NEW FORMAT

GENERATION €URO STUDENTS' AWARD

2025 - 2026

PARTICIPATE WITH YOUR STUDENTS IN THE LAUNCH EVENT ON **NOVEMBER 18, 2025**

TEACHER'S BOOKLET

Registration:

More information:
www.generationeuro.eu
generationeuro@bcl.lu

BANQUE CENTRALE DU LUXEMBOURG
EUROSYSTÈME

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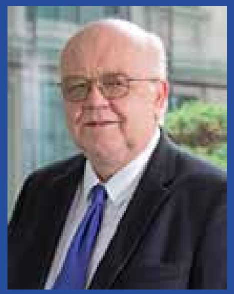
FOREWORD



Dear teachers,

I am pleased to announce that the Banque centrale du Luxembourg (BCL) is organizing a new edition of the Generation €uro Students' Award school competition in 2025–2026. This well-established educational project is aimed at students who want to gain a better understanding of monetary policy mechanisms.

For more than a decade, this competition has enabled hundreds of high school students across the country to take on the role of monetary policy makers, analyzing the economic, financial, and monetary situation of the euro area and formulating their own monetary policy decisions.

This year, the competition is evolving: the structure of some of the tasks has been redesigned to further strengthen the educational dimension and better simulate a decision-making situation. Students will now have to adopt the role of a member of the Governing Council of the European Central Bank (ECB) seeking to convince their peers. They will formulate and justify a monetary policy decision in writing, refuting opposing arguments, and then defend their position orally.

The aim of the competition remains unchanged: to encourage teamwork, rigorous economic reasoning, structured expression, and intellectual independence. The competition also offers concrete opportunities for participants: all finalists will be invited to present their work at the BCL and take part in an immersion day. The winners will have the opportunity to do an internship at the BCL and participate in a study trip to the ECB in Frankfurt.

With this competition, the BCL is continuing its long-standing commitment to economic and financial education. We are convinced that the skills acquired through this project – analysis, argumentation, critical thinking – will be invaluable to students, both in their studies and in their future professional lives.

Your role as teachers is crucial. We know we can count on your support, your commitment, and your ability to spark your students' interest. Rest assured that the BCL will remain at your disposal throughout the competition to support you and provide you with the necessary teaching resources.

I wish you all an enriching and stimulating participation in this new edition of the Generation €uro competition.

Gaston Reinesch
Governor of the Banque centrale du Luxembourg

1. INTRODUCTION

A new, more inclusive and engaging edition

For the 2025-2026 edition of the Generation €uro Students' Award school competition, which is held annually, the Banque centrale du Luxembourg (BCL) wanted to evolve the competition format. These adjustments respond to feedback from the teachers involved. Thanks to your involvement and suggestions, we have been able to rethink certain tasks in order to make the competition more accessible, more pedagogical and even better suited to the diversity of student profiles.

Our goal remains unchanged: to support upper-secondary students in understanding how monetary policy works and its role in the economy in general, by familiarising them with monetary-policy instruments, in particular the interest-rate decisions of the European Central Bank's Governing Council (ECB).

But this year we wanted to go further, strengthening the formative dimension of the competition and highlighting team engagement from the very first stages.

Main novelties of this edition:

- **A more dynamic quiz:** bonus points are now awarded based on the speed of the answers.
- **A second, more structured task:**
  - Students take on the role of a Governing Council member who tries to convince peers of the best monetary-policy decision.
  - Students write this monetary-policy decision and justify it within a clearer, more didactic framework:
    - The format is prescribed;
    - The number of indicators to be mentioned is limited;
    - The length of the task is reduced to 1 500 words.
  - To persuade, students also gather arguments against a second, credible but less appropriate policy option.
  - Better support: to help students understand the expectations, anonymised past-paper examples are now available on the Generation €uro Students' Award competition website.
- **A more open final:** five teams (instead of three previously) will be selected to take part in the final oral round at the BCL.

Participation

The competition is for students aged 16 to 19 who study at a high school located in Luxembourg. All students are entitled to take part, irrespective of the subjects they are studying. Students may participate more than once, as long as they are in a different team each year.

