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Single market and an EU common position: for the benefit of all

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The reference to a united EU prudential framework seems rather awkward after the deal of the Heads of State or Government on the new settlement for UK in the EU. Since 1957, the common goal of all EU members has been to create a Single Market in order to boost growth and provide stability. A broad and even playing field assures a better allocation of credits and greater diversification of client bases and risks. Concerns grow about whether this will still be the case in the future. To recognise some diversity in prudential treatment across the EU may make sense because it allows the reality to be better taken into account. The goal should not be a 'one size fits all' regulation and supervision. However fair competition requires a single rule book and a single methodology, it also requires trust amongst all the Member States. Sadly, this is currently lacking, as the difficulties of the Commission and EBA illustrate, for example the voting system enshrined in Regulation (EU) No 1022/2013 of the European Parliament and of the Council of 22 October 2013 amending Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority). The new article 44 of the regulation freezes the fragmentation rather than contributing to preventing it. To design a mechanism to prevent the euro zone from behaving like a block is sound. But the idea that it will always behave as a united despot is more emotional than rational.

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The place given to the "SMEs Supporting Factor" (tool to boost lending to SMEs), to trade finance or market making is a choice for elected decision makers. Of course, they should make their choices based on sound information and knowledge. The Financial Stability Board and the Basel Committee, for example, have been asked to provide inputs to enable decision makers to make a well informed choice. Ultimately, it is up to the decision makers, at the European level EU Ministers and MEPs, both accountable to their voters, to agree on a mix of regulation and supervision. In this context, it is worth restating that the issue of European influence at the global level is key. Despite this the EU still lacks a clear, strategic vision. The global, EU and national levels are all intertwined. A sound global framework allows for sound regulation at home. It is as simple as that. The overly inward looking perspective of the EU (refugee crisis, up-coming elections, referendums concerning membership to the EU) means it has not yet conceived any policy to make its voice heard. There are currently lots of EU voices around the table at the IMF, FSB and so on; but they contribute more to background noise then a strong, visible position.

A more audible EU at the global level will directly contribute to ensuring a sound legal framework in the EU. Such a framework would benefit all Europeans (clients and the financial industry as a whole) and allow more, desperately needed, growth. A strong EU has global benefits. Let’s work to be credible and generate growth for citizens all over the world.