Consolidating the Financial Union

Workshop on Economic Governance of the EU
Bruegel, Brussels, 3 November 2015
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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