

**Commissioner Charlie McCreevy**

**Swiss Bankers Association**

**Zürich**

**Speech**

**24 January 2008**

Ladies and Gentlemen,

As the European Commissioner in charge of the Internal Market, I was pleased to learn that since the 1<sup>st</sup> January 2008, Sankt Galler Bratwurst, Saucisson vaudois, Coppa and Appenzeller Mostbröckli [different sausage and dried meat specialities] can be exported from Switzerland into the EU without export tax – at least up 2,000 tonnes worth. That is quite a lot of sausage and dried meat if you think about it. This surely is good news for gourmets all over the EU, who appreciate the fine qualities of these specialities. But seen from a different angle, it nicely illustrates the way Switzerland and the EU can work together.

Business relations between Switzerland and the EU are deep and historical: Switzerland is, after the US, the second export market of the EU, before China, before India or Russia. And an overwhelming 82 % of all imports into Switzerland come from EU Member States. On the other hand, the EU absorbs almost two thirds – 62 % – of Swiss exports. 400,000 Swiss nationals have chosen EU member states as their country of residence. More than twice that number, almost 900,000 EU citizens live in Switzerland, plus 700,000 cross border commuters.

To a visitor from outer space, it would seem strange that Switzerland is not fully part in the EU Single Market. Yet, as we all know, this is the case. Switzerland's geographical position, its role as a transport hub, its

cultural and political traditions, and indeed not the least its economy, all confirm strong, centuries old ties with the rest of the European Continent. Its decision, however, not to take part in the European Economic Area, back in 1992, resulted instead in an approach based on separate bilateral negotiations and agreements. An approach seen as the best compromise by many in this country.

In a way, the Swiss attitude vis-à-vis the EU reminds me of a famous quotation from Groucho Marx, who said that he doesn't want to belong to a club that will accept him as a member. I am joking, of course. It is of course the Swiss' sovereign choice of how best to organise political and economical interaction between its Cantons, the neighbouring EU and the World in general. And I fully respect that choice.

Allow me to take a step back and to look at the situation from a more global perspective. Whether we like it or not, Switzerland, as much as the European economy, is inextricably connected now to global developments and shocks. The sub-prime crisis is the epitome of this.

Ladies and Gentlemen, my view is that we should not fear globalisation, but rather stand at the helm and shape it. Shape, or be shaped. With half a billion people, Europe is the world largest exporter and importer. We have more than 50 years of experience in rule making. Combining different cultures, different legal systems and different countries gives us a unique set of political and economical assets – diversity being one of them. Europe has become the standard setter in many areas, from financial markets to environmental policy. Foreign companies (not only Swiss!) cannot afford to ignore the EU market. In fact, European rules and standards are not just respected but also copied. The Financial Times said recently we in the EU are becoming the world's standard

setter. That is a little exaggerated – but we are having more influence globally. Take financial markets - McKinseys reported two weeks ago that we have the biggest financial markets in the world. A few months ago, SwissCom unilaterally took the decision to lower its roaming fees for cell phones, following its EU counterparts.

Negotiating with third countries to achieve open markets and regulatory convergence is one side of the coin. The other side is of course to keep the Single Market running smoothly that the EU and its Single Market remain an attractive place to invest. That means capital, services, goods and people circulating freely.

Since the 1990s, the EU and its environment have consistently changed. Its membership has more than doubled, we are now 27 countries, not to forget the 3 EFTA countries that take part in the Single Market. The shift from a manufacturing economy towards a services economy has changed the way we create wealth and jobs in Europe. Today, almost 70% of EU's gross domestic product and 96% of the new jobs come from the services sector.

These changes contributed to make us rethink the way we design Single Market policy.

The overall objective is simple - helping markets work better for the benefit of all businesses and consumers. We need to concentrate on areas where there are still significant barriers to be taken down.

Particularly on small business. If one SME out of two would develop so to employ just one extra person, there would be an additional 10 million jobs in the EU.

Regarding the governance of the Single Market, I want EU Member States to take more responsibility for making it work on the ground.

Allow me now to concentrate on what probably is close to the heart of many of you: Financial services.

An area where the EU and Switzerland have a long history of cooperation. Our ties are close and they will become even closer. Your organisation is a member of the European Banking Federation, you have chosen to be part of the Single European Payment Area, many European investment funds are distributed in Switzerland, and, needless to say, your banks are very active on EU capital markets.

