

Mr Michel Barnier
Vice-President of the European Commission
BERL 12/181
B - 1049 Brussels

24 October 2014

Dear Vice-President Barnier,

On the completion of your mandate

On behalf of Finance Watch's Members and Friends, I am writing to congratulate you on completing your mandate as Commissioner for Internal Markets and Services and, if I may, to offer some reflections from our organisation's perspective as a public interest advocate in financial regulation.

As has been widely acknowledged, the intense and productive period of EU rulemaking over which you presided has substantially delivered the G20 agenda, a long list of items drawn up after the worst financial crisis for 80 years. Although the financial sector is far from transformed, the regulatory environment is stronger than before.

As one might expect during such a regulatory rollercoaster, some parties disagreed with the Commission on some issues (ourselves included), some items were compromised and some items have yet to be completed. However we should welcome the fact that the EU is on its way to completing an up-to-date financial rulebook that should bring benefits to its citizens for many years to come.

We hope that any impact review of the rules and proposals introduced during your mandate will not happen too early. These rules need time to take effect and, as the Commission's economic review recognised, the public benefits of regulation are often long-term, hard to quantify and only noticeable by their absence. The costs of implementation on the other hand are real, upfront and fall mainly on private (and often vocal) stakeholders. We trust that the new Commission's principles for Better Regulation will ensure proper time for observation and that the Commission will resist external calls for a premature assessment.

Loopholes, however, do not require such patience. While your team worked hard to harmonise rules and to regulate across borders, the business of regulatory arbitrage will continue as before and we urge lawmakers to respond quickly when repairs are needed.

We also hope for momentum in completing the important but unfinished reforms from your mandate. At the top of this list is dismantling the EU's system of too-big-to-fail banking, a source of ongoing financial risk and economic distortion. If the EU wants to achieve sustainable economic growth in all its member states, it must complete the work begun by your team on bank structure reform and leverage ratios, as a complement (and not a substitute) to the work on total loss-absorbing capital and shadow banking being led by the FSB. EU citizens have paid dearly for bank failures via public bail-outs and five years of recessions, and economic recovery seems far off for the majority of people. Citizens should not have to wait longer for major sources of resource miss-allocation and financial instability to be addressed.

The Commission's new First Vice-President, Frans Timmermans, has been asked to lead the Better Regulation initiative with the aim, among other things, of tackling rising anti-EU sentiment after this year's European elections. We are convinced that frustrations about the economy and a sense of citizen disempowerment also weighed on voters' minds and we therefore hope that Mr Timmermans will make Better Regulation synonymous with strong, simple regulation that serves the public interest, and not a deregulatory agenda promoted by special interests.

For example, a strong, single EU law on bank structure would pave the way for a diverse and competitive banking sector and prevent national laws from undermining the EU single market. It would also ensure that the economic benefits of the Commission's bank structure proposal can be realised for citizens in all member states.

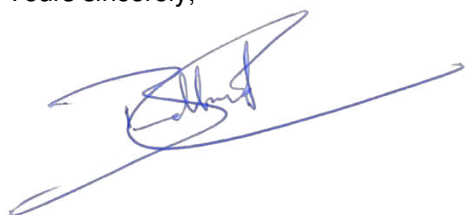
The new Commission has pledged to take measures on transparency of lobbying. Its actions in this area will build on steps that you took against the lobby imbalance, including support for Finance Watch and our civil society partners, and we hope it will be the first of many measures to target the democratic deficit.

Inevitably, much of the Commission's 2009-2014 work in financial regulation was shaped primarily by the crisis rather than promoting jobs and growth. That balance is changing and Finance Watch looks forward to working with your successor on ideas that can help sustainable economic recovery. For this to succeed, the financial regulation agenda must reflect the needs of all stakeholders and we will play our part in advocating the kind of patient, low-cost, non-speculative, relationship-based financing that the productive economy needs.

The Commission should now ensure that it focusses on "horizontal" legislation from the perspective of citizens. To continue your work, we need rules that will help citizens choose the right investments, remove taxpayer guarantees, reduce systemic risk, finance the real economy and stop useless speculation. Rules that *make finance serve society*.

With best wishes for the future.

Yours sincerely,



Benoît Lallemand
Acting Secretary General