Olivier GUERSENT

Speech at the Swiss Finance Council event

Speech

Opening remarks…

Thank you for the opportunity to give an opening speech during this event.

Our hosts from the Swiss Finance Council have boldly put the defence of open markets as the theme of today's discussion.

It is of course a timely and pertinent question after the recent wave of regulatory reforms for the financial industry.

Today, policy makers are keen to see whether all we have put in place in the past few years will work as planned i.e. robust rules ensure the system's safety and integrity but do not inhibit innovation, growth and service to the real economy.

This opportunity for a frank and fact-based dialogue with industry, regulators, analysts and academia is therefore welcome.

The plan for this morning…

We have a very interesting range of topics before us and a line-up of panellists that promises an entertaining debate.

The issues we will try to tackle today are not trivial:

- Are we seeing an integration of global financial markets around internationally agreed rules or is it a drift towards regional or even national approaches?

- Are there any lessons to be learnt from Europe's key partners? Can they be part of a solution to Europe's economic woes?
- Should we put a lot of expectations in public infrastructure investments? Can EU financial markets offer support in that?

The 2nd panel will not be any less interesting. Very distinguished speakers will discuss:

- EU's regulatory reform after the crisis and its impacts on the situation today;
- the current bank-based model of financing EU businesses
- and the adequacy of international policy-making frameworks.

Last, but not least the two discussions will be preceded by presentation of a brand new paper from the Swiss Finance Council.

On the substance of today's discussion…

I do not want to anticipate the discussion on any of those topics but allow me to share with you a few observations of my own.

1. Global challenges, global rules

Europe's engagement with key international partners is critical if we are to achieve both stability and coherence in financial services regulation. These are global markets and even with the best rules at home, on our own we might not be able to stop some negative spill-over effects at our doorstep. We need to work together. We need to co-ordinate. And we do.

Our commitment to the FSB and G20 work is there. These fora are instrumental for identifying, multilaterally, areas of weakness in the system, or obstacles that need to be addressed. We invariably abide by the standards agreed there and we expect that our partners at the table do the same.

The EU approach to addressing cross-border regulatory questions has traditionally rested on recognition and reliance. This reflects our experience in building the Single Market.

This approach has garnered support at international level. The G20 and FSB approach on cross-border consistency are clear. Recognition, or as the G20 calls it, 'deference' is the internationally agreed solution to prevent overlapping or incompatible measures and avoid unnecessary and detrimental extraterritorial effects.

We also know that not all EU's foreign partners are very fond of deference as an approach. We are reassured however by the feedback we receive from our supervisory community that this is the most sustainable way forward in today's increasingly multipolar markets.

Looking into the future, we expect the granularity in international standards to increase. As a result, the ownership in the solutions achieved in the international fora will be more universally accepted by the regulators globally.

We also believe in the merits of bilateral dialogue between policymakers and regulators early on in their respective legislative processes. Such regulatory co-operation on financial services should be anchored, hopefully in not too distant future, in the trade agreements we are negotiating with EU's key partners.

2. Investment plan and Capital Markets Union

The Junker Commission put forward this ambitious initiative to get Europe growing again. The Investment plan for Europe is targeted towards infrastructure (broadband, energy networks and transport infrastructure). It will also cover other areas such as:

- education, research and innovation
- renewable energy and energy efficiency
- projects helping young people find work.

The EU will support this with the investment fund for Europe.

The first strand of work is mobilising €315 bn of additional investment over the next three years in the form of a European Fund for Strategic investments (EFSI), belonging to the EIB group and leveraging (x15) €16bn from the EU budget and €5bn from the EIB.

The investment plan is also linked to the Capital Markets Union.

Last week Commission made public its ideas how to advance with that initiative. I will not run you through its detailed proposals but let me set out its key premises:

The CMU aims at creating a genuinely integrated single market for capital. This will ensure that funds flow to where they are most needed and can be used productively in funding the growth of companies (large, medium and small) and long term projects.

CMU is a classical single market project, for all 28 Member States, to remove barriers to cross-border investment within the EU. It should support sustainable growth and job creation by maximising the benefits of capital markets for the economy.

CMU is built on the firm foundations of financial stability created by the Banking Union and the financial reforms of the last five years. The single rulebook, which is currently being completed, needs to be effectively and consistently enforced.

Ultimate goal: to put in place by 2019 the building blocks of an integrated and well-regulated single market for capital for all 28 Member States, to diversify the funding of the economy and reduce the cost of raising capital.

Last but not least, developing market financing does not mean reducing bank financing or putting banks at a disadvantage. In fact, measures such as a framework for high quality securitisation could provide scope for banks to lend more where they transfer risk safely off their balance sheets.

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Thank you for your attention and I wish you inspiring discussions today.