Introductory remarks at ESM Seminar with Andrea Enria

View PDF
30/01/2017
Speeches
ESM
Luxembourg
Rolf Strauch
Member of ESM Management Board
Introductory remarks
ESM seminar with Andrea Enria
30 January 2017

Please check against delivery

Dear Andrea, Dear Klaus, dear members of the press, dear colleagues, ladies and gentlemen.

Welcome to the ESM. This is not the first conference we have organised. But it is the first one in this building. The previous two seminars were in the Philharmonie, on the other side of the Kirchberg. Our own facilities are a bit less glamorous, but very efficient and modern. In short, a perfect symbol of our organisation.

I will only speak briefly, to introduce today's speaker. Andrea Enria has had a long career in the public sector and European institutions. He is the head of the European Banking Authority since it was set up in 2011. He was also the first head of the Committee of European Banking Supervisors, the CEBS. This was one of the three so-called Lamfalussy committees set up in 2004 to simplify the writing of new EU rules for banks, insurers and the securities industry. CEBS was also the predecessor of the EBA. So Andrea has worked at this institute in two different forms. It was always based in London and still is - though this is now about to change, because of the Brexit. In short, it is no exaggeration to say that Andrea is a founding father of

EU banking supervision.

There are many more reasons why it is so wonderful to have you here, Andrea. One is the common background of our two institutions, the EBA and the ESM. Both institutions were set up during the crisis. The ESM was set up as a new institution, a lender of last resort to sovereigns, which is a function that did not exist in the institutional framework of EMU. It played a crucial role in stemming the euro debt crisis that started in 2010. Without the support we provided to five countries, the euro would likely have fallen apart.

The EBA equally played a prominent role in fighting the crisis. It was created in 2011 jointly with other European supervisory institutions as a first step to improve the common financial infrastructure for Europe. Tasked with new responsibilities, it is of course best known for the annual stress tests of the European banks. With Banking Union, euro area countries then took the next step and created the Single Supervisory Mechanism.

Still at the European Level, EBA remains the institution enforcing the single rule book and you also determine parameters of stress testing. This new set-up in prudential supervision has made European banks much safer than before the crisis.

But the common ground between our two institutions is not just because of our history. It is, secondly, also because of the interest that we take in European banks, in our case specifically for programme countries and because of the impact they have on the European economy.

In some of the programme countries, banks were the main problem. This required significant know-how at the ESM on the industry, during the negotiations and later during programme implementation and post-programme monitoring.
The ESM has two instruments that are directly designed to deal with problems at banks. Only one of these, the so-called Indirect Bank Recapitalisation was used, in Spain. In Greece and elsewhere we also recapitalised the banks, even though the instrument used in these cases was a regular loan as part of an adjustment programme.

Our programmes resolved many problems at the banks. Banks in programme countries are now much better capitalized. Still, it will still take some time until one can argue that all problems have been addressed and the banking system is entirely cured and healthy in those countries.

Given all this, it should be no surprise that we spent some considerable time on analysing Europe's banks internally. But it's something the outside world does not normally hear about. We are here to listen to what Andrea has to say about the current state of Europe's banks. So I won't pre-empt that. Judging by the newspaper headlines, you would be forgiven for thinking that a next banking crisis is around the corner. Here at the ESM, we emphatically think that is not the case.
It is of course true that European banks are still slowly catching up with their U.S. peers in terms of profitability and leverage. And they are still dealing with legacy issues. Many have difficulty adapting their business models to a new market reality determined by tougher regulation and, importantly, new technologies.

Certainly, in some countries such as Italy there are problems with individual banks that need to be sorted out. But that's not to say there's a sector-wide problem in those countries. I will leave it at that, because I am sure that Andrea has much more to say on these issues.

Let me finish by making two housekeeping remarks. This event is on the record. Anything we say may be reported. And second, we encourage you to send Tweets. You may use the hashtag that you see pasted here on these big screens: #ESM_Enria.

With that Andrea, I hand over to you.

Author

Rolf Strauch
Chief Economist and Management Board Member

Contacts

Cédric Crelo
Head of Communications and Chief Spokesperson
+352 260 962 205
c.crelo@esm.europa.eu

Anabela Reis
Deputy Head of Communications and Deputy Chief Spokesperson
+352 260 962 551
a.reis@esm.europa.eu

Juliana Dahl
Principal Speechwriter and Principal Spokesperson
+352 260 962 654
j.dahl@esm.europa.eu