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President of the European Council

**Speech at the occasion of the inauguration of the
Single Supervisory Mechanism, European Central Bank**

It is a great pleasure to be here and to take the floor at this important moment. Today's inauguration of the Single Supervisory Mechanism signals a revolution in Europe's financial architecture. Just as importantly, we are celebrating the opening of a new chapter in the wider history of European integration. The banking union is the biggest leap forward since the creation of the euro.

Let us not forget how implausible it seemed five years ago. Even in the wake of "Lehman Brothers", the biggest shock to our financial systems since the 1930s, (even then) the notion of centralised banking supervision was politically un-thinkable. Just five years ago, it was unthinkable. It may be good to remember this, now that it is reality. The idea had already been put forward before, but unfortunately great ideas often require a crisis for them to become reality... It is regrettable, but not entirely surprising.

Banking supervision is not just a technical matter between public authorities and financial institutions – that is a crucial aspect of it (the reason why we are gathered here among ourselves today), but it is not the only one. In the end, establishing banking supervision, with its corollary: banking resolution, is a deeply political affair. It touches upon the relationship between people-as-tax-payers and people as savers, consumers and investors; it is about trust, accountability and solidarity.

Perhaps "trust" is the key word here: the trust underpinning all credit. What if people can no longer trust their banks? What if people can no longer trust their currency?

In our modern societies, with their millions of daily transactions and their infinite networks of contractual relations, it would quite simply be disastrous. Hence the dangers of the years 2008-2012, when trust was at stake regarding banking and the eurozone. The Banking Union was and is all about restoring trust: also trust in our capacity to act.

I am pleased this inauguration event happens to take place at the very end of my mandate – in ten days from now, I will be succeeded by Donald Tusk. These past five years were dominated by the gravest crisis in the history of European integration. Almost from the day I entered office, in January 2010, we had to fight for financial stability and even for the integrity of the Eurozone. And it was only in this context that the decision to move banking supervision to Union level became conceivable, yes, became even necessary.

Let me briefly evoke the particular drama of that moment. In the Spring of 2012, we had two years of fire-fighting behind us. We had worked on the front of crisis management and rescue mechanisms, leading to the Treaty on a European Stability Mechanism – an instrument of solidarity among our countries. We had worked on the front of prevention, leading to new budgetary rules and macro-economic surveillance in the "six-pack", the "two-pack" and the Treaty on Stability, Coordination and Governance – our instruments on the side of responsibility.

But that spring, despite all these efforts and new instruments, despite all the efforts of the Member States under programme or pressure, the risk of a eurozone break-up was still perceived as real. The fall of the Greek government, in February 2012, unleashed new uncertainties. Worries concerning the Spanish banking sector also crept in. The pressure seemed never-ending.

What struck me during that period in contacts with leaders, is that, slowly, the realisation was sinking-in that we were facing a systemic crisis. It was not just the sum of individual countries getting in trouble, but the architecture of the monetary union itself that was at stake. It was the (belated) discovery that the eurozone is more than the sum of its parts but a collective body – with its own life. This may seem self-evident seen from the "Eurotower" here in Frankfurt... – but up until then it was not the experience of political leaders in our capitals – let alone their public opinions. This is where the Report of the Four Presidents drew its full significance.

At a special summit in May 2012, I engineered a mandate for the four of us – the heads of the Commission, the Eurogroup, the ECB and the European Council – and I kept up the pressure for the June deadline. We presented the first report a few days ahead of the June summit. The report was called, as some of you will remember, Towards a Genuine Economic and Monetary Union and it identified steps on financial sector policies, on fiscal and economic policies, and on democratic legitimacy.

The June 2012 summit was perhaps the most important European Council of my five years in office. As always, leaders came with different priorities and expectations to Brussels. I was not at all sure how far we would get. But something remarkable happened. In that meeting, leaders sensed that the moment called for a qualitative breakthrough. They also realised it had to be on banking union, the most urgent issue of all. It became a very long night. Tensions quickly became apparent – as is natural when the stakes are so high. Some wanted to start with banking supervision, to prevent new problems, others preferred action on greater solidarity in the area of banking, to overcome troubles from the past.

In such a situation, you often have a blockage, a double "no". But in the middle of the night, we could decide to do both. We tied two political decisions together: the creation of a single supervision mechanism for all eurozone banks and the possibility for failing banks to get capital directly from a common rescue fund.

