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Q&A

European financial sector at the crossroads

WHAT ARE THE PRIORITIES OF THE ROMANIAN EU COUNCIL PRESIDENCY IN THE FINANCIAL AREA?

The Romanian Presidency of the Ecofin Council faces a series of unprecedented pressures and rare opportunities at the same time. Pressures are well known: the new European budget in the context of Brexit and the new priorities, also the time pressure related to the completion of mandates of the European Commission and the European Parliament. Opportunities, on the other hand, relate to the context of economic growth and recovery.

Besides the administrative endeavors, the Presidency of the Ecofin Council wishes to raise awareness on a series of assumptions that lay beyond the regulatory system. We need to acknowledge, first of all, not just as a statement, but as a principle, that rules are means to an end, rather than a self-sufficient goal. They are meant to serve the European Citizen and the European businesses.

It is said: we must close as many files as possible! – as an indicator of success for the Presidency. And the faster, the better. We say: we need to move fast to close meaningful files! And solid ones, with as few exceptions as possible. Otherwise, exceptions become a customary way to fix imperfect legislation. Where does this lead to? Rabates, when we try to get the budget right. Different Schengen area criteria, other than technical, when we rule the freedom of movement. Various ways to assess the compliance of SGP rules. And so on.

Thus, between the reflex to react under administrative pressure and the drive to move proactively towards favorable changes, our approach is based on the principles of European unity and cohesion, placing the European citizen at the core of our priorities.

We consider strengthening of the Economic and Monetary Union an important component of the roadmap developed in preparation

for the Summit of EU leaders in Sibiu of 9 May 2019. At the same time, better regulation in the fiscal field has the potential to ensure effective and fair taxation at European level and help combat fraud and tax evasion, for the benefit of Member States and European citizens.

Initiatives like risk reduction measures, the ones dealing with stocks of non-performing loans, finalized under our Presidency are meant to improve the resilience of the EU, with an impact on the prosperity and stability of the European economy as a whole.

The process of removing barriers to the development and integration of European capital markets should continue. Consequently, the Romanian Presidency strives to work on the proposals related to the capital markets union, in order to reduce the difference in terms of jurisdiction to a minimum, to optimize opportunities for investors and to ensure SMEs' access to a wider range of financial resources. The measures related to derivatives markets, prudential treatment of investment firms, cross-distribution of funds, pan European personal pension product are dossiers finalized under our EU mandate and they all create an enhanced framework for financial stability, cross border competition and a strong consumer protection.

As part of the efforts to develop the capital markets union, the Romanian Presidency considers the sustainable finance file as a very important one. We agreed with European Parliament two regulations on new categories of benchmarks and disclosure rules. We are also committed to continue the work on creating an EU classification or taxonomy for climate change, environmentally and socially sustainable activities. This process should be dynamic, evolving and take into account the specificities of the business sectors.

The balance between risk reduction and risk sharing continues to be a subject of discussion. Major steps have been taken during the past years to ensure its consistency. The Single rulebook has been implemented, as well as common supervision by the ECB and a common resolution framework, which has ensured a more uniform regulation and high-quality supervision across the EU. However, in addition to the legacy issues which are being addressed, a number of gaps may still remain relating to, for example, the discrepancies between the different insolvency regimes, or the efficiency of cross-border financing in the home-host context.

WHAT ARE THE MAIN FINANCING AND INVESTMENT CHALLENGES IN THE CEE REGION?

There are lots of challenges on financing and investment, not only in CEE region, but also at EU level. A new Multiannual Financial Framework equipped with adequate instruments could respond to some of these challenges. In the proactive spirit we are promoting, the Romanian Presidency is striving to pave the way for such flexibility of rules that will promote a quick and efficient absorption of funds.

SMEs' investment activity and their access to finance represents a major endeavor. The SMEs are one of the main pillars of economic growth, job creation and development. However, they need to be helped to access more varied and stable sources of financing, especially in the CEE region where capital markets are not yet mature and their main source of funding remains the banking sector. Moreover, the SMEs or start-up companies investing in

new technologies, innovative products and services should be encouraged and sustained in their efforts to access the market and to bring modernity, improved productivity, competitiveness and highly trained work force.

The further development of local capital markets is essential for completing Capital Market Union. The private capital is an important source of funding of the small businesses and firms in order to become more productive and to support the economic development. But this requires efforts at national, regional and EU levels. Mainly in CEE countries, the capital markets lag behind in terms of products, size, liquidity and maturity compared to Western Europe countries. Thus, for strengthening and well-functioning of the single capital market at the level of UE, these markets need to grow faster.

The local capital markets role in supporting the SMEs becomes more and more important, especially because these companies are not large enough to reach the capital available across the borders but they could access the equity markets at national level. This could help them also in terms of lower transaction costs and facilitate investors understanding of the particularities and specifics of the business they are funding.

In this context, the benefits of an integrated EU capital market are enhanced, offering both access to large group of investors and sophisticated products at EU level for the big multinational companies but also to local, developing capital markets for the SMEs and the smaller actors.

ARE THERE AREAS WHERE EUROPE SHOULD BUILD AN AUTONOMOUS INTERNATIONAL SYSTEM IN ORDER TO BETTER PROTECT EUROPEAN INTERESTS?

It is clear for all of us that these are times where we need to make EU stronger and to protect its interests globally. Euro has to strengthen its role and spread its coverage in terms of transactions or holding currency. The Euro is used today in about 60 countries in the world, either as their official currency, or linked to their national currency or are preparing to adopt it as their currency. However, we need to do more at international level to reflect EU's political and economic importance.

Euro it is not used at its full potential. We need to create a European brand regarding the payment solutions used at pan-European level. An EU-wide instant payment system will help both the customers and the businesses, would enable fast, efficient and safe transactions and cost reduction. Besides its benefits within the EU, such a system may help reducing EU dependence on the global payment providers and card schemes and waive off some of the vulnerabilities of our internal market to outside influences.

All EU member states need to work together to build an equivalence system, they need to be aware that reliance on each other's regulatory and supervisory systems is vital for the proper functioning of the common instruments and for a reinforced market infrastructure.

Our commitment is constant and consistent to face the inside or outside challenges and to make possible for every European citizen to feel at home in every Member State. ●