Press Release

Financial Sector believes: Banking Union cannot be stopped

Large majority expects single supervisory and resolution mechanisms until 2020 / Persistent reservations about centralized deposit guarantee schemes

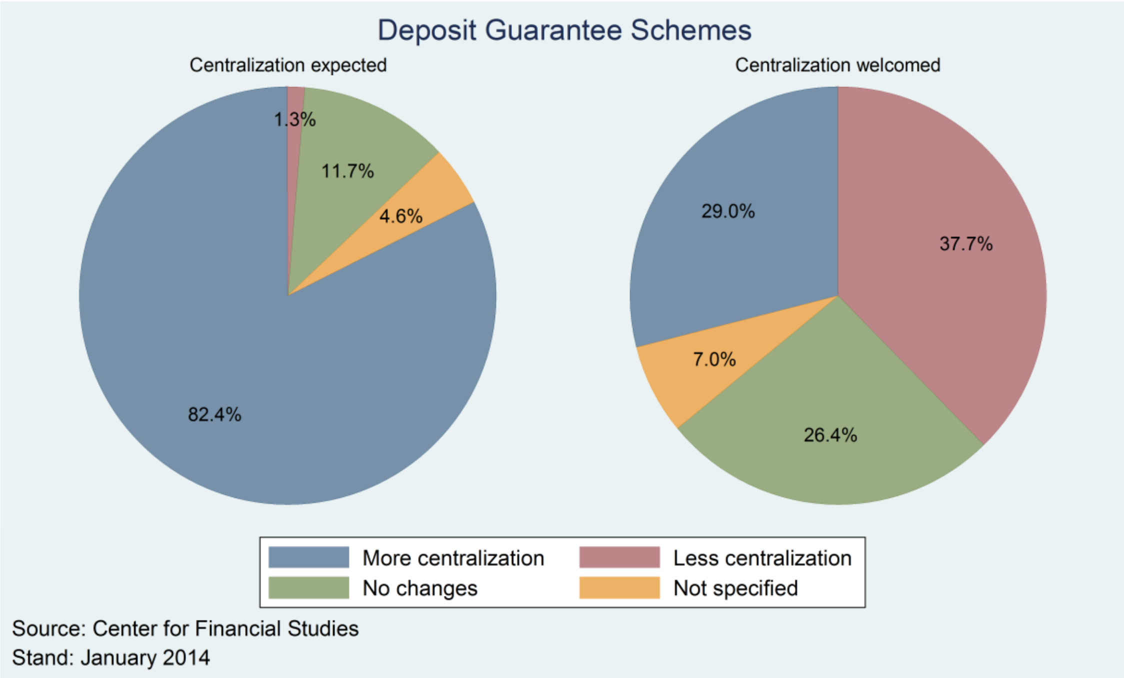
FRANKFURT, 27 January 2014. Financial institutions and service providers at the financial center of Germany believe the shift of competencies from the national to the European level in the context of the European banking union to be unstoppable. In a special survey of the Center for Financial Studies' CFS-Index a large majority of the respondents expressed the expectation that there will be a stronger centralization in the medium term regarding banking supervision, banking resolution and deposit insurance. The rate of approval to these measures, however, is significantly lower. Especially a centralization of deposit guarantee schemes is not favored by the majority of those questioned. With regard to the schedule a relative majority prefers the implementation of the single supervisory and resolution mechanisms until 2020.

Banking union expected – but not desired

About three quarters of the surveyed decision makers from financial institutions and service providers at the financial center Germany expect, in the area of **banking supervision,** an increasing shift of competencies from the national to the European level in the medium-to-long term. However, this centralization is welcomed by only 40 percent of those asked. A third would prefer a decline of centralization.

In the area of **banking resolution** even 93 percent expect a shift of competencies to the European level in the medium-to-long term. 45 percent are in favor of this development, 30 percent would prefer less centralization in the area of banking resolution.

Centrally organized **deposit guarantee schemes** are also being foreseen by a clear majority. About four fifths expect that there will be a shift of competencies in this area from the national to the European level in the medium-to-long term. Less than one third, however, is in favor of such a development (29 percent). 38 percent would prefer a decrease of centralization, 26 percent wishes no change from the status quo.