Students will need to form teams consisting of three or five members, and ask a teacher to support their entry. All team members should come from the same school, with the teachers and students themselves deciding on membership. Each team should also nominate one of its members as team leader. More than one team from the same school may participate. The teacher must work at the school taking part in the competition, and must teach at least one member of the team. The composition of the team should remain the same during the competition, except in the case of extraordinary circumstances such as illness.

Each team should register for the competition on the Generation €uro website (www.generationeuro.eu - Luxembourg page).

Participation is possible in English and French.

Prize

At the closing ceremony, all finalists will receive prizes in the form of numismatic products, cash prizes, BCL gadgets, and certificates. They will also have the chance to participate in the exceptional Open Day – Behind the Scenes at the BCL, a unique opportunity to go behind the scenes at the central bank.

The winning team will also enjoy a study trip to Frankfurt, with an exclusive visit to the ECB and other institutions, as well as a summer internship opportunity at the BCL to further their experience at the heart of monetary policy.

What's in it for the students?

By participating in this competition, students will deepen their knowledge acquired in class with a concrete case study and refine their understanding of economic and monetary concepts and mechanisms. They will develop their analytical skills and critical thinking. They will improve their ability to work in teams, make decisions collectively, and communicate by presenting their results in writing and orally. The knowledge and skills acquired during the competition will be an asset for their future higher education and professional life.

Rules

The rules and organisational procedures of the competition are set out in this booklet, and in the Terms and Conditions published on the Generation €uro website www.generationeuro.eu.

2. TEACHERS

Your role

As a teacher, you will play a key role throughout the competition. Your main task will be to coordinate the team, guiding your students through each round of the competition, in particular the written assignment, in order to ensure their work is consistent and of good quality.

Resources

You will have access to a number of resources to guide and support your students in each round of the competition. Your main resources will be:

- this booklet;
- the Generation €uro website, which provides all competition-related information and materials to make it easier for you to teach the core concepts of monetary policy-making;
- documents and information regularly transmitted by the BCL;
- presentations organised by the BCL to help participating students and professors.

Preparation session at the BCL

3. ROUNDS

Round 1: online quiz
(deadline: 4 December 2025)

Before taking the quiz to enter the competition, teams must first register to ensure that their scores are saved. After registering, students can practise with the trial version of the quiz as often as they wish, but they can do the complete quiz (30 questions) only once. Students are expected to answer the questions as a team. The quiz consists of ten easy questions, ten of medium difficulty and ten harder ones. The 30 questions will be selected at random from a pool each time a team starts the quiz. Bonus points will be awarded based on the speed of responses. The teams with the best scores will be invited to the second stage of the competition.

Round 2: assignment
(deadline: 4 February 2025)

Task
Teams must put themselves in the shoes of a member of the Governing Council.

Teams are asked to formulate a monetary policy decision regarding the interest rate on the deposit facility.

The decision must be based on a thorough analysis of the macroeconomic situation in the euro area, monetary and financial conditions, and the inflation outlook.

Format
The content of the analysis must follow the following six-section structure:
1. Monetary policy decision
2. Economic situation
3. Inflation
4. Financial and monetary conditions
5. Risk assessment
6. Conclusion and refutation of a credible alternative

It is not necessary to present or explain the ECB's institutional functions and governance.
The written assignment must not exceed 1500 words. Graphics are welcome. The jury can lower the mark if the maximum length is passed.

Preparation
The Generation €uro website contains additional information about the task the students have to complete.

All members of the team are expected to contribute to the written test, which should reflect the opinion of the majority of the team. Teachers are encouraged to actively coach and advise their students.

Teams should email their assignment to generationeuro@bcl.lu by the deadline. The tests will be evaluated by the BCL's jury of experts, who will select the five teams that will go on to the next round. The BCL will inform these teams of the jury's decision.

Final round: presentation at the BCL
(March 2026)

The five teams that reach the final round will have to present a new monetary policy decision on interest rates to the BCL jury of experts, who will play the role of members of the Governing Council who need to be convinced. This presentation will be made at the BCL. The teams' task will be twofold.

A) Presentation

Task
The teams:
As in the second task, teams are asked to formulate a monetary policy decision regarding the interest rate on the deposit facility.

The decision must be based on a thorough analysis of the macroeconomic situation in the euro area, monetary and financial conditions, and the inflation outlook.

