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Creating a stronger, greener, and more integrated Europe

According to the World Bank, the COVID-19 global recession will be the fourth deepest since 1870 and the most severe since the end of World War II. While posing serious challenges, the pandemic at the same time offers a great opportunity for EU leaders to address major outstanding issues which we have not been able to address so far, among them the deepening and strengthening of the Single Market and the transformation of the EU economy towards a more sustainable growth model.

Unlocking the Single Market's full potential and the full range of its benefits, especially in financial services, will provide the much-needed funding to support economic recovery and finance a sustainable transformation.

A key challenge to overcome in the deepening of the Single Market for financial services has been regulatory fragmentation. While important progress has been made, hundreds of millions of EU consumers, businesses, and the bloc's overall economy are still not reaping the full benefits of the single market.

In a first step, national "options and discretions" in the prudential framework should be further harmonized in order to avoid unwarranted ring-fencing practices and let banking groups allocate capital and liquidity across multiple legal entities as needed and economically sensible. Although a lot of progress has been made already, there are still more than 30 provisions which require further harmonization.

Second, further efforts should be made to harmonize regulation and establishing a level playing field around innovative technologies in financial services. This would span across areas such as digital identity, which is a key technology of the future, including the fight against financial crime, as well as the usage of data to harness the full potential presented by new technologies.

Thirdly, further steps to complete the Banking Union are needed. In particular, a single EU crisis management framework is the *conditio sine qua non* for further risk reduction measures and a common deposit guarantee scheme, thus strengthening the credibility of deposit insurance and reducing the bank-sovereign vicious circle.

Furthermore, EU depositors should be able to move and use funds across and in different countries seamlessly and without additional charges. IBAN discrimination and the fragmentation of card schemes along borders need to be overcome to establish a truly integrated single European

payment platform, which is the backbone infrastructure of the financial system.

When it comes to financing the transition towards a more sustainable European growth model, the Capital Market Union (CMU) is the key complementary project to the Banking Union. Strong and well-functioning economies need capital market funding to complement bank lending. As recently highlighted by the ECB, this is particularly relevant when it comes to financing the greening of our economy, given the high capital intensity, high risks, and long-term horizon of most projects. The EU urgently needs to make faster progress towards creating a true CMU, also to support a sustainable transition.

To further drive a sustainable transition of our economy, the EU should accelerate carbon pricing. The EU's emission trading system (ETS) is the world's largest carbon market, but currently it only covers economic sectors that together account for less than 50% of total carbon emissions in the EU, whereas the remaining sectors are subject to a patchwork of non-harmonized measures across the EU. Greater harmonization would facilitate the transition towards a low-carbon economy.

By creating the "Next Generation EU" fund, one of the most important milestones since the introduction of the single currency, EU leaders recently have shown that a common response can be achieved in a timely fashion. EU leaders should use this momentum and shape the recovery further, delivering on the pending issues mentioned above. This will allow Europe to emerge stronger from the current crisis and create a greener and more integrated Europe. ●