



European  
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DEPARTMENT  
OF LAW

# ‘Lessons for Central Banking from the Euro Crisis’

Currency, Credit and Crisis

*Florence School of Banking and Finance – Online Seminar*

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# OUTLINE FOR TODAY

## 1. Topics covered in the book:

- Currency
- Credit
- Crisis

## 2. Legal perspective

## 3. A few words about the Portuguese case



# CURRENCY: NO BAIL-OUT CLAUSE



Bail-in  
or  
bail-out?

- ❑ **Article 125(1) TFEU:** *‘A Member State shall not be liable for or assume the commitments of central governments, regional, local or other public authorities, ... of another Member State’*



# CREDIT: LOAN PROVISIONS

- ❑ Maturity mismatch between deposits and loans
- ❑ Depositors' confidence: DGSD (1994; 2014)
- ❑ Capital requirements: CRD and CRR (2013)



# CRISIS: FINANCIAL ASSISTANCE PROGRAMME



Has the Troika programme cost a **loss of sovereignty**?



# IN FOCUS: PORTUGAL

- ❑ Memorandum of Understanding: May 2011 (**end June 2014**)
- ❑ **Financial Assistance Programme:** fiscal consolidation, stability of the financial system and structural adjustment of the Portuguese economy
- ❑ **Austerity** and the role of the Portuguese Constitutional Court
- ❑ Troika's '**good pupil**'



# LESSONS LEARNT

- ❑ **Bail-in or bail-out:** two sides of the same coin
- ❑ *Euro area arrangements for dealing with the emergence of financial and fiscal stress in a member country fell short of what should be economically and politically possible within such a large and integrated area*
- ❑ More **solidarity** needed within the EMU



# QUESTION FOR POLL

Did the ECB do ‘*whatever it takes*’ to save the Euro area?

- (a) Yes, since 2008
- (b) Yes, but only after 2012
- (c) No, more could have been done
- (d) Don't know





# THANK YOU!

Thank you very much for your attention!

