some light relief from the Financial Regulation. (It was not the Heart of Darkness, it was Lord Jim, but Heart of Darkness might have cheered me up as well.) I was sitting there quietly and I was accosted in the train by someone lobbying on behalf of a financial institution. That was quite a vivid example of, obviously, the way that some people behave. I think that is the only example I can think of where I was an unwilling captive on a train. But I gave instructions to my office that (actually this was before I was nominated, as it happens) the people I wanted to see were MEPs, Commissioners, the existing Commissioners and other people involved with Parliament and the Institutions, so I have not seen anybody at all, so far as I am aware.

In terms of the second question – Finance Watch: I do not know, if I am honest, the details of how it is funded and all the rest of it. I know from the questions I have asked the DG that it performs an extremely important role, and I recognise that, although one might think in principle having public funding of a consumer body is slightly odd, I completely recognise and understand that, because of the technical nature of the subject, you cannot expect consumer organisations to be able to compete with the technical complexity that these big companies can throw at it. So my instinct is that it absolutely needs to carry on. I do not know enough about the detail of the funding, but there clearly needs to be an antidote to the lobbying by these big organisations. I am sorry, I have run out of time on the other one.

3-045

**Eva Joly (Verts/ALE)**. – I have two questions. The first is about shadow banking. Shadow banking activities, due to their huge capacity and complexity, could pave the way for the next financial crisis. Yet the country you know best is clearly opposed to some key provisions of the Commission's legislative proposal on money market funds regulation. What is your position regarding the conversion of constant-net-asset-value money market funds to variable-net-asset-value money market funds?

What is your position on the 3% buffer as originally provided for by the Commission in its legislative proposal?

The country you know best is staunchly opposed to the Commission proposal on the regulation and supervision of benchmarks and indexes like Libor, as well as in the fields of commodities and foreign exchange. Are you ready to fight for the Commission's proposal? Yes or no?

And could you envisage the European Securities and Markets Authority (ESMA) being entrusted with the ultimate powers of supervision over systemically important benchmarks and indexes? Yes or no?

3-046

**Jonathan Hill**, *Commissioner-designate*. > First of all, generally on the area of shadow banking, I think that the stance we need to adopt is to be alert to the emergence of new risks. I think we have to be slightly careful sometimes – well, not careful, but the very word 'shadow banking' obviously implies something shadowy and therefore undesirable and the fact is that shadow banking is a broad term that encompasses numbers of different ways of unlocking money that actually we might want to encourage because, if we do not have investment flowing, we will not get growth, and if we do not

have growth, that threatens stability. So I think in all of these areas – and on this I think I would agree with you, I am sure – is that the balance we have to strike is between effective regulation and not approaching things in such a way that we deny the life-blood of investment into our broader economy; into the real economy.

In terms of the specific questions you answered, I am aware of the fact that there are, obviously, proposals on the table around money market funds and that there are politically-charged issues that underlie it and that have big relevance to a number of different markets. I intend to take those proposals forward and see where we get with them. I understand the case for CNAV, in the sense that there are charities or corporate treasurers who want the security that they can offer, because they want to pay their salaries at the end of every month, but at the same time I had explained to me the danger of the systemic risk that that might pose, hence therefore the proposal around the 3% capital buffer.

Clearly, there is more work that needs to be done on that, and we will take that forward and try to find a way through that – again – reconciles the interests of stability and investment and also effective regulation.

3-047

**Steven Woolfe (EFDD).** – Lord Hill, having considered your allegiance, which by the sounds of the claps in this Chamber, seems to be very clear, may I now turn to your effective powers. Many in the Conservative Party lauded your appointment as evidence that David Cameron could protect the interests of the UK's important industry employing one and a half million people: our financial services sector. But in your employment contract with Juncker, the so-called mission letter, there is no instruction to remove over-bearing regulation nor to prevent the financial transaction tax, indeed so concerned is the EU with preventing you having any influence, they have removed the enforcement of the cap on bankers' bonuses from your brief and given it to another Commissioner, notwithstanding that good corporate governance and salaries are an essential part of financial stability. You report to your team leaders Katainen and Dombrovskis, leading the Financial Times uncharitably to call you just a junior player in a team. You can be overruled at any moment, not just by those Commissioners, but by more senior people such as President-elect Juncker. Does this not simply show that you have no power or influence to protect the City of London?

3-048

**Jonathan Hill, Commissioner-designate.** > I think the fact that we are all sitting here today with such a turnout from Committee on Economic and Monetary Affairs shows that the Economic Affairs Committee and this Parliament take very seriously the powers and responsibilities that Commissioners have and quite rightly want to hold them to account. So I think to take as a starting point the notion that Commissioners do not perform an important job and that this Chamber, this committee, does not perform an important job in holding them to account is not where I would start from. Also, I have to say that it is clearly not my task and that is one of the points I have been seeking to emphasise.

I accepted this nomination in good faith, to come here to work in the general interest as a European Commissioner. I did not come here in order to promote the interests of particular groups. My task will be to make sure we have an effective, well-regulated financial system. My belief is that a well-regulated, properly enforced financial system will be in the interests of financial services everywhere. So I do not see a tension between proper regulation and a successful financial services industry. We are clear, I believe, that we need to have a strong, successful financial services industry across the whole of Europe because, without a strong financial services industry, we do not get the investment and the growth and the jobs that we need. You would be wrong if you are trying to caricature me – which I am sure you are, for domestic political purposes – as someone who is not concerned about the financial services industry, a very important part of which is in London.

We need a strong financial services industry. I will work to promote that, but I will do so on the basis that, for it to succeed, it needs to be properly regulated.

3-049

**Paul Tang (S&D).** – I am still a bit puzzled about what exactly a capital market union is, but my understanding of this is that it requires more study. That is what I have heard.

Let me ask you a related question and bring up a concern. You want to take the initiative and come forward with proposals for the capital market union, but might that go against the current regulatory framework that has been built up over the past years, or might it lead to a shift from a regulated to an unregulated part of the financial sector? In other words, is the capital market union perhaps a way of deregulating, rather than maintaining and improving the existing system of regulation?

3-050

**Jonathan Hill, Commissioner-designate.** > I do not believe it is that at all. I think that, in order to have a properly functioning single market, we are going to have to have rules within which everyone operates, in the same way we have already put some of the building blocks in place with the single rule books around some of the securities, we will need to build on that.

My answer to your underlying question is a version of the previous answer I gave to Mr Woolfe, that I know sometimes there is a kind of dichotomy. We are presented with a choice between ‘are you in favour of regulation, or are you in favour of growth?’. I think that that is a false dichotomy. We have to resist that dichotomy if we are going to respond to what most of us accept is the biggest challenge we generally face across the EU, which is: how do we get jobs and growth going for our citizens?

I do not see it as being one or the other. I see it as being that sensible regulation should lead to growth. Obviously, over-regulation is not something that we want. I do not think that any of us would want that. We would all want proportionate regulation. I think there are ways, as we were discussing earlier, in terms of how you can differentiate between different kinds of investment, so trying to encourage higher quality securitisation and safer, better-quality securitisation whereby you can encourage investment, but without encouraging people into riskier assets.

