



Cross-border consolidation in Europe

SUERF and BFF Conference
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Cross-border consolidation in Europe

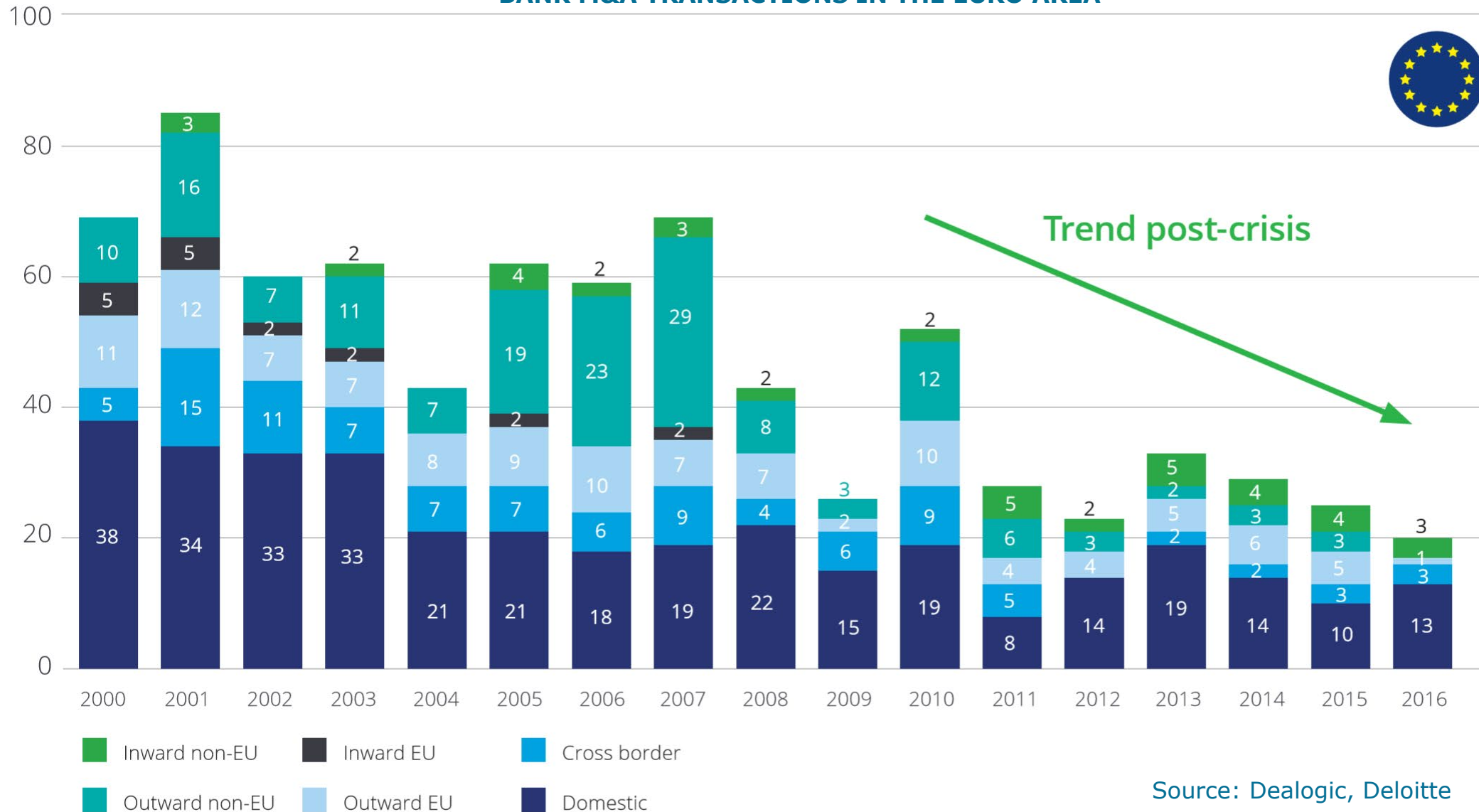


Perspective of 3 decades of European cross-border banking

- ◆ Second Banking Coordination Directive – 1989
 - Single Banking Licence – 1993
 - Home country supervision model
- ◆ Eurosystem - 1999
 - Originally 11 Member States increasing to the current 19
 - However no unfettered movement of liquidity in practice
- ◆ Financial crisis - 2007
 - Sudden end to the European banking integration process
 - Regulatory reform at the top of the agenda... for 12 years!
- ◆ Banking Union – 2014 onwards
 - Development of cross-border supervision in the Eurozone
 - However banks stay in domestic markets

