

**Liikanen Group Report:
“A major contribution to a sound EU banking sector”
– Monique Goyens**

“I saw my mission within the Liikanen group as being to represent the views and expectations of consumers and taxpayers. Moral hazard, implicit guarantees, funding subsidies were all concepts to describe one single reality: banks too big or too interconnected to fail relied heavily on taxpayers to help out in cases of financial disruption, whether caused or not by the banks’ risky activities. This was not only totally unfair – the risk should be borne by the risk taker – but also a distortion of competition among those banks that did not benefit from these implicit guarantees.

I strongly believe that the recommendations of the group to separate proprietary trading and significant other trading activities correctly address the phenomenon of implicit guarantees. This will protect the deposit bank, and so its depositors, from the more risky activities of trading entities while still allowing the former under certain conditions to engage in trading activities that are client-driven.

I am also confident that the proposals of the group are balanced. We devoted a lot of energy to defining the recommendations proportionately - small banks or those with limited trading activities are exempted - and to see to it that the diversity of EU banking models would not be endangered.

Beyond these core recommendations, the group has also identified additional ones related to bail-in instruments, enhanced capital requirements, particularly for real estate related loans. But also on governance and control of banks, be it in the area of risk management, incentive schemes, risk disclosure or sanctioning. All these, where implemented, would contribute to a more sustainable banking system in Europe.

It is now up to the Commission to take ownership of these recommendations and engage in the process of translating them into EU legislation after the proper democratic processes have taken place. The pressure from the financial sector will be tremendous to try and prevent the adoption of rules that would strengthen the regulatory framework and limit their business that was for too long “as usual”. The real economy more than deserves that this pressure be properly resisted by our law-makers.

Being a member of the Liikanen Group was a most enriching experience. I would like to express my acknowledgements to all my “punctual” colleagues for the respect they have shown the consumer perspective in our sometimes dense discussions. My special gratitude goes to our Chair, Erkki Liikanen, who managed to control all these strong and outspoken personalities with authority, competence, diplomacy and humour.”

Monique Goyens
BEUC Director General
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