

Transcript of interview with Klaus Regling, ESM Managing Director

CNBC, 16 November 2016

Interviewer: Carolin Roth

CNBC: Let's talk about banking regulation because banking stocks in the US, but also on this side of the pond rallied quite hard in the past week on the prospect of less regulation. And in Europe you could argue banks have been overregulated. Are you in favour of less regulation here in Europe on banks?

Klaus Regling: No, not in general. We have more regulation today for a reason – there was not enough until 2008 and 2009, and this contributed to the global financial crisis. Since then, in the G-20, but also in Europe, the Basel Committee, we are all moving together to regulate markets better, including the banks. Of course, one has to be careful to get the balance right, not to go too far. This can happen; the pendulum which had swung too much in one direction in the last decade may be going too much in the other direction. But this is a difficult balance and one has to see to get it right, but I would not say that in general we have gone too far. What we hear from the Trump campaign may be early indications, but we have to wait for the details of what they intend to do. Obviously, it will have an impact on Europe and we do not want that European banks have to carry a heavier burden than US banks. I think it's very important to have a level playing field here.

Let's stick with the banking sector, because the Italian banking sector too is suffering a crisis in confidence. Now we're seeing measures being put in place to raise capital levels on part of Unicredit and BMPS. Are you confident that these banks' needs will be met by the market, or do you think that as part of the ESM, you'll have to step in?

Well, first I think one has to be a little more nuanced, we don't have a general problem of the Italian banking system. In general, banks in Europe are much stronger today than they were 10 years ago. Overall, European banks have doubled their capital; this is a big number: €600 billion. It has been added to the capital of banks and therefore it has doubled. The capital ratios are approaching the numbers of the US industry; they are getting very close. So overall, I think it's important to realize that they are stronger than they were a few years ago.

Now, in several countries, we have a few isolated problems. You talk about Italy; certainly we know about one big bank that has some problems. There are probably a number of smaller banks, but it's not a generalised issue for the Italian banking system as such. To deal with these is never easy because it requires money. We have a new resolution regime in Europe that makes it more difficult, on purpose, to use public money. That was the whole idea – to agree on a new resolution regime that makes it more difficult to use public money. So we want to rely less on public money because that's what we had to do during the crisis. It was unavoidable, but we are all determined not to repeat that.