



7.3.2018 (Translation of the document transmitted on 04.01.2018 in German language)

Summary and update of petition 0429/2017 to the European Parliament: European Central Bank (ECB) involved in a massive number of violations of the Charter of Fundamental Rights of the European Union through possession and trading of unethical securities.

Ladies and gentlemen,

you were asked by the European Parliament's Committee on Petition 0429/2017 for an opinion. To make this easier for you, I have summarized the facts and attached an update of my study::¹

Circumstances:

The ECB is playing a major role in undermining the most fundamental values of the European Union by accepting questionable securities as collateral for its monetary policy operations. The effects of this action have a significant influence on the development of the European Union due to its large transaction volume. Therefore, the ECB and its agents must refrain from trading in and holding securities related to infringements of the Charter of Fundamental Rights of the European Union.

4,781 Banks and savings banks were obliged in the euro area in 2017 to hold minimum reserve assets with the ECB (or its national central bank). A further 2,493 financial institutions and funds were listed business partners of the ECB for refinancing operations. This meant that 7,274 banks, savings banks, money market funds and financial institutions, including national central banks, were obliged to hold so-called eligible collateral for monetary policy transactions with the ECB in their portfolios. The traded volume of these securities currently stands at around €14 trillion and is thus a major lever for or against the realisation of European values in the real economy. The ECB (or the respective national central bank as vicarious agent) becomes the owner of the relevant securities as a pledgee eligible collateral. Trade in and possession of securities which undermine the Charter of Fundamental Rights of the European Union is detrimental to the European Union. For a European institution such as the ECB, this is unacceptable and cannot be justified by independence in monetary policy. ²

Supporting Documents:

The ECB's website provides access to its daily updated list of marketable collateral accepted as collateral for monetary policy operations (= marketable eligible collateral). In addition, there are also unpublished, non-marketable securities that meet the eligibility

¹ <http://www.wirtschaftsethik.biz/zentralbank>

² In accordance with Article 51 the ECB is bound by and not above the Charter of Fundamental Rights of the European Union.

criteria and are accepted as collateral. The marketable securities of all issuers meeting the central bank eligibility criteria on January 3,2018 were examined by the independent sustainability rating agency oekom research AG (oekom) on January 4,2018 with daily ratings. Of the 29,445 securities, 25,111 were examined with daily ratings, which corresponds to a coverage ratio of 85%. Once again, the investigation focused only on serious and very serious ethical controversies of the aspects of the EU Charter of Fundamental Rights, which were examined in 2017 (Article 32 Child Labour; Article 37 Environmental Protection; Article 5 Violations of human rights, such as forced labour; tax avoidance and corruption). The audit again revealed the following alarming results (and thus an increase in infringements):

Type of controversy: **number of securities in the ECB register of marketable collateral:**

Serious controversies
in business conduct regarding...

- | | |
|----------------------------------|------------------|
| • Tax payments | 4,481 securities |
| • Cash transactions | 1,592 securities |
| • Corruption | 936 securities |
| • Environmental protection | 1.480 securities |
| • Human rights violations | 72 securities |
| • Production of outlawed weapons | 16 securities |

Remedy:

In order to remedy the deplorable state of affairs simply and effectively, the permanent non-infringement of the EU Charter of Fundamental Rights must be included in the criteria for eligible collateral as a condition for admission. Compliance with the EU Charter of Fundamental Rights is regularly verified by a current ethical rating. In terms of competition policy, the ethical rating can be transparently mapped by means of the independent ethical ratings already available on the market from established rating agencies to which the ECB and all other financial market players have access at all times.

Reasons:

The existence of the EU Charter of Fundamental Rights implies a natural obligation for the ECB to proceed as proposed above. Since my analysis of marketable central bank eligible collateral has revealed mass violations of the Charter of Fundamental Rights of the European Union, explicit inclusion of this European minimum morality in the ECB's statutes is urgently needed. To date, the ECB and the European financial market have not been sufficient to enforce the Charter of Fundamental Rights of the European Union.

Sincerely,

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Herrn Präsident Mario Draghi,

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Europäisches Parlament, Petitionsausschuss, Frau Vorsitzende Cecilia WIKSTRÖM
Ausschussmitglied Notis MARIAS

Agentur der Europäischen Union für Grundrechte

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