3-051

**Alain Lamassoure (PPE).** – Monsieur le Président, Monsieur le Commissaire désigné, je voudrais poser une question, à laquelle le président Draghi n'a pas voulu répondre. La crise dont la faillite de *Lehman Brothers* a marqué l'éclatement a conduit le G20 à recommander à tous ses membres un renforcement considérable de la réglementation des banques, des marchés, des instruments de crédit, etc.

Nous avons parfois l'impression qu'avec la quarantaine de textes proposés par votre prédécesseur, l'Union européenne a été le bon élève de ces exercices recommandés par le G20, tandis que les réglementations américaines telles que la loi *Dodd Frank*, par exemple, ont été moins rigoureuses soit dans leur texte, soit dans leur application.

Est-ce un sentiment que vous partagez? Si oui, la compétitivité des acteurs financiers européens risque-t-elle d'être compromise! Et si tel était le cas, comment comptez-vous y remédier?

3-052

**Jonathan Hill, Commissioner-designate.** > I think the honest answer to your question, which is a good question – how do we make sure that regulations that are intended to be global and flow out of global standard-setting bodies are applied equally across the board? – I think the premise of your question is absolutely the right one.

In terms of the detail of how I would go about trying to ensure in international negotiations, particularly in discussions with the United States, but maybe others, that we are getting them properly implemented and, if not, we have equivalence and deferral and all the rest of it – how precisely I will need to go about that – I need to have to further and better briefing on it.

In terms, though, of your underlying point ‘is it important?’: Yes. Should it be a priority? Yes. Should we make sure that high standards that we enter into do not end up disadvantaging us internationally because others drag their feet? Yes. I think that is one reason why, as part of the TTIP negotiations, the suggestion that we try to deal with the question of how we get better financial cooperation between the EU and the US, that is the reason, as I understand it, why those provisions have been placed at the heart of the TTIP negotiations. I think that is the right approach and that we need to make sure that standards agreed in international bodies – whether it is the G20 or whoever – are applied and enforced and that we do not put ourselves at a competitive disadvantage by us enforcing them and then other jurisdictions not doing so.

3-053

**Bernard Monot (NI).** – Monsieur le Président, Monsieur le Commissaire désigné, désigner un lobbyiste britannique qui a fait sa carrière grâce à des clients privés comme des oligarques russes, à des fonds spéculatifs exotiques ou encore au groupe HSBC, c'est quand même un paradoxe. Il y a mieux pour faire plier la City sur les dossiers de régulation et moraliser les marchés des capitaux.

Les membres de la Commission européenne sont censés offrir toutes les garanties d'indépendance. Vous nous avez déclaré qu'il n'y avait plus aucun conflit d'intérêt. Pourtant votre nom est souvent associé à des intérêts privés, comme l'affaire Tesco par exemple. De plus, ce n'est qu'en juillet que vous vendez vos parts dans un cabinet de lobbying travaillant notamment pour l'industrie bancaire. Comme Monsieur Cañete, vous essayez dans la précipitation d'apparaître déontologiquement acceptable. Mais en réalité, vous devez votre fortune en grande partie au monde de la finance. Le journal *Financial Times* l'a rappelé encore récemment.

Quelle est donc votre éthique, Monsieur Hill? Vous qui faites l'aller-retour entre l'administration et le lobbying depuis vingt-cinq ans, comment pourrez-vous rester à l'abri des pressions des banquiers lorsqu'il s'agira de parler de transparence et de réglementation? Pour ma part, en tant que patriote, j'estime que vous n'apportez aucune garantie supplémentaire. Donc, je ne vous accorde aucun crédit pour moraliser un secteur caractérisé par la cupidité sans fin, au détriment de l'intérêt général des peuples, et qui nous amènera surtout un nouveau choc systémique.

3-054

**Jonathan Hill, Commissioner-designate.** > Obviously I am sorry that is the view that you take. That view is not borne out by my experience and how I have led my life. The reason that I returned from the private sector into the British Government, a move I was not expecting, was because I believe in public service. The reason that when I was asked by the British Prime Minister to accept this nomination I did so – apart from the fact there is a huge challenge that Europe faces and that my country faces in terms of its relationship with Europe, which is enough reason to do it – was because I believe in public service.

There is no conflict of interest in any way with anything that I have done in my previous life. As I explained before, the business that I had, which I do not recognise from your characterisation of it, I left nearly five years ago, and that was that. During the time I worked there, I was very proud of the clients that I had, I was proud of the work that we did, I was proud in a small way to make a contribution to the economy and to employment. So I am afraid I do not accept the picture that you

paint. You describe yourself as a patriot, I am sure that is right. I too would describe myself as one. I am sure you have high standards, and so do I.

3-055

**Costas Mavrides (S&D).** – About a year and a half ago, something profound took place with regard to the banking system in Cyprus. I am not just referring to the deposit ‘haircut’, but to the whole package, including the transferring of the emergency liquidity assistance from one failing bank to another bank. Now we have a systemic mess. Since then, there is no trust in the banking system, which still remains very weak. On the other hand, there is a tremendous social cost to saving the banking system.

My questions: firstly, has the Cyprus experiment been successful? What are the lessons that can be drawn from the experience of Cyprus if anything similar happens?

Secondly, you have described yourself as a pragmatic person. Do you really believe – bearing in mind the Cyprus case – that we are going to have a real banking union without a pan-European deposit guarantee scheme?

3-056

**Jonathan Hill, Commissioner-designate.** > Obviously I am aware of the very difficult situation that there was in Cyprus and the hardship that was caused. I think it is very difficult not to have sympathy with people in that situation.

I think the answer to your question is, has the lesson been learned? I think the answer to that question is that the measures have been put in place to introduce a deposit guarantee scheme, to make sure that in future, were there to be a similar situation, everyone would have EUR 100 000 of their deposit guaranteed. I think that is the answer to the question going forward.

In terms of whether or not we should have a European deposit guarantee scheme, as we discussed earlier, I know there are arguments made in favour of that and arguments made against it. I think that going forward with the scheme we currently have in place is the right thing to do. Whether in due course we look at this again, who knows? But that would be my answer.

3-057

**Brian Hayes (PPE).** – I would like to welcome Lord Hill to our hearing today.

To begin with this question of capital markets, as other Members have said, it effectively took a financial crisis to arrive at a situation in which we had banking union and, as my colleague said, the third leg of that stool has yet to be put in place. Will it take another crisis before we see a capital markets union? Can I ask you, Lord Hill, to set out what you see as your indicative timeframe for putting the capital markets union in place? And secondly, what kind of target lending should we see? I think a better description of capital union is actually non-bank lending, and we need to encourage non-bank lending across the European system, so you might be able to answer that.

I very much agree with you when you say that you need to explore the benefits of the single market for citizens, and you mention digital currency – we know of bitcoins as one example. Could you set out what proposals you might bring forward for proper regulation on the digital currency side, where there are wonderful opportunities but also many threats?