Format
The content of the analysis must follow the following six-section structure:
1. Monetary policy decision
2. Economic situation
3. Inflation
4. Financial and monetary conditions
5. Risk assessment
6. Conclusion and refutation of a credible alternative

Teams are invited to be creative in their presentation and each of their members (with the exception of the teacher) must participate equally in the presentation. Teams will provide the members of the jury with a copy of their presentation in order to facilitate note-taking during the final round.

Presentations will not exceed 20 minutes. Exceeding the time limit will be penalized by the jury.

Preparation
The Generation €uro website www.generationeuro.eu provides further information on the preparation of the final round.

B) Question and answer session
Each presentation given by a team will be followed by a question and answer session of a duration of 20 minutes. This duration may be increased according to the actual duration of the oral presentation, the total duration of the final round being 40 minutes by team. During this session, the BCL jury members will play the role of members of the Governing Council who must be convinced of the relevance of the proposed decision. They will raise objections that the teams will have to refute.

Team members may consult each other during the question and answer session, without being able to call on their teacher.

At the end of the presentations and question and answer sessions, the jury will withdraw to deliberate and select the winning team. The decision will be announced in front of all participants during the award ceremony. All students who participated in the final round will receive awards.

Mr Reinesch, Governor of the BCL, with the laureates of the 2024 - 2025 competition.

4. COMPOSITION OF THE JURY

The assignments and presentations will be assessed by a jury composed of experts from the BCL.

5. ASSESSMENT CRITERIA

The jury will assess the assignments on the basis of:

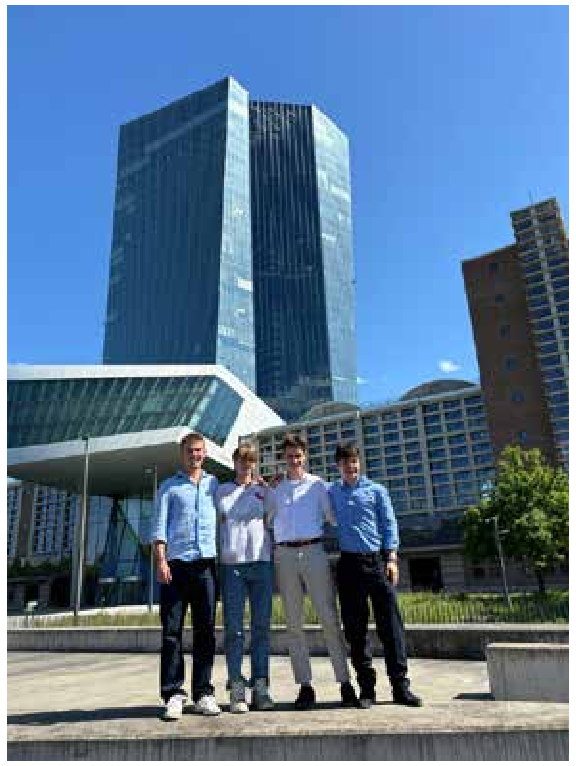
- reasoning behind the proposed decision concerning the interest rate;
- relevance of the decision;
- familiarity with, and accurate use of, expressions and terms related to monetary policy;
- students' creativity and own research.

The jury will assess the oral presentations on the basis of:

- reasoning behind the proposed decision concerning the interest rate;
- relevance of the decision;
- familiarity with, and accurate use of, expressions and terms related to monetary policy;
- the structure of the presentation;
- oral presentation skills;
- level of participation of each team member;
- method used to make the presentation.

6. STUDY TRIP TO FRANKFURT

The winning team will be invited to participate in a two-day study trip to the ECB and other locations in Frankfurt.



Study trip
The winners of the 2024 - 2025 competition at the ECB.

ANNEX

INTRODUCTION TO CENTRAL BANKING AND MONETARY POLICY IN THE EURO AREA

This annex [3] provides a brief overview of the European System of Central Banks (ESCB) and the Eurosystem as well as an introduction to the monetary policy of the ECB. In order to help you prepare your students for the competition, more detailed information is available on the website www.generationeuro.eu in the section entitled "Resources".

