



To the members of the
European Federation of Building Societies

Brussels, 14 December 2012

Paper of the four Presidents on the financial market union - final report and roadmap

Dear Member,

On 6 December 2012 the President of the European Council Van Rompuy published a final report on the completion of the Economic and Monetary Union (EMU) elaborated in close collaboration with the President of the European Commission Barroso, President of the Eurogroup Juncker and the President of the European Central Bank Draghi. The mandate was accredited to the statesmen at the EU summit of 28 June 2012 by the heads of State and Government. The measures foreseen in the paper shall secure the stability and integrity of the EMU. Yet, the measures to be taken gradually shall be considered as non binding recommendations which will be used as the basis for discussions, held at the EU summit of 13 December 2012 in order to create a roadmap.

Thus, a first step towards the creation of a financial market union was the establishment of the banking supervisory authority in the Euro zone as proposed by the European Commission on 12 September 2012. The supervisory task would be transferred to the European Central Bank and the latter would start with the supervision at the latest on 1 January 2014.

The direct recapitalization of banks would consequently be applied at the earliest at this date. The necessary legal framework would need to be conceived until 31 March 2013.

The paper also recommends for the creation of a financial market union a EU-wide harmonization of national resolution funds. Additionally, starting from 2013 a common unitary resolution mechanism should be set up alongside with a single European resolution authority. On long term, the resolution fund shall be financed by risk based fees of the banking sector.

Further, the harmonization of the national deposit guarantee schemes would be necessary. In this respect, the four Presidents pledge for a fast finalization of the legislative process on deposit guarantee schemes. Yet, a common European deposit guarantee fund is not mentioned in the paper.

Further recommendations concern, inter alia, the establishment of a EU budget framework which would grant financial support to Member states in order to neutralize

country specific economic shocks. In return, they would be obliged to undertake reforms. The European budget could be financed by national levies or own resources. At the same time, the appointment of a Minister for Finance would be essential.

However, the Roadmap of the European Council of 14 December 2012 (Roadmap for the completion of EMU) only consists of short-term measures. The actual legislative proposals, such as the establishment of the banking supervisory authority, CRD IV/ CRR and crisis management, shall be terminated promptly. Further, the roadmap provides that a framework for the direct recapitalization of banks needs to be established and that the European Commission shall explain itself on the Liikanen-report. In addition, a unitary resolution mechanism shall be created in 2013 which will be financed inter alia by means of the financial sector. Moreover, after a consultation of the Member States, another roadmap with possible measures accompanied by a timetable shall be presented at the EU summit in June 2013. One of the measures shall concentrate on the ex ante coordination of the national economic policy among the EU Member states.

Please find enclosed the final report and the roadmap.

The European Office will be pleased to answer any questions you may have on this matter.

Yours sincerely,



Andreas J. Zehnder
Managing Director

European Federation of Building Societies

Annexes

- Final report "Towards a genuine economic and monetary union"
- Roadmap for the completion of EMU