



European  
Commission

# Building a resilient Europe in a globalised world

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“Imagine a financial system where financial institutions help create growth and prosperity for the countries they operate in and for the individuals populating them. **Only a financial system** that is **well managed and resilient** to shocks **would provide** a solid foundation for strong and **sustainable economic growth** and the **prosperity** brought by such growth”.<sup>(1)</sup>

What is a **resilient** financial system?

A resilient system should be able to adapt dynamically to major changes **while continuing to function,** albeit in a modified way

(1) “Building a More Resilient Financial Sector: Reforms in the Wake of the Global Crisis”  
Editors: Aditya Narain, Ms. Inci Ötoker, Ceyla Pazarbasioglu, International Monetary Fund, 2012



# Insufficient resilience? What went wrong?

- Highly **complex and opaque** financial system
- Excessive **liquidity risk**
- Over-**leveraged** and highly **interconnected** financial system
- Large complex financial institutions “**too important to fail**”
- Risks shifting towards **shadow banking** sector





## Caveats:

- We **can not eliminate all risks** (risk is an intrinsic feature of a financial system!)
- We can not forget ***black swan*** events



# How to achieve a resilient financial system?

- Reduce the **probability** of new shocks
- In case of shock, moderate its **impact**

Acting on **individual institutions** (supervision), but also on the **overall system** (macro-prudential policy)

To achieve resilience we need **coordination** and harmonized rules





## Main progresses



- Increased quantity & quality of capital (**CRDIV**)
- Higher bank loss absorbing capacity: bail-in (**BRRD**)
- Enhanced deposit protection: **DGSD**
- Enhanced supervision, breaking the sovereign-bank loop: the **Banking Union**
- Addressing interconnectedness & contagion: bail-in and resolution funds (**BRRD**)
- Reducing complexity: bank **structural separation** proposal

# Completing the agenda

- **Implementing** what has been agreed
- **Monitoring**
- Completing the **Banking Union** (e.g. Single DGS, common backstop to SRF)
- Monitoring and assessing **new risks**
- Launching the **Capital Markets Union**



# The role of scientific research

Supporting regulators in **identifying**,  
**measuring** and **mitigating** systemic risks







Thank you for your attention!