



Inaugural speech by Christian Noyer for the SUERF Jubilee

BdF/SUERF Conference on “The Financial Reconstruction of Europe”

Ladies and gentlemen,

Welcome to the Banque de France and many thanks for participating in this conference on “The Financial Reconstruction of Europe”, organised jointly with SUERF to celebrate its 50th Anniversary. The Banque de France and SUERF are extremely pleased to have gathered together such a prominent group of speakers and audience members, including central bankers, academics and key players in the field.

As you know, SUERF (the Société Universitaire Européenne de Recherche Financière) was created near Paris in 1963. Legally speaking it has always been a French association, although it is also known by its English name, the European Finance and Money Forum. For the last half century, marked by major changes in monetary institutions and the transformation of the financial system, it has played a vital role in fostering dialogue between policy makers and economists from various national and professional backgrounds

Today, the economic, political and technological environment bears little resemblance to what it was in the 60s: for instance, European monetary integration seemed a remote possibility in the 1969 Werner Report; exchange rates were fixed within the Bretton Woods system up to the early 70s; China was virtually a closed economy and capital controls were prevalent until the early 80s; the cold war ended with the fall of the Berlin wall in 1990 and the emergence and rapid rise of the Internet have only taken place in the last 20 years. Last but not least, the Great Recession of the late 2000s and the European Sovereign crisis brought about many changes which have not yet all been clarified...

The current economic circumstances, for instance, require insight into structural changes in the interplay between financial innovation, financial regulation and monetary institutions.

The aim of this conference is to help assess the current financial reconstruction of Europe. To illustrate why we can now legitimately talk about a financial RE-construction of Europe, I would like to spend a few minutes discussing the importance of the banking union. Why has a banking union suddenly become such a priority? Simply because we now know that many of the problems we have experienced recently in Europe could have been avoided with a banking union. First, a banking union would break the link between banks and sovereigns by centralising banking supervision and crisis management at European level. With banking union, banks will be considered as euro area institutions over and above their nationality; it will ensure that credit conditions in the euro area do not depend on where you are but on who you are, which is what should be expected of an efficient financial market.

Second, a banking union will reduce fragmentation within the euro area. A thorough and rigorous balance sheet assessment of the largest European banks will take place within the next 12 months. The ECB, as European banking supervisor, is better placed to assess the risks of cross-border banks notably through the coordination of experts from national supervisors and from the private sector.

Third, a banking union will improve the efficiency of our monetary policy. If our monetary policy impulses are not transmitted uniformly to all of the euro area countries because of negative feedback loops between banks and their sovereigns, it undermines the very foundation of the euro area; remember that three quarters of the financing of the euro area's economy consists of bank loans.

The first pillar of the banking union, the Single Supervisory Mechanism, has now been established. The ECB explained a month ago how the balance-sheet assessment (BSA) will be conducted in 2014, in coordination with national supervisors, before it assumes its new role as European supervisor.

The next important step towards banking union is the creation of a Single Resolution Mechanism with a strong central decision-making body, and a Single Bank Resolution Fund. Indeed, to be efficient and credible, bank supervision and resolution have to be exercised at the same level of authority. If not, that is if bank resolution is left to national authorities, tensions could emerge between national authorities and the European supervisor over how to deal with failing banks. Furthermore, the issue of negative feedback loops between sovereigns and banks could persist, maintaining the fragmentation across the single market. For these reasons, a Single Resolution Mechanism would be beneficial to all, enhancing economic and financial stability in the European Union. A quick political decision on this second pillar is a key element for a successful banking union. The third pillar relates to the harmonisation and further integration of national deposit guarantee schemes and will come at a later stage.

I have no doubt that the high level of the participants at this conference will allow us to dig deeper into many of the issues I have just touched upon.

This morning, we will start by discussing macroeconomic, structural and policy issues, and will then go on to analyse how to restructure the banking sector and ensure a single market for financial services. After lunch, we will look at ways to enhance European governance, before wrapping up by answering the question: "Which Financial Europe for the Future?"

In addition to the analysis provided by prominent speakers, to whom I want to extend my special thanks, an important objective of this conference is to promote discussions with and between the conference participants.

Given the quality and diversity of the audience and those I recognise in front of me, I have no doubt that the exchange of views will be very fruitful. In order to leave as much time as possible for discussions, let me now give the floor to our guest speaker, Mario Monti, former Prime Minister of Italy and also a former Chairman of the SUERF.

Thank you very much.