

Global Financial Services Policy Context

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My Own Context

- No direct fin. reg. / central bank experience
- Work for Bruegel & PIIE
 - Independent, research-based, policy-oriented think tanks
 - Respectively based in Brussels and Washington DC
- Research focus on financial sector policies
 - Global perspective, with emphasis on EU reforms
 - More micro than macro
 - Bias towards advanced economies
- Due disclosures
 - Board member of global trade repository arm of DTCC
 - Personal investment in growth equity funds (Newfund)

21st Century Systemic Crises

- 2007-2009: Great Financial Crisis
 - Actually, North Atlantic Financial Crisis
 - Japanese (1990s) and Asian (1997) crises = resilience
 - Mostly resolved in US, UK, Switzerland by 2009
- 2009-2017: Euro Area Crisis
 - Media headlines: all about sovereign debt
 - Reality: bank-sovereign vicious circle in monetary union
 - Loss of market access: Greece, Ireland, Portugal, Cyprus
 - Contagion to Spain, Italy, potentially France
 - Mostly resolved (banking sector soundness) by 2017
- March 2023: brief US systemic crisis

Long Policy Cycles (1/2)

- Deregulation until 2007-2008
 - Expansion of non-bank financial sector in the U.S.
 - EU harmonization through bank-friendly compromises
 - Endorsed in global prudential standard: Basel II
- Post-crisis re-regulation
 - Basel III 2010-2017
 - US Dodd-Frank Act: proposed 2009, enacted 2010
 - EU regulation + supervision reform, most proposed 2012
 - Capital Requirements Regulation 2013
 - Bank Recovery & Resolution Directive 2014
 - Single Supervisory Mechanism 2013 (implem. November 2014)

Long Policy Cycles (2/2)

- US: pendulum swing back to deregulation
 - Started with Fed stance from 2017-2018
 - Not reversed under Biden administration, despite crisis
 - Failure of “Basel III endgame” proposal of September 2023
 - On steroids since early 2025
 - Deregulation, desupervision, broader institutional erosion
- Echoed but not mirrored in Europe
 - UK initiatives, EU discussions on “competitiveness”
 - Fresher memories of systemic financial fragility
- Global level
 - FSB: “modernization”, “consensus shift”

Spotlight on EU(27)

- Crisis-driven structural reform in early 2010s
 - New capital and resolution framework
 - Single Supervisory Mechanism (+resolution) in euro area
- Less in 2014-2019 & 2019-2024
 - Gradual adoption of Basel III
 - Integrated AML framework
- Two main discussions in current term
 - Capital markets supervision: MISP proposed end-2025
 - Banking sector “competitiveness”: July 2026 paper

EU Single Financial Market?

- “Savings & Investment Union” = distant vision
 - Many legislative frameworks remain national
 - “Banking union” still incomplete
 - Non-bank supervision more fragmented (unexpected!)
 - Taxation, pension frameworks, consumer protection, corporate & bankruptcy law, housing policies
 - UniCredit purchase of Commerzbank a game changer?
- Sense of urgency from geopolitical context
 - Letta & Draghi reports of 2024
 - Genuine shifts in national positions, e.g. Germany
 - But structural reform is hard!

Global Financial Stability Risks

- Frothy markets
 - Equity & credit price levels
 - Supported by AI-led growth expectations
- US deregulation & desupervision
 - US prudential framework no longer global best practice
- Deteriorating fiscal positions
- Geopolitical disruptions
- Banks well capitalized – on the face of it

Financial Deglobalization?

- Financial globalization lagged the trade side
 - Now, trade deglobalization is disputed
- No broad-based reversal at this point
 - Central role of the US dollar
 - Global market infrastructures: CLS, SWIFT, derivatives
- Increasingly visible fragilities at the seams
 - Geopolitics, weaponization of financial sanctions
 - Erratic governance undermines investor confidence
 - Recurring chatter about US capital controls since 2024