3-058

**Jonathan Hill, Commissioner-designate** > I know that there has been work taken forward in the past under the Payment Services Directive and that has brought forward a number of measures to do with

systems of online payment and particularly customer authentication, so you can try to get the benefits without the security risks.

In terms of other virtual currencies – bitcoins – there is this theme that is running through a lot of our conversations about the balance between innovation and risk. I know that the Commission took part in a task force on virtual currencies that was led by the EBA and I believe that that is going to be included during some dialogues on the Anti-Money Laundering Directive. I think that is something we need to keep under close watch.

In terms of the capital markets union, will it take another crisis? No, I very much hope it will not take another crisis and that is not the way in which we should approach it. That is one of the differences in the way in which we rightly had to approach the banking union. We all hope that it will take place against more a clement background in terms of timing. My instinct is, as I said, to do some proper analysis first, in consultation with others.

In terms of the backstop, I have been given very clear instruction as part of my mandate letter that this needs to be up and running by 2019. My feeling is that we will see elements of that coming on-stream far earlier than that, making progress, for example, on encouraging higher quality securitisation. I think may happen quite soon and may be coming as early as the beginning of next year.

3-059

**Sampo Terho (ECR).** – The Commission emphasises that the increased level of banking legislation creates stability in the EU. However, there is a genuine risk of proposing too much legislation. For example, earlier this year the Commission proposed a regulation for bank structural reform which could prohibit banks from engaging in proprietary trading and make banks separate their market-making functions. The proposed structural restraints would most likely be detrimental for bank customers because banks could not provide tailor-made services or securities-based corporate funding.

Thus do you consider this kind of legislation as the right way to make sure that companies have better access to funding? Moreover, how will you ensure that the capital markets union will remain a project supporting alternative financing sources, especially for SMEs, and thus not end up being a regulatory burden?

3-060

**Jonathan Hill, Commissioner-designate.** > Your basic point about the proper approach to regulation and ‘how do we get that right?’, ‘how do we not over-regulate but how do we not miss emerging risks or existing risks?’ goes to the heart of the challenge that we all face and I would face in doing this job. It is not easy or sensible to give a simple glib answer as to how you do it. I think the only way you can do it is to make the best judgements that you can, but keep them under review. I think that is the only sensible way to proceed, and if I look back over the astonishing volume of legislation and the achievement over the last five years, common sense says that, when you legislate at such speed under such pressure, you are unlikely to have got everything absolutely spot on. I therefore think that a common sense approach is to look at things in the round and form those views. Some of that is already written into legislation: I think there are a hundred such reviews coming up over the next few years where we would have to review the effect.

We should also think about whether we need to have more cohesive look across the piece at regulations. In terms of the structural reform and building on the Liikanen proposals, the balance that Vice-President Barnier was trying to strike between trying to eliminate risk but not damage, for instance, the universal banking model, looking at proprietary trading and approaching it in a balanced way – I know some people think it goes too far, some people think it does not go far enough, but I

think it is worth us taking those proposals forward and seeing where we get and what the right balance to strike is.

3-061

**Petr Ježek (ALDE).** – I would like to pick up on the issue of money market funds and especially on the 3% capital buffer for all current net asset values. May one judge from your response that you intend to revisit the proposal sent into the process by your predecessor?

I would also like to pick up on the question of the capital markets union. Could you name some areas where you think there are obstacles in the single market and say whether you would intend to complete the single market through directives or regulations?

3-062

**Jonathan Hill, Commissioner-designate.** > On the question of money market funds, my intention would be to take forward the proposals that are currently on the table. What I was saying earlier would be my approach. Obviously, as I understand it, the way these things normally work is that the process of discussion and so on will continue, but I am not saying that what has already been done should be taken off the table. We should carry on looking at it, and that, as far as CNAV is concerned, as I said before, we do need to try to find a solution that allows these funds to continue playing their role in the economy. At the same time, we have to ensure financial stability, so that would be my approach on that.

On capital markets union: I understand the desire to have more detail but, given what I was saying before about the approach we need to develop together, which is to analyse problems properly and then proceed, in terms of whether the steps that we might be likely to take at some point are by regulation or directive, I am not able to give any kind of sensible answer to you at this stage. Obviously, it will depend on what we bring forward. But my approach will be – having carried out the analysis and identified the problems – to take whatever steps we think we need to take to overcome them, and to make sure that capital is able to flow and to those who want to have access to it for investment, to grow their businesses and for other purposes.

3-063

**Alfred Sant (S&D).** – Commissioner-designate, wide divergences have developed within the European single market and within the eurozone, and between Member States and regions. These have led to differing models of competitive advantage, some of which rely on trade in services. A number of territories, not least because of their size and in some cases their peripheral situation, have developed a competence in the provision of financial services. Among these territories one finds Cyprus, Malta, Gibraltar, Ireland, Luxembourg, as well as the UK and the Netherlands. When provided according to regulatory criteria, such as those of the OECD, financial services can help promote market efficiencies in the single market. Also, financial services have been creating jobs and economic activity in areas which would otherwise be liable to endemic stagnation. Subject to the implementation of the transparency and other standards set by the OECD, do you agree that the provision of such services by peripheral regions should be safeguarded and enhanced?

3-064

**Jonathan Hill, Commissioner designate.** > I think the basic point that we should strive for is to make sure, whatever services are being offered and provided, from wherever they are, that people are operating on a level playing field. We cannot have a situation whereby some people within the European Union are operating under a set of rules which are more onerous than those of other people trying to have access. The principle that one needs to adopt is to make sure that, across the piece, whatever area it is in, European businesses are not having to compete with a hand tied behind their back, and that we have common approaches and rules delivered through international bodies which



we worked on – whether it is on transparency through the OECD or other fora – and that we then apply and uphold them.

3-065

**Fulvio Martusciello (PPE).** – Commissario, non so se Lei ieri ha letto l'agenzia del presidente dell'Autorità bancaria europea, Enria, il quale preannunciava che ci saranno alcune banche che falliranno i test e che saranno quindi soggette a fallimento. Mi chiedo se queste dichiarazioni siano utili, se non mettano a rischio il sistema finanziario e se Lei, al posto di Enria, avrebbe reso dichiarazioni di questo genere.

Una seconda domanda: ieri, lo Stato italiano ha dichiarato che rimanderà il pareggio di bilancio al 2017, la stessa cosa oggi ha fatto Parigi, mi chiedo e Le chiedo se, a seguito di queste dichiarazioni, ci saranno ripercussioni sulla tenuta del sistema già a breve termine.

3-066

**Jonathan Hill, Commissioner-designate.** > The particular comments you are referring to I do not think that I have seen. I am sorry, I am not quite sure what your underlying question is. I mean, in terms of the banking union? Sorry, forgive me. What are you interested in knowing?

3-067

**Fulvio Martusciello (PPE).** – Ieri, Andrea Enria, a Vienna – trova la notizia su tutte le agenzie – ha dichiarato che alcune banche non supereranno gli stress test e sono destinate al fallimento. Mi chiedo se dichiarazioni di questo genere possano destabilizzare il sistema e se Lei, al posto di Enria, avrebbe fatto una dichiarazione di questo genere.

