

Infringing upon the Eurozone's Sovereignty on behalf of Wall Street. The ECB's "Haircut" Measures, Undermining Trade and Investment with Russia and China

By [Peter Koenig](#)

Global Research, November 07, 2014

Region: [Europe](#)

Theme: [Global Economy](#)

The ECB has just launched – effective 4 November 2014 – a new watchdog to control and regulate the European banking system. It is called the Single Supervisory Mechanism – SSM. It is supposed to monitor and reign in European banks that do not ‘behave’ in terms of overstressing their investment and risk lending as compared to their capital base.

In fact, the SSM is one pillar of the three pillar ‘security’ system put in place by the ECB and the European Commission – EC.

The Single Resolution Mechanism – SRM – is ECB’s strong arm to save or liquidate ‘troubled’ banks. In other words, it will administer ‘bail-ins’ to ‘too-big-to-fail’ banks in distress; meaning – over-indebted banks will rescue themselves from depositors’ money, or from shareholders. This practice was tested in Cyprus in 2013. As reported by Reuters on 30 July 2013 – According to Cyprus’s central bank, “47.5 percent of deposits exceeding 100,000 euros in Bank of Cyprus would be converted into equity to recapitalize the troubled lender as part of an international financial bailout for the island”.

This confiscating or stealing of depositors’ funds, also called the ‘haircut’ in the denigrating jargon of the Occident, is better known as a ‘bail-in’ – since it avoids the taxpayer, those who have been bearing the brunt in previous US and European ‘bail-outs’.

This atrocious predatory and outright criminal imposition by the infamous troika (ECB, EC, IMF), with no legal backing whatsoever, went largely without protests in the rest of Europe, it was shortly thereafter accepted by the EC as the new ‘norm’.

In one of his last proud statements before handing his job as European Commissioner to Jean-Claude Juncker, Manuel Barroso exclaimed – “The European Union intends to break the vicious link between sovereigns and their banks. In the future bankers’ losses should no longer become the people’s debt, putting into doubt the financial stability of whole countries.”

There it is. The ratification of the new ‘bail-in’ rule. It is surprising that there is no run of the European banks, as many of them are less stable than they were in 2008, at the onset of the man-made ‘crisis’. Bail-ins might be imminent.

The third pillar will be the Single Resolution Fund – SRF – a stabilization and rescue mechanism for banks facing bankruptcy. It is planned to become effective on 1 January

2016 – if – and that is a big IF – the necessary funding will be put in place by the member countries.

Pillars one and two are compulsory for the Eurozone countries and banks, some 6000 – which is a lot to supervise. The ECB has quickly declared that it – i.e. SSM – will directly monitor the 150 most important ones. The others will continue to be controlled by national mechanisms, whatever these are. They will be given strict regulations to follow by SSM with sanctions or fines if the rules are not followed – to make sure they will not stray.

Membership for non-Eurozone countries is voluntary. Remarkably, the UK has not (yet) volunteered for membership.

This is the biggest boost in ECB's power since its creation some 16 years ago. ECB now sets all banking standards throughout Europe, according to which a bank may fall or rise. This is a clear infringement on the Eurozone countries sovereignty – one of the key principles to be maintained according to the Lisbon Treaty. There is no covenant in ECB's regulations that would give it this power leverage. It is all self-serving – and the neoliberal leaders of the Eurozone countries go along with it – to the detriment of their constituency.

And let's not forget, ECB is intimately linked to Wall Street, the FED and the IMF – Mario Draghi, the ECB President, is a former Goldman Sachs executive.

The SSM is a flagrant conflict of interest – and it looks like the financial czars of this western greed economy are getting away with it. For now.

An independent audit of all European banks, especially those 100 or 150 considered “too big to fail” – and including the ECB itself – would indeed be in order. – Independent means – the auditors would report to a special council of Eurozone countries – but independent of the European Commission. The special council would include representation from member countries parliaments, the banking, industry and service sectors, as well as civil society.

Of course – this is unlikely to happen, equally unlikely as an independent audit of the FED. That would mean transferring power to the people, to those whose money is at play, those who are really interested in a well-functioning banking system – not a predatory one as we know it today.

According to The Guardian, a recent stress test carried out by the ECB on some 100 of the largest European banks, 24, or one of five, failed (including 9 Italian and 3 Greek banks), leaving a hole of 25 billion euros in banking capital – which eventually may need to be bailed-in – if there are no bail-outs and the SRF is not yet functional.

Implementation of the SSM will be a point of no return for European banks, including for individual countries sovereign central banks. Until now, they were nominally free to print their own money. For example, Greece could have rescued them-selves by printing its own euros, instead of submitting to the draconian, literally killer conditions, imposed by the troika. But it didn't, since the ruling elite in Greece was and is part of the scheme. As of now, there is no ECB rule that forbids a local central bank to print its own money – which in the Eurozone is the euro.

Europeans will be at the mercy of the ECB and through it, of Wall Street and the FED – the defunct greedy dollar based monetary system.

And why do the people not react? – Because they are on purpose misinformed, kept in the dark by the media. The new SSM is presented as a system that would protect them from future crises – when the contrary is true.

However, at least equally important and highly suspicious, is the timing of this new delegation of power for the ECB. The abrogation of Eurozone countries and their banks sovereignty is not coincidental. It comes at a time when a new west-east conflict, a new Cold War with Russia is being instigated by Washington and its European vassals.

ECB's new strong arm, the Single Supervisory Mechanism, with its transboundary powers and disregard for national sovereignty is intent to hold the Euro system and its countries hostage against Russia, or the new Russia-China alliance. The new watchdog watches that none of them will stray – perhaps into the eastern camp of honest trading, into a new realm of economic prosperity and equality, where banking may serve the peoples development, instead of the accumulation of wealth for a few.

Remember, Mr. Xi Jinping, President of China, visited Germany in March 2014, to offer Madame Merkel participation in the New Silk Road – a new trading alliance from Germany, the western most borders, all the way to Shanghai, covering Russia, the former Soviet Republics, north-western and central China. An incredible potential for trade and development that can hardly be ignored. If Germany accepts, the strongest nation of the Eurozone, the rest of Europe will follow – follow a path of more security and independence than the current alliance with threats and sanctions from a warmongering White House will offer.

Washington is aware of this. They will hold no barrels to sow unrest and destabilize Europe to eventually justify a US intervention, more NATO, more CIA surveillance, more profit-yielding armament – and moving ever a step closer to Moscow. The new banking control mechanism is just an additional – but extremely powerful tool in this direction.

An alternative monetary system, detached from the predatory dollar scheme, will be a welcome means to peacefully counter this latest financial aggression.

Peter Koenig is an economist and former World Bank staff. He worked extensively around the world in the fields of environment and water resources. He writes regularly for Global Research, ICH, the Voice of Russia, now Ria Novosti, The Vineyard of The Saker Blog, and other internet sites. He is the author of Implosion – An Economic Thriller about War, Environmental Destruction and Corporate Greed – fiction based on facts and on 30 years of World Bank experience around the globe.

The original source of this article is Global Research
Copyright © [Peter Koenig](#), Global Research, 2014

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Peter Koenig](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca
www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca