[Speech by Vice-President Dombrovskis at the Eurofi High-level Seminar 2019 – Bucharest, Romania]

Ladies and Gentlemen,

It is a pleasure to be here in Bucharest – thank you to Eurofi for inviting me once again. Or as they say in Romanian: Multumesc!

I also want to say multumesc to Romania for their skilful Presidency of the EU Council since the beginning of the year. In its first 12 weeks, the Romanian presidency closed an impressive 60 legislative files and reached provisional deals on 12 more. So congratulations to them for this success!

Today I want to focus on how we can help Europe’s financial sector respond to the opportunities and challenges of the future.

But before that, I need to spend a moment on present risks, on Brexit. Recent developments have increased the chance of a no deal. Next Wednesday, European leaders will meet again to assess the situation. Since early on, we have called on the financial sector to prepare for all scenarios, and I call on you to complete preparations urgently in the coming days and weeks.

On our side, the Commission has acted to address financial stability risks, with temporary equivalence decisions for UK central counterparties and central security depositaries. Member States are also taking measures in areas of national competence, and we have provided them with clear guiding principles for action.

But it is also clear that we cannot mitigate all the economic impacts of Brexit.

This makes it all the more important to focus on shaping the future of the EU’s financial sector. In Europe, capital markets are clearly less developed than they are in similar economies, like the US.

I am happy that on the Capital Markets Union we have managed to reach agreement on 11 out of 13 proposals put forward during this mandate. That is 11 concrete steps towards a single market for capital that can deliver real benefits for Europe’s citizens, companies, and for our economy. I count on the next European Commission to continue to champion this project.

Now it is up to you – market players – to make best use of these new opportunities. I count on Europe’s many capital market companies to develop attractive products, based on our new frameworks for securitisation, covered bonds, or personal pensions.

And I count on our authorities to make active use of the new tools for supervisory convergence. Even though we would have hoped for more ambition, Emir 2.2 and the review of the European Supervisory Authorities are positive steps. Because it is not enough to have a single rulebook, if the rules are not applied in a similar way in all Member States.

Capital markets also have a vital role to play in the transition to a climate-neutral economy. So I hope for many new activities based on our recent deals: on EU low-carbon benchmarks, and on investment managers disclosures how they factor in sustainability.

Now, Member States need to make progress on our proposal for a sustainable finance taxonomy. This is about giving climate-conscious investors clarity on where to direct their money. And it is about unleashing the many business opportunities offered by the transition to a climate neutral economy.

I will make full use of the remaining months of my mandate to move this agenda forward. In June, our technical expert group will publish a report that includes climate-related disclosures for companies, and EU green bonds standards, amongst other things. Our experts are also working on an EU label for green financial products.

In the future, I see three challenges for our work on Europe’s capital markets union:

– first, the EU needs to strengthen its capacities in terms of funding sources for companies, market infrastructure, and financial market supervision.

– Second, we need to keep boosting local and regional capital markets in all parts of the EU. Here in Romania, my services are helping to strengthen the supervision of capital markets. Actually today I had a meeting with Bucharest Stock Exchange to discuss how exactly European Commission can support the local capital markets in Romania. As another example, they are helping Estonia, Latvia and Lithuania to establish a pan-Baltic capital market.

– And third, a well-developed Capital Markets Union needs to be closely integrated with global capital markets, while protecting financial stability in the EU.

To prepare for the future, we should also keep strengthening Europe’s banking system.

We have made good progress to reduce risks and strengthen its resilience, most recently with the banking package. Thanks to a number of reforms, banks are better capitalised, less leveraged, and overall better prepared to withstand economic shocks.

Before any decisions on further regulatory change, including on the completion of Basel III, we have to consider the impact in detail. And we will have to look closely at what our international partners are doing.

The average level of non-performing loans in the EU is down to 3.3% as of the third quarter of last year, but progress is uneven. We now have a political agreement on a legislation to prevent the build-up of non-performing loans in the future, so called prudential backstop. So I hope that the Council and the new European Parliament can finish what we started, and move forward on secondary markets for NPLs and accelerated collateral enforcement.

On the risk sharing side, we reached an agreement on setting up a common backstop to the Single Resolution Fund, which is currently being implemented. But on the European Deposit Insurance Scheme, progress has been slow – both in the Council and the Parliament. And progress has been equally limited when it comes to allowing banks to integrate further across borders.

To get there, we need to create confidence that shared risks are well managed and controlled, and confidence that financial stability in each and every Member State will be protected as banking markets become more integrated.

Ladies and gentlemen,

Banking Union is certainly not the only trend shaping Europe's financial sector.

Already today, technological progress is probably the most transformative trend. Millions of Europeans contact their bank mainly via their mobile phones, and use the services of companies like N26, Klarna, or Transferwise to perform financial transactions. With new technologies like artificial intelligence, cloud computing, and blockchain, the pace of change will accelerate.

For Europe to seize these opportunities, our first task is to allow innovative solutions to scale up across the single market. And we need to help companies – new and old – to innovate, while protecting consumers and safeguarding financial stability.

One example is our crowdfunding proposal, which the Parliament recently adopted. Once agreed by both co-legislators, this would allow crowdfunding platforms to operate across the EU based on a single license.

Supervisors and innovators should also work more closely together. Already, Europe has 21 innovation hubs and 5 regulatory sandboxes. Just this week, I helped to launch a European Forum for Innovation Facilitators, for supervisors to learn from each other, work together, and reach common views on these topics.

Big changes are also on their way in the payments sector.

Thanks to the revised Payment Services Directive and the General Data Protection Regulation, control over payment and account data is given to each account holder. This creates new opportunities for innovative payment and account information services. We must continue work in this area, to create a level playing field among banks, Bigtechs, and new players.

Europe must act together on these topics. In China, instant payment solutions reaching more than a billion consumers are already reality. With the Single European Payments Area, the EU has made transactions in Euro across borders as cheap and simple as domestic ones. And we have recently agreed to extend this to transactions in euro to and from all EU countries.

Now we must work with industry and stakeholders to scale up instant payments to the European level, reaching almost 500 million consumers. The necessary infrastructure already exists, so the main challenge now is for banks and merchants to take up the new schemes.

Another area for Europe to move on with a joint approach are crypto assets.

Despite the risks, crypto-assets still hold potential, for example as a funding source for start-ups. Between January 2017 and January 2019, the capital raised through initial coin offerings and private tokens amounted to 24 billion euro globally.

We have to make sure that our financial sector rules do not inadvertently hinder this type of useful innovation. And this starts with legal certainty. The European Supervisory Authorities have mapped rules across Member States: some crypto-assets fall under existing law, but most of them, including Bitcoin, do not. This leaves consumers exposed to substantial risks, and to fragmented national rules across the single market.

I have therefore asked my services to prepare the ground for actions by the new Commission: for crypto-assets that are covered by EU rules, we will review our legislation to make sure that it is fit for purpose and can effectively be applied to this type of assets. For crypto-assets that are not covered, we have launched a feasibility study on a possible common regulatory approach at EU level.

Ladies and Gentlemen,

Let me close on a broader note. A few months ahead of the European elections it is time to look at what Europe is delivering for citizens and businesses. Over the past years in the EU, we have managed to find joint responses to the key challenges in the financial sector. This is in spite of the challenging environment for cross-border cooperation.

I would like to thank you for your support. And let’s continue to look ahead, ask the questions of tomorrow, and find answers together.

Thank you.