3-068

**Jonathan Hill, Commissioner-designate.** > I am not able to pre-judge what the results of the asset quality review (AQR) and the stress tests will be. They have been going on at the moment and those results are due soon. I think it is an important part of the process of making sure that we have strong and stable banks in the banking union. I know that, in advance of the tests, banks have been taking steps to increase the amount of capital that they have. So I know that this is a process that is being taken extremely seriously and rigorously. I am sure we can have confidence in the findings when they come out, but I do not think it is sensible, or possible, for me at this stage to comment on what is likely to happen because I do not know what they are going to say.

However, having that piece of infrastructure in place, so that we know sensibly what the basis is on which we are going forward with banking union is the right thing to do. We will know the results soon, and I would hope that the new system that is being put in place, with the resolution board, the resolution fund and all the rest of it, will help to buttress our defences better in the future.

3-069

**Ivana Maleti (PPE).** – I have two questions. One is about high debt levels and leveraging, which are among the most important issues for the EU which slowed down the recovery process. What will your approach be to business failure and insolvency, and will you try to improve (and how?) country-specific recommendations in that sense within the European semester process?

Another one is about payment regulation. What do you think about payment regulation and the fact that payments in the Member States to the suppliers should be done within 60 or 90 days at most? On the other side, we are facing difficulties with payments from the EU budget to the Member States. Will you be involved (and how) in solving this issue?

3-070

**Jonathan Hill, Commissioner-designate.** > I think a number of those are issues that do not necessarily fall slap bang in the middle of my portfolio but, clearly, I will be part of the College of Commissioners that considers things. Obviously, I am aware of the effect that country-specific recommendations can have in driving the kind of behaviour we need for stability, but again that is a process that I think largely falls to Mr Moscovici, working with his colleagues. In terms of generally on the payment levels, obviously I am aware of steps we have taken around the Payment Directive, which, I think, is a slightly separate point. But if there are specific things after this meeting or subsequently that you and I can explore, and you can explain your concerns to me, then I would be very happy to have that conversation with you.

3-071

**Jonás Fernández (S&D).** – Señor Presidente, señor Hill, el señor Barnier ha sido extraordinariamente activo en la última legislatura, enviando más de cincuenta propuestas legislativas a esta comisión, muchas de las cuales han acabado muy matizadas en el trámite legislativo. Me gustaría preguntarle si usted va a mantener ese activismo regulatorio del señor Barnier o si, en virtud de su pragmatismo, va a ser, quizá, menos ambicioso en la legislatura que comienza.

En segundo lugar, usted sabe que tenemos sobre la mesa en nuestra comisión el expediente sobre índices financieros. Existen notables presiones para ampliar o incrementar el número de definiciones de supuestos índices. Cada uno de ellos podría tener una regulación, una supervisión, distinta. ¿Cree usted que es mejor tener una regulación sencilla que afecte a todos los índices o abrir la posibilidad de tener distintas regulaciones, supervisiones, para índices, dependiendo de su importancia, dando pie al arbitraje regulatorio?

3-072

**Jonathan Hill, Commissioner-designate.** > I hope that, whatever I do, I will not tilt at windmills under my mandate!

In terms of regulation and how much will there be and all the rest of it, will I follow the example of Mr Barnier?

I think the first and obvious point to make is that, given the great volume of legislation there has been in recent years, I have, as a first priority, something like 400 measures which, together, all of us are going to need to work through and implement. So the first answer is that there is going to be a lot of detailed work there to keep us busy. We also already know that there are a number of other issues where we are likely to need to take forward action, whether on money market funds or on benchmarks or whether it is looking at the structural issues around banks, whether it is other emerging risk, or whether it is legislation that may be necessary on the back of the capital markets union. But my approach – and this is perhaps what underlies your question – will be to try to strike the difficult balance, getting the right amount of regulation to make sure the system is safe but not so safe that you do not have economic activity.

I cannot give you a numerical answer. I do not have a goal to match him or exceed him or to achieve 50%, because I am sure Mr Barnier himself took the view that he would legislate as much as he needed to in order to deal with the problems in front of him, and that would be my approach too. The only other thing I would say is that we ought to have a look at what we have done in the past, to make sure we have got it right in every respect – which is a view I know Mr Barnier would share.

I will have to come back on the different question of benchmarks if I may.

3-073

**Marisa Matias (GUE/NGL).** – Obrigada, Senhor Presidente, *here*, senhor Hill, vou esperar que ponha os *phones*. Bem, tendo em conta a discussão como ela está, sinto-me mesmo forçada a dizer que vou falar na língua de Camões e de Saramago mas, enfim, já tive oportunidade de falar sobre isto pessoalmente consigo, dizer-lhe que quando eclodiu a crise financeira o que não faltaram foram promessas, dizer que se iria pôr o sistema financeiro em ordem. Já lho disse, pessoalmente, que entendo que o que as instituições europeias andaram a fazer foi a fingir que punham o sistema financeiro em ordem e, nesse sentido, tendo em conta o que foi feito e o que não foi feito, tenho três perguntas muito específicas para lhe colocar.

A primeira tem a ver com o BCE. O BCE anda a inundar o setor financeiro de dinheiro barato que nunca chega à economia e eu pergunto-lhe se não o preocupa este mar de liquidez sem políticas públicas de investimento que façam arrancar a economia, se não o preocupa que este mar de liquidez esteja a servir apenas para avolumar o próximo *crash* financeiro.

A segunda pergunta tem a ver com a promessa mil vezes repetida de reintroduzir a separação institucional na banca. Pergunto-lhe se tem algum modelo preferido, se vai avançar com essa proposta ou não.

E a terceira pergunta, rapidamente, tem a ver com a questão... mas eu tive que esperar vinte segundos para colocar... Se não se importa, a terceira pergunta é se pode responder à questão colocada pelo meu colega sobre o subsídio de financiamento implícito aos *too big to fail banks*.

3-074

**Jonathan Hill, Commissioner-designate.** > First of all, in terms of whether it is the case that all the work that was done by my predecessor over the last five years has not had any effect or has all been a waste of time, I do not think that would be a view that was widely shared in this committee. People had to respond in an extraordinary situation and were faced with the collapse of the economic and monetary system, the whole banking system and the whole infrastructure of financial services. The fact that we are all here and that it was saved is a tribute to the work that was done to rescue it. I know that there will be those – and I know you are one – who would always want there to be more, but I think that in terms of striking the balance and taking the necessary action and putting stability into the system, both my predecessor and this House have reason to think that they achieved a good result.

In terms of the ECB and public money and all the rest of it, part of the task that I hope to do in the capital markets union is to find ways of unlocking private sector money to go in alongside public sector money. So I think regarding the investment that Mr Juncker is thinking of – the EUR 300 billion – we are going to need to find ways of leveraging private money alongside the public money, and I think that is the right way to try to proceed.

My time is up. Perhaps we will try the other question on another answer.

