Keynote Address by Minister of State for the Office of Public Works and Public Sector Reform Brian Hayes TD

ERA Conference ‘The European Banking Union – A Turning Point?’

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Introduction

Good morning everyone,

It is my pleasure to be here this morning to give the opening key address to this conference.

Irish Presidency & the Banking Union

As you all know, Ireland is now well into the second half of its Presidency. This is the 40th anniversary of our EU membership and the 7th time we’ve held the EU Presidency.

In the past we’ve held the Presidency during key periods in the Union’s history; when the Berlin Wall fell, Ireland facilitated the unification of Germany within the European Union when others hesitated; and in 2004 when the biggest expansion of the EU took place with the addition of ten new member states. Each time we held the position, we served the wider community interests. Our current Presidency is no different.

It has been this Government’s aim to successfully manage and rebuild confidence around our most important relationship; Ireland’s membership of the European Union. We entered Government when both Ireland and the EU were in a state of crisis. We were determined to meet the crisis head on through hard work, persistence and determination. It’s due to this approach that we are now seeing the first signs of growth in Ireland for a number of years.

This was the same approach we applied to our Presidency. The EU has itself faced an unprecedented financial crisis. It is my belief that Ireland’s emergence from its economic woes is hugely reliant on EU stability and solidarity. This stability and solidarity is to be
found through the European Banking Union. It is only through the successful implementation of these initiatives, such as the Banking Union, can we all as Europeans fully emerge from this financial crisis.

In preparation for the Presidency we were faced with a large number of legislative files and some prioritisation was necessary. For these reasons, the Irish Presidency has prioritised agreement on the legislative measures that underpin the Banking Union proposals. This followed the lines of the priorities outlined in the December Council Conclusions, namely the completion of the Single Supervisory Mechanism (SSM), Capital Requirements Directive (CRD IV) and the agreement of a Council position on Banking Recovery and Resolution (BRR).

It is an approach that has proven to be successful. We believe it is an effective strategy as we can already see progress with some of the dossiers already finished.

Banking Union is important because it will reinforce confidence in the European Banking system and its supervision. It will also help to break the link between sovereigns and banks and foster the reintegration of financial markets. Restoring confidence in the supervision of European banks couldn’t be more important in bringing stability to Europe.

The Single Supervisor is one of the core elements of banking union and a vital step in breaking the vicious link between the banks and the sovereigns.

The agreement on the Single Supervisor provides for an appropriate division of labour between national and EU-wide supervisors agreed by the member states last year. The ECB will be responsible for the Eurozone banking system as a whole and have direct supervision of banks with assets of more than €30 billion, while national supervisors will continue with day to day supervision of smaller banks. The rules on the functioning of the EBA will be adapted and its role reinforced. The EBA will continue developing the single rulebook applicable to all 27 Member States.

The transfer of these responsibilities to a European level is quite a significant legal step in the development of the Banking Union framework.

During the financial crisis, European taxpayers recapitalised banks who found themselves with insufficient capital to absorb losses. This overhaul of EU banking rules through the
Capital requirements package will make sure that banks in the future have sufficient capital, both in quality and quantity.

We had a constructive discussion at the informal EcoFin meeting in Dublin Castle two weeks ago at which Member States reaffirmed their commitment to the urgent completion of all the agreed elements of the Banking Union. To address German concerns, Member States also agreed the text of a declaration reaffirming this commitment and stating that they are also ready to work constructively on a proposal for Treaty change which would allow for a stricter separation between bank supervision and monetary policy.

**Political Challenges Ahead**

The immediate challenges facing us are reaching Council Agreement on Banking Recovery and Resolution and Deposit Guarantee Schemes in accordance with the ambitious timetable set by the European Council conclusions. The setting up of the Single Supervisor will also pave the way for the European Stability Mechanism (ESM) to take on the direct recapitalisation of banks.

Agreement on Bank recovery and resolution Directive will lay the foundation for a single resolution mechanism, details of which will be published by the Commission shortly.

The transposition of the dossiers will also prove to be testing. The Capital Requirements Directive (CRD) has a tight transposition deadline of six months following OJ publication.

This will present a significant challenge for Member State legal actors but is something of urgency due to its subject matter in helping ease the banking crisis and respecting EU international obligations to adhere to our commitments in implementing measures previously agreed to.

The Single Supervisory Mechanism (SSM) further embodies a significant legal workload for Member States to transpose into national law. However we look forward to working with our EU partners in implementing this.

Our challenge is to maintain the momentum but yet arrive at solutions that are useable and credible and help bring financial stability to Europe.
Closing Remarks

As I previously said, 2013 marks the 40th year and the ruby anniversary of our accession to the then EEC. I understand it was the practise in the East to place rubies beneath the foundations of buildings to secure good fortune to their structure. Well, whatever about precious gemstones we as Presidency are working to an agenda that we expect will further strengthen the structures and operation of the EU with an emphasis on stability, growth and jobs.

Thank you for your attention and I hope you will all find the conference interesting and stimulating.