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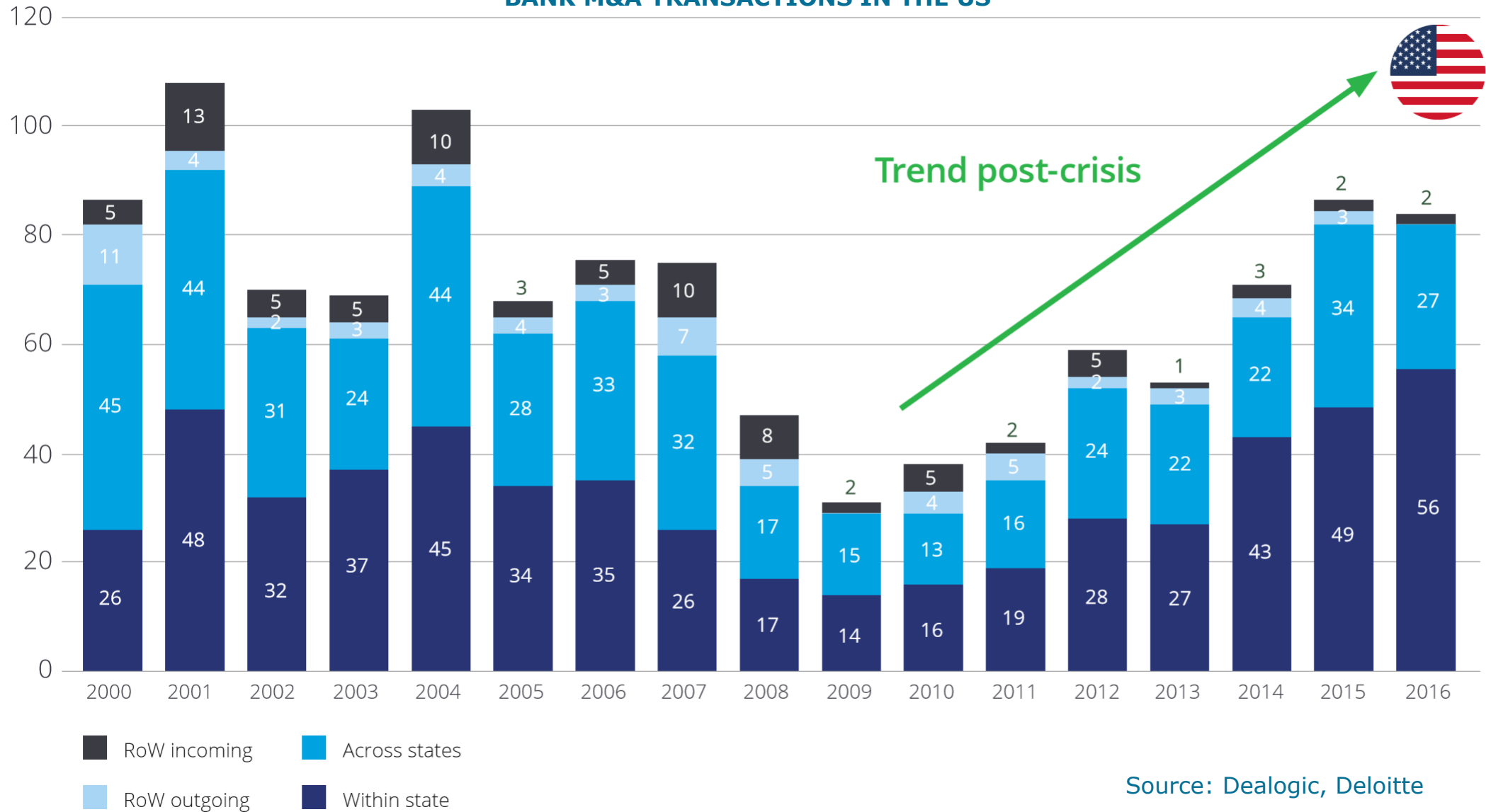
BANK M&A TRANSACTIONS IN THE EURO AREA



Source: Dealogic, Deloitte

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BANK M&A TRANSACTIONS IN THE US



Cross-border consolidation in Europe



From cross-border bank consolidation

- ◆ Cross-border bank consolidation was an objective of the Banking Union
- ◆ So far only national transactions of significance

