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Es gilt das gesprochene Wort

***Securities Industry and Financial Markets Association***

**New York - October 28, 2010**

Mr. President,

Mr. Bentsen,

Ladies and Gentlemen,

A very good morning to all of you.

I arrived from Europe late yesterday evening. I am very happy that my first meeting here in the United States takes place at SIFMA.

I am well aware of the important work your organisation and your members are doing.

And how instrumental you are in promoting a global dialogue on the issues of financial markets and regulation.

I was in the United States in May this year. I promised to come back on a regular basis. That is why I am here again.

To continue the fruitful dialogue and take stock of progress. And share with you what we have been doing in Europe during recent months.

### **Where do we stand today?**

The crisis was **international and called for an international response**. And we responded together. In the G20-framework.

G20 Leaders will meet again in a couple of days. To take stock of progress. And underline the need to continue reforms.

### **Reforms are being delivered. In the United States, in Europe, in Asia.**

But we cannot allow ourselves to be complacent.

This happens too often with reforms. There is consensus at the start. However, during the process. People turn their attention to other things. Results are not immediately visible, because reforms need time for implementation. Reform fatigue sets in.

That is the danger.

Yet, we are only **half way down the road** to build a safer and more stable international financial system.

Much progress has been made. But in some areas, much more remains to be done. In particular, dealing with **remaining macro-economic imbalances or instable exchange rates**. Or the current price fluctuations on certain **commodity markets**.

**But let me turn back to progress made.**

It has been significant.

And importantly, we have progressed together.

**I would like to mention three major achievements:**

1. First, we have **strengthened financial supervision** in Europe. The creation of the three new authorities – for banks, for insurances and for the securities markets – is a decisive step towards a safer and more integrated European financial market.

And in the longer term, this will mean a single point of contact for cross-border financial groups and regulators from outside Europe.

The new authorities will be in place from 1<sup>st</sup> of January 2011.

In addition, a **European Systemic Risk Board** is being set up. It will monitor threats to financial stability in Europe. Where needed, it will issue risk warnings and targeted recommendations. It should work closely with the Financial Stability Oversight Council that has been established in here in the United States.

2. This leads me to the **second major achievement**, which has taken place here. Our American friends have made a significant step with the adoption of the **Dodd-Frank Act**. I know that many details require some time.

But I want to salute the determination of the US Administration and of Congress to reform the financial system.

I hope that the reforms in the EU and the USA will be **concluded**. Un-doing them would give a very bad signal for financial stability throughout the world. The US and the EU must show leadership and finish the job of repairing the financial system. Citizens will not forgive us if we don't continue.

3. This brings me to the **third achievement**, namely the effective and fruitful **EU-US cooperation**. We – Europe and the US – must and do **work together reforming the financial system**. The agreement on capital requirements reached in the Basel Committee is essential.

We will propose next year the necessary legislative proposals to translate the agreement into European law.

And I trust that our US colleagues will do the same on this side of the Atlantic. I have noted Treasury Secretary Tim Geithner's commitment to this effect before the US Congress. And I intend to raise this point again with him and with Chairman Bernanke when we meet tomorrow.

**We all have our local differences that need to be accounted for. But global financial institutions need to be subject to broadly the same requirements across the world.**

**These achievements should not hide the fact that we still have a lot to do.**

I see in particular **three main areas** where more is needed:

1. First, **accounting standards**. I will attend the meeting of the IASB Monitoring Board and Board of Trustees later today.

I expect that the US authorities – in particular the SEC – take the necessary step in order to **transpose in the United-States international accounting standards**. This is an **essential element** of global reform.

Why? Because if accounting standards are different, then capital requirements become different too. And **what is the point of agreeing on capital requirements, if their application leads to different results because of different accounting rules?**

2. Second, **derivatives markets**.

In Europe, we have put on the table a proposal on OTC-derivatives. I have worked closely with Chairman Gensler to ensure that it is consistent with the approach taken here in the United States.

