Press release | 02.10.2012

Banking sector reform

Liikanen report proposals welcome but more ambition needed to reform banking sector

Commenting on the report of the European Commission's high-level group on bank structural reform (the Liikanen report), Green finance spokesperson **Philippe Lamberts** stated:

"This report outlines a number of important proposals that would contribute to the overdue reform of the banking sector. However, more ambition is needed in key areas like bank structure and remuneration if the EU is to take banking reform seriously.

"Ringfencing trading activities in banks would play a vital role in limiting contagion within and between banks and ensuring retail banking customers are not damaged by losses from investment banking activities in their bank, which have noting to do with them. However, the proposals fall short of what is needed to end the "too big too fail" conundrum. Further measures - such as cap limits on the size of assets that a bank can hold - are needed to reduce the systemic footprint of the banking industry. Exemptions for certain trading activities within retail banking open significant loopholes that would potentially nullify the effect of the ringfencing. This is a major shortcoming. We also regret that more radical - but equally easier to enforce - options such as a total separation of retail and investment banking have not been considered by the group.

"The proposal to use bail-in bonds for bonuses, while it may seem attractive, does not address excessive pay in the banking sector. The Greens remain convinced that it is necessary to set an absolute cap on bonuses, by imposing a strict ban on bonuses that exceed fixed remuneration, as we have tried to introduce in legislation on capital requirements.

"The proposal to force banks to build up a sufficiently large layer of bail-in debt is welcome, as it should help to improve banks' overall loss absorptive capacity.

"These proposals make an important contribution to the urgently-needed reform of the banking sector. However, it is important that any legislative reform is as ambitious as possible and the Greens will work to ensure the deficiencies in these proposals are addressed in any eventual legislative proposals."

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Philippe Lamberts

Member

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