

Financial and Banking Union and its importance for the completion of the EMU

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On October 12th 2017, the latest session of the working group on the Economic and Monetary Union (EMU), organized jointly by the European Office of Konrad-Adenauer-Stiftung (KAS) and the Federal Association of German Industry (BDI) took place. The speakers (Daniel Gros, CEPS), Timo Löyttyniemi (SRB) and Oliver Schuster (Advisor to MEP Othmar Karas) discussed together with the audience the importance of the Financial and Banking Union with all of its implications.

The session was chaired by Klaus Günter Deutsch (Head of Department 'Research, Industrial and Economic Policy', BDI) and Oliver Morwinsky (Research Associate at the European Office of KAS). Under the title "Financial and Banking Union and its importance for the completion of the EMU" Daniel Gros (Director of the Centre for European Policy Studies, CEPS), Timo Löyttyniemi (Vice Chair of the Single Resolution Board, SRB) and Oliver Schuster (Advisor of the MEP Othmar Karas) held a lively debate on the future development of the European Stability Mechanism (ESM) and the importance of diversity.

Mr Löyttyniemi underlined that the reach of a high level of convergence is essential for a functioning Banking Union. This has to be seen inside the triangle of the architecture of the Banking Union, respectively its pillars. Mr Gros highlighted the importance of a functioning financial system which is able to tackle, or in the best case avoid, the rise of systemic crises. According Mr Gros, the keyword, with regard to the balance sheets of banks, is diversification. The balance sheets of banks are way too often charged with single national assets.

He calls for a fixed threshold. Furthermore the reinsurance scheme was tackled. The

speakers pointed at the difference between a reinsurance system and basic loan payments. Furthermore, the recently published remarks from the European Commission on the "Non Performing Loans" and the thoughts about the transformation of the ESM were discussed with high interest.

The discussion was additionally about the newly initiatives of a European Minister of Finance and Economy, as President of the European Commission Jean-Claude Juncker, proposed in his last State of the Union speech. The French President Emmanuel Macron proposed a unified fiscal policy at his recent speech at the Sorbonne University. According to a representative of the European Parliament these proposals aren't completely new.

To conclude it was made clear that the development of the Banking Union is on the right track and that it needs to be enhanced. Nevertheless, there are still different topics which need to be discussed further on, such as the European deposit insurance scheme or the role of the ESM.