So let me give you my views on where we stand on Financial Services regulation in the EU.

We have made considerable strides forward towards a Single market in Financial Services. Our capital markets are deepening and more liquid. They are integrated, competitive and equipped with modern regulation. With the Capital Requirement Directives, we have sound implementation of the Basel II framework. With MiFID, we have put in place a comprehensive pro-competitive horizontal regulation of investment services. With Solvency II, we will bring a modern regulatory framework in insurance.

Our philosophy has been an open consultative approach, working with grain of market changes, listening, basing our outcomes on our principles based approach. Our better regulation process with comprehensive consultations with all stakeholders – including third countries – is becoming a good approach. For instance, China is seeking regulatory cooperation with the EU. We want to reach out to India and Russia as well.

However, past laurels are not an insurance against future changes. So let me outline three important issues of our work programme: improving

supervisory convergence across the EU, integrating retail financial services markets and drawing conclusions from the current financial turmoil.

Enhanced convergence of supervisory practices is a priority: a single rule book cannot function effectively without consistent implementation and enforcement. Internationally active groups are subject to different sets of rules and multiple reporting formats. The Commission has not proposed to create a Euro-SEC or Euro-FSA. But we want to strengthen the existing EU supervisory framework. The committees of supervisors need both reinforced political accountability and enhanced internal decision-making procedures. At the same time, national supervisors should have the right powers they need to fulfil their tasks. Member States share these objectives. A roadmap endorsed by December 2007 ECOFIN identifies the necessary actions. We will need to implement them swiftly and make decisive progress this year. In banking, we have to deepen cross-border supervisory cooperation working through effective colleges for the major cross-border banks.

Retail financial services are also an area where integration is lagging behind: fees, services and products vary greatly among member States hurting both consumers and businesses. We are working in four directions:

First, mortgage credit. We have presented in December 2007 our strategy in the White paper. We want to ensure greater product diversity, adequate levels of consumers protection and make a step towards more efficient and competitive markets.

Secondly, payments. We are working hard to achieve the Single Euro Payment Area. Huge benefits are on offer here if we can achieve quick,

cheap, secure and easy payments across the EU. The total benefits could add up to more than a hundred billions euros.

Thirdly, bank accounts. To reinforce customer mobility, we will invite the banking industry to develop common rules. Such arrangements will make opening, closing and switching bank accounts easier and cheaper. Fourthly, we work on the empowerment of customers. Through financial education and better information and advice. Because an educated consumer is a powerful incentive to boost competition and innovation. And to bring down prices.

Now I come to the current financial turmoil. To minimize the risk of such shocks in the future, we need to build a more resilient financial system. With a mandate of the EU Finance Ministers, we are working on improvements to transparency, valuation standards of complex instruments, prudential rules and risk management practices. We also want to make progress on the functioning of markets, including credit rating agencies. This work comes to fruition throughout 2008

One last point but perhaps the most important one for you. How can you benefit from the Single Market in Financial services and how can we work better together?

First, efficient EU capital markets are a competitive advantage for the whole of Europe. Effective unified regulations, open markets and reduced costs of capital are decisive assets for all European companies and the macroeconomy.

Secondly, I invite you to leverage your growth with an extensive use of our passport system. With only one base in any Member State, you gain

access to all EU markets. So do not hesitate, to invest even more in EU financial markets, bring clever innovations, deliver new services. The financial turmoil will also yield opportunities. To try new business models. Not an excuse to ring fence ourselves. We need innovative Swiss banks to enhance EU competitiveness: a win-win situation for all of us. Help us keep our policies and minds open to the benefits of Sovereign Wealth fund investments, 60 billions dollars of which has played such an important role in boosting the liquidity and capital of the world's leading financial institutions.

Thirdly, let us work together on international issues. As you have always been in the past, keep on being a strong supporter of international regulations. I think of course of Basel II, but also its insurance twin sister Solvency II and accounting rules. Regulatory convergence and international standards promotion must be a common goal. Together, we must strive for opening the new financial services markets such as China, India and Russia. We want - like you - to increase foreign players' participation and to foster regulatory improvement in these countries. They are the markets of tomorrow and a united financial Europe, with Switzerland playing its full role, will better grasp these fast growing opportunities.

Thank you.

END

Words :1700