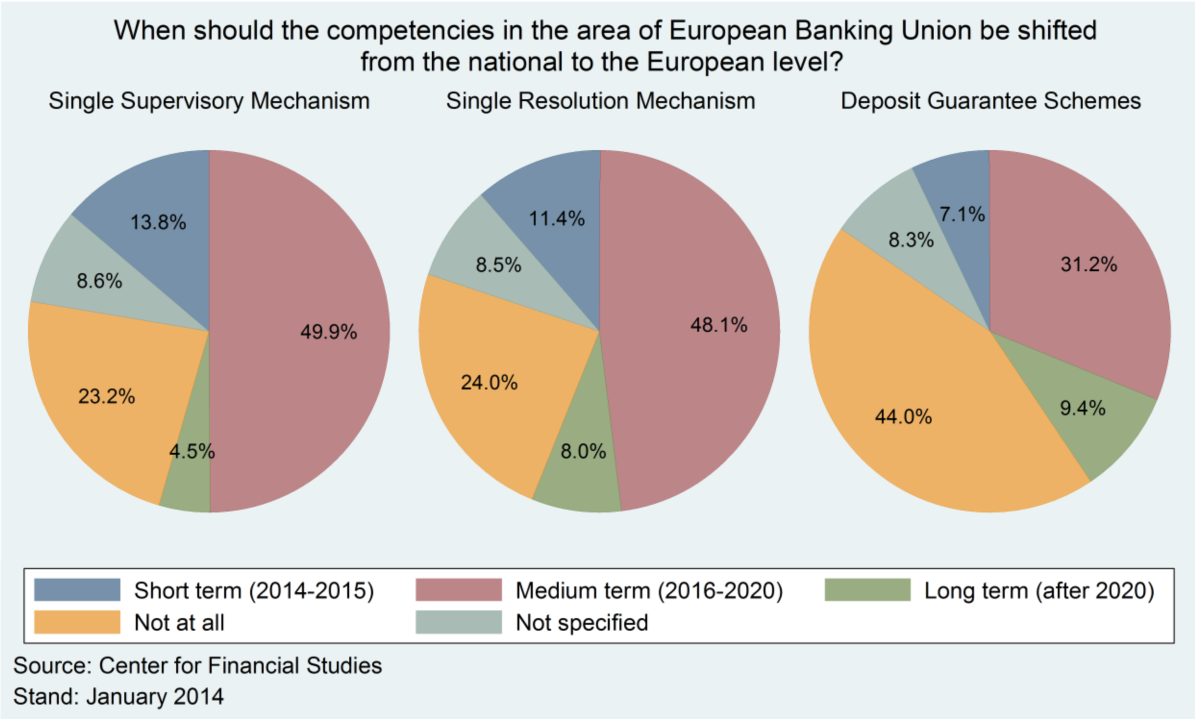


“The expectations expressed by the financial industry demonstrate that the banking union cannot be stopped any more“, Jan Pieter Krahnen, Director of the Center for Financial Studies, said.

Single supervisory and resolution mechanisms should be set up by 2020

Regarding the question when the European Union should shift competencies from the national to the European level, a relative majority argues for the medium term from 2016 until 2020. In each case, 50 percent of the respondents are in favor of this time frame, about one eighth prefers a faster shift of competencies in this area, even less argue for a slower one. About one quarter, in both cases, completely objects to the measures.

When it comes to a centralization of deposit guarantee schemes, the results are very different: One third is in favor of a shift of competencies to the European level in this area until 2020, 7 and 9 percent favor a sooner, respectively a later implementation. 44 percent totally object to a shift of competencies from the national to the European level in the area of deposit insurance.



A single supervisor does not harm competitiveness

When asked which effects the centralization of banking supervision and the implementation of a single supervisory mechanism at the European Central Bank has on the competitiveness of European banks in the global market, about two thirds of the interviewees answered "no effects" (36 percent) or "a strengthening of competitiveness" (28 percent). Only 30 percent fear a weakening of international competitiveness by a single supervision.

"It is a positive sign that a majority in the financial sector does not expect a weakening of European banks in the global competition by the stronger orientation towards stability that is expressed by the centralization of banking supervision", Jan Pieter Krahnen said.

Profile CFS
The Center for Financial Studies (CFS) conducts independent and internationally-oriented research in important areas of Financial and Monetary Economics, ranging from Financial Stability and Banking Regulation, Household Finance, Law and Economics of Financial Organizations and Trading and Pricing in Financial Markets to Monetary Policy and Financial Markets. CFS is also a contributor to policy debates and policy analyses, building upon relevant findings in its research areas. In providing a platform for research and policy advice, CFS relies on its international network among academics, the financial industry and central banks in Europe and beyond.

About the CFS Index
The CFS Index is based on a quarterly management survey of currently 400 enterprises of the financial center of Germany. The survey contains four questions about the participant's view on different business parameters (transaction volume, profits, employment and investment in product- and process innovations). The answers to the questions may be given as "positive", "neutral", or "negative" and a response is requested for the previous and the current quarter. Due to construction, the maximum index value is 150, the minimum index value is 50; a value of 100 signalizes a neutral business sentiment. The survey-panel consists of enterprises and institutions of the financial industry and selected companies, which profit from the financial sector.

We express our thanks for financial support of the project to the Helaba Landesbank Hessen Thüringen.

For further information, please contact:
Marcus Fleig
Center for Financial Studies
House of Finance
Goethe University Frankfurt
email: fleig@ifk-cfs.de
phone: +49 69 798 30061
www.ifk-cfs.de/cfsindex