I do hope that progress on both sides of the Atlantic – **implementing the Dodd-Frank Act here, negotiating our regulations in Europe** – will maintain a **consistent regulatory approach**.

This is crucial, because 80% of derivatives trading takes place in the United States and Europe.

Our proposal deals with requirements on Central Clearing Parties and Trade Repositories. It is only **one part of our strategy**.

**Other key aspects**, for example additional capital requirements for contracts not centrally cleared, pre- and post- market transparency and trading of OTC-derivatives on exchanges or electronic platforms - **will be addressed in upcoming proposals on reviewing the capital requirements directive and the so-called MIFID Directive**.

I want to be clear on this point because I hear voices here in the United States saying that the OTC derivatives parts of the Dodd-Frank Act should be given a light implementation because the EU is being less ambitious.

**That is simply not the case**. Our processes are different but our level of ambition is the same. The EU and the US are working together and in parallel to reform OTC-derivatives markets.

3. Third, we have recently put forward in Europe **proposals for a crisis management framework**. This is an area where the United States have considerable experience through the system operated by the FDIC.

The FDIC exists since several decades and has a lot of experience. Its competencies have been expanded in the Dodd-Frank Act.

The challenge ahead is **to make resolution mechanisms operational in a cross-border context**.

Winding down a small or medium-sized local bank is tough. But the **real challenge** lies in having a credible system to **resolve large financial institutions**.

Institutions that operate in **several jurisdictions at the same time** and that are **systemic for some or all of these jurisdictions**.

In Europe, our environment is inevitably **more complex**. Especially when it comes to **sharing the costs** of winding down a failing cross-border bank. This is an area where Europe must make progress. And this would also allow further progress at international level.

Let me also mention briefly the European rules on **hedge funds**. It is a proposal which has been followed with great interest here in the United States. On Tuesday, we (finally) reached a political agreement.

**And I am happy to say that we have obtained an open, non-discriminatory approach as regards fund managers and funds located outside Europe.**

**Finally, a word on the regulation of Credit Rating Agencies.** European rules on supervision and conflicts of interest were adopted in 2009. I know that similar rules were introduced in the Dodd-Frank Act.

However, similar to the discussions going on here, we believe that reflections need to be pushed further on the **role of ratings**. We want to look in detail at the **impact of ratings** on some markets, such as sovereign bonds, where announcements have widespread consequences for markets and countries.

We want **more competition**, we want to lower barriers to entry in the market and reduce the market power of the existing agencies. And we need to look at the **issuer-pays model. Finding workable and credible alternatives.**

We will start **consulting stakeholders** on these issues in a few days. Because it is essential that we look at ways of how to do things differently.

**Ladies and Gentlemen,**

Let me conclude by stating the obvious.

**We cannot revert to the financial system as it was before the crisis.**

The result must be a **fundamentally different** system. Better supervised. With risks closely monitored. With financial institutions properly capitalised. But also with the correct incentives for market operators.

On **getting the incentives right**, let me finally stress one aspect of reform where, personally, I think that more could be done here in the United States.

I am referring to **compensation policies**.

Of course, competent people should be rewarded. I do not wish to express myself on what level of pay is too generous. But the way compensation is structured can give **wrong incentives and lead to excessive risk taking**.

**Excessive risk** is at the **expense of shareholders** who have to provide additional capital. **Excessive risk** is at the **expense of society as a whole**, as we saw in the crisis. It is in everybody's interest that these risks are kept under control.

In Europe we have taken **determined steps to reduce bankers' bonuses**. Based on the FSB-principles, we now have **binding rules** that will apply to bonuses paid in 2010.

**I know that in the US, this is a very sensitive issue.**

**However, if we do nothing, it means that we have not drawn the right lessons from the crisis.**

I for one, remember that it was **excessive risk taking** that caused the crisis. Speaking here a stone's throw away from Wall Street, I call on you to also remember.

**Remember that an unfair and unstable financial system brings bubbles and crises.**

**But that a fair and stable financial system delivers prosperity and growth.**