Our decision surprised many: markets, commentators, and in fact even our own people were surprised. Most of the Council's press service had been sent to bed around three o'clock, because no decision was expected!

At an improvised press conference, at dawn, I read out the final statement. Within ten minutes after its publication, the markets started to pick up... It was one of the few occasions when a European decision was "ahead of the curve" of market expectations – the other one being the May 2010 decision with the 500 bn € rescue funds.

And I will never forget, a couple of hours later on that Friday, Mario Draghi walking into my office, right before the start of the summit's last working session. A man under huge pressure, for the first time in the eight months during which I'd seen him at work, he now looked relieved. "*Herman,*" he said, "*Do you realise what you all did last night? This is the game-changer we need.*" The commitment of political leaders to European banking supervision created the opening he needed for his own institution to step up its role in the crisis – with words, now famous words, and with action, the OMT, which both came that summer. It was a turning point. Let me salute here all the work which has been done between that Friday morning 29 June 2012 and this 1st of November, by hundreds, thousands of people:

The Commission proposal which came solidly and quickly, the legislative work of Council and Parliament which we kept following, the work between all national supervisors – many of whom here today – the impressive banking health check which you completed and all the practical arrangements to successfully set up the Single Supervisory Mechanism – all this in the space of less than 30 months since the June 2012 Summit.

To EU standards, this has been done with the speed of light! And in fact, not only to our standards but to all international standards. In America, between the establishment of the dollar and that of federal banking supervision lie almost 150 years; in Europe, between the creation of the euro and the SSM: only fifteen!

So you will understand: it is for me a particular satisfaction to celebrate this breakthrough today, at the very end of my European mandate, which has been so much shaped by our crisis response. It feels as if "*la boucle est bouclée*", as if we are coming full circle.

I am even tempted to open a wider circle. When I was a student of economics at Leuven University, I studied in detail the famous 1970 Werner Report – the first serious study on an economic and monetary union in Europe. One of my Professors was a member of the Werner group – so we all heard the arguments first hand. Rereading it now, I rediscovered that, already in 1970, for a monetary union, mention is made of the need to harmonise the regulations for credit institutions! Again, between the young student then and the end of a working life today, *la boucle bouclée!*

I also want to take this occasion, on these premises, to thank the European Central Bank and in particular its two Presidents, Jean-Claude Trichet and Mario Draghi, for their role in taming the crisis of the Eurozone and shaping a new, European currency for the world financial system. The European Central Bank maintained price stability in spite of all sort of headwinds. Today the new challenge is to keep doing so when the inflation rate is well below 2% – another paradoxical surprise of economic life.

Your institution always stuck to its principles, but never in a dogmatic way. All of us – the other EU institutions and the member states – entered from early 2010 in uncharted waters. We all took unprecedented decisions, setting up unprecedented instruments. You took many "non standard measures", and perhaps we are not at the end of the road.

For a Central Bank, being independent does not mean being disconnected. That's why the ECB presidents attend meetings of the European Council, the Euro Summits, the Eurogroup and of the European Parliament.

The work is not over. The "Four Presidents' Report" on a genuine Economic and Monetary Union is a roadmap for the upcoming years. The next frontier will be to move towards closer economic policy coordination – in fact, another topic that has been with us ever since the 1970s monetary union debates, but which today gets real urgency!

Europe has proven that, faced with an existential threat, we were capable of taking courageous decisions – such as the banking union. The challenge will now be to bring back sustainable growth and jobs. Here also we must put aside taboos, ideology, obsessions, and be pragmatic and result-oriented. Without growth and jobs, the European idea itself is in danger. But we can overcome this threat too. The new challenge will be to be as courageous in less dramatic circumstances, to go beyond well-known sensitivities involving sovereignty and solidarity, toward a common, higher goal.

May I even broaden the scope more? Economic policies are not an aim in themselves. Financial stability is not an aim in itself. We are doing this to safeguard and increase prosperity for all Europeans, to consolidate and deepen our European project, which brought peace to the countries of our Union. Technical-economic work is but a means at the service of higher values in human life, it is not a goal in itself.

When we keep this fundamental inspiration in mind, when we remind ourselves why we are doing all this, we will not despair, we will create hope. Thank you.
