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Introductory Remarks

Ladies and Gentlemen,
If Mahatma Gandhi was right, when he said: “Honest disagreement is often a good sign of progress”, then the ongoing and controversial discussions on the European Banking Union show that we are progressing on our way to find balanced and deliberate responses at the European level to the weaknesses that have been revealed by the current crisis.

The European Banking Union has been *the* current major issue in the field of banking supervision in Europe in the recent past – or more precisely since the outbreak of the recent crisis. Several developments have already been initiated in this field – but it is also more than clear, that those developments can only be considered as the first step on the way towards an European Banking Union.

When we talk about the European Banking Union, discussion usually focuses on one of its comprising parts: Supervisory, Resolution or Deposit Guarantee Schemes. But a sole examination of each of these parts is not adequate, as they all interact. Therefore, discussion should always comprise them all.

Our today's guests – who I will introduce in detail at the end of this introduction – have made grave contributions to these discussions, expressing their views on the main and unifying questions: Which problems should be addressed by European authorities? Is there any need to leave certain problem-solving at the level of national authorities? And who should pay the costs, and to what extent? In addition, Dirk Schoenmaker recently widened the discussion, as he expressed that the three named pillars of the European Banking Union should be *supplemented by Macprudential competences* of the ECB, in order to close possible gaps between micro- and macroprudential supervision.

We learned from the crisis, that the emerging number and size of *cross-border-active banking groups* calls for an *integrated cross-border supervision, based on harmonized standards*. With the Single Supervisory Mechanism (SSM), we made the first and important step in this field. It is of course desirable that not only banks from a group of member



states, but banks from all member states are subject to supervision by the very same authority. But I guess that there is unanimity in this question, nonetheless this remains an important issue for countries like Austria, who are home to banks that are heavily active in Member States outside the euro area.

Our discussion today will supposedly rather focus on the unsolved issues of the European Banking Union – on Resolution and on Deposit Guarantee Schemes, and how they should be approached.

With regards to the handling of ailing banks, we have to stress that a *European Recovery and Resolution Directive* should be in place in the near future. This will lay down a set of rules how to handle an ailing bank – but the question, who will be assigned to apply this set of rules, will not be ultimately answered by this directive. For the moment, the application will remain at national level, but there are substantial ar-

guments to shift this responsibility to a European authority. A European Resolution Authority would provide a level playing field, and it would also prevent from tensions between the European supervisor and the national resolution authority. But is it likely that an European Resolution Authority would be endorsed unanimously? And what would be the economic effects of the implementation of an European resolution authority?

Furthermore, the future of *deposit guarantee schemes* in Europe has not been decided yet. There have been calls for establishment of an European-wide deposit guarantee scheme, others argue heavily against. For the moment, I think this topic is of secondary importance in comparison to supervisory and resolution issues – where solutions have to be in force the sooner the better.

Ultimately, these questions are always connected to the question: Who pays the costs? A European fund, national funds, governments, investors, banks ...?



As we can see, in all of these fields is more than enough *room for discussion*. Therefore, I am really looking forward to hear the opinions of two distinguished international experts who kindly followed our invitation to share

their views on these important topics with us today.

Charles Goodhart was the Norman Sosnow Professor of Banking and Finance at the London School of Economics until 2002; he is now an Emeritus Professor in the Financial Markets Group there. Before joining the London School of Economics in 1985, he worked at the Bank of England for seventeen years as a monetary adviser, becoming a Chief Adviser in 1980. During 1986, Professor Goodhart helped to found, with Professor Mervyn King, the Financial Markets Group at London School of Economics, which began its operation at the start of 1987. In 1997, he was appointed one of the outside independent members of the Bank of England's new Monetary Policy Committee until May 2000. Earlier he had taught at Cambridge and London School of Economics. Besides numerous articles, he has written a couple of books on monetary history, and a graduate monetary textbook, *Money, Information and Uncertainty* (2nd Edition 1989); and has published two collections of papers on monetary policy, *Monetary Theory and Practice* (1984) and *The Central Bank and The Financial System* (1995); and an institutional study of *The Evolution of Central Banks*, revised and republished (MIT Press) in 1988.

Dirk Schoenmaker is Dean of the Duisenberg School of Finance and Professor of Finance, Banking and Insurance at the VU University Amsterdam. He has published in the areas of central banking, financial supervision and stability, and European financial integration. He is co-author of the textbook *Financial Markets and Institutions: A European Perspective* with Cambridge University Press, and author of *Governance of International Banking: The Financial Trilemma* with Oxford University Press.

He is a member of the Advisory Scientific Committee of the European Systemic Risk Board. Before his appointment at the Duisenberg School of Finance in 2009, he served at the Ministry of Finance and the Ministry of Economic Affairs in the Netherlands.

In the 1990s, he served at the Bank of England and was a Visiting Scholar at the International Monetary Fund.

He studied business economics and law at Erasmus University Rotterdam and earned his Ph. D. in economics at the London School of Economics.