3-075

**Philippe Lamberts (Verts/ALE).** – We have met only once before today and you said one thing that struck me. You said there should be no ‘too big to fail’ financial institutions, and you are right. You are doubly right since you said today that we are not certain that everything we did in terms of re-regulating the financial sector has been well done. And you are right because we still have ‘too big to fail’ financial institutions.

Thank you for being twice right on this issue, so my question is very simple. What are the three most important measures that you would like to take in order to make sure that indeed, as you said, we no

longer have any institution that is too big to fail, too complex to manage, too complex to supervise, and all the rest of it?

3-076

**Jonathan Hill, Commissioner-designate.** > That is an important question. In fact we have met more than once. We met once for a longer time but you and I keep bumping into each other. One or other of us keeps turning up like a bad penny: I am not sure which it is but you may have your own view.

We do need to set ourselves the challenge of dealing with 'too big to fail' and 'too complex to resolve' and all the rest of it. As to the way in which we can go about that, firstly there are issues that one needs to address to try and stop the problem arising in the first place. That is part of the debate that I know we will have about structural reform to try to take risk away at that end.

We also have to pursue generally the theme of knowing where risk lies: the question of transparency, the question of making sure that in a range of different financial institutions – because it is obviously not just in banking, it is in a whole range of areas – we are alert to the risk and we know where it lies, that we have effective supervision and that we can have resolution mechanisms in place where we need them. On banking, we have taken a big step in that regard. I know there are other areas that people would like to look at and, generally, going forward, I will have an open mind as to the kinds of measures we would need to take.

How would I approach it? I would be seeking to strike the underlying balance, which I know I keep returning to, of safe regulation: trying to eliminate risks – so that we do not end up clobbering citizens and taxpayers with businesses that are bigger than the GDP of individual countries – but doing it in a sensible way.

3-077

**Werner Langen (PPE).** – Lord Hill! Laut Ihrem *Mission Letter* sind Sie auch verantwortlich für die langfristige Finanzierung. Sie haben das eben selbst genannt.

Wie beurteilen Sie in diesem Zusammenhang die Vorschläge, die früher vom Kommissionspräsidenten zu Eurobonds gekommen sind?

Welchen Wert messen Sie dem Hochfrequenzhandel bei der Langfristfinanzierung zu? Oder ist das gerade das Gegenteil?

Welche Bedeutung haben für Sie in Zukunft delegierte Rechtsakte? Wie wollen Sie das Parlament frühzeitig beteiligen? Welche Rolle werden dabei die drei europäischen Institutionen spielen, die europäischen Finanzaufsichtsbehörden bzw. der Baseler Ausschuss, der ja in der Vergangenheit Staatsanleihen immer mit dem Risiko Null bewertet hat, aber öffentlich-private Partnerschaftsprojekte mit einem relativ hohen Risiko etwa von Versicherungen bewertet? Wie wollen Sie dort konkrete Vorschläge im Rahmen dieses Programms in drei Monaten vorstellen?

3-078

**Jonathan Hill, Commissioner-designate.** > There are a number of questions wrapped up in that. Some of them are of a quite technical nature, so the sensible thing would be for me to meet you with the fonctionnaire from what I hope will be my future services so that we can discuss that in greater detail. In terms of the general approach that I would take to the delegated acts and the implementing acts, I would follow the proper approach – the community method. It is important that we discuss these fully, and that people are aware of the issues and proposals. I would very much want to follow that in every respect that there is.

On the past as regards Eurobonds, I do not have a particularly well-informed view to provide you with on that specific issue at the moment, but that is something that, in due course, I would obviously explore and have a proper view, which I would discuss with you.

3-079

**Steven Woolfe (EFDD).** – Lord Hill, back in our country, there are many people who wanted to know what you are here for and what the real purpose of your appointment is. It is clear today that you have made some points on that: it is work in the interests of the EU and not of any specific groups or countries. I am sure that is music to the opponents of David Cameron in his negotiations.

You are here to make sure that over 400 regulations are implemented; you are here to make sure that the capital markets union is commenced, notwithstanding those people here who are not sure what it actually means or what it is for. But actually I believe there is another purpose why you are here, and that is hidden on page 5 of your mission letter, from Juncker to you, which states that you should find a way to eliminate EU and national budgetary contributions to the three regulators who manage and control the UK's financial services regulator and they should be wholly financed by the sectors they supervise.

In this committee, a few weeks ago, the conservative parties voted in favour of a report that said exactly that. I said that this is simply taxation through the back door of the City of London. It is clear that one of your roles and duties is to impose taxes on the City of London and in effect your appointment is business as usual for the EU over the UK.

3-080

**Jonathan Hill, Commissioner-designate.** > I do not think there is probably a lot I can add to our earlier exchanges. I do not see that is the job that I hope to fulfil as part of the College of Commissioners. The job I hope to fulfil is one whereby we have a strong financial services industry which is to the benefit of all people working in the financial services industry wherever they are. If you have a strong single market and a strong capital markets union, that opens opportunities for people in financial services industries, wherever they are, to build their market and to grow their businesses. I would have thought that was something that you would welcome because I know you have a strong background in the city, but apart from that I do not think there is anything I can add because I do not think you are really interested in the answer that I provide.

*(Applause)*

3-081

**Hugues Bayet (S&D).** – Monsieur le Président, Monsieur le Commissaire désigné, je ne vous étonnerai pas en disant que pour nous, socialistes, il est essentiel d'aller vers un meilleur équilibre entre la fiscalité sur les revenus du travail et celle touchant le capital, tout en soutenant l'économie réelle et en préservant la petite épargne.

Dans ce cadre, je voudrais savoir quelle est exactement votre opinion sur la taxe sur les transactions financières – un outil qui a été créé par le Parlement afin de maintenir une stabilité financière et de lutter efficacement contre la spéculation. Pensez-vous que c'est un bon instrument?

Deuxièmement, même si cela ne dépend directement pas de vous, vous allez participer de manière transversale et dans une grande mesure au débat sur l'assiette et le taux de cette taxe sur les transactions financières. Pensez-vous aller dans le sens d'un élargissement de l'assiette et d'une augmentation du taux, ou l'inverse?

Et enfin, troisièmement, je vous prie de m'excuser mais je n'ai pas bien compris votre réponse à la question de ma collègue Pervenche Berès concernant la directive sur le blanchiment d'argent. L'unité vous a été retirée, or il me semble que c'est un outil de régulation très important, qui va vous manquer dans le cadre de votre travail.

3-082

**Jonathan Hill, Commissioner-designate.** > On the FTT, that is an issue – as I am sure you know – that is being led by my colleague, Mr Moscovici. President-elect Juncker obviously stressed that, for him, taxing the financial sector is a question of fairness. I understand that the Commission, in making its original proposal – which I know has moved on – had in mind to prevent the fragmentation of the single market and to ensure that the financial sector made a fair contribution, and to discourage financial transactions which did not contribute to the efficiency of financial markets or the rest of the economy.

As I understand it, following a revised Commission proposal, this is now being taken forward under the enhanced cooperation procedure by 11 Member States. That is something that Mr Moscovici will be on the lead for. Obviously, in due course I am sure there will be wider discussions on it. I think, beyond that, there is not a lot extra that I can sensibly add about the financial transaction tax.

