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Consolidating the Financial Union

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Overview

- I. Banking Union: an illustration
- II. Banking Union: perspectives and desiderata
- III. Capital Markets Union

I. Banking Union: an illustration

The case of Greek banks: how the Banking Union would have helped

- SSM: wouldn't have allowed concentration on Greek sovereign debt
- SRM: would handle Greek banks properly in crisis -> take pressure off
- Single Deposit Insurance scheme: domestic DI system not credible -> Eurozone solution would have provided solid construction
- -> Disentangle state / banks; two-sided advantages

II. Banking Union must come

A full Banking Union must come

- as fast as possible
- as credible as possible

Areas of development

- (1) Institutions
- (2) SRF: too small, too late, no backstop
- (3) Liquidity provision during restructuring period: ECB?

Legal constraints seem to be of diminishing importance

III. Capital Markets Union

CMU: an important, and symbolic plan

- Economic case is clear – unified capital market arguably more important than fiscal union
- Useful agenda, but no “Union”
- Lack of ambition? Political contingencies?
- Importance:
 - EU-28 project
 - Reviving the single market
 - Political signal, mainly aimed towards the UK

Conclusion

- Banking Union & Capital Markets Union: two important projects, for very different reasons
- Political contingencies & multi-party decision making seem to matter: analysis is clear and legal basis constraints of diminishing importance

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Links to my research on this subject:

<http://ssrn.com/abstract=2361347>

<http://ssrn.com/abstract=2548251>

<http://ssrn.com/abstract=2575654>

<http://www.voxeu.org/article/greece-and-missing-banking-union>

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