
Press Release

18/10/2012

AFME releases Position Paper on banking union issues

Introducing banking union in Europe will help resolve the euro crisis by strengthening the financial system and enabling it to contribute more effectively towards economic recovery, according to a paper published today by the Association for Financial Markets in Europe (AFME).

However, key challenges must be addressed to ensure the new banking union framework is effective and strengthens the Single Market across the EU, namely:

- The proposed Single Supervisory Mechanism (SSM) needs to be finalised and implemented quickly, with clear agreement reached on all major aspects of the proposal by the end of 2012. The Paper warns that failure to agree on this timetable would risk reigniting the Eurozone crisis.
- Potential misalignments and systemic weaknesses could appear unless **bank supervision** and **bank resolution** (for failing banks) are developed alongside and complement each other.

Under the European Commission's proposals, bank resolution – at least for the initial phase - would continue to fall within the jurisdiction of each Member State. The inevitable period of transition between establishment of the SSM and implementation of a single resolution mechanism needs to be kept to a minimum, the Paper argues.

AFME's paper on banking union also provides insight on **achieving high quality and effective supervision**, outlining the need for supervision to be well-resourced and based on a clear, reliable mandate. In particular, AFME calls for supervision to have a clear focus on the assessment of the governance and culture of any firm.

The paper highlights how Europe's Single Market must not be undermined as a result of banking union and the development of a Single Supervisory Handbook is a key step towards promoting a level playing field and guarding against fragmentation.

Simon Lewis, AFME Chief Executive, said:

"AFME believes banking union is a vital project for Europe, which should advance market integration, strengthen financial markets and enhance confidence in the EU economy.

"It is therefore essential that Europe's leaders reach agreement as soon as possible on key aspects; that they get the detail right on vital areas like supervisory arrangements; and that they establish a clear roadmap to deal with the other integral components of banking union including the single resolution mechanism."

Contact

AFME

James White

+44 (0)20 7743 9367

Notes:

1. The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.
2. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu
3. AFME's position paper on European banking union can be found at: <http://www.afme.eu/WorkArea/DownloadAsset.aspx?id=7078>