3-083

The specific regulation dealing with money-laundering I am not sure in the last fortnight that I have been fully briefed on, but in terms of what my approach would be, it is clearly the case that, I think, stemming out of international agreements around the importance of dealing with money-laundering and trying to make sure that we have common rules applied and that we deal with this, I would very much want to support measures. But concerning the specifics of it I am not able to add any detailed response.

3-084

**Ashley Fox (ECR).** – Commissioner-designate, during the last parliamentary term, some of us spent a great deal of time working on Solvency II. The delay in finalising this proposal cost the financial services industry very dearly in both time and money; costs ultimately borne by consumers. I imagine the only people happy at the outcome were lawyers, actuaries and lobbyists. How will you ensure that the revision of IORP, the Pensions Directive, does not become the next Solvency II? And how will you ensure that the directive takes into account the very different nature of pension provision across Member States?

3-085

**Jonathan Hill, Commissioner-designate.** > I know it is the case that the process of the adoption of Solvency II was a long protracted process, because it had started and then there were the radical changes in the financial markets, which needed then to be taken into account. And I would agree with your basic point that, on these matters, the quicker one is able to resolve them and work through and remove uncertainty and give stability to businesses and companies in order to be able to plan, the better that is.

In terms of the pension funds and your question about IORPs, which I hope is a reassuring point to you, the starting point is a bit different in the sense that the Commission proposal that is currently before Parliament does not contain capital requirements for IORPs, which obviously it did as part of Solvency II for insurance. So that proposal, which is to review the 2003 IORP Directive, is currently limited to governance and transparency rules. So I think that is in line with a report made by Parliament in 2013. So I think for the combination of reasons, I would not expect that process to take nearly as long as the process took for Solvency II, and I would expect it to therefore take a slightly different course.

3-086

**Michael Theurer (ALDE).** – Lord Hill, you showed impressive rhetorical brilliance but also a lack of substance. Could you please answer the questions of two our ALDE colleagues: firstly, could you tell us three concrete steps you will take as a Commissioner for the introduction of the capital markets union?

Secondly, you are proposed by the government of a Member State that is not part of the eurozone and whose financial markets and banking sector supervision is primarily organised at national level. As Commissioner for financial markets you will in future have an intimate knowledge of business secrets of banks in the eurozone. Do you see a potential conflict of interest arising here, and how would you like to solve it?

3-087

**Jonathan Hill, Commissioner-designate.** > First of all, I do not see any conflict of interest whatsoever, in the sense that I see my situation, as I said before, as being exactly the same as Mr Barnier's but the other way round. In terms of how would I resolve it, I think the answer is my commitments under the Treaties and the oath that I will hope to take in the Court.

These are not things that one should enter into lightly; there is a legal obligation and a moral obligation, and that is the basis on which I would operate. In terms of capital markets union and specifics, certainly, as I think I have said, some of the possible areas, going alongside President Juncker's proposal for the EUR 300 billion investment plan, the European long-term investment funds, I think, would provide one leg, and we can get investment going with that; having a proper, appropriate prudential framework for securitisation products, i.e. how can we encourage investment in high-quality securitisation? How can we implement the growth of SME growth markets in a way that makes those markets more attractive?

We know that we have got the MiFID 2 implementation measures coming that are going to include the requirements on SME growth markets – I think that is something else on which we can build. I think there is an issue to do with SME credit information, which I touched on earlier, and I think also, potentially, in the area of private placement, there may be developments there. So I am sorry if I have not come forward after a couple of weeks with a fully-fledged plan; I think some of the elements are there, but I come back to my point: I would rather take some time and come up with a sensible, practical way forward than not.

3-088

**Esther de Lange (PPE).** – Lord Hill, I was happy to hear that you are not particularly a believer in 'one size fits all'. Neither am I, and neither are the Dutch voters. Can you reassure them that the Dutch pension system, which is quite different in terms of its organisation, from other pension systems will not be subject to such far-reaching harmonisation and exactly that 'one size fits all' approach that is often advocated here?

Secondly, a lot of colleagues have asked you about access to alternative sources of credit, especially for small and medium enterprises, and I was happy to hear your remarks about the importance of SMEs in the EU.

I would like to take up the particular case of cooperative credit unions or systems, which are bottom-up approaches through which entrepreneurs borrow and lend from each other, currently actually hampered by making them subject to the same kind of regulation as normal banks are. Can you make sure that these kind of bottom-up approaches are actually exempted from, for example, CRD IV? Otherwise they will not develop and we will not have access to this type of credit, which is important for SMEs and which does exist in the US.

3-089

**Jonathan Hill, Commissioner-designate.** > I agree very much with the principal and approach that underlines both those examples that you have provided. I think that we do need to avoid catching, for example, smaller organisations, community-based entities of the sort you describe. Those are the kinds of things we ought to be encouraging, and actually that may well be the kind of initiative that this part of the capital markets union one would want to be looking at.

In terms of pensions, going back to the previous question from Mr Fox about IORPs and so on, I think we are taking generally a different approach overall on that, but I am very conscious already, in the work that I have been looking at, how much one has to strive to come up with solutions in all sorts of areas that recognise differences in markets and come with solutions that work as best as possible in the interests of the greatest number of players.

3-090

**Molly Scott Cato (Verts/ALE).** – Commissioner-designate, you mentioned in your written responses that one of the key features of this parliamentary term will be the renegotiation of the relationship between the UK and the EU. In the past, the UK Government has challenged EU regulation on a range of financial issues and we can presumably expect similar action in future. We have already during this session had several questions on the potential conflict, but I would like to press you on the specifics of the sort of renegotiation that the UK is seeking to achieve.

Given the weight of the financial services sector in the UK, with the City as the largest non-eurozone financial centre, I am sure that you have considered the problem of differences of opinion in areas such as benchmarks, money market funds, trading platforms, derivatives and so on, as well as with detailed secondary legislation covering banks and insurance companies. As a former senior member of the UK Government, can you let me know if you see any role for yourself during the UK's renegotiation and what strategy you would suggest for dealing with potential conflict between UK and EU objectives?

3-091

**Jonathan Hill, Commissioner-designate.** > I have a pretty simple answer to that, which is that I want to be a European Commissioner and my job will be to carry out the responsibilities within my portfolio to the best of my ability. The nature of any discussions, reform process negotiations between the British Government and other Member States and others within the institutions is a matter for them, and that is very clearly my view. So I do not see that I could therefore have a conflict of interest. That is something that they will be taking forward, and I hope to be doing my work as a European Commissioner.

3-092

**Marco Zanni (EFDD).** – Signor Hill, quando Juncker ha annunciato la lista dei candidati Commissari, la selezione ci è parsa un esercizio di satira politica dove ad ogni candidato è stato assegnato il portafoglio meno adatto e Lei rappresenta, senza dubbio, la scelta più perversa e controversa.

