

Euro area financial integration stalls during 2016

PRESS RELEASE

19 May 2017

- Mixed developments underline importance of ambitious capital markets union and completion of the banking union
- New quality indicator shows limited private cross-country risk-sharing
- Development of more pan-European banks could help financial integration and foster risk-sharing via retail credit markets

Overall financial integration in the euro area stalled last year, the European Central Bank's (ECB) annual report on Financial Integration in Europe shows. The report was published today at a joint conference with the European Commission in Brussels. After some years of reintegration of financial markets in the aftermath of the financial crisis an aggregate price-based measure of integration was volatile in 2016 and an aggregate quantity-based measure flattened out. These developments were the result of counterbalancing effects within and across different markets, partly influenced by different economic outlooks across countries, fluctuating global risk aversion and political uncertainty. On the other hand, the ECB's monetary policy continued to support financial integration.

The report for the first time introduces a regular analysis of the quality of financial integration, measuring its economic benefits. Two new indicators show that cross-country risk-sharing is still low and private financial risk-sharing is not contributing much to it. Therefore, a large share of income shocks in member states directly passes through to consumption.

These findings underline the importance of completing the banking union and of taking further steps towards an ambitious capital markets union. For example, the current review of important legislation such as the Capital Requirement Directive (CRD) or the Bank Recovery and Resolution Directive (BRRD) should lead to tangible and timely progress, including in harmonising options and national discretions. Moreover, improving and harmonising insolvency rules can support the integration and development of capital markets.

"Banking union and capital markets union are undoubtedly the two central policy initiatives to catalyse financial integration in the EU for the years to come. The two projects should be seen as mutually reinforcing initiatives that can bring the Single Market for financial services to the next level", said ECB Vice-President Vítor Constâncio.

In a special feature the report reviews the process of cross-border bank consolidation in the euro area. Given the significant progress with implementing the banking union, the development of pan-European banks is

still fairly limited. Further cross-border mergers and acquisitions could contribute to much needed bank consolidation in some member countries without creating local competition problems. In addition, they could foster retail credit market integration that bolsters risk-sharing and could make a valuable contribution to resolving non-performing loans. Besides the completion of the European banking union, diminishing options and national discretions in the regulatory framework and harmonising insolvency rules, as mentioned above, other targeted financial sector policies removing obstacles to cross-border consolidation should also be considered. This could include, for example, harmonising consumer protection, addressing legacy non-performing loan problems and considering the euro area as a single jurisdiction for calculating Basel systemic surcharges.

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ESMA finds improvements in regulators' supervisory practices concerning MiFID rules on fair, clear and not misleading information

Providing fair, clear and not misleading information to clients is a cornerstone for investor protection under MiFID. The 2014 Review concluded that there was overall a high degree of compliance amongst the NCAs with the identified ESMA good practices. However ten of the NCAs were not fully applying ESMA good practices relating to the effective application of MiFID rules, i.e. around organisation, supervision, monitoring activities, thematic work and complaints handling.

The Follow-up Report has concluded that the NCAs from Lithuania, Latvia, Malta, Poland, Portugal and Romania have addressed all of the deficiencies previously identified.

For the remaining four NCAs, one (Denmark, Estonia, Greece) or more (Cyprus) deficiencies remain, although significant efforts have been made by Cyprus and Greece. ESMA is confident that these NCAs will address those remaining deficiencies as soon as possible and at the very latest with the new MiFID2/MiFIR regime coming into force on 3 January 2018.

ESMA will continue to check on progress made by NCAs in implementing recommendations of peer reviews and to foster supervisory dialogue on MiFID rules on fair, clear and not misleading information provided to clients as

well as on conduct of business rules in general.

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Follow-up Report to the Peer Review on MiFID Conduct of Business rules relating to fair, clear and not

[misleading information](#)

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[Press release – MEPs want EU to step up its peace-building efforts in Syria](#)

Only a political process led by the different Syrian groups and supported by the UN could end a war in Syria and the EU should take a more active role.

MEPs endorsed the EU strategy for Syria and advocated for a united and independent country in a resolution voted on Thursday. They are convinced that only a political process led by Syrian groups, under UN supervision and based on a new constitution, can lead to free and fair elections. This is the only way to end a war, which already cost 400.000 lives and left 13.5 mln. people in urgent need of food, water and shelter.

The EU, as the largest donor, needs to involve itself more in the Syrian peace process: facilitate the political transition, bring parties closer together, support the Syrian population and prepare for reconstruction, MEPs say. They also hint at some early confidence-building measures, such as unhindered humanitarian access throughout Syria, the end of all city sieges or the release of hostages.

MEPs condemn the atrocities, human rights and international law violations by all parties in the conflict, and in particular the forces of the Assad regime, supported by Russia and Iran, as well as by ISIS/Da'esh and Jabhat Fateh al-Sham. They urge that a Syria war crime tribunal be set up, pending a successful referral of these crimes to the International Criminal Court.

Quick facts

In March 2017, EU foreign policy chief Federica Mogherini presented a [joint communication](#) on an EU strategy for Syria, which outlines how the EU can play a more visible and effective role in contributing to the lasting political solution in Syria.