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### Making financial markets work for the Future of Europe

It has been over a year that we have been gripped by the Covid-19 pandemic and its profound impact on our lives, economy and financial markets. The European legislator has continued to function through all these difficulties. While many important measures have been adopted, we need to learn the lessons to be much better prepared for future shocks. At the same time, we need to complete our common projects to realize a genuine EMU.

Clearly, the financial markets are part of the solution in dealing with this crisis. We must continue to create suitable frameworks so that the financial sector can effectively contribute to optimal financing conditions for citizens and companies. On the road to recovery, we have already made important steps. On the one hand, we have adopted in record speed targeted banking rules to mobilize 450 billion Euros in fresh loans. On the other hand, we have realized a comprehensive recovery package for the capital markets.

However, key building blocks still need to be put together. Our effort to complete the EMU yields a high return: The EPRS estimates the added value of a complete Banking Union, a stronger CMU and closer fiscal policy coordination to be up to 275 billion Euros per year. At the same time, we need to make the financial rules future-fit. Let's just think about digitization, sustainable finance and the expected rise of NPLs and bankruptcies. Also, "Next Generation EU" can be more than a recovery fund: It is a forerunner to new shared fiscal tools to complement our monetary policy.

Our Banking Union is only as strong as its foundation. I strongly welcome that the BCBS has postponed the implementation of the finalisation of Basel-III to increase the capacity of banks and supervisors to support our economy. Even though Basel-III is postponed, it is not off the table. We must continue to implement global standards while taking due account of European specificities. Both, in terms of a primarily bank-financed economy and in terms of the different business models. Because in Europe, the diversity of our banking landscape is a strength.

What the European Parliament has adopted in November 2016 still applies today: "no significant increase in overall capital requirements". In this context, some elements must remain undisputed in my view: the stronger SME Supporting Factor and the CVA exemption. At the same time,

concerning the Output Floor – our "elephant in the room" – all options remain on the table as long as we achieve a Basel-compliant solution that implements our common goals. European solutions are also needed in the areas of equity investments, un-rated corporates and specialized lending. And we need to move forward on capital and liquidity waivers to improve the integration of cross-border banking groups.

2021 also marks the start of the debate about the Future of Europe. This is much more than an answer to crisis. It is about the vision to actively shape our common future. And it is about realizing what we have already planned to do – such as deepening the EMU. Let us be ambitious and bold. And let us always be aware that Europe is all of us – citizens, politicians, stakeholders, regions, nations. We all share the responsibility in further developing a strong, efficient and credible EU in the world.