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Challenging Tasks Ahead

Governor,
Ladies and gentleman,
I am here today to talk about the topics that cause you some headache. I am convinced that due to the flood of new regulations your job is getting harder every day. But I reassure you: The last months as finance minister have not been a walk in the park either.

Due to a bank that you all know from the news the budgetary procedures have been extraordinary challenging this year. Due to the creation of a Bad Bank for Hypo Alpe Adria our deficit ratio rises by 1.2% to 2.7%, the debt to GDP-ratio rises by 5.5% to 79.2%.

I am well aware of the fact that Austrian Banks contribute to this budget by a tax that is not very popular with them. But I am also well aware of the fact that until the end of 2013 the Austrian state granted state aid in the volume of EUR 14.4 billion to stabilise the banking system.

We are not very optimistic about the full repayment of this money at the moment. So it is reasonable to insist on further contributions by the financial industry to reduce the costs for the tax payer.

On the other hand, I understand that the financial situation of many banks in Europe is tight because of the aftermath of the financial crises and new regulations like Basel III. Plans on the European level that could bring new costs are seen with scepticism.

The banking union will become a challenging task for the financial industry. Beside the national bank levy the contributions to the Single Resolution Fund as well as the contributions to the European deposit guarantee scheme could be extra burdens for the Austrian banks.

I hear warnings of the CEOs of the banks that new burdens will curb credit growth. But I also hear my coalition partner expecting the banking levy not expiring until incurred costs for the tax payer are covered. It will be a major task to cast these different opinions into one workable agreement.

Apart from the question of financial contributions the banking union itself is an important step for us in overcoming the financial crisis. During the last months we have had heavy discussions in the Ecofin Council over the Details of the Single Resolution Funds.

This Fund is an important step to cut the connection between struggling banks and the tax payer. It is not acceptable that governments all over Europe have to save every single bank and the tax payer is always paying the bill.

The Fund should be the answer to this dilemma. The decision to save or close a struggling bank will be made on a European level. Within 24 hours the future of the bank shall be clear. The financial industry as a whole will contribute to the EUR 55 billion fund. After capital and bond holder bail-in the fund will pay the costs for winding down the troubled institute.

This regime will start in 2015. Over 10 years the banks will have to fill up this fund. After 8 years the fund will be fully established. There have been many voices urging that the banks fill up the fund much faster. Our position was always that we must not overburden our financial institutions because credit growth is essential for the growth of our economy.

For banks that can be saved there should also be a Fund on a European Basis as a back-stop mechanism. The Ecofin Council discussed that in the future the European Stability Mechanism-Fund could not only provide sovereign states but also struggling banks with financial support. This ESM-Restructuring-Fund is the next step on our way to the stabilization of the European banking system.

A key element of the funds is the establishment of a rule for bail-in. Our position always was: In the future, the banks themselves are liable for their risks, not the taxpayers! Creditors of banks must participate in the risks. Savings less than EUR 100.000 will be excluded from the bail-in.

Another important pillar of the banking union is the Single Supervisory Mechanism (SSM). This mechanism should bring an end to the fragmented supervision of banks in Europe, that can be blamed for the big dimension of the financial crises, too. As we have European banks, we also need a European supervisory system to detect the risks on a broader basis.

I know that the European Stress Test and the Asset Quality Review means commitment of resources, bureaucracy and loads of paperwork for banks' employees. But I am convinced that at the end of this process we will have a financial system in Europe that is way more solid than it was before the financial crises.

Let me now come to another topic that kept us busy within the last months – the Financial Transaction Tax (FTT). We have discussed the FTT for a while now and reached an informal agreement at the last Ecofin Council in May. The Ministers of 10 European Member States including Austria agreed on implementing a Financial Transaction Tax by the 1 January 2016.

These Member States are taking part: Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia and Spain.

We also agreed on implementing the FTT in a step by step approach. In the first step the tax will include shares and some derivatives. More technical work is required to specify the details. This will be done in the Council and in the Council working groups. Details should be finalised by the end of 2014.

As expected many Member States criticised this agreement as they oppose the FTT as such. We are willing to hear their objections but are also willing to keep on track.

Further negotiations are necessary. But we also made clear that if individual Member States would like to impose taxation for other products that are not included from the beginning of a progressive implementation, in order to maintain existing taxes, they would be allowed to do so.

We are confident that this will provide a sound foundation for the technical work at the Council that lies ahead of the implementation of this new tax. It shows us that the instrument of enforced cooperation works and is a useful toolkit in a topic where we have different opinions within the Member States.

Finally I want to inform you about a topic that was also relevant on a European level – the topic of Tax Evasion. For years Austria has been criticised by its European Partners because of the position on the Savings Directive.

Since my appointment in December 2013, I have made big efforts to ensure the compliance of Austrian rules with international standards in fighting tax evasion.

In March 2014, we have brought to an end the long-lasting gridlock between the European Commission and Austria about the savings directive. We presented a solution at the Ecofin in March. In April, Austria has signed the FATCA-Treaty with the U.S.A. that ensures an information exchange upon request by the U.S. authorities about U.S. citizens.

We have not been hesitant, we have just insisted on a level playing field, especially with neighbouring countries as Switzerland and Liechtenstein.

Now that a common global standard for the automatic exchange of information will be established by the OECD, Austria is prepared to switch to the automatic exchange of information.

One important point for Austria in the Ecofin council was to avoid the establishment of two different standards that would cause enormous administrative costs for the banks that cannot be justified. Therefore, Austria pushed for the adoption of the broader OECD-standard also on EU-level.

The second main point for Austria was the push for more corporate transparency. An automatic exchange of information must fail as long as anonymous investments are possible by using the corporate veil. It is easy to conceal real beneficial ownership through labyrinthine combinations of anonymous companies and arrangements such as trusts and foundations. Therefore, Austria is pushing for a central trust register to be included in the Anti-Money Laundering Directive to foster the fight against tax evasion.

We have positive signals that also our neighbouring countries like Switzerland and Liechtenstein are willing to negotiate on the basis of the new global standard. Of course, there are some counterclaims, like improving access of their financial institutions to the internal market. But given the emerging new global standard, it seems clear for us that even our neighbours are changing their positions.

Let me draw a balance at the end: Being 6 months in office now, I have realised that the basic conditions for the financial industry are changing fast.

Politicians are dealing everyday with more and more complex circumstances that are essential for the stakeholders, but far away from earning you applause by boulevard media and voters.

More and more tasks are shifted on a European level to keep up with Banks growing bigger and more international and more interconnected.

But I'm convinced that in the end all these parts of the puzzle make sense when being seen as one big picture. Your efforts are as essential as mine to make sure we cut the link between struggling banks and tax payers. Your efforts are as essential as mine to make sure that the banking system is getting more and more stable. And our both efforts are essential for enabling further growth, new loans for companies, new investments and new jobs.

Let's work together on this common goal to make our countries prosperous and worth living.

Thank you.