EUROPEAN COMMISSION

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Turning a corner in financial services

Closing remarks at the EUROFI High Level Seminar 2014

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Ladies and gentlemen,

My thanks to Jacques de Larosière and to Didier Cahen for inviting me to close this year's EUROFI High Level Seminar.

As usual, it has acted as a platform to exchange ideas; brought together many respected speakers from both industry and public authorities; and given us plenty of food for thought.

Before we start, I would like to pay tribute to Jurgen HOLMQUIST whom many of you knew and respected. He was my first Director General in 2010 and I admired him greatly. He died suddenly on Friday and our thoughts are with his family.

1. The global agenda

Allow me to add a few words to the discussion you have just had on derivatives.

Derivatives markets are global markets.

They were at the root of the financial crisis.

The G20 agreed that global markets needed strict regulation to make our financial system safer.

Many countries are now moving from designing rules on derivatives to implementing them, for instance in Europe, the USA, Asia and Canada.

We face three challenges.

First, differences in substance between our rules.

Second, differences in timing between them.

And, third, how these rules interact.

We need global solutions to meet these challenges.

And we are making progress to avoid friction and duplication.

On the issue of difference in substance:

Last year's 'Path Forward' with the US CFTC is a good example.

At our last EUROFI meeting in Vilnius we discussed possible problems with the US SEF rules.

February's update of the 'Path Forward' solved this problem.

It shows that regulators are not blind to each other's needs or to industry's expectations.

Second, on the issue of timing differences:

The Commission and the CFTC have agreed on ways to bridge the timing differences between when rules come into force in the EU and the US, and found solutions so that our industries do not suffer.

We will be vigilant in making sure that we both deliver what we agreed.

But the way in which we came to these solutions was not ideal.

They involved last-minute discussions in ad-hoc settings, creating uncertainty in the markets.

This is why regulatory cooperation needs to be part of the TTIP mechanism.

And third, on how our rules interact:

In Europe we have moved into implementing mode.

The Commission is working hard on its equivalence decisions for foreign CCPs, trade repositories and trading rules.

We are adopting an 'outcomes-based' approach when we look at the rules in other countries.

We are not seeking to export the EU's detailed rules.

But we do need to make sure that other countries' rules meet our objectives.

Because when we grant equivalence to a third country we will defer to that country's laws and enforcement.

Financial firms from that country will have complete access to our financial market.

They can compete with our firms.

But they can also introduce risk into our financial system.

So we take our equivalence assessment seriously and need to understand how the other countries meet our common objectives in law and in practice.

International derivatives regulators have a close and constructive working relationship.

There is a growing awareness that going it alone is not a recipe for success.

I am confident that we will be able to resolve the difficult cross-border problems.

2. Wider regulatory reform, including banking union

Derivatives are only one piece of the puzzle.

If I look back on the last four years, I am proud of what has been achieved to regulate the financial sector better; return public finances to health; and improve the governance of the euro area.

We created an entirely new set of rules governing the financial sector.

We implemented the G20 agenda so that every market, every player and every activity is well regulated and effectively supervised.

We demanded that banks hold more and better capital, that they strengthen their risk governance and curtail the excesses of the past.

We created new supervisory authorities to make sure banks, markets and insurance companies are supervised adequately and in a similar way across the EU.

And we are well on the way to creating a banking union which is probably our biggest project since the euro itself.

It will help us to better predict problems and manage them more smoothly.

And, vitally, it will mean that taxpayers will no longer be in the front line to pay for failing banks.

Creating the banking union will ensure the integrity of the euro area and the stability of its banking system while securing the interests of the wider EU single market.

I appreciate in particular that non-eurozone members fully supported the negotiations.

3. Long-term financing

Ladies and gentlemen,

The financial reforms I just mentioned were essential.

They were the prerequisite to stability and thus growth.

But alone, they are not enough.

To consolidate the growth that is slowly returning, the single market is vital; it must work efficiently.

And access to finance is essential for all those who have projects and need financing to see them happen.

Here in Greece, less than one-third of Greek SMEs got all the credit they applied for last year.

Finance is also essential to meet Europe's massive long-term investment needs.

In the EU, some one trillion euros will be needed by 2020 for transport, energy and telecoms infrastructure alone.

We need to bridge these funding gaps to support sustainable economic growth.

That's why the European Commission put forward last week a series of ideas to stimulate new and different ways of providing long-term financing.

This financing will have to come from a variety of sources in addition to the bank funding on which Europe relies so heavily:

- private funding
- public financing
- and the capital markets.

One of the suggestions we have put forward is to revive sustainable securitisation markets.

Because we want to make it easier for small businesses to access capital markets and larger pools of investment.

I fully understand that the word securitisation makes some people nervous.

And brings back memories of US mortgage sub primes when securitisation was a byword for shady practices and excessive risk-taking.

I can assure you we have no intention of letting that happen again.

We want securitisation products to be part of the toolbox that will unlock additional sources of funding to the real economy.

But only in ways that raise no financial stability concerns.

The first step is to define criteria by which we can identify safe, high-quality securitisation structures and products.

Therefore differentiating between good and bad securitisation, in line with what EIOPA advocates.

The Commission and the international standard setters have already started to work on this.

We have also made a proposal to improve the governance and transparency of pension funds, one of the biggest sources of private funding.

All of this will improve financial stability; promote cross-border activity and help long-term investment.

Conclusion

Ladies and gentlemen, over the last day and a half; and indeed over the last four years; you have heard a lot about new rules; new structures.

The pace of reform has been relentless.

We are nearing the end of the rule-making phase and entering a period of implementing and enforcing those rules.

What matters now is

- how those rules are put into practice including how they work on a global level;
- what effects they have on the behaviour of market players;
- and what the outcomes are for individuals and businesses.

That will entail a whole new era of partnership. Between the EU and other jurisdictions. Between European and national authorities. Between public and private operators. And between all of us and the people we aim to serve.

It promises to be an exciting time.

Thank you for your attention.