

CONFERENCE UNDER ARTICLE 13 OF THE FISCAL COMPACT

**SESSION 3 - COMPLETING THE BANKING UNION AND FINANCING THE
REAL ECONOMY**

Background Note

The project for [banking union](#) based on a single supervisory mechanism, a single resolution mechanism and deposit guarantee scheme constitutes the second pillar for stability of the Eurozone, and is no less important than the strict rules on public finance that have already been introduced.

This project should be fully implemented, despite some room for improvement.

Its purpose is to create conditions so that excessive private debt (households and business) can no longer jeopardize the financial stability of banks.

The European Central Bank is conducting an [asset quality review](#) to measure the general level of bank risk, as well as [stress tests](#) to determine how well banks can withstand extreme macroeconomic events.

Currently some tentative first signs are emerging that the [credit crunch](#), which in some countries has harmed in particular less capitalised SMEs, might be beginning to ease up.

In light of this development, the ECB's activation of a new round of [targeted long-term refinancing operations](#) (TLTROs) and its efforts to significantly reduce interest rates are to be welcomed. The effectiveness of the ECB's actions will depend on the extent to which credit institutions use the resources made available to them to reopen the flow of credit to businesses and households.

We should also like to draw attention to the recommendations of the [Liikanen Report](#) on the structural separation of the riskier financial operations of banks from traditional banking activities so as to prevent moral hazard.

In particular, the worsening of the crisis could cut off access to credit for some of the more vulnerable sectors of society. This has led to an increased use of microcredit facilities to finance self-employment and micro-enterprise start-ups.

In light of the above, it seems appropriate to raise the following questions:

- a) Can the time-scale for and the decisions relating to the EU banking union be considered satisfactory?
- b) Is there agreement on the Liikanen report recommendation for the prevention of excessive risk-taking in the financial sector by separating traditional banking activities from speculative trading?
- c) Is it agreed that microcredit should be encouraged, and that a common EU regulatory framework in this area would be useful?