The European System of Central Banks, the Eurosystem and the euro area

Since 1 January 1999, the ECB has been responsible for setting monetary policy in the euro area. The euro area is the group of Member States of the European Union that have adopted the euro. It came into existence in January 1999 with the transfer of monetary policy from the national central banks of eleven countries (at the time) to the Governing Council of the ECB. Greece joined the euro area in 2001, Slovenia in 2007, Cyprus and Malta in 2008, Slovakia in 2009, Estonia in 2011, Latvia in 2014 and Lithuania in 2015. Croatia joined the euro area on 1 January 2023. The birth of the euro area and the creation of the ECB were major milestones in European integration. To be able to join the euro area, the aforementioned countries had to fulfil the "convergence criteria", as other EU member states will have to do before they can adopt the euro. Compliance with these criteria is the precondition, from an economic and legal point of view, for participation in the Economic and Monetary Union.

The Treaty on the Functioning of the European Union and the statutes of the ESCB and the European Central Bank constitute the legal basis of the single monetary policy.

The ECB is placed at the heart of the Eurosystem and the ESCB. Together, the ECB and the national central banks (NCBs) carry out the tasks assigned to them.

The ESCB is made up of the ECB and the NCBs of all Member States, whether or not they have adopted the euro.

[3] This chapter is based on information available on the ECB website (http://www.ecb.europa.eu).

The Eurosystem groups together the ECB and the NCBs of the Member States whose currency is the euro. The Eurosystem will coexist with the ESCB for as long as certain Member States are not part of the euro area.

European Central Bank

The ECB is the central bank in charge of the single European currency, the euro.

Objectives

According to the Treaty, the primary objective of the ESCB is to maintain price stability. Without prejudice to this objective, the ESCB supports the general economic policies of the EU, in particular with a view to full employment and sustainable development.

The objective of monetary policy under the Treaty

The Treaty establishes a clear hierarchy between the objectives of the Eurosystem, the first of which is price stability. It further states that the best contribution that monetary policy can make towards fostering a favourable economic environment and full employment is to ensure price stability.

These provisions of the Treaty reflect the broad consensus around the substantial benefits of price stability, the sustainable maintenance of which is an essential prerequisite for strengthening economic well-being and potential GDP growth. The natural role of monetary policy in an economy is to maintain price stability. Monetary policy can influence real activity in the short term, but in the longer term it can only influence price levels.

The Treaty also states that, in the implementation of effective monetary policy decisions aimed at ensuring price stability, the Eurosystem also takes into account the general economic objectives of the EU. In particular, since monetary policy can influence real activity in the short term, the ECB should avoid encouraging excessive fluctuations in output and employment if this is consistent with its primary objective.

Basic tasks

Under the Treaty, the basic tasks of the ESCB are as follows:

- to define and implement the monetary policy of the Union;
- to conduct foreign exchange transactions;
- to hold and manage the official foreign exchange reserves of euro area countries;
- to promote the proper functioning of payment systems.

Other ESCB tasks

The ESCB is also in charge of other tasks, such as:

- banknotes: the ECB and the NCBs are responsible for issuing euro banknotes;
- statistics: assisted by the NCBs, the ECB collects the statistical information it needs to carry out its tasks, either from the competent national authorities or directly from economic agents;
- stability and supervision of the financial system: the ESCB contributes to the smooth conduct of policies pursued by the competent authorities relating to the prudential supervision of credit institutions and the stability of the financial system;
- international and European cooperation: the ECB maintains working relations with the appropriate institutions, bodies and forums within the EU and at global level when it comes to the tasks entrusted to the ESCB.

The Governing Council of the ECB

The Governing Council is the main decision-making body of the ECB. It consists of:

- the six members of the Executive Board; and
- the governors of the NCBs of the Member States whose national currency is the euro.

Its responsibilities are as follows:

- adopting the regulations and taking the decisions necessary to perform the tasks entrusted to the ESCB; and
- setting the monetary policy of the euro area. This notably involves taking decisions relating to monetary objectives, key interest rates and the supply of reserves in the Eurosystem, as well as establishing the guidelines necessary for implementing these decisions.