Assegnare a un conservatore inglese, amico delle lobby finanziarie il portafoglio sulla stabilità ai servizi finanziari è uno schiaffo che questo Parlamento non può accettare. La sua storia evidenzia come Lei sia in enorme conflitto di interessi e il meno adatto per il ruolo assegnatole. Proviene da un paese dominato dal settore finanziario fuori dall'Eurozona, vanta una lunga carriera da lobbista di primo piano, al libro paga di tutti quegli interessi finanziari che adesso sarà chiamato a regolamentare, infine, appartiene ad un partito che da sempre è stato tra i più attivi nel difendere gli interessi degli speculatori.



Le chiediamo se può assicurare i cittadini rispetto all'imparzialità con cui potrà operare in un campo delicato come quello della regolamentazione finanziaria. Pensa che basti vendere i pacchetti azionari per eliminare il conflitto di interessi? Di chi farà mai gli interessi un ex lobbista del mondo della finanza? Ci dia una risposta perché i cittadini europei hanno fortissimi dubbi.

3-093

**Jonathan Hill, Commissioner-designate.** > First of all, as I have already said, you asked: will I sell my packages of shares? I am not sure what these great packages of shares were, but the shares that I had in one company, which I got when I sold my business, they are indeed sold – they were sold, as I said earlier, within 24 hours of my nomination. I do not accept the characterisation that you offer, either of the way that I will approach the job or of my background, or of my country, as it happens. As I have said before, I have an extremely clear view that, both under the Treaties and as part of a solemn oath, those are not things that one enters into lightly. So I do not accept that there is a conflict, and I will discharge my responsibilities, if I am given the chance to do so, completely in the European interest.

3-094

**Catherine Stihler (S&D).** – Mr Juncker wants you to ensure that the financial services regulatory framework takes into account the needs and interests of consumers and retail investors in proposing any necessary measures to make financial services work better for our citizens. According to statistics, only 25% of citizens trust banks, which, I think you would agree, is very low. What steps will you take to bring back the trust of EU citizens in the banking sector, as well as the financial services sector, to make them more transparent and truly competitive? How will you concretely ensure that the highest level of consumer protection is safeguarded horizontally in financial services, also in relation to recently-adopted legislation?

3-095

**Jonathan Hill, Commissioner-designate.** > You raised an extremely important point and, as I indicated in my opening remarks, I think that to have a focus on consumer interests over the next five years is extremely important. It was obviously the case over the last five that the capacity of the system, of the services of this committee, had to be dedicated to saving the financial system. I hope, going forward with that crisis behind us, we can diverge and spend more time on thinking about how we provide more benefits for consumers and for citizens.

If one thinks of it from a practical point of view – if you think of things like insurance products, motor insurance or house insurance, which vary very much from market to market, meaning that consumers are paying far more in some parts of the market than they are in others, and that it takes much longer to get a pay-out on an insurance claim than it does in other parts of the market – if one can think of practical ways of delivering benefits, that would be excellent.

Work has been done in the past on greater transparency, giving customers more information, so the work that has been done to make sure that people know what it is they are signing up for. That is a rich seam and we ought to look and see if there are other ways we can develop that. The whole question of commission charged by financial services is one that is worth looking at. As an instinct, knowing what your charges are and knowing what you are getting is a better way of pricing than being unclear and not knowing the reason why someone is selling you a particular product.

It is a rich area. I would welcome ideas and suggestions from the Committee on the Internal Market and Consumer Protection and from others as to how we could put a real push behind this over the next five years.

3-096

**Kay Swinburne (ECR).** – Commissioner-designate, I get the chance of a second question, so this time I cannot resist the technicals of what we have been working on for the last five years in the Committee on Economic and Monetary Affairs. In particular, within the legislative pieces of work we have worked on, we have had third-country regimes that have often been contradictory. So I guess I have a question for you as to whether you would consider – in order to make sure that these regimes work in all the different dossiers – whether you would consider something like an omnibus directive to make sure that our third-country regimes are consistent throughout the different dossiers we have worked on. In particular EMIR, MiFID and other market-related ones have all different regimes within them. But in particular, following that international theme, you have stated in your questions that recovery resolution of non-bank financials is important, particularly resolution of CCPs, the clearing houses. How will you ensure that these are compatible on a global scale?

3-097

**Jonathan Hill, Commissioner-designate.** > In terms of the idea of some kind of omnibus directive, obviously that is not something that I have so far considered in the last couple of weeks, but I think that is something that is worth considering. I think my general approach, as I was saying before, in terms of an approach to regulation would be to try to bring together and make sure we have got consistent activity in a number of different areas. I think – partly because of the technicality but also partly because of the volume of action and that a whole number of things stem from different legislative bases working out across the piece and how different things are interconnected – that it is quite hard. As a general rule, I think the more simple things are, the better. So that is certainly something that I would be happy to explore and see whether there is anything in the idea or not.

In terms more generally of central counterparty clearing and so on, as you rightly say the underlying issue we have got to address here – you know better than many – is the equivalence between our rules. The current situation is not satisfactory and we need to find a lasting solution. We know that there is an imminent challenge that we need to try to resolve. It would be good to be in a situation to grant equivalence to the Americans but, if that is to happen, their rules need to be as good as our rules are, and they need to defer to our rules more. So these are important issues. I know that Vice-President Barnier was working on it and trying to get an agreement to resolve this issue, and I will follow in his footsteps.

3-098

**Matt Carthy (GUE/NGL).** – Commissioner-designate, I just want to return to the issue of conflict of interest. You will be aware that many commentators and, indeed, members of this committee have alluded to it and have expressed concern that you have vested interests in the City of London where you have obviously built up considerable personal and professional networks. Before today's meeting I listened to some of your supporters on this committee expressing their hopeful view that you would be supporting a reduction in regulation applying to the financial services industry. I have to tell you that I do not subscribe to the view that less regulation is automatically a good thing. So the questions that I would like to put to you are: what regulations relating to financial services do you see are in need of reform in terms of removal or weakening? Are there any areas of regulation that you feel should be strengthened?

My final question is to ask how you intend to build the confidence of the customers of the financial services sector across Europe. How can you build their confidence that you are going to prioritise their interests over an industry which, as I say, you clearly are very closely aligned to?

3-099

**Jonathan Hill, Commissioner-designate.** > OK, I will have another go. First of all, we have just been talking two questions ago about the importance of trying to make sure we are thinking properly about

customers and citizens and making the financial services industry deliver practical benefits for them. So that is what I would like to do.

Secondly, in terms of the general approach towards regulation, I think you said that you do not take the view that less regulation is automatically a good thing. Shock horror! I agree with that view. My point is that you need to have the appropriate amount of regulation. We saw what happened when there was insufficient regulation. So please do not attribute to me views that I do not have about the importance of regulation and having a proper balance between regulation and a properly functioning economy.

I am not saying, I have not said, and I do not believe that we need to have a huge mindless bonfire of everything. What I do think is that we need to look sensibly and rationally and realistically at the regulations that we have got in place. We have a system already built-in to review regulations as part of our legislative process. We should follow that, but I also think we should just look to make sure we have got the balance right. The reason for that is because, if you look at any area that I can think of, when people have to respond to a crisis at great speed and under great pressure everyone will always do their best, but they will not always get everything spot-on. In terms of the City, I do not know this picture that you paint; it is not one that I recognise. As I have said, I sold my business eight years ago. I left it nearly five years ago and I am not sitting here as a representative of the City of London.

