



Ignazio Visco

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Now Is Time For European Banking Union: Bank Of Italy Governor

TOKYO (Nikkei)--The time is right for a euro-zone banking union, which would bring lenders under common supervision, Bank of Italy Governor Ignazio Visco told The Nikkei, calling it a "first" step toward greater integration. "It has to be followed by a fiscal union, a better economic union, (and) perhaps at the end a political union," Visco added in an interview in Tokyo. "I think realistically it is a process that takes time. But I think it is good to start now."

The central bank chief was in Japan to attend the annual meetings of the International Monetary Fund and World Bank.

A member of the European Central Bank's Governing Council, Visco explained that the aim of the ECB's new sovereign-bond-buying program, called Outright Monetary Transactions, is to reduce market fears of the euro zone falling apart. He said this risk is partly responsible for differences in government borrowing costs among euro members. The ECB wants to avoid excessive rate differences stemming from "reasons that we don't consider to be proper," he said.

"If there is a need, (the program) will be implemented," he said, acknowledging German hesitancy while arguing the ECB needs to deal with the risk of financial instability.

The U.S. Federal Reserve and the Bank of Japan have doubled down on monetary easing. As for the ECB, "if there are (extraordinary) conditions, we may think of tremendous interventions," Visco said. "Is the ECB considering negative interest rates? Maybe. But the conditions are not such" to warrant that, he said.

Visco did not seem troubled by Standard & Poor's downgrade of Spain's sovereign credit rating, the latest cut for the country.

"I don't think there will be a major effect," he said, adding, "many say that we don't need (rating agencies)." --Interviewed by Nikkei staff writer Tsuyoshi Fujita