



PRESS RELEASE

**Bruegel presents Policy Brief on European financial regulation
More than one step to Financial Stability by Garry Schinasi**

Brussels, 28 October – Bruegel, a Brussels-based international economics think tank, published [*More Than One Step to Financial Stability*](#), a Policy Brief written by Visiting Scholar [Garry Schinasi](#) on Europe's proposals for financial regulation. Schinasi argues that in order to safeguard financial stability, the EU will have to do more than what it currently proposes: the creation of a new macroprudential supervisor, the European Systemic Risk Board (ESRB), and the strengthening of microprudential supervision through a European System of Financial Supervision (ESFS). He notes that the ESRB will lack binding powers, and the proposed microprudential framework will also lack impact. Therefore, early warning systems will continue to be an unreliable means for avoiding future crises. As a solution, Schinasi proposes a list of priorities for action:

1. Early-warning systems are likely to continue to be unreliable in identifying systemic risks and vulnerabilities in a timely fashion, crises will continue to occur. EU countries must therefore create enforceable mechanisms for resolving insolvent European cross-border SIFIs.
2. In crafting EU financial-system reforms, decision-makers should strive to ensure that central banks retain the independence required to conduct successful monetary policies and obtain the necessary authorisations, discretionary instruments, and policy mandates required to ensure the smooth functioning of financial markets and the stability of financial systems more generally.
3. Assessment, an important element of crisis prevention, is of little value if it falls on deaf ears or if actions required to mitigate the risks and vulnerabilities are not taken in a sufficient and timely manner. One way to safeguard against inaction is to provide specific authority to effect change to the same institutions that make the assessments.
4. Even though early-warning systems cannot be failsafe, Europe should strive aggressively to improve the effectiveness of official oversight of the financial system. This will require extensive reforms in the supervision of financial institutions – not only banking institutions – especially those that are large, complex and systemically important.

Bruegel contact:

Naiara Martinez

Communications and Media

naiara.martinez@bruegel.org

T. +32 2 227 4290

Notes to Editors:**About Bruegel**

Bruegel is a European think tank devoted to international economics. It started operations in Brussels in 2005 as a Belgian non-profit international organisation supported by European governments and leading corporations. Bruegel seeks to contribute to the quality of economic policymaking in Europe through open, facts-based and policy-relevant research, analysis and discussion. Bruegel issues a range of publications. The Bruegel Blueprint Series provides comprehensive analysis and policy recommendations on central questions of the moment. Bruegel Policy Briefs provide concise, topical analysis targeted at an audience of executives and policy decision makers, with an emphasis on concrete policy orientation. Bruegel Policy Contributions are responses to requests by policymakers or public bodies, including testimonies at hearings or responses to public consultation. Bruegel and its researchers also publish working papers, op-eds, collaborative papers with other organisations, and essays. Bruegel's research is independent and does not represent the views of its board or members.

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About Garry Schinasi [\[Download CV\]](#)

Garry J. Schinasi joined Bruegel in October 2009 as a Visiting Fellow. He is presently on sabbatical from the International Monetary Fund, where he has worked since 1990, focusing on global finance and financial stability issues for the past 14 years. For most of this time (1994-2003) he co-managed the IMF's surveillance of international capital markets, including the IMF's flagship publication International Capital Markets: Developments, Prospects, and Key Policy Issues (1994-2001) and later the Global Financial Stability Report. After taking a one-year sabbatical to write a book on financial stability, Garry returned to the IMF's Finance Department where he managed the development of the Department's framework for assessing financial risk in the Fund emphasizing credit risk.