To cross-sector asset reallocation

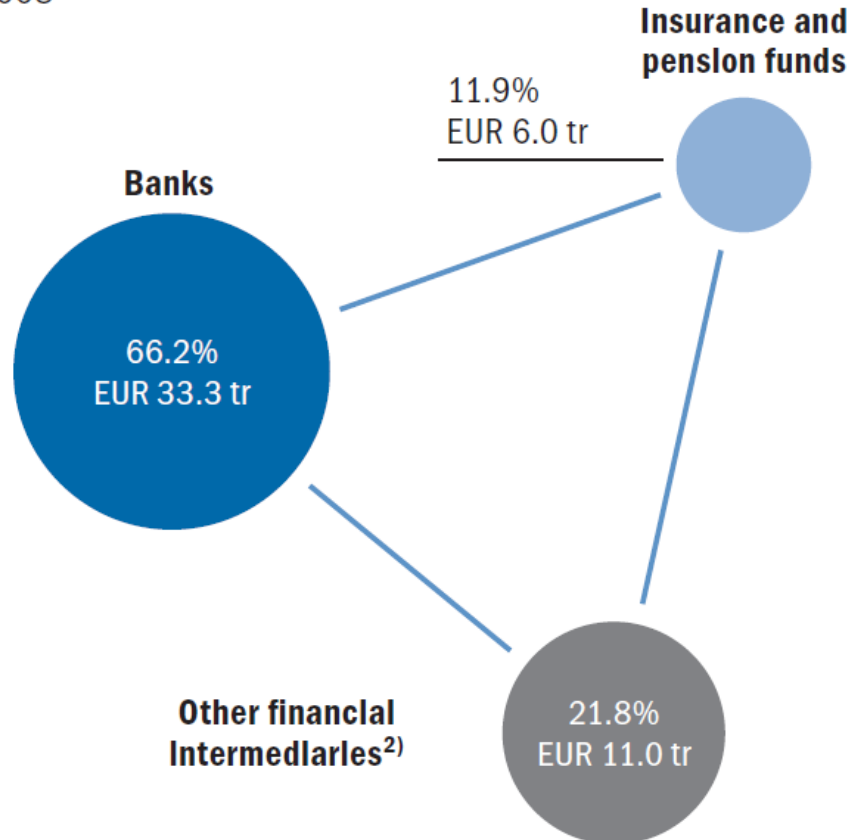
- ◆ In the meantime, financial assets are moving away from the banking regulated sector which relative share is declining at a startling rate

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TOTAL ASSETS IN THE EUROZONE FINANCIAL SYSTEM

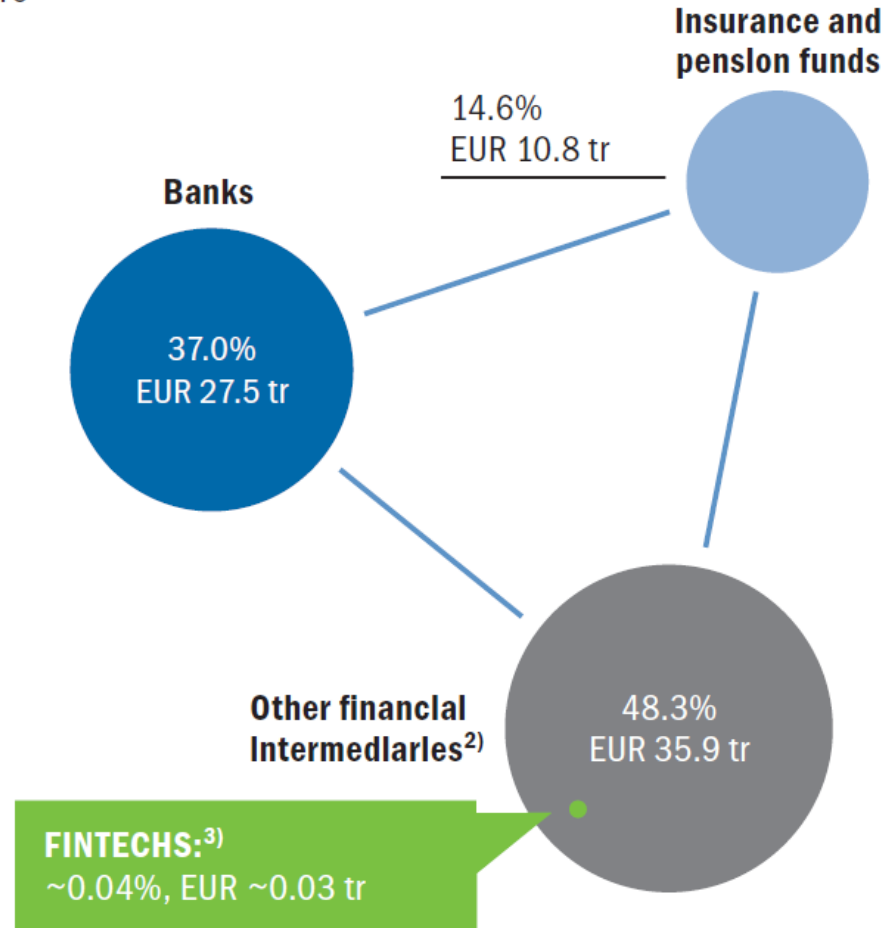
Total market: EUR 50.3 tr

2008



Total market: EUR 74.2 tr

2017e



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Regulatory disincentives to banking consolidation in Europe

- ◆ Ring-fencing of liquidity
- ◆ Capital buffers at national discretion
- ◆ G-SIB added cost of capital
- ◆ Internal MREL
- ◆ Disparate insolvency regimes
- ◆ Divergent national laws: corporates, taxes, AML



SUERF and Belgian Financial Forum Conference Cross-border financial services: Europe's Cinderella?

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