Q&A

MARIA LUÍS ALBUQUERQUE

Commissioner for Financial Services and the Savings and Investments Union – European Commission

A strong Savings and Investments Union for a stronger Europe

Will the key SIU measures needed to transform EU capital markets be implemented on time while preserving their initial ambition?

The SIU is a horizontal enabler key to this Commission's competitiveness focus. The political momentum is there to deliver on transformative changes in a relatively short time frame. The recent One Europe, One Market Roadmap sets the timeline for delivery on these initiatives and co-legislators are committed to comply. Discussions are difficult, as expected, because what we propose are not minor adjustments to the status quo but a new approach whereby the EU can leverage on its combined resources. The Commission is actively engaging in the ongoing debates, continuously reiterating the ultimate objectives of our proposals, and helping to build bridges and reach consensus. I remain confident that ambition will be preserved as there is full alignment between all stakeholders on how important it is for the EU not to miss the opportunity to secure its strategic autonomy.

How can Europe strengthen the global competitiveness of its banking sector while preserving financial stability? Where do you see the greatest opportunities to improve the regulatory environment without undermining resilience?

We should remind ourselves that the debate is not about banks for the sake of banks. It's about how banks should be able to contribute to the competitiveness of the EU economy, and, for that, financial stability is a pre-requisite. In preparation for the work on the banking regulatory framework, the Commission launched a very broad public consultation, and we have been engaging extensively with stakeholders, so we believe we now have a deep, evidence-based, understanding of where we need to act. There is significant room for improvement in removing the existing unnecessary layers of complexity. That applies to EU level rules but also to national gold-plating and divergent interpretations. It also entails a different approach to compliance focused on substance, not on ticking boxes. By having a holistic view of the way the microprudential, macroprudencial and resolution frameworks interact, we will also create more predictability for capital requirements and allow for better medium-term planning and a much more efficient allocation of resources. Action in this direction, combined with efforts to enable a true single market for banking and to make the rules more proportionate overall have a real chance to boost our banks' competitiveness.

What are the main obstacles to completing the Banking Union, and what political agreement could break the current deadlock? How should key issues such as the home-host debate, common deposit insurance and sovereign debt exposures be addressed?

The creation of the Banking Union in the aftermath of the Great Financial Crisis had two fundamental objectives: protect taxpayers' money from being used to bail out banks deemed too big to fail, and break the doom loop between sovereigns and their domestic banking sectors. Without completing the Banking Union these objectives may not be fully met in a new crisis, whenever it comes. The agreement on the Crisis Management and Deposit Insurance (CMDI) framework is a relevant step in that direction. The Commission's intention, as indicated in the recently adopted banking report, is to put forward legislative proposals to allow the remaining elements of the Banking Union to be completed. The evidence gathered reveals that it will be key in promoting the scale and efficiency gains, with a reinforced competitive position, much needed for a stronger banking sector. The issues mentioned in your question – the home/host debate on cross border banking groups, the common deposit insurance – but also the sovereign debt exposures, are central to allowing persistent barriers to a more competitive banking sector to emerge. The capital and liquidity currently trapped by lack of trust and inefficient mechanisms could greatly benefit the EU economy were they to be released, and that is a core objective we will pursue. For that to be met by a political agreement, we will need to make sure that there are rules in place to guarantee that the financial stability in all Member States, including non-Banking Union, will always be defended, both in normal circumstances and in crises situations.

How can Europe simultaneously achieve a genuine Banking Union, a truly integrated Single Market for banking, and a simpler banking regulatory and supervisory framework to strengthen the global competitiveness of European banks? Are these objectives fully compatible, or do they require difficult trade-offs?

The objectives are fully compatible. In fact, they are all core objectives of the SIU strategy, adopted by the Commission and strongly supported by all Member States. Some stakeholders are afraid of integrating the EU markets further because they see trade-offs between the EU interests and the interests of each Member State. But there is no such trade-off. Going forward, the interests of each individual Member State can only be better protected if the stakeholders from that Member State can leverage on a fully integrated EU financial market. No one claims to be able to overcome the challenges we collectively face acting on its own, no Member State has the capacity to be a relevant competitor in the economic sectors of the future relying only on its resources and capacities, and every single one recognises that, if pooled together, the EU resources are sufficient to deliver it. So, the question now is to translate that awareness into a willingness to promote necessary disruptions and do it in a way that assures everyone can be in a better position in the future. It will require not protecting inefficient incumbents, rather creating the right conditions for those willing to change to do so. So, to conclude, I would say the main challenge will be to be able to see beyond some short-term political challenges and focus on the benefits of change. We can not afford to miss the opportunity to position the EU as a relevant world actor and for that we need to regain our economic strength.

Can the EU banking framework be meaningfully simplified without addressing market fragmentation and the home-host dilemma, or must simplification and deeper integration advance together?

All the issues mentioned are deeply interconnected. To simplify the regulatory framework, we must also address rules that create frictional barriers, allowing financial firms to operate cross-border across Europe. Fully removing overlaps, national discretion, and duplicative requirements ultimately calls us on finding solutions that address the legitimate concerns of all Member States. To achieve this, we need a regulatory framework that gives host Member States the necessary safeguards to fully restore trust.

I am aware that some believe parts of the framework can be simplified without tackling the most difficult political debates. Regulatory reporting is often cited as a prime example, with all stakeholders demanding simplification and streamlining. However, if we look beyond slogans, many reporting obligations stem from national gold-plating, which is the result of the lack of trust among supervisors. Our assessment demonstrated that market fragmentation is the main drag on competitiveness and a major source of complexity. There are no easy wins; real simplification can only be achieved alongside deeper market integration.