

“The Future of European Banks” - ESM Conference

Luxembourg 22 October 2014 - ESM Managing Director Klaus Regling

- Ambassadors, regulators, representatives of the banking community and colleagues from the Luxembourg government and European institutions – welcome!
- Thank you for joining us today for the first conference organised by the European Stability Mechanism to discuss the theme: “The Future of European Banks”.
- We decided this was the right moment to bring you all together because, in just a few days, the European Banking Union will take a major step towards reality.
- And who better to lead today’s discussion than one of the spiritual fathers behind this entire project, Jacques de Larosière?
- Few of us will ever have a career with so many headlines:
 - ✓ Deputy French Finance Minister (1974-1978)
 - ✓ IMF Managing Director (1978-1987)
 - ✓ Governor of Banque de France (1987-1993) during the Maastricht negotiations
 - ✓ And then President of the European Bank for Reconstruction and Development for another five years until 1998
 - ✓ And these are just some of the highlights
- M. de Larosière made a very deep contribution to society in each role. I will pick just one example that some of you may not know remember – M de Larosière was in charge of the IMF in the early 1980s when a very deep economic crisis gripped South America and other emerging markets. In some important aspects this was similar to our European crisis in the last few years.
- It’s no exaggeration to say that his leadership and innovative approach at the IMF mandate steered many countries, like Mexico and Brazil, for example, back towards stability.

- In 2009, just after the financial crisis he wrote “The de Larosière Report” – together with a few other well-known Europeans – calling, among others, for the creation of a European Systemic Risk Board. The de Larosière report proposed many of the instruments and bodies now being introduced as part of the banking union
- Although he is past the official “retirement” age, M de Larosière is still a very active participant in the public debate on the evolution of the financial markets, the banking system and single currency, as Chairman of Eurofi, a think-tank dedicated to the integration of EU financial markets.
- On Sunday, the ECB will release the results of its asset quality review and stress tests. This will disclose the capital position of the major financial institutions across the euro area - more than 6,000 auditors have been involved in this project.
- From the fourth of November, a new era in banking supervision will commence, when the ECB’s Single Supervisory Mechanism will start with the direct supervision of the 120 largest and systemically important banks in Europe.
- This is a key building block in the EU’s Banking Union, to reduce the fragmentation of the Europe’s financial markets, to improve the monetary transmission mechanism and to stabilise the single market.
- The ESM was also established to fill an institutional gap in the euro area’s framework. The world’s youngest international financial institution is based at the other end of Kirchberg, with 135 staff from more than 30 countries.
- The ESM and its temporary predecessor, the EFSF, have disbursed loans of €232 billion to 5 programme countries (Ireland, Greece, Portugal, Spain and Cyprus) in just over three years – three times more than the IMF in the same period.
- Now, the ESM stands ready to support any euro area country that is shut out of the debt markets, with total available firepower at the moment of around €450 billion.

- The ESM has also been given a new role in the Banking Union. Subject to final political approval, our banking team is prepared to consider requests for direct recapitalisation of euro area banks, as a last line of defence. It's a new instrument, along with our capacity to directly fund euro area countries or to support them to indirectly recapitalise their banking sectors.
- We would like to have an informal and active discussion after M. de Larosière has spoken. To facilitate a frank exchange, we are holding today's meeting under what is called "Chatham House" rules, which means that any comments from the speakers cannot be attributed to them. If anyone has any queries, you can check with our communications team afterwards.
- Now, please welcome Jacques de Larosière!