Meetings and decisions of the ECB Governing Council

Since January 2015, the meetings of the Governing Council devoted to monetary policy have been held every six weeks. During these meetings, the Board analyses economic and monetary developments and takes monetary policy decisions. Meetings on non-monetary matters take place at least once a month. At these meetings, the Governing Council mainly discusses issues relating to the other tasks and responsibilities of the ECB and the Eurosystem. The meetings are usually held in Frankfurt am Main, Germany.

Monetary policy decisions are explained in detail during a press conference at the end of each monetary meeting. The President of the ECB, accompanied by the Vice-President, chairs this press conference, which takes place in two stages: the President first reads out the monetary policy statement, which explains the reasons underlying the monetary policy decisions adopted by the Governing Council, and then answers questions from journalists. Since January 2015, the ECB has published reports on the monetary policy debates within the Governing Council.

The objective of price stability

The objective of price stability refers to the general level of prices in the economy and consists in avoiding prolonged periods of inflation and deflation.

Since the revision of its monetary policy strategy in 2021, the ECB has set its price stability objective as a 2% inflation rate over the medium term.

This target is symmetric, meaning that the Governing Council considers positive or negative deviations from the target to be equally undesirable.

To determine whether the price stability objective has been achieved, the ECB measures inflation using the harmonised index of consumer prices (HICP).

Price stability contributes to achieving high levels of economic activity and employment by:

- strengthening the transparency of the price formation mechanism. With regard to price stability, it is easier for consumers to identify changes in relative prices (i.e. the prices of different goods), without being disturbed by large changes in the general price level when inflation is high. They can therefore make informed consumption and investment decisions and better allocate their resources, i.e. their money;
- reducing the inflation risk premiums in interest rates (i.e. the compensation required by investors for any unexpected acceleration in inflation during the term of their investment). This lowers real interest rates and strengthens incentives to invest;
- making unproductive activities related to hedging against inflation or deflation risks unnecessary (for example, holding onto assets in the hope that their price will rise);
- reducing distortions due to inflation or deflation that are liable to increase changes in the behaviour of economic agents caused by taxation and social security systems; and
- preventing the arbitrary redistribution of wealth and income following unexpected episodes of inflation or deflation.

The role of the Eurosystem's monetary policy strategy

A monetary policy strategy is a coherent and structured framework defining how decisions are made to achieve the central bank's objective. The monetary policy strategy of the euro area has two essential tasks. Firstly, by providing a clear framework for the monetary decision-making process itself, it ensures that the ECB Governing Council has the information and analysis it needs to make its monetary policy decisions. Secondly, it constitutes an instrument for explaining these decisions to the public. By contributing to the effectiveness of monetary policy and signalling the Eurosystem's commitment to price stability, the strategy contributes to the credibility of the Eurosystem on the financial markets.
The monetary decisions of the Governing Council of the ECB, which consist in steering short-term interest rates, influence the economy and ultimately price levels.

The monetary policy strategy

Basis for interest rate decisions

The Governing Council bases its decisions on an integrated analytical framework that includes all relevant factors, drawing on two interrelated analyses:

- economic analysis; and
- monetary and financial analysis.

These analyses form the basis for the Governing Council's assessment of the economic outlook, how monetary policy measures are transmitted to the economy and reach businesses and individuals, and the risks to price stability.
Within this framework, economic analysis focuses on real and nominal economic developments. It covers changes in terms of economic growth, employment and inflation, the assessment of shocks to the euro area economy, projections of key macroeconomic variables and an overall risk assessment for economic growth and price stability. Particular attention is also given to the analysis of structural trends and their implications for monetary policy.

The monetary and financial analysis focuses on the functioning of the monetary policy transmission mechanism and the possible risks that financial imbalances pose to price stability over the medium term. The monetary policy transmission analysis aims to identify any potential changes in transmission (such as the increasing role of non-banking financial intermediation) or alterations in transmission, that might affect the effectiveness of monetary policy. In addition, the monetary and financial analysis assesses the longer-term build-up of financial vulnerabilities and imbalances and their possible implications in terms of indirect risks to output and inflation. It thus recognises that financial stability is a prerequisite for price stability. Finally, information from monetary and credit aggregates is used to assess the functioning of monetary and financial transmission, given the importance thereof in identifying risks to price stability.

Monetary policy instruments

The monetary policy aims to control short-term interest rates as well as possible, thus influencing economic developments. Short-term interest rates are managed through the operational implementation of monetary policy. The Eurosystem has various instruments for this purpose. These are: open market operations, standing facilities and minimum reserves.

(a) Open market operations

The main instrument of monetary policy, these are used to:

- steer interest rates;
- manage liquidity conditions in the money market; and
- signal the direction of monetary policy.

There are four categories of open market operations:

- main refinancing operations, which consist of reverse operations intended to provide liquidity on a regular basis. These are performed weekly and expire after one week;
- longer-term refinancing operations, which consist of reverse operations intended to provide liquidity. These are performed monthly and expire after three months;
- fine-tuning operations, which are carried out on an ad hoc basis and aim to manage liquidity in the market and to steer interest rates; in particular, to mitigate the impact of unexpected fluctuations in liquidity on interest rates; and
- structural operations, which are carried out by issuing debt certificates and using reverse transactions or outright transactions.

(b) Standing facilities

The Eurosystem also offers standing facilities to provide and absorb overnight liquidity and to set limits on overnight market interest rates.
The two standing facilities are:

- the marginal lending facility, through which counterparties (i.e. credit institutions) can obtain overnight liquidity from national central banks in the euro area against the posting of eligible collateral; and
- the deposit facility, under which counterparties can make overnight deposits with national central banks in the euro area.

(c) Mandatory reserves

The Eurosystem requires credit institutions to hold minimum reserves on accounts opened with euro area NCBs. The purpose of these reserves is to stabilise money market interest rates and to create or increase structural refinancing needs.

Unconventional monetary policy measures

Since the financial crisis of September 2008, the ECB has introduced a number of unconventional monetary policy measures that are unprecedented in their nature, scope and scale, in order to preserve the primary objective of price stability and ensure adequate monetary policy transmission. These measures are part of the "toolbox" that allows the Eurosystem to implement monetary policy; however, they are exceptional by definition and temporary by nature. They generally cover the banking sector as the financing of businesses in the euro area is dependent on the banks (and not on the capital markets). Here are some examples of unconventional measures adopted by the ECB:

- fixed-rate, fully allocated liquidity provision;
- longer-term liquidity provision (up to three years);
- expansion of the list of assets accepted as collateral;
- provision of foreign currency liquidity;
- outright purchases of specific debt securities.

In 2014, the Eurosystem implemented the ECB's Asset Purchase Programme (APP) to support the monetary policy transmission mechanism and provide the degree of accommodation necessary to ensure price stability. Since July 2022, the Eurosystem no longer carries out net asset purchases under the APP and, since July 2023, it does not reinvest the principal of securities held that are reaching maturity.

In 2020, the Eurosystem implemented the Pandemic Emergency Purchase Programme (PEPP) to counter the risks posed by the pandemic on the monetary policy transmission mechanism and the economic outlook in the euro area. Since March 2022, the Eurosystem no longer carries out net purchases of assets under the PEPP and will reinvest, at least until the end of 2024, the principal of the securities held that are reaching maturity.

Indications on the future direction of monetary policy (forward guidance)

Through the announcements that they give on the future direction of monetary policy (the "forward guidance"), the central banks explicitly signal the conditions for future changes in interest rates. This policy aims to better align the expectations of economic stakeholders with the evolution of interest rates envisaged by the central bank.

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STUDENTS' AWARD

SCHEDULE

THE COMPETITION WILL TAKE PLACE IN 2025-2026 AS FOLLOWS:*

- Information event in English: 18 November 2025
  from 2:30 to 4 pm at the Banque centrale du Luxembourg.
- Round 1 (online quiz): by 14 December 2025
- Round 2 (assignment): by 4 February 2026
- Final round at the BCL: March 2026, exact date to be confirmed
- "Open Day - Behind The Scenes at the BCL": April 2026, exact date to be confirmed.
- The study trip to the ECB will take place in May 2026, exact date to be determined.

* These dates are subject to change.

CONTACTS AT THE BCL

BCL staff members will be pleased to help you with any questions you may have during the competition.
Please write to: **generationeuro@bcl.lu**
Website: **www.generationeuro.eu**

Registration to the launch event on 18 November

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