



Press Release No. 09/89
FOR IMMEDIATE RELEASE
March 25, 2009

International Monetary Fund
Washington, D.C. 20431 USA

IMF-Bruegel-National Bank of Belgium Statement at the Conclusion of the Joint Conference “After the Storm: The Future Face of Europe’s Financial System”

The International Monetary Fund (IMF), the Brussels-based think tank Bruegel, and the National Bank of Belgium yesterday concluded the two-day conference, *After The Storm: The Future Face Of Europe’s Financial System*, which examined the public policies needed to achieve a better performing and more stable financial system in Europe.

The conference, which follows in the footsteps of a [joint IMF-Bruegel conference](#) held in February 2007, brought together researchers, policymakers, and practitioners from Europe and around the globe as the world tries to navigate a storm that has hit many financial systems and has delivered significant setbacks to the ambition of creating a single EU financial market. Participants focused in particular on the impact public policies may have, and discussed in detail the proposals to reform the EU’s financial stability arrangements put forward by the Larosière Group, which was represented at the conference by two of its members and its rapporteur.

There was broad agreement among participants that the Larosière report was a valuable basis to strengthen the EU’s financial stability framework, and that progress toward a necessary overhaul of the financial stability framework would underpin a much-needed restoration of confidence.

In addition, conference participants stressed the need to act quickly at a global but also at regional level, and that the EU faces specific challenges but also has the potential to go further in terms of policy actions and does not need to wait for the rest of the world. In particular, the EU needs to act quickly on the Larosière report.

There was general recognition of the need to improve macro-prudential oversight. Nonetheless, participants had many questions about how the proposed European Systemic Risk Council would function in practice, what policy instruments it may use, and how effective it would be.

There was also consensus that the EU’s Memorandum of Understanding-based cross-border crisis management arrangements had been of limited practical benefit. There was significant

support for more binding alternatives. There was also consensus that the EU needed special resolution regimes for banks, including for cross-border banks.

The tension between the desirability of more integrated financial stability arrangements and national fiscal responsibility was seen as an important stumbling block. Various potential ways to address the problem were discussed, but it was argued that significant progress was possible without a perfect alignment between fiscal and prudential structures.

There was significant concern that the proposed review of host country powers over branches risked undermining the single passport, and therefore the single market. Several speakers argued in favor of EU-level depositor protection as a possible way to safeguard the single passport. It was also pointed out that the crisis might result in excessive intra-country consolidation, which would reduce competition. From that perspective, cross-border consolidation was seen as a superior alternative.

There was significant concern about the possible consequences of extensive government ownership in the financial sector. Participants stressed the need for financial institutions to be run on a sound commercial basis

Considerable discussion was devoted to trade-offs between competition, crisis management, and financial stability. Participants were appreciative of the European Commission's efforts to preserve a level playing field but recognized the limits this action faced. Views differed about whether competition was intrinsically beneficial or detrimental to financial stability.

The program of the conference and most of the speeches are available at <http://www.imf.org/external/np/seminars/eng/2009/eurfin/>