3-100

**Philippe De Backer (ALDE).** – It is my job to tie up some of the loose ends that are still around. My first question, and I would be looking for a simple yes or no answer on this, is on banking union. We have talked about this already. Will you or will you not introduce the final pillar of the banking union, namely a European deposit guarantee scheme within – let us say – twelve months after you are sworn in – yes or no?

Second question on capital markets that we need to develop on top of the banking finance system that we have for SMEs and mid-cap companies: you have not gone into specifics because I think that indeed the cumulative impact of regulation here plays an important role. So my question is very concrete: what would be your priorities? Would you look at removing some of the barriers to capital markets for pension funds and insurance companies, such as AIFMD, Solvency II, MiFID 2? And what about the implementation of this? What is your priority there? Very concretely, what would you change?

The same goes for IPOs. We have an IPO market that is underdeveloped. What barriers would you remove in order to make companies and give them access on the stock markets, raising capital in that way? These are very concrete questions and I am looking for very concrete answers from your side.

3-101

**Jonathan Hill, Commissioner-designate.** > First of all, on banking union, I am afraid I am not able to give you a different answer from the answer I have given a couple of times before in terms of the deposit guarantee scheme. This is not ‘yes’ or ‘no’, so I apologise, but I think we should make the system work and then, in due course, as I am sure we always do here, we will look at the effect of it and then draw conclusions as to whether we need to make changes. I would like to be able to help but I am not able to give you a clear timescale of the sort that you would like.

In terms of the capital markets union, I think the kind of examples you give and the barriers that one would want to overcome, those are precisely examples of a number of areas where I think we will need to look. But again, after two weeks, and before I have been able to take up the job (if I am confirmed), I have obviously not got to the level of specificity to be able to say to you ‘we need to get

rid of this regulation' or 'I want to change that regulation' or 'I want to bring in these new regulations'.

I think we need to work through all those possible barriers where we identify them, and that would include some of the ones you have mentioned, and then work out a practical response as to whether things need to be changed, new things need to be introduced, whether the rule book needs to be extended or amended. I would like to say that I would want to work through that with you and others who have ideas. I think we should have an open debate and discussion about it, and then on the back of that come forward against a set timetable in due course setting out plans of action, starting early, I think, with moves on encouraging a high-quality securitisation, and then a step-by-step programme that I will lay out and share with you.

3-102

**Chair.** > Thank you. I would like to thank Members for their questions and the Commissioner-designate for his answers. Now the Commissioner-designate has time for a brief closing statement of no more than five minutes, which will give an opportunity to come back on any topic where there was not enough time to answer.

3-103

**Jonathan Hill, Commissioner-designate.** > Thank you, Mr Chairman, and members of the committee. I am grateful to you for conducting this hearing. I hope you feel that you have had the opportunity to ask the questions you wanted to. I was promised a fair hearing and I believe that I have had one. It has been probing, but I hope you have had the opportunity to ask what you have wanted. I have taken note of the thrust of a number of remarks and themes which kept recurring. I will reflect carefully on what has been said and I will follow up in specific areas where I have said I would.

Just in terms of the portfolio, I wanted to go through the principal priorities and just underline what I would hope to do, which I hope chimes with a number of the things that you have said. The first is in the area of implementation, to complete the work started by my predecessor and this committee to restore stability to the financial sector. I will have to devote a great deal of energy, from day one, to making the rules a reality, whether that is in the banking union, in MiFID, in CRD IV, in all areas. I got the sense from this meeting that the majority of you want me to finish that job and you also want the European Parliament to remain involved in that process. It would be my absolute intention to do both.

Then I think there is a point of enforcement, evaluation and review. I think this was a point that was made earlier. I do not think that there is any point in having common rules if they are not enforced, but I also think we should be open to reviewing rules as we proceed. We also have to remain attentive to dealing with potential new sources of risk. Some of that is work already in hand, for instance bank structural reform to try to tackle 'too big to fail', but I think we also need to look at other areas, such as non-bank resolution, where there is a clear G20 mandate.

On the international side, which we have touched on a few times, I think there is a clear view in the Economic and Monetary Affairs Committee that we should ensure that rules are applicable seamlessly in fast-moving international markets, so I take from it that we need to have agreed common international standards, enact our domestic rules, check for equivalence and, if we have got that, agree to defer to each other's rules. Let us step up a gear with the United States and include financial services as a central part of TTIP.

As far as consumers are concerned, there have been a number of points raised about the importance of consumers and users of financial services, in the sense that we ought to have a greater emphasis on consumers and those who use financial services. I agree with that. One way we might be able to start

is to bring consumer organisations together to discuss how we can try to make the single market work better – maybe in insurance, as we were discussing, also in banking – and if that idea finds favour I would want to involve the committee in that work.

One of the other themes was the importance of jobs and growth. The biggest threat to stability – and I know how important stability is to many people here – that I see is low growth and high unemployment. So we cannot think of regulation completely separately from thinking about growth, but I think that, through a range of initiatives under the umbrella of the capital markets union, we can bring the power of properly regulated financial services to bear on the whole economy across the 28 Member States. I want to emphasise that I see this as a project for the 28 and I would want to work on that with you and develop our thinking together.

In the shorter term, as we have touched on, my focus in that area will be on helping Jean-Claude Juncker bring forward his EUR 30 billion investment plan and try to see how as part of that we can make sure the financial system is playing its part.

Finally, I just wanted to touch on another theme that has come up, both in terms of financial services but also in terms of me, which is this issue of transparency. As a concept, I think transparency is central to the proper functioning of financial markets, but it is also central to the proper functioning of the relationship that I hope to have with you. We may from time to time disagree on substance, but I hope we never disagree because I have not delivered what you have the right to expect in terms of transparency, mutual trust and respect.

As I think has become clear in the course of this hearing, I would describe myself as a pragmatic, consensual European politician. I am a doer. I am not a great talker about things – except for this afternoon which has gone on for nearly three hours. Everything that I have managed to achieve in politics has been because I have worked with others, whether it has been my civil servants, my colleagues or people from a range of political parties. If I am confirmed, I would want to work in the same vein with all of you.

In conclusion, I think that all of us have a very heavy responsibility at this crucial moment in the history of our continent. European citizens want things to change for the better and together in this area we can play a part in that process. I look forward and hope I will have the chance to work with you to fulfil that responsibility together and to play our part in making sure we have a financial services industry that is properly regulated, works in the interests of all and is providing the lifeblood to a growing economy which then helps us tackle our core challenge of getting jobs into the economy and helping our citizens back into work. That in turn will, I believe, build their confidence in us and the European institutions and cement the European Union in their affections.

*(Applause)*

3-104

**Chair.** > Let me say thank you again to Jonathan Hill and to everyone who attended. A meeting of coordinators will be held in camera to evaluate the hearing.

3-105

*(The hearing closed at 16.20)*