Eurofi 2008 Conference - Nice
Executive Summary of the conference

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Opening the conference, **Jacques de Larosière**, co-president of Eurofi, highlighted the key challenges for the financial system, including the need to regain confidence and respect for the markets; the need to rethink regulatory and supervisory roles and functions; a rethink of financial business models and the need for further transparency.

The theme of the conference – how further EU financial integration can foster economic growth and increase confidence – could not be more timely, according to **Pervenche Bérès**, MEP, Chairwoman, Committee on Economic and Monetary Affairs, European Parliament. There was a lot to do to bring this about. In the short term, discussions were needed on implementing Solvency II, the CRD Directive and initiatives on credit rating agencies. In the medium term, there should be a review of the Level 3 Committees. "There is a strong contradiction between the needs of these committees and the willingness of some member states to move on strengthening their status." In the long term, 2009 – an "in-between year" for both the Parliament and the Commission because of European elections – should be used to reflect on the future shape of financial markets architecture and supervisory structures in the EU. A committee of wise men and women could oversee the process.

Meglena Kuneva, EU Commissioner for Consumer Protection, said: "Today we have a new currency emerging and that currency is not the euro – it is trust. If people do not trust the market, they will not use the market." Consumers did not feel confident in using financial services because the information available to them was so poor. There was a need to improve financial education and information and to address a lack of transparency. "We cannot build a pan-European retail financial market when consumers are deterred by a lack of information, a lack of trust and the absence of even a possibility of informed choice," she said. Consumers' lack of understanding of financial services would worsen as more people became increasingly reliant on the industry and the Commission had launched three financial education schemes to help tackle the problem.

David Vegara, President of the Financial Services Committee and Spanish Secretary of State for Economic Affairs, said there were three inter-related priorities.

- Restore the normal functioning of the financial system and strengthen the EU legal framework to prevent and manage crises
- Implement reforms that take into account the lessons of the turmoil
- Tackle the remaining barriers to financial integration

To bring these about required a focus on four key areas – transparency; valuation; prudential framework and market functioning.

David Vegara made some comments on Eurofi´s proposals to ECOFIN. "As summed up in the letter to Ministers, these proposals are thought-provoking and worth considering.

- On **cross-border supervision**, my only dissenting point regards the need to keep solo supervision as a meaningful part of a reformed group supervision regime. Home supervisors need to have a strong role, but in many aspects related to the financial situation of subsidiaries, host authorities should have the last word. This will create incentives to monitor credit and market risks at local level and maintain the powers where responsibilities will be demanded, and I am not talking only about political responsibilities, although they are very important in this discussion. This is also the point on which we have strong views on the Solvency II discussion.

- On **Investment Funds**, I agree with the benefits of an effective passport for management companies, but also with the fact that it should be implemented with sufficient time to tackle the supervisory problems which arise.

- I tend to share the assessment of Eurofi on **SEPA and Post trading** and I find their proposals very reasonable. I would just add that the key here is to be patient while ensuring that progress does not stall.

Finally, the proposals on long term financing of the economy, financial participation and employee shareholding and microcredit point at new policy fields which will probably have to be integrated in the financial services area in the next few years".

New financial instruments had been meant to spread risk, but they "distributed fear instead of risks," said **Karl-Peter Schackmann-Fallis**, Executive Member of the Board, German Savings Banks Association. While innovation on the financial services market was important, it should not be at the expense of traditional, conservative, prudence-oriented banking and commercial behaviour. It might still be too early to draw a detailed picture of all aspects of the sub-prime crisis, but some conclusions were already clear:

Firstly, what started in one specific sector of finance in the US very quickly spilled over the Atlantic, proving the extent to which the financial systems are interlinked.

The US sub-prime crisis is a general crisis of confidence among financial market participants. The last 14 months have shown – dramatically – the limited value of ratings, which failed in the sustainable evaluation of

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