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Acting without delay to clean up financial markets

Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

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The College has not yet had its first formal meeting so it would be premature for me to set out today a precise agenda or a finalised work programme for the months and years to come. Nevertheless, my preparations for my new post have left me with a number of convictions:

1. First – the crisis is not over and it will have long-term effects on growth.

It is essential that we clean up the financial sector with intelligent and effective regulation which does not stifle innovation. This is an essential condition for relaunching sustainable growth. It will also be an asset for our financial sector.

2. Second - the crisis was global but it has not had the same effects on all areas of the world. It has accelerated the emergence of new actors.

We have to set ourselves the objective of bringing sustainable answers to the crisis with, not against, all our partners – old and new. It is only together that we can build a set of coherent rules at an international level.

3. Finally, citizens and companies have moved away from the internal market. Whereas the internal market is our best protection in times of crisis, it is not always easy to see its tangible benefits.

Faced with these challenges, we need to act. And to act without delay to find all the answers to the crisis but also to build a more competitive Europe. We need to act effectively – without forgetting the principles of better regulation: we do not want to add useless burdens when access to finance is essential for the recovery.

With these objectives in mind, I have derived some initial orientations. I have decided to focus today on the crisis, and how we respond to it. But our work should be understood in a much broader framework: I want to give a new momentum to the internal market so that it is at the heart of the new economic dynamism essential for Europe.

1. An immediate priority: concluding unfinished business: we need to equip Europe with an effective supervisory system and effective regulation of alternative investment funds

The facts are simple: The Commission made proposals based on the Larosière Report. The Council found an agreement. The Parliament is now working on the issue and will provide added value: that is its role. Then, together, we will need to quickly find the right balance. For that, all sides will need to display openness and flexibility.

A lot is at stake: by building a supervisory system for the financial sector at a European level, we will make Europe the first region in the world to benefit from such an integrated approach.

A further G20-commitment was to regulate alternative investment funds. We will have to work together, and quickly, in order to find an agreement on this text and I am convinced that we have the means to put in place appropriate and effective rules.

2. Closing the regulatory loopholes so that no market, no territory and no institution escape supervision

In addition to the ongoing work, in the coming months, we will need to close the regulatory loopholes and pursue our determined action against non-cooperative jurisdictions, be they tax havens, which my colleague Algirdas Šemetas will lead on, or non-cooperation on prudential matters.

This is essential so as to strengthen the robustness of our financial system.

We need to promote the standardisation of derivatives and to develop central clearing parties for these products. These issues are essential if we want financial stability.

We will also need to revise the MiFID Directive with the aim of strengthening transparency on financial markets, in particular for alternative platforms.

On a more general note, all our regulatory efforts must be coupled with a greater focus on sanctions, which need to be more harmonised and more effective. The credibility of the rules we introduce depend on it.

And I can assure you that I won't avoid the difficult issues such as short-selling.

3. Establishing common rules at an international level which guarantee the solidity of the financial sector and do not worsen pro-cyclicality

We cannot and we must not make our efforts to regulate the financial sector in an efficient and intelligent way alone.

One of the strongest conclusions of the G20 was the shared commitment to reform together and to ensure convergence of accounting standards at an international level. To this end, we need to find the right balance between a faithful representation of a company's financial situation and wider financial stability. This issue will be at the centre of our discussions in the coming months.

Similarly, we will ensure the follow up of international decisions aimed at strengthening the solidity of financial institutions and in particular their own funds in the framework of CRD IV. And we will have the opportunity to put in place rules on dynamic provisioning in order to be better prepared for the crises of tomorrow.

4. Improving risk management and the internal control of financial institutions, including remuneration

On top of supervision and regulation by public authorities, I am convinced that if we want to prevent future crises, financial institutions themselves, and other companies, need to change. We need stronger corporate governance.

We may need to think about targeted measures to strengthen the responsibility and the independence of management boards, and look at the role of shareholders and external audit.

And I am convinced that binding rules on remuneration across the financial sector would also be an incentive for taking less risk.

5. Preventing and managing future crises

I wish to make progress on the sensitive issues of crisis management.

There are different issues we can think about: i) having tools for early intervention, ii) or tools which allow for the restructuring of banks in case of insolvency, iii) or harmonising insolvency procedures.

We will need some time, but we cannot afford to not make progress in this area. Moreover, the common interest will need to prevail if we wish to progress on these issues.

Ministers, I have in a few words described my priorities for the next few months and the principles underlying them.

They may seem ambitious but the stakes are considerable:

- Let us ensure that Europe continues to be a world leader in financial services, thanks to a combination of innovation and intelligent regulation. This is the way to ensure that our markets remain attractive in the future;
- Let us ensure that the European economy has the means to promote growth and a new dynamism thanks to a high-performing and responsible financial sector;
- Let us ensure that we can identify the risks of tomorrow so that we can avoid another crisis of the magnitude we have just witnessed.

Finally, let me underline that although I have concentrated this intervention on the most urgent subjects, many others are also essential. Financial regulation is also about improving the daily life of European citizens. I am thinking in particular about the conclusion of the SEPA project and the PRIPS initiative, which will simplify the daily lives of citizens and bring them the transparency and security that they should expect from Europe.