

EUROPEAN FINANCIAL INTEGRATION

Mario Nava, with André Sapir

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André Sapir is Senior Fellow of Bruegel. He is Professor Emeritus of Economics at the Solvay Brussels School of Economics and Management. He was Chair of the High Level Group of Experts on the Future of the Belgian Financial Sector (2016). He has been Chair of the Advisory Scientific Committee and a voting member of the General Assembly of the European Systemic Risk Board. He has also been member of the Economic Advisory Group to Commission President Barroso and Economic Advisor to President Prodi.

Course Outline

This 24-hour course is organised around the relationship between market integration and policy integration for European financial services.

The crisis has been a catalyst for change, with new European policies and institutions to improve financial stability, including a banking union with three pillars – a Single Rule Book, a Single Supervisory Mechanism and a Single Resolution Mechanism. These three pillars are analysed from both a micro- and a macro-prudential angles, and are compared to the situation in other jurisdictions, in particular the US and some Asian countries.

The course looks at the Single Rule Book, and in particular at the risk-based single rules for financial institutions (Basel 3 and Solvency 2), and at regulatory initiatives that have made market integration easier and closer to citizens (namely SEPA and other initiatives in the retail payment area such as a greater harmonization of deposit guarantee regimes).

The Single Supervision Mechanism is detailed in respect of both micro- and macro-prudential issues. The Single Resolution Mechanism is examined, including preventive measures (possibly differentiated per type of institution) and early intervention measures.

The course also reviews other initiatives being pursued for the Banking Union, both to deepen it (e.g., European Deposit Insurance Scheme) and to enlarge it geographically and beyond banks (in particular the Capital Markets Union and the European Fund for Strategic Investments (EFSI) initiatives).

The course looks, with an open and critical attitude, at both the issues that have already been addressed and those that are still pending.

At the end of the course, Participants will be able to:

- understand the basis of market and policy integration in the EU
- apprehend policy issues of financial markets regulation and integration
- dissect trends of financial market integration
- critically understand likely future steps and challenges

Course Structure

- I. **Financial liberalisation – Crisis and policy challenges in the EU**
 - a. Liberalisation of the EU financial sector
 - b. The EU financial crisis
- II. **Special features of the Euro Area**
 - a. Fragility of sovereign debt
 - b. The euro sovereign debt crisis
- III. **Structural Problems of EU financial integration**
 - a. Too many players?
 - b. Debt overhang
- IV. **Reform of the EU banking regulatory environment**
 - a. Players
 - b. Instruments: the Rule Book, incl. CRR and BRRD
 - c. The Banking Union, incl. SRM and SSM
 - d. Summing up some policy outcomes
- V. **Macro-prudential policy in the EU**
 - a. Cyclical measures
 - b. Structural measures
- VI. **What is next**
 - a. European Fund for Strategic Investments
 - b. Capital Market Union, incl. Securitisation Revival
 - c. European Deposit Insurance Scheme (EDIS)
- VII. **Missing parts**
 - a. A European FDIC?
 - b. Bail-ins are in, but are bail-outs really out?

Practical exercises session on BRRD/